

Chapter 5

On Health Expenditure and Income Inequality

Orhan Torul

 <https://orcid.org/0000-0002-1251-1022>

Boğaziçi University, Turkey

ABSTRACT

This study investigates the relationship between health care expenditure and income inequality empirically. Using data from a large panel of countries covering a sizeable period of time, how level and composition of health care expenditures correlate with income inequality is studied via the panel data fixed effects estimation methodology. These estimations yield several robust findings. First, there is a significant positive correlation between income inequality and reliance on private resources for health care financing. Second, there exists a significant negative correlation between health care expenditure per capita and income inequality. Third, there is a significant negative correlation between income inequality and health care expenditure as a share of GDP. Next, this study analyzes a select group of well-established democracies with developed economies to detect if health expenditure and income inequality variables correlate with public beliefs and preferences. Empirical analyses reveal that indeed belief and preferences accord well with policy choices.

INTRODUCTION

Since late 1970s, economic inequalities have been on the rise globally. A large body of literature has been discussing this upward trend via the evolution in income inequality measures.¹ Recent work by Piketty (2015) documents that the upward time trend in income inequality is not secular, but coupled with ever-increasing

DOI: 10.4018/978-1-7998-2329-2.ch005

wealth inequality. Figure 1 illustrates these developments by reporting the evolution of top income and wealth percentile share ratios in a select group of countries, and demonstrates that income and wealth concentration has already reached alarming levels in many different parts of the world.²

Advances in the study of economic inequality, along with higher-quality micro-level data sets have drawn considerable attention on the interaction between the distribution of economic variables, and numerous other economic and political subjects.³ Access to health care is inherently affected by the rise in economic inequalities, since in most parts of the world households' private health care coverage is rather limited, either due to insufficient fiscal capacity and/or ideological health policy choices. As such, in order to have a comprehensive understanding of global analysis of universal health coverage, it is imperative to explore the historical and actual linkages between economic inequality and health care expenditure variables.

This study intends to contribute to research front on this end by investigating cross-country correlations between income inequality and the most objective and cross-country-comparable health care variable: expenditure on health care, along with its public versus private composition, share in GDP and its average per capita value. In particular, using a large panel data set covering over 150 countries and 20 years, I study associations between income inequality, and the level and composition of health expenditure variables, along with the fraction of GDP devoted to health care expenditure and health care expenditure per person. My estimations via panel-data fixed-effect regressions first reveal a robust and positive correlation between income inequality and reliance on private resources for health care financing: countries where health care provision is predominantly privately financed are also high-income inequality countries. Second, my estimation results document a robust negative correlation between health care expenditure per capita and income inequality: countries that engage in higher expenditure on health care services are also more frequently low-inequality countries, and as such, when low public health care provision is coupled with low overall health spending, higher income inequality emerges. Third, I document that the fraction of health care expenditure to GDP correlates negatively income inequality: low-inequality countries succeed in devoting a higher fraction of their GDP to health care provision. I verify that these findings are robust over variable specifications and methodological choices. These robust findings signal that if public health care provision is low in level, its dismal implications on more pronounced income inequality is more than probable.

The fact that these robust findings come from a large panel of countries covering a long time-span is of particular value, since previous studies on the subject tend to concentrate on variations in rather small samples: either via a limited spatial or time span. As such, the external validity of findings from these earlier studies are not without valid concern. The panel data set I rely on my econometric estimations

33 more pages are available in the full version of this document, which may be purchased using the "Add to Cart" button on the publisher's webpage: www.igi-global.com/chapter/on-health-expenditure-and-income-inequality/247162

Related Content

Exploring Health Information Exchange Through a System of Systems Framework

Chaojie Wang (2020). *International Journal of Applied Research on Public Health Management* (pp. 1-12).

www.irma-international.org/article/exploring-health-information-exchange-through-a-system-of-systems-framework/255726

Automation of Intraoperative Analysis of the Indicators of the Inflammatory Response of Neurosurgical Patients Undergoing Brain Tumor Removal: Information Processing, Analysis, Prognosis

Sergey Sokolov, Anatoliy Kondratiev, Nataliya Lesteva and Nataliya Dragina (2023). *International Journal of Applied Research on Public Health Management* (pp. 1-13).

www.irma-international.org/article/automation-of-intraoperative-analysis-of-the-indicators-of-the-inflammatory-response-of-neurosurgical-patients-undergoing-brain-tumor-removal/325652

Health Information Technology and Quality Management

T. Ray Ruffin (2017). *Public Health and Welfare: Concepts, Methodologies, Tools, and Applications* (pp. 354-371).

www.irma-international.org/chapter/health-information-technology-and-quality-management/165820

Impact of Climate Change on Agriculture and Food Security

Sunil Londhe (2016). *International Journal of Disease Control and Containment for Sustainability* (pp. 32-46).

www.irma-international.org/article/impact-of-climate-change-on-agriculture-and-food-security/170384

A Preliminary Study on the Correlation Factor Analysis of Language Cognitive Assessment System Based on Scale Construction

Zhou Yu Yu (2023). *International Journal of Applied Research on Public Health Management* (pp. 1-10).

www.irma-international.org/article/a-preliminary-study-on-the-correlation-factor-analysis-of-language-cognitive-assessment-system-based-on-scale-construction/315610