

Spending on pharmaceuticals account for a significant proportion of total health spending in European countries. Increased consumption of pharmaceuticals due to the introduction of new drugs and the ageing of populations has been an important factor contributing to increased overall health expenditure (OECD, 2008a). 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 European Union countries in 2008 is estimated to have reached more than EUR 180 billion, accounting for around 18% of total health spending on average (unweighted) across EU countries. Over the past 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 pharmaceutical pricing policies (Figure 4.4.1). Greece and Ireland spent the most per capita on pharmaceutical products, with spending of EUR 584 and EUR 563 respectively, compared with an EU average of EUR 376. Other countries that spent in excess of EUR 500 per capita on pharmaceutical products in 2008 were France, Belgium and Spain. At the other end of the scale, Romania spent just EUR 172 per capita – one-third of the French total. Other central and eastern European countries including Estonia, Poland, Latvia and Bulgaria also feature as the lowest per capita spenders at less than two-thirds of the EU average.

The public purse covers around 60% of pharmaceutical expenditure on average in European countries, 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. The share of public expenditure for pharmaceutical drugs was the lowest in Bulgaria, at 20%. At the other end of the scale, Luxembourg, Greece and Germany all have high shares in public spending on pharmaceuticals. These countries pass only a small proportion of the pharmaceutical spending on to the patient, with around 80% funded out of public sources.

Pharmaceutical spending accounted for 1.7% of GDP on average across EU countries, ranging from below 1% in countries such as Luxembourg, Norway and Denmark, to more than 2% in Lithuania, Greece, Bulgaria, Hungary, Portugal and the Slovak Republic (Figure 4.4.1, right panel).

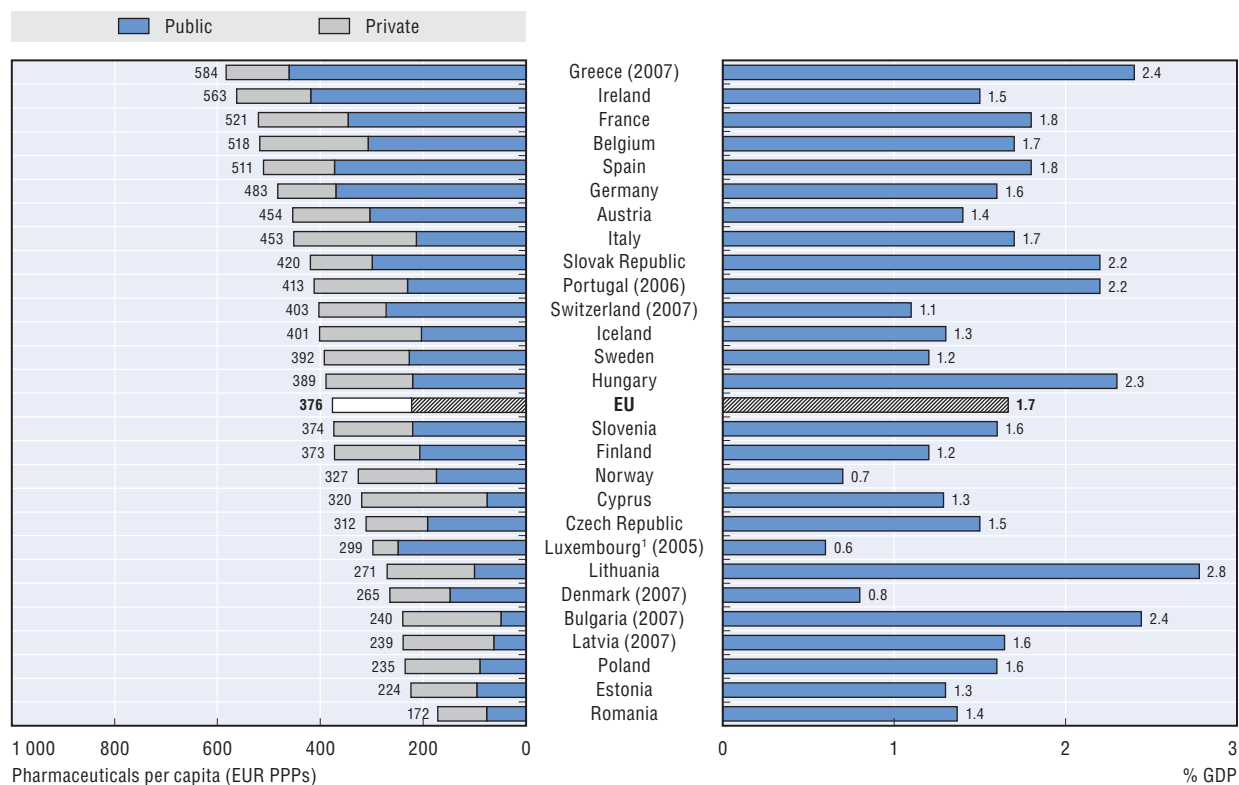
Over the past ten years, the average annual real growth in pharmaceutical spending has exceeded slightly the growth in overall health spending, although different patterns emerge both between European countries and over time. Greece and Ireland have seen growth in pharmaceutical spending significantly above the average of EU countries, at over 11% per year over the past decade (Figure 4.4.2).

