

7. HEALTH EXPENDITURE AND FINANCING

7.4. Pharmaceutical expenditure

Pharmaceuticals account for almost a fifth of all health spending on average across OECD countries. The increased consumption of pharmaceuticals due to the diffusion of new drugs and the ageing of populations (see Indicator 4.11 “Pharmaceutical consumption”) has been a major factor contributing to increased pharmaceutical expenditure and thus overall health expenditure (OECD, 2008c). 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 hospitalisations and interventions now or in the future.

The total pharmaceutical bill across OECD countries in 2009 is estimated to have reached more than USD 700 billion, accounting for around 19% of current health spending. Since 2000, average spending on pharmaceuticals has risen by almost 50% in real terms. However, considerable variation in pharmaceutical spending can be observed, reflecting differences in consumption patterns and pharmaceuticals pricing policies (Figure 7.4.1). In 2009, the United States remained the highest per capita spender on pharmaceuticals, with expenditure of USD 947, nearly twice the OECD average of USD 487. 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 250 per capita – little more than a quarter of the United States. New Zealand and Denmark also feature among the lowest per capita spenders at less than USD 300 per capita. Self-medication or over-the-counter pharmaceutical products typically account for around 15% of the total spending.

In relation to the overall economy, pharmaceutical spending accounts for 1.5% of GDP on average in OECD countries (Figure 7.4.1). However, the dispersion around this average is high: pharmaceutical spending accounts for less than 1% of GDP in Norway, Denmark and New Zealand, while it reaches close to 2.5% of GDP in Greece, Hungary and the Slovak Republic.

Expenditures for pharmaceuticals are predominantly financed through third-party payers in most OECD countries – either through the public health insurance, which accounts for around 60% of the total on average, or through private insurance coverage, leaving a third of the total on average to the charge of households, much higher 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. While in some countries, such as the Netherlands,

Germany and France, the burden of pharmaceutical spending falling onto the households is less than 20%, at the other end of the spectrum, households in Estonia and Poland pick up around 60% of the total pharmaceutical bill (Figure 7.4.2).

In the past, pharmaceutical spending has tended to rise at a faster pace than total health spending in OECD countries (see Figures 7.4.3 and 7.1.2). This trend has now reversed to some extent: between 2000 and 2009, real pharmaceutical expenditure has grown by around 3.5% per year on average in OECD countries, while total health spending has increased by 4.0%. In a few countries (Luxembourg, Norway and Italy), the growth in pharmaceutical spending has actually been negative over this period. [Note that figures for Luxembourg refer only to prescribed medicines.]

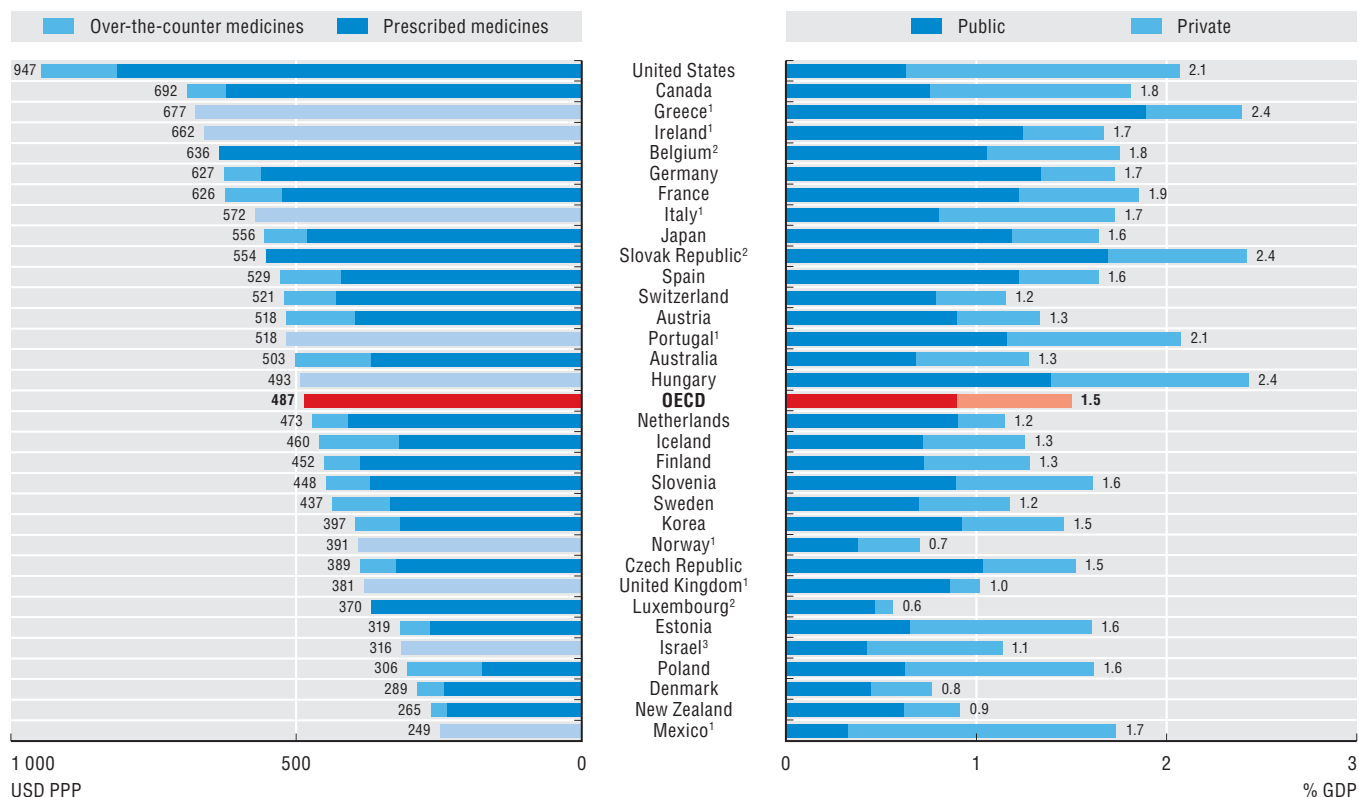
In Ireland and Greece, where pharmaceutical spending was growing at a very rapid pace, governments have recently enforced emergency measures – mainly big price reductions – and announced the implementation of more structural policy reforms. In other countries, such as France, Germany or the United Kingdom, price reductions or rebates on pharmaceuticals have often been used as adjustment variables to contain health spending growth (France), tackle health insurance funds deficits (Germany) or cap pharmaceutical companies’ profits on NHS sales (the United Kingdom) (OECD, 2010b).

