

Statistical bulletin

# Healthcare expenditure, UK Health Accounts provisional estimates: 2020

Provisional high-level estimates of healthcare expenditure in 2020 by financing scheme.

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# 1 . Main points

- Total current healthcare expenditure in 2020 is estimated at £269 billion, a nominal-terms increase of 20% on spending in 2019.
- The share of GDP attributed to healthcare rose to around 12.8% in 2020, from 10.2% in 2019.
- Growth in total healthcare expenditure was driven primarily by a 25% (nominal terms) increase in government healthcare expenditure.
- Growth in government healthcare expenditure is likely to have been driven both by direct costs of the pandemic, such as spending on new testing and tracing services and indirect costs to existing services, such as additional personal protective equipment for frontline healthcare workers.
- Growth in non-government healthcare expenditure varied by financing scheme; the coronavirus pandemic reduced household spending on medical services but spending on medical goods increased.

## 2 . Total current healthcare expenditure

### Healthcare expenditure in 2020

Our early estimates suggest that spending on healthcare in the UK in 2020 was approximately £269 billion, including both government and non-government spending. This includes health-related long-term care services. These are our first estimates based on initial data and therefore subject to a greater degree of uncertainty than our back series.

As a result of the provisional nature of these estimates and the data used to produce them, users should be aware that our 2020 figures may be subject to substantial revisions one year after release, when the complete set of data sources used to produce the full health accounts are published.

This bulletin presents analysis of healthcare financing schemes. The latest analysis of healthcare expenditure by healthcare function and provider is available in our [full health accounts for 2019](#). While our 2020 estimates include health-related long-term care, we are unable to provide estimates for total long-term care expenditure.

### Healthcare expenditure grew faster in 2020 than in any other year in the series

Total healthcare expenditure grew by 20% in nominal terms between 2019 and 2020. This was by far the fastest year-on-year rate of growth in healthcare expenditure observed across the time series, which began in 1997.

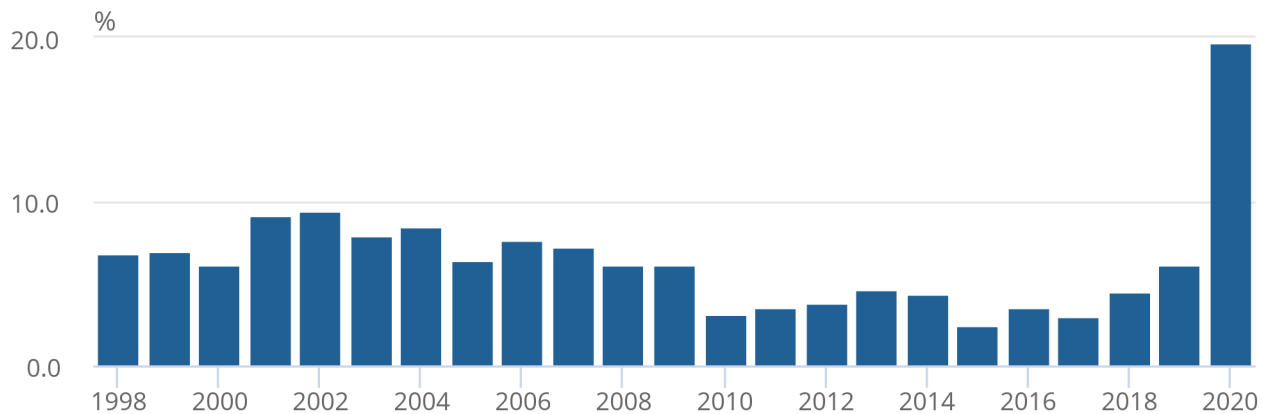
Growth rates are presented in nominal terms within this bulletin, unadjusted for inflation.

## Figure 1: Nominal healthcare expenditure rose by 20% in 2020, more than in any other year

Annual growth rates in total current healthcare expenditure, UK, current prices, 1998 to 2020

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Annual growth rates in total current healthcare expenditure, UK, current prices, 1998 to 2020



Source: Office for National Statistics – UK Health Accounts

The increase in total current healthcare spending was primarily driven by government expenditure, reflecting the UK and devolved governments' response to the coronavirus (COVID-19) pandemic.

At this stage it is too early to give a detailed breakdown of the growth in expenditure, although later sections of the bulletin provide information from alternative sources that provide evidence of the likely drivers of growth.

