



Can people afford to pay  
for health care?

New evidence on  
financial protection in  
Israel

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# Abstract



**Background:** Financial protection is one of the goals of health systems, and it means that the use of health care does not result in financial hardship or unmet needs by those in need. However, there is little information on the extent to which the Israeli health system achieves this goal.

**Objectives:** To examine the degree of financial protection that the Israeli health system provides to its residents by (1) examining trends between 2005 and 2019; (2) comparing data from Israel with that of European countries; (3) examining the health services that undermine financial protection.

**Methods:** Longitudinal analysis of data from the CBS household expenditure surveys conducted between 2005-2019. Financial protection was measured using indicators developed by the WHO: catastrophic expenditure on health care; and risk of impoverishment due to these expenditures. Catastrophic spending was defined as payments for health care exceeding 40% of the household's 'disposable income' after spending on basic needs (food, housing, water, electricity and gas – 'the basic needs line'). A household is impoverished when total consumption after deducting out-of-pocket on health care falls below 'the basic needs line'. This line is at the level of the average expenditure on basic needs among the 25-35 percentiles of the distribution of consumption in households standardized to the composition of the family unit.

**Findings:** In 2019, out-of-pocket spending for health care were catastrophic for 6% of Israeli households, and half of them were at risk of impoverishment (3%). This rate remained stable throughout the study period and is high compared to European countries with a similar rate of out-of-pocket spending as a percentage of current health spending. Dental care is the main service that causes catastrophic spending: 57% on average of all catastrophic spending, 76% in the top spending quintile and 33% in the bottom spending quintile. Medicines are the secondary service that causes catastrophic spending, but the burden of out-of-pocket spending varies by income: medicines make up 48% of the total catastrophic spending of the lower quintile compared to 5% of the spending in the upper quintile.

**Conclusions and policy recommendations:** The public coverage of dental care in Israel is partial, and is the main cause of catastrophic spending, particularly among the rich. However, financial protection is underestimated by the catastrophic spending indicator for those with unmet needs. In a survey conducted in 2016 among adults aged 22 or more, a third of those belonging to the bottom quintile reported forgoing dental care. In the same survey conducted in 2021, the poor reported having difficulties paying for medicines and 13% forewent medicines due to the cost. In order to improve financial protection, public spending on health needs to be increased to: expand dental care coverage at the National Health Insurance's benefits basket, reduce copayments, change the coinsurance for medicines to flat-rate copayments, and add discounts on copayments based on income.

# Background and Objectives

Financial protection is one of the overarching goals of healthcare systems

It means that the use of health services does not lead to financial hardship due to out-of-pocket expenses

Yet, The degree of financial protection in Israel has not yet been investigated



Source: Thomson et.al, 2019

Our objectives were to examine the degree of financial protection that the health system in Israel provides to its residents

→ Financial protection is measured using indicators developed by the World Health Organization

1. Which services undermine financial protection?

2. Trends between 2005 and 2019

3. Comparison with European countries

# Methods

Longitudinal analysis of the CBS household expenditure survey data (years 2005-2019)

The total expenditure (consumption) of the household = proxy for the standard of living

Out-of-pocket expenditures on health that exceed 40% of the household's disposable income after spending for basic needs (food, housing, water, electricity and gas)