Definition and comparability

Pharmaceutical expenditure covers spending on prescription medicines and self-medication, often referred to as over-the-counter products. For some countries, other medical non-durables such as syringes, bandages, etc. may be included in the total. It also includes pharmacists’ remuneration when the latter is separate from the price of medicines. Pharmaceuticals consumed in hospitals are excluded (on average they account for around 15% of total pharmaceutical spending). Final expenditure on pharmaceuticals includes wholesale and retail margins and value-added tax.

Information on data for Israel: <http://dx.doi.org/10.1787/888932315602>.

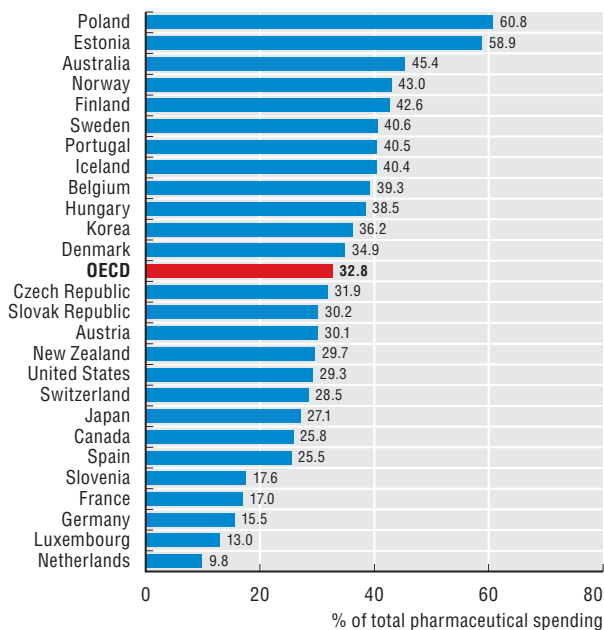
7.4.1 Expenditure on pharmaceuticals per capita and as a share of GDP, 2009 (or nearest year)



1. Cannot be separated and includes medical non-durables. 2. Prescribed medicines only. 3. Total medical goods.
Source: OECD Health Data 2011.

StatLink <http://dx.doi.org/10.1787/888932526217>

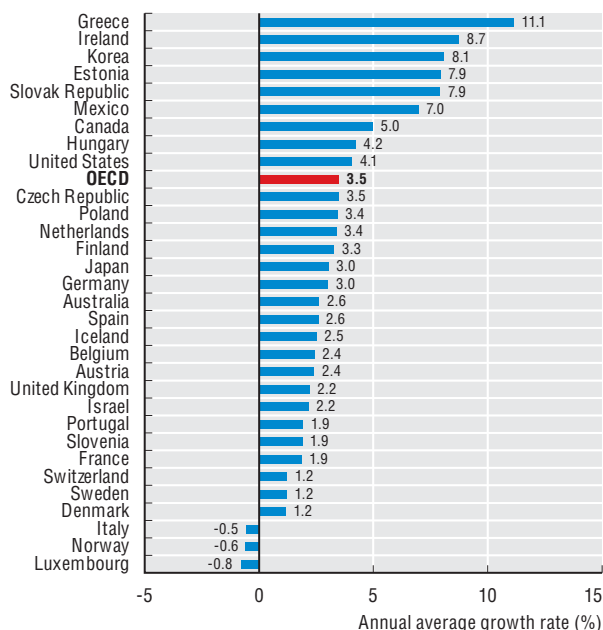
7.4.2 Out-of-pocket expenditure as a share of total pharmaceutical expenditure, 2009 (or nearest year)



Source: OECD Health Data 2011.

StatLink <http://dx.doi.org/10.1787/888932526236>

7.4.3 Growth in real per capita pharmaceutical expenditure, 2000-09 (or nearest year)



Source: OECD Health Data 2011.

StatLink <http://dx.doi.org/10.1787/888932526255>



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