7.4. Pharmaceutical expenditure

Spending on pharmaceuticals accounts for a significant proportion of total health spending in OECD countries. Increased consumption of pharmaceuticals due to the diffusion of new drugs and the ageing of populations (see Indicator 4.10 "Pharmaceutical consumption") has been a major factor contributing to increased pharmaceutical expenditure and thus overall heath expenditure (OECD, 2008d). However, the relationship between pharmaceutical spending and total health spending is a complex one, in that increased expenditure on pharmaceuticals to tackle diseases may reduce the need for costly hospitalisation and intervention now or in the future.

The total pharmaceutical bill across OECD countries in 2007 is estimated to have reached more than USD 650 billion, accounting for around 15% of total health spending. Over the last ten years, average spending per capita on pharmaceuticals has risen by almost 50% in real terms. However, considerable variation in pharmaceutical spending can be observed, reflecting differences in volume, structure of consumption and pharmaceuticals pricing policies (Figure 7.4.1). In 2007, the United States spent the most per capita on pharmaceutical products, with spending of USD 878, compared with an OECD average of USD 461. The big pharmaceutical spenders after the United States were Canada and Greece. At the other end of the scale, Mexico spent just under USD PPP 200 per capita – less than a quarter of the US total. New Zealand and Poland also feature as one of the lowest per capita spenders at just over 50% of the OECD average. The low spending in New Zealand may be partly explained by a regulatory system that promotes the use of generics and the use of single supplier tenders to help reduce pharmaceutical prices (OECD, 2008d).

The public purse covers around 60% of pharmaceutical expenditure on average, much less than for physician and hospital services. This is due to higher co-payments for pharmaceuticals under public insurance schemes, or a lack of coverage for non-prescribed drugs and for prescribed drugs in some countries (see Table A.5 in Annex A for further information on basic primary health insurance coverage of selected health services and goods). The share of public expenditure for pharmaceutical drugs is the lowest in Mexico, at 21% in 2007, although it has increased over the past five years. In the United States and Canada, the public share is less than 40%, as private health insurance covers a large part of the bill. Public spending on prescription drugs in the United States increased in 2006, because of the introduction of the new Medicare drug programme for the elderly and the disabled. The public share of pharmaceutical spending increased from 24% in 2005 to 31% by 2007, but remains the second lowest share among OECD countries. At the other end of the scale, Greece, which has the highest private share of total health spending amongst the European countries, passes very little on in terms of user costs to the patient regarding pharmaceutical expenditure, with almost 80% funded out of public sources.

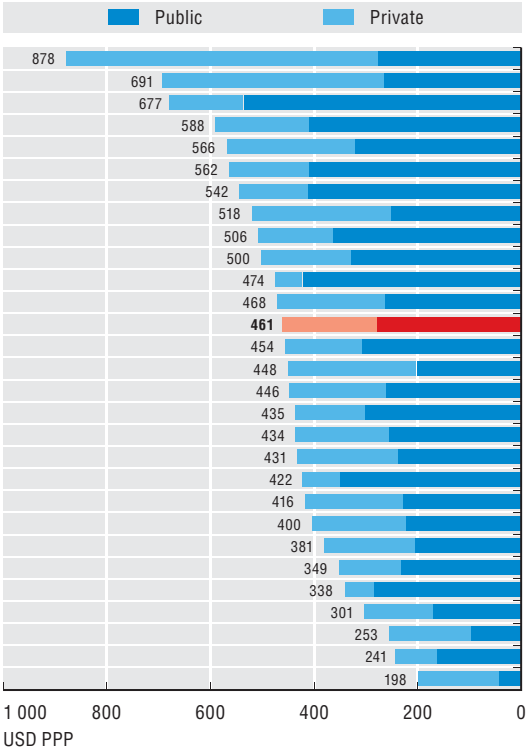
Pharmaceutical spending accounted for 1.5% of GDP on average across OECD countries, ranging from below 1% in countries such as Norway, Denmark and New Zealand, to more than 2% in Portugal, Greece, the Slovak Republic and Hungary (Figure 7.4.2).

Over the last ten years, the average growth in pharmaceutical spending has matched the growth in overall health spending, although different patterns emerge both between OECD countries and over time. Growth in pharmaceutical spending reached a peak in many countries between 1999 and 2001. Of the big pharmaceutical spenders, the United States and Canada have continued to see growth in pharmaceutical spending significantly above the average of OECD countries, although recent figures show lower growth rates (Figure 7.4.3). A number of countries have attempted to curb the relentless growth in pharmaceutical spending through such measures as the promotion of generic prescribing in the case of France (Fénina *et al.*, 2008), or the introduction of cost sharing in the case of the Czech Republic (OECD, 2008a).