## Healthcare expenditure represented 12.8% of GDP in 2020

Healthcare expenditure can also be measured as a share of gross domestic product (GDP), to show healthcare spending relative to the whole economy. Healthcare expenditure represented 12.8% of GDP in 2020, up from 10.2% in 2019. This large increase was partly a result of very strong growth in healthcare expenditure but also partly due to a contraction in GDP, with the coronavirus pandemic having a major impact on both the healthcare sector and the wider economy.

## Figure 2: Healthcare spending as a share of GDP rose sharply in 2020, because of a fall in GDP and an increase in healthcare spending resulting from the pandemic

Share of GDP attributed to total current healthcare expenditure and growth contributions, UK, 1997 to 2020

## Notes:

1. Nominal GDP growth contribution is inverted relative to the direction of GDP growth. For instance, a fall in GDP will be shown as a positive contribution of GDP growth to the change in healthcare expenditure as a percentage of GDP.

[Download the data](#)

Prior to 2020, the largest single-year change in healthcare spending as a share of GDP was a 0.8 percentage point increase in 2009, resulting from a fall in GDP following the 2008 financial crisis. Initial data suggests that the coronavirus pandemic has had a far greater negative impact on GDP. This, combined with the increase to healthcare expenditure, results in a 2.6 percentage point increase in the share of GDP attributed to healthcare spending in 2020 compared with 2019.

## 3 . Government healthcare expenditure

### **Growth in government healthcare expenditure in 2020 was higher than in any other year**

Our initial estimates suggest that government healthcare spending in 2020 was in the region of £220 billion, accounting for over four-fifths (82%) of total healthcare expenditure. We estimate that government-financed healthcare spending rose by around 25% in 2020, by far the biggest year-on-year increase since our series began in 1997.

Our estimate of government expenditure covers spending on existing healthcare services financed by central and local government, which includes additional indirect pandemic-related costs, such as the increased use of personal protective equipment (PPE) by professionals providing care. It also covers expenditure on new services established to combat the coronavirus pandemic, including testing and tracing activities and the initial deployment of the COVID-19 vaccination programme. The estimate only covers the deployment of vaccines in 2020 and excludes the procurement of vaccines for deployment in future years. Our estimates are based on provisional financial data and as such will be subject to revision when the final accounting position of government departments for the year has been established.

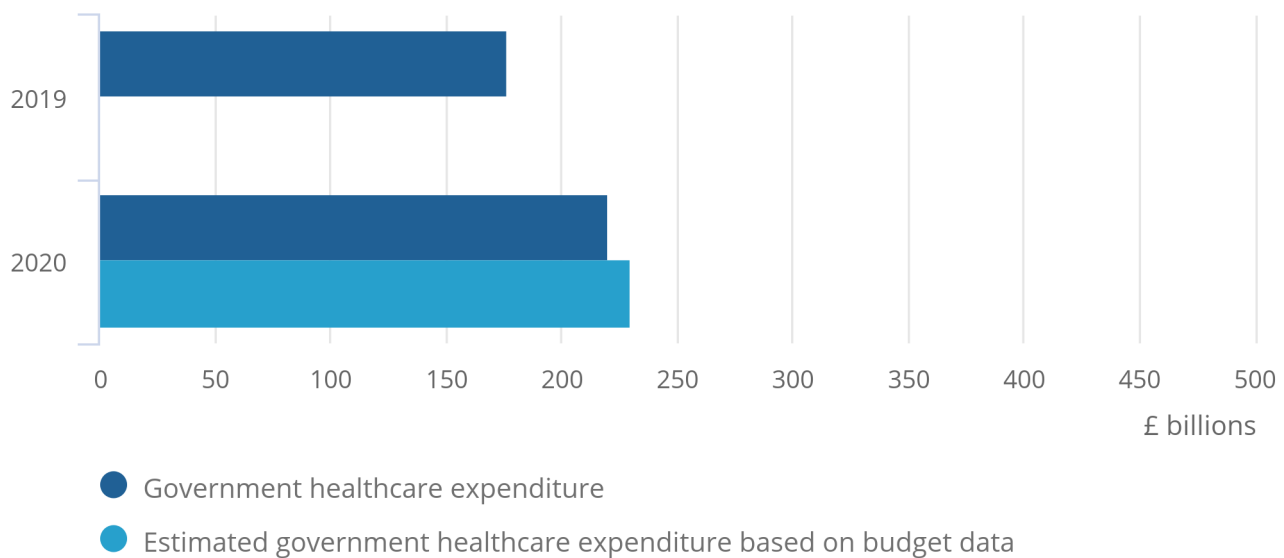
Our estimates are based on provisional expenditure data, but an alternative source would be healthcare budgets, which show planned spending over the course of the year. Healthcare budgets for the financial year ending 2021 were significantly increased in response to the pandemic. If we used [departmental supplementary supply estimates \(PDF, 7.53MB\)](#), we might expect government healthcare spending to grow to approximately £230 billion for the calendar year 2020. However, departmental budgets, such as for the Department of Health and Social Care, are an upper limit, therefore actual expenditure may be lower. Early analysis suggests that [central government expenditure is expected to be considerably lower than anticipated](#) in recent official forecasts, which included an expected underspend on these budgetary limits.