**Catastrophic  
expenditure**





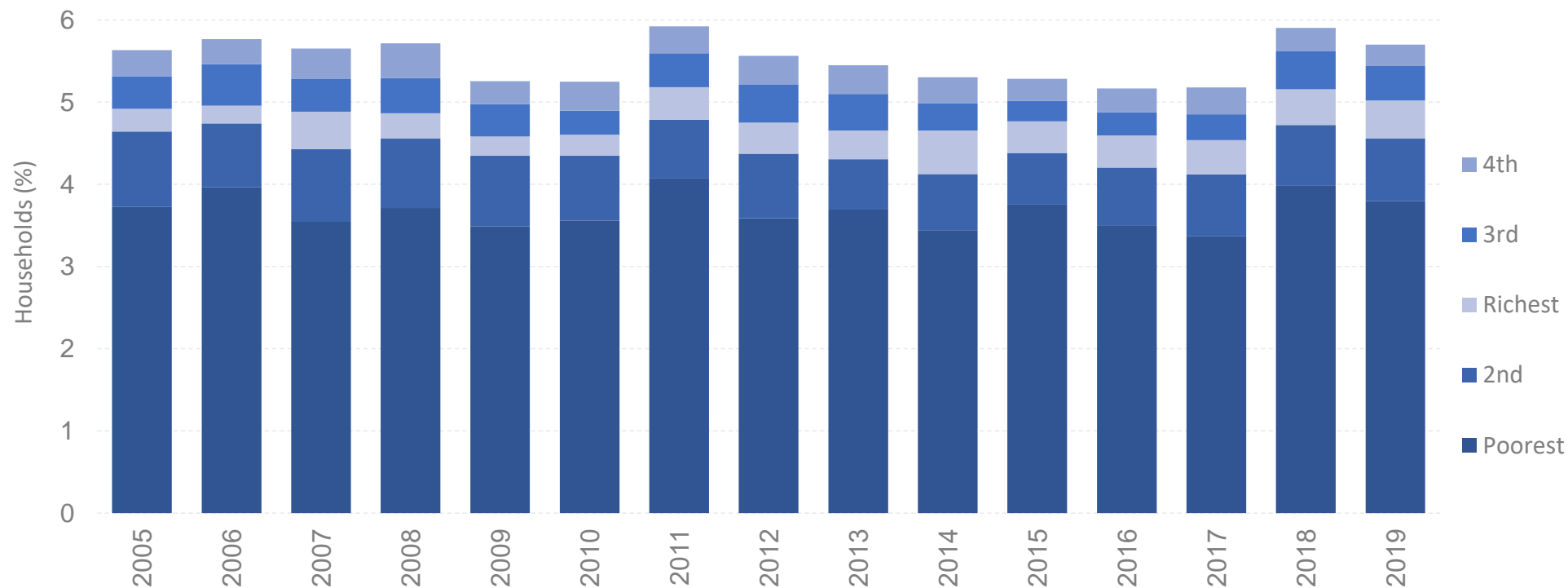
# Results



# In 2019, 5% of households experienced catastrophic health spending

Catastrophic health spending is heavily concentrated in households with low incomes

### Share of households with catastrophic health spending by consumption quintile



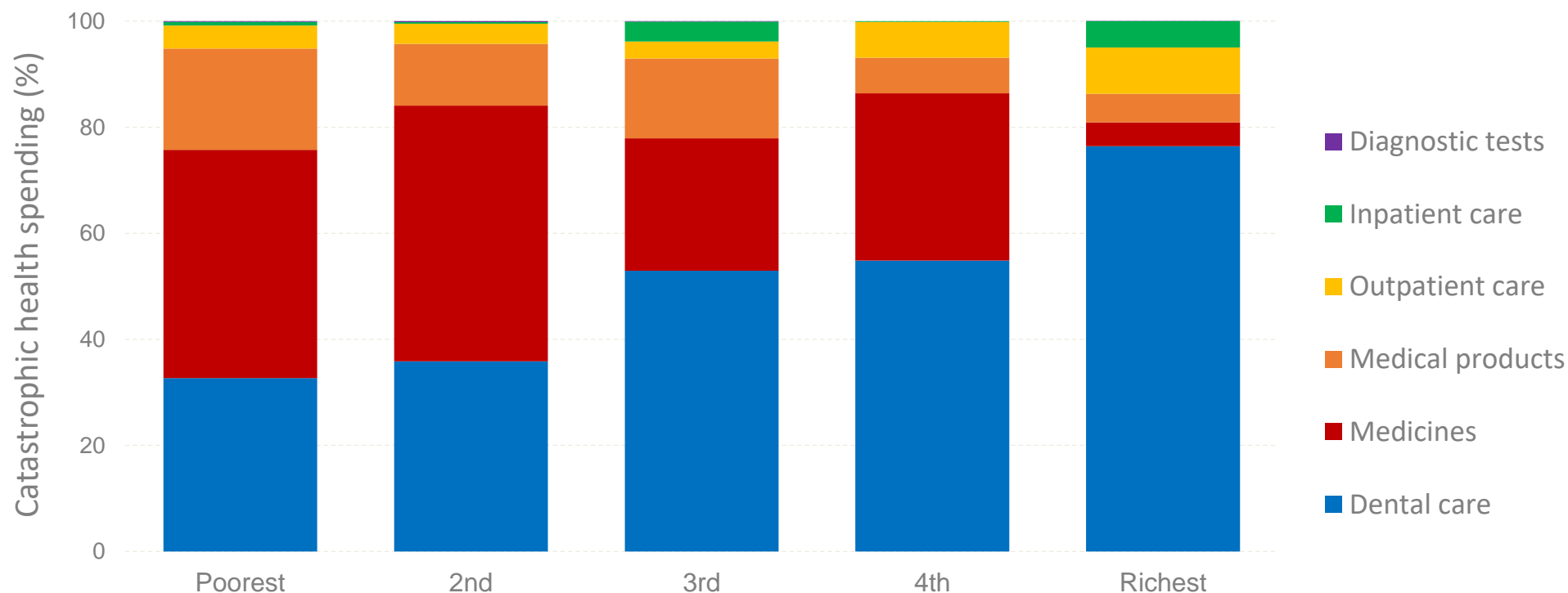
Note: quintiles are based on per person consumption adjusted for household size and composition using OECD equivalence scales.

Source: authors, based on household budget survey data

# The main services that cause catastrophic spending: medicines (for the poor), dental care (for the rich)



Breakdown of catastrophic health spending by type of health care and consumption quintile, 2019



Note: medical products include things like glasses, contraceptives, vaccines and non-medicine products and equipment.

Source: authors, based on household budget survey data.



In Israel, the rate of households with catastrophic spending is average compared to countries with a similar level of out-of-pocket spending





# Improving the financial protection will be achieved by • increasing public spending on health • and changing the structure of user charges:



Medicines are the main cause of catastrophic spending among the poor

- 13% of the poor forgo medication due to cost (Laron et.al, 2022)
- It is advisable to change the user charge to a flat copayment instead of coinsurance (% of cost)

The coverage of dental care is partial, and is the main cause of catastrophic spending

- 31% of the poor forgo dental care due to cost (Brammli-Greenberg et.al, 2018)
- We recommend extending the coverage to those aged 18-64

Private spending is high and is a regressive source of fund

Better to link the payment to the ability to pay instead of the need: increase the share of public funding; give discounts on user charges based on income

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More information about Israel is available on [UHC watch](#), a new platform tracking progress on affordable access to health care in Europe and central Asia. You can visit the [country page](#), explore numbers for Israel using the [indicators explorer](#) and see how it compares to other countries in Europe and explore coverage policy in Israel using the [policy explorer](#).

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