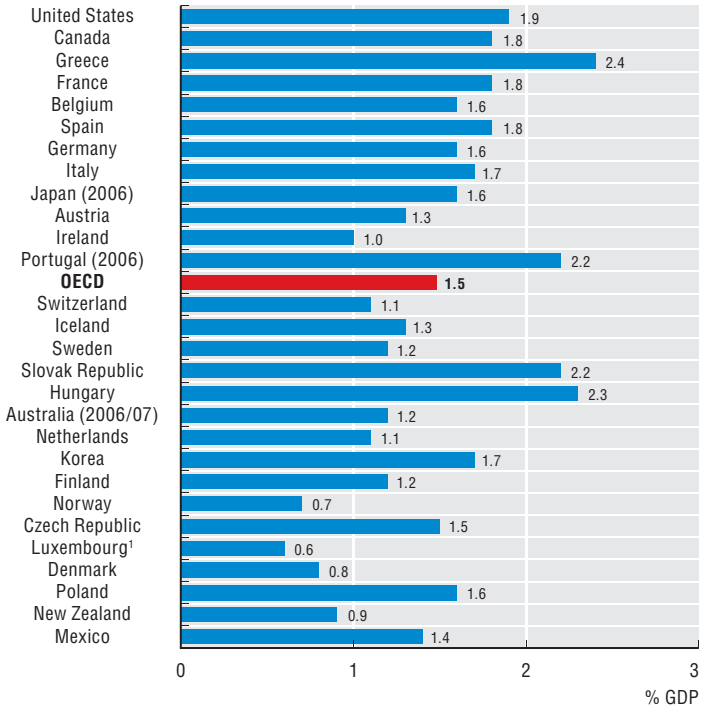
Definition and deviations

Pharmaceutical expenditure covers spending on prescription medicines and self-medication, often referred to as over-the-counter products, as well as other medical non-durable goods. It also includes pharmacists' remuneration when the latter is separate from the price of medicines. Pharmaceuticals consumed in hospitals are excluded. Final expenditure on pharmaceuticals includes wholesale and retail margins and value-added tax.

7.4.1 Expenditure on pharmaceuticals per capita, 2007

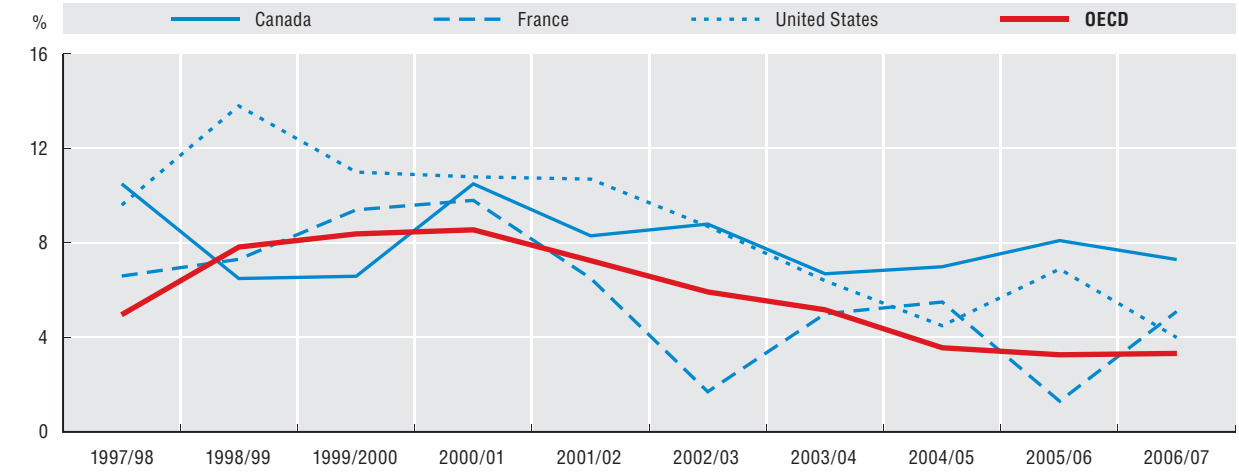


7.4.2 Expenditure on pharmaceuticals as share of GDP, 2007



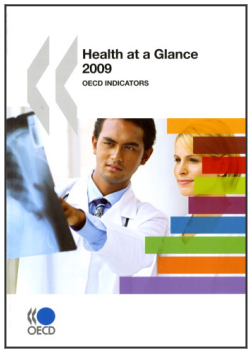
1. Prescribed medicines only.

7.4.3 Annual growth in pharmaceutical expenditure, 1997-2007



Source: OECD Health Data 2009.

StatLink http://dx.doi.org/10.1787/720463218860



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