### Figure 3: Early estimates of healthcare spending are lower than estimates based on budget allocations

Government-financed healthcare expenditure in nominal terms, UK, 2019 and 2020 estimates

## Figure 3: Early estimates of healthcare spending are lower than estimates based on budget allocations

Government-financed healthcare expenditure in nominal terms, UK, 2019 and 2020 estimates



Source: Office for National Statistics – UK Health Accounts

## Government spending on activities to combat the coronavirus pandemic

Currently, we are only able to estimate growth in overall government healthcare expenditure. In next year's publication we will be able to draw upon more comprehensive sources of expenditure data to provide further analysis on the components driving the increase in healthcare spending. However, healthcare budget and activity data help to give an early indication of how the pandemic has impacted on government healthcare spending.

COVID-19 testing and tracing activities, including [NHS Test and Trace](#) services in England and similar services provided in the other UK nations, came into operation in 2020. The [NHS Test and Trace](#) budget for the financial year ending (FYE) 2021 was £22 billion. [Early estimates suggest spending up to the end of October 2020 was much lower, at around £4 billion](#), although [expenditure in 2021 is expected to be higher](#).

Current healthcare expenditure also covers the cost of administering vaccines. The UK's first COVID-19 vaccinations were administered on 8 December 2020. [Around £5 billion was budgeted](#) to support the procurement and deployment of vaccines in FYE 2021. [Up to the 11th January](#), roughly 2.3 million individuals in the UK had received their first dose of vaccination, rising to over 31 million by the end of March 2021. This suggests that there will be some vaccination costs contributing to healthcare spending in 2020, although most vaccine deployment will be occurring from 2021.

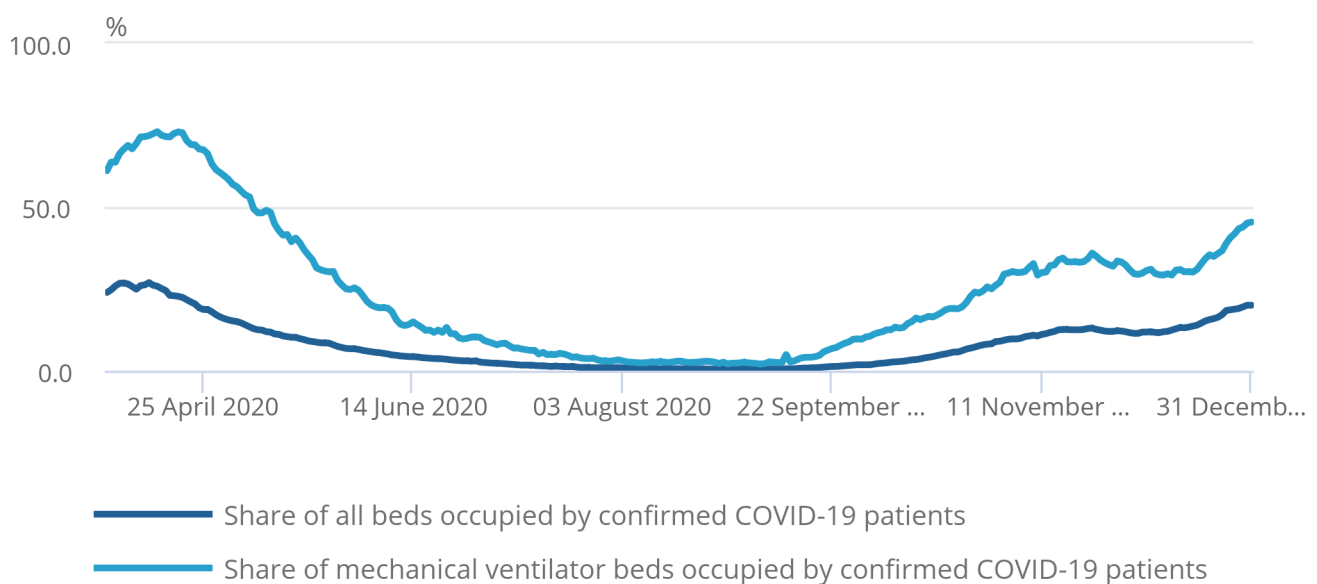
There are currently no available data sources indicating the cost of treating patients with COVID-19. However, NHS England data indicates that COVID-19 patients represented a substantial share of occupied beds between April to December 2020, suggesting COVID-19 treatment is likely to account for a significant share of curative and rehabilitative care spending in 2020.

**Figure 4: On average, 8% of total beds and 24% of mechanical ventilator beds were occupied by COVID-19 patients in England, between April and December 2020**

Daily share of total and mechanical ventilator beds occupied by confirmed COVID-19 patients in NHS Trusts in England, 2 April and 31 December 2020

Figure 4: On average, 8% of total beds and 24% of mechanical ventilator beds were occupied by COVID-19 patients in England, between April and December 2020

Daily share of total and mechanical ventilator beds occupied by confirmed COVID-19 patients in NHS Trusts in England, 2 April and 31 December 2020



Source: NHS England – COVID-19 daily situation report

Notes:

1. Averages are calculated as simple averages.

## Impact of COVID-19 on regular healthcare services

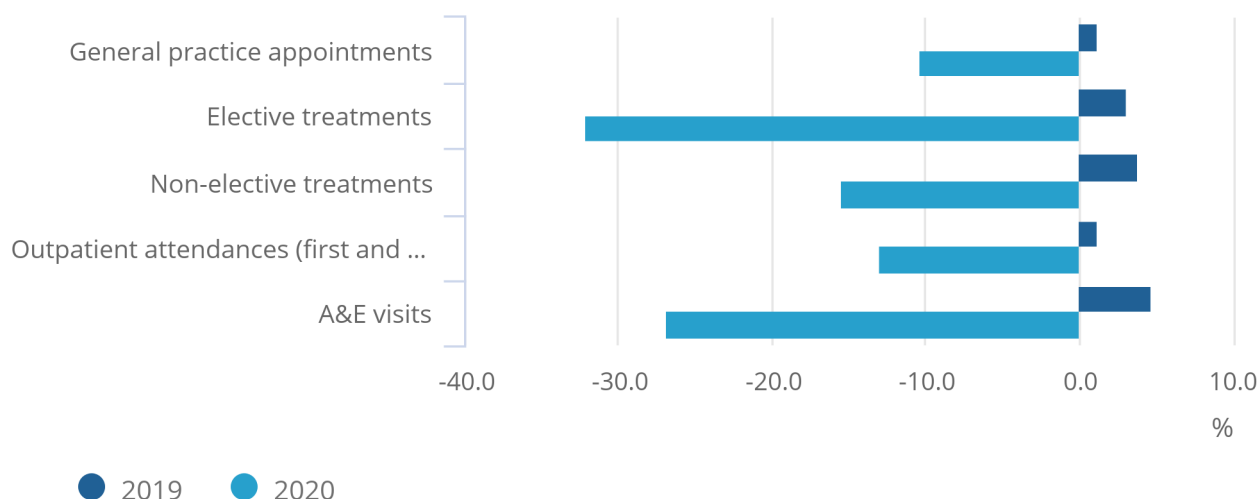
COVID-19 is likely to have a substantial impact on spending on existing healthcare services. The number of elective treatments and A&E visits have fallen in 2020. While lower levels of activity suggest lower expenditure, increases in the costs of providing those services is likely to partly offset this. Other services have been provided in alternative ways in 2020. A greater proportion of GP and specialist consultations were delivered as video or phone consultations in 2020 than in 2019. The cost of providing services in these forms may differ from typical face-to-face consultations.