Growth in pharmaceutical spending reached a peak in many countries between 1999 and 2001. Since then, policymakers have attempted to control pharmaceutical expenditures via a mix of price and volume controls directed at physicians and pharmacies, as well as policies targeting specific products (e.g. through product rebates) or increasing the share of cost borne by users. Recently, reductions in drug prices for reimbursed pharmaceuticals have been announced in Ireland, Greece and Sweden. Other initiatives encouraged greater use of cheaper generic alternatives, including through lower user co-payments, for example in Switzerland. The increased use of tendering for generics, in the Netherlands since 2005 and in Germany since 2007, has also allowed substantial savings in pharmaceutical spending (OECD, 2010b).

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 (their inclusion would add another 15% to pharmaceutical spending approximately). Final expenditure on pharmaceuticals includes wholesale and retail margins and value-added tax.

4.4.1. Expenditure on pharmaceuticals per capita and as a share of GDP, 2008

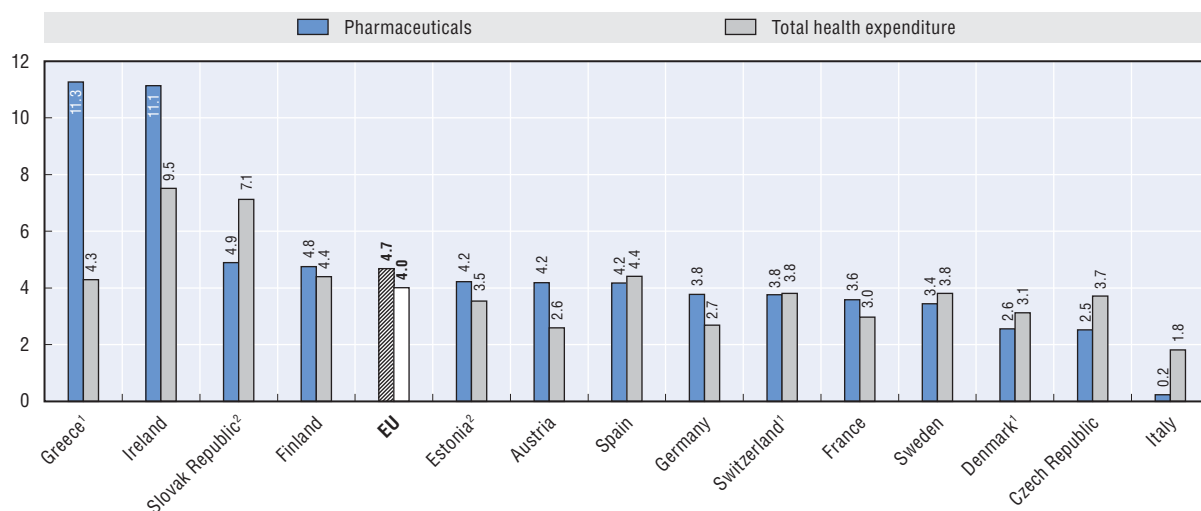


1. Prescribed medicines only.

Source: OECD Health Data 2010; Eurostat Statistics Database; WHO National Health Accounts.

StatLink <http://dx.doi.org/10.1787/888932337490>

4.4.2. Average annual real growth in pharmaceuticals expenditure compared to total health expenditure, 1998-2008



1. 1998-2007.

2. 1999-2008.

Source: OECD Health Data 2010; Eurostat Statistics Database.

StatLink <http://dx.doi.org/10.1787/888932337509>



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