



A Clear Breakdown of Out-of-Pocket Spending: Implications for Public Health Policy

Christy Pu^{1*}

¹Department of Public Health, School of Medicine, National Yang Ming Chiao Tung University, Taipei, Taiwan. Email: cypu@nycu.edu.tw

Article Details

Article Type: Commentary Article

Received date: 18th December, 2024

Accepted date: 23rd December, 2024

Published date: 26th December, 2024

***Corresponding Author:** Christy Pu, PhD, Department of Public Health, School of Medicine, National Yang Ming Chiao Tung University, Taipei Taiwan.

Citation: Pu, C., (2024). A Clear Breakdown of Out-of-Pocket Spending: Implications for Public Health Policy. *J Pub Health Issue Pract* 8(2): 231. doi: <https://doi.org/10.33790/jphip1100231>

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Introduction

Out-of-pocket (OOP) health expenditures play a critical role in shaping global health policies due to their direct impact on financial risk protection, health equity, and access to healthcare services. For policymakers to utilize OOP expenditure data effectively, a nuanced and detailed breakdown is essential. Excessive OOP spending often forces individuals into financial hardship, even in nations with robust health insurance systems [1, 2] making it crucial to comprehend the determinants and nature of these expenses. Misattributing the causes of OOP expenditures can lead to ineffective policy interventions, underscoring the need for precise data categorization.

The Complexity of Out-of-Pocket Expenditures

Understanding the detailed components of OOP expenditures is key to addressing their financial implications. High OOP costs often highlight gaps in public health insurance; however, not all such expenses indicate systemic deficiencies. For instance, Taiwan's National Health Insurance (NHI) system, lauded globally for its universal health coverage (UHC), still reports significant OOP expenditures. A recent study employing the System of Health Accounts (SHA) framework—an international standard for estimating health expenditures [3] revealed that in 2021, OOP spending accounted for 29•6% of Taiwan's national health expenditure (NHE). Of this, curative care (HC.1) accounted for 50•1% of the total OOP spending [4]. Curative care costs, such as copayments for inpatient and outpatient services, are closely linked to the NHI and reflect how the system operates in practice. However, up to 39% of OOP expenses are attributable to medical goods (HC.5), including items such as wheelchairs, thermometers, condoms, and other durable and nondurable medical products, which are typically not covered by the NHI [4]. Attributing the high OOP spending in this category to shortcomings in NHI coverage would be inappropriate. Similarly, long-term care expenses, which also contribute to NHE according to the SHA framework [3], are often managed by departments other than the NHI administration. According to Taiwan's Ministry of Health and Welfare, in 2022, the private sector financed 56•7% of the total long-term care expenditure in Taiwan [5]. Assigning blame for this OOP expenditure to gaps in NHI coverage would thus be misleading.

Implications for Policy and Global Comparisons

The lack of a clear breakdown in OOP expenditures can misguide policy discussions, particularly regarding resource allocation for systems like Taiwan's NHI. Although the general consensus is that more resources should be allocated to Taiwan's NHI system, [6] the failure to differentiate between different categories of OOP expenditures can lead to misguided policy discussions. Misclassification of OOP categories hampers cross-country comparisons, as not all categories indicate gaps in public health insurance. Some, such as medical goods, may reflect non-insurance-related expenses, while others may reveal genuine coverage gaps.

To address these challenges, a detailed analysis of OOP expenditures is essential. By understanding the specific components, policymakers can better identify gaps in coverage and prioritize financial risk protection where it is most needed. International comparisons of OOP expenditures should also emphasize detailed category breakdowns to facilitate meaningful discussions and targeted interventions.

Conclusion

A clearer and more detailed categorization of OOP health expenditures is imperative for informed policymaking and effective resource allocation. Taiwan's experience illustrates the importance of distinguishing between various OOP components to avoid misguided attributions and enhance the effectiveness of health policies. Global health systems must adopt detailed OOP reporting practices to address financial burdens, ensure equitable access, and refine universal health coverage strategies.

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