## Figure 5: Activity levels in England fell for a range of day-to-day healthcare services during 2020

Growth in activity for selected healthcare services in England, 2019 and 2020

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Growth in activity for selected healthcare services in England, 2019 and 2020



Source: NHS Digital – Appointments in General Practice, Office for National Statistics estimates from HES monthly activity report, NHS Digital, MAR statistics and QAR statistics, NHS England, NHS England – A&E attendances and emergency admissions

The largest indirect costs of the pandemic to existing healthcare services are likely to be greater staffing requirements and the increased use of personal protective equipment (PPE) by frontline healthcare workers. [Spending on PPE by the Department for Health and Social Care \(DHSC\)](#) in England was estimated at around £10 billion as of October 2020<sup>1</sup>. [Early financial data presented up to January 2021](#) suggests NHS providers in England incurred an additional £2.1 billion in pay costs over this period than was initially expected.

COVID-19 has also had a considerable impact on the cost of providing adult social care services, most notably in care homes. Analysis by LaingBussion suggests that [increased costs incurred by independent sector providers in England](#) included the purchase of PPE, additional staffing and extensive deep cleaning. They estimate that, up to September 2020, around £3.3 billion of these additional cost pressures were funded by local government.

#### Notes for: Government healthcare expenditure

1. The published National Audit Office cost tracker has since been updated to present spending estimates up to May 2021.

## 4 . Non-government healthcare expenditure

## Growth in non-government healthcare expenditure varied by financing scheme

Expenditure on healthcare financed through non-government schemes was approximately £49 billion in 2020, an increase of roughly 2% in nominal terms on 2019. Of the two largest non-government schemes, out-of-pocket expenditure increased by around 4% but expenditure on voluntary health insurance schemes fell by around 23%. The variation in growth rates is partly a result of the different type of healthcare services available through different schemes.

We can observe different trends in household spending on healthcare in 2020 based on early estimates of household final consumption expenditure. Household spending on medical goods increased in 2020, while spending on medical services in both hospital and outpatient settings fell.

Household medical goods expenditure includes spending on over-the-counter drugs, medical appliances such as eyewear and hearing aids, and the purchase of personal protective equipment such as medical face masks and medical gloves.

Outpatient services were particularly affected by lockdowns. For example, [all routine dental care](#) was halted during the March 2020 lockdown and COVID-19 infection control and deep cleaning requirements have meant that surgeries have operated at a reduced capacity since reopening.

Regarding hospital services, there were [sizeable reductions in private admissions](#) over the course of the 2020, most notably between April and July. Private hospital providers were commissioned by government to help support public health services during the height of the pandemic. The largest reductions in private treatments related to non-urgent care, with critical medical specialties, such as private medical oncology admissions remaining relatively stable throughout the year.

