

Pharmaceutical expenditure

In 2019, spending on retail pharmaceuticals (that is, excluding those used during hospital treatment) accounted for one-sixth of overall health care expenditure in OECD countries. It represented the third largest component of health spending after inpatient and outpatient care.

Across OECD countries, governments and compulsory insurance schemes accounted for the largest share of retail pharmaceutical costs, covering 56% of total spending (Figure 9.1). In countries such as Germany and France, this share was even higher, with more than 80% of total costs covered by these schemes. In contrast, voluntary health insurance schemes covered a relatively small proportion, averaging only around 3%. Among the exceptions were Slovenia and Canada, where almost one-third of pharmaceutical spending was covered by private insurance. The other significant source of financing was household out-of-pocket payments (including cost-sharing for reimbursed drugs). This amounted to an average of 41% of total pharmaceutical spending, albeit with much higher levels in countries such as Poland and Latvia, where out-of-pocket spending accounted for almost two-thirds of the total.

A variety of factors influence the level of per capita spending on retail pharmaceuticals, including distribution, prescribing and dispensing; pricing and procurement policies; and patterns of uptake of novel and generic medicines. In 2019, per capita retail pharmaceutical expenditure in OECD countries averaged USD 571 (adjusted for differences in purchasing power) (Figure 9.2). Spending in the United States was more than double the OECD average, while the majority of OECD countries fell within a relatively narrow spending band of $\pm 15\%$ from the average. Per capita spending was lowest in Mexico and Costa Rica, at less than half the OECD average.

Pharmaceutical expenditure has two main components: prescription medicines and over-the-counter (OTC) products (see the “Definition and comparability” box). Across OECD countries in 2019, prescription medicines accounted for 79% of pharmaceutical spending, with the remaining 21% directed to OTC products. The split is influenced by country-specific differences in the coverage of prescription medicines, as well as the prices and availability of different medicines. Poland was the only OECD member country where spending on OTC products exceeded that of prescription medicines. In the United Kingdom and Australia, OTC spending accounted for a third of total pharmaceutical expenditure, while in Canada and France spending on prescription medicines accounted for 90% of the total.

Retail pharmaceutical spending across OECD countries has tended to increase again in recent years (see indicator “Health expenditure by type of service” in Chapter 7), following some volatility over the past decade. The decrease from 2009 to 2013 was due to a mix of cost-control measures: excluding products

from reimbursement; cutting manufacturer prices and margins for pharmacists and wholesalers; and introducing or increasing user charges for retail prescription medicines (Belloni, Morgan and Paris, 2016[1]). Provisional data for 2020 for a small number of countries suggest significant growth in spending on prescription medicines relative to 2019; this may be due to forward purchasing of medicines for chronic diseases, especially early in the COVID-19 pandemic.

Analysing retail pharmaceutical spending only gives a partial picture of the cost of pharmaceuticals in the health system. Spending on medicines in the hospital sector can be significant – typically accounting for 20% on top of retail spending. Over the last decade, hospital pharmaceutical spending has grown substantially, partly due to the advent of new high-cost treatments, particularly in oncology and immunology. As shown in Figure 9.3, spending on pharmaceuticals in hospitals increased more rapidly than that on retail medicines, with the highest growth rates in Iceland and Spain. Retail spending on pharmaceuticals declined in countries such as Greece and Portugal. In Greece, this substantial reduction was probably due to the introduction of policies to reduce wasteful use of medicines in the wake of the 2008 financial crisis.

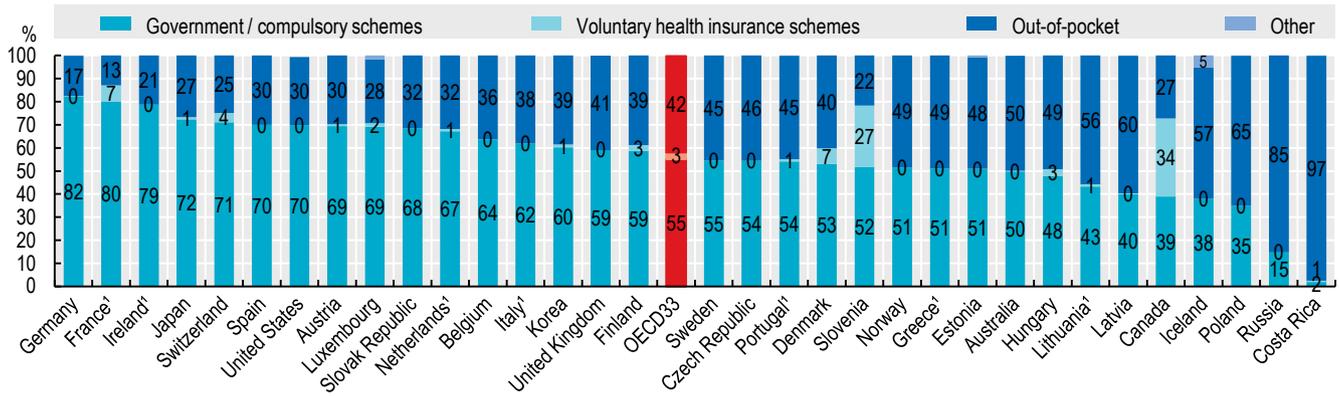
Definition and comparability

Pharmaceutical expenditure covers spending on prescription medicines and self-medication (often referred to as OTC products). Some countries cannot report a breakdown, and their data may include medical non-durables (such as first aid kits and hypodermic syringes); this typically leads to an overestimation by 5-10%. Retail pharmaceuticals are those provided outside hospital care, dispensed by a retail pharmacy or bought from a supermarket, and the prices should include wholesale and retail margins and value added tax. Comparability issues exist regarding the administration and dispensing of pharmaceuticals for hospital outpatients. In some countries, the costs are included under curative care; in others, under pharmaceuticals.

Hospital pharmaceuticals include drugs administered or dispensed during an episode of hospital care. The costs of pharmaceuticals consumed in hospitals and other health care settings are reported as part of the costs of inpatient or day-case treatment. Separate estimates of expenditure on hospital pharmaceuticals should include pharmacist remuneration where this is separate from the cost of medicines.

According to SHA guidelines, total pharmaceutical spending refers to “net” spending: it is adjusted for rebates paid by manufacturers, wholesalers or pharmacies.