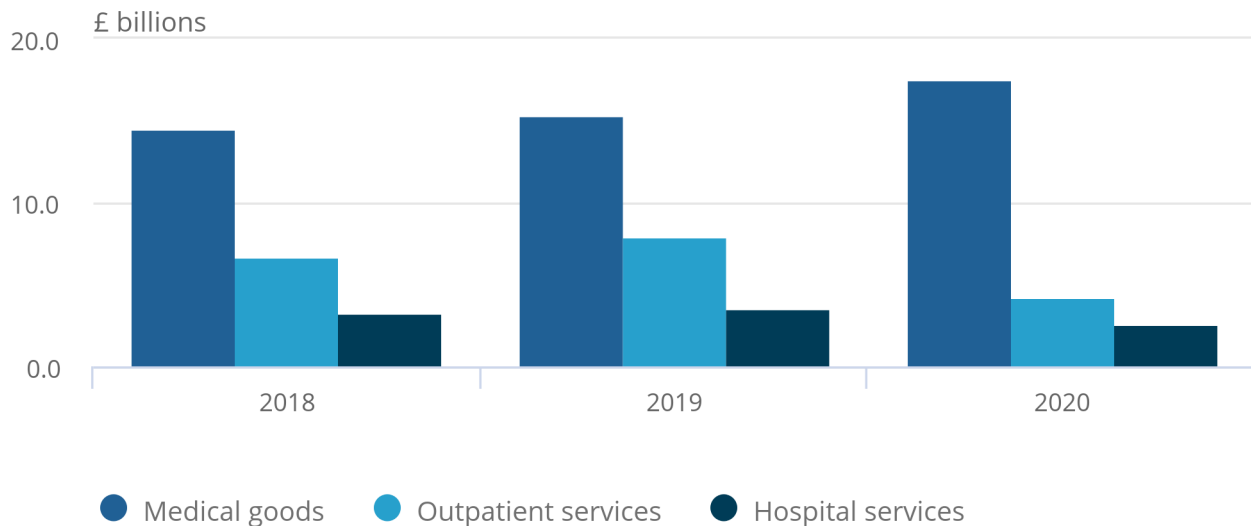


**Figure 6: Household spending on healthcare services varied over 2020 depending on the type of services purchased**

Household final consumption expenditure by healthcare components, 2018 to 2020

## Figure 6: Household spending on healthcare services varied over 2020 depending on the type of services purchased

Household final consumption expenditure by healthcare components, 2018 to 2020



Source: Office for National Statistics – Consumer Trends

### Notes:

1. Household consumption is measured using a different set of guidelines to the UK health accounts and not representative of all the services measured in our out-of-pocket expenditure and health insurance schemes estimates.

There are currently limited data available regarding out-of-pocket spending on long-term care services. The number of self-funding private clients is likely to have fallen in 2020, with this implying reduced expenditure, but this may have been offset by additional cost pressures on independent sector providers being passed onto self-funding clients. Regarding local authority arranged services, many local authorities in England [expect to see income from client contributions to care fall below what was budgeted for in 2020](#).

Regarding charities, [a survey of voluntary organisations](#) in December 2020 found that 59% of organisations with a health, hospital and nursing home focus reported offering an increased range of services at that time, compared with March 2020<sup>1</sup>. It is not known how this translates into expenditure by non-profit institutions serving households (NPISH), which excludes the delivery of public services contracted by government or trading activity. Our estimates show an increase in NPISH expenditure, however, these are subject to a high degree of uncertainty.

### Notes for: Non-government healthcare expenditure

1. Based on the January 2021 wave of the "Respond, recover, reset: the voluntary sector and COVID-19" survey, covering respondents between 30 November and 14 December 2020.

## 5 . Healthcare expenditure data

[UK Health Accounts reference tables](#)

Dataset | Released 1 June 2021

UK health expenditure. Final data for financing schemes, functions, providers, long-term care expenditure, revenues of financing and capital expenditure. Provisional data for financing schemes only.

## 6 . Measuring the data

Data for 2020 presented in this bulletin are consistent with the framework used to produce UK health accounts between 1997 and 2019. These statistics are produced to be consistent with the international definitions of the System of Health Accounts 2011 (SHA 2011).

For more information about the sources and methods used to produce our 2020 estimates of healthcare expenditure, please see [UK Health Accounts: methodological guidance for t-1 estimates of healthcare expenditure](#)

## 7 . Strengths and limitations

### Timeliness

We have produced early projections of healthcare expenditure in 2020 in order to present more timely data on the healthcare sector in the UK that is consistent with our main series of health accounts, which runs from 1997 to 2019.

### Data availability

The data presented in this report are based on growth presented in quarterly national accounts data. These early estimates are subject to data revisions, reflecting the inherent trade-off between timeliness and accuracy of different data sources. Quarterly national accounts data are subject to revision, as explained in the [National Accounts revision policy](#).

### Impact of COVID-19

Estimates of expenditure in 2020 are subject to more uncertainty than usual as a result of the challenges faced by data providers in collecting data over this year.

## 8 . Related links

### [Healthcare expenditure, UK Health Accounts: 2019](#)

Statistical bulletin | Released 1 June 2021

This statistical bulletin presents final estimates of current healthcare expenditure between 1997 and 2019. The bulletin contains detailed analysis of spending by healthcare financing scheme, function and providers between 2013 and 2019. We also present data on revenues of financing schemes and capital expenditure on healthcare.

### [UK Health Accounts: methodological guidance](#)

Article | Updated monthly

This guidance note explains the methodology used to calculate healthcare expenditure for government and non-government financing schemes of health accounts.

### [System of Health Accounts 2011 \(revised edition\)](#)

Framework | Released 16 March 2017

A systematic description of the financial flows related to the consumption of healthcare goods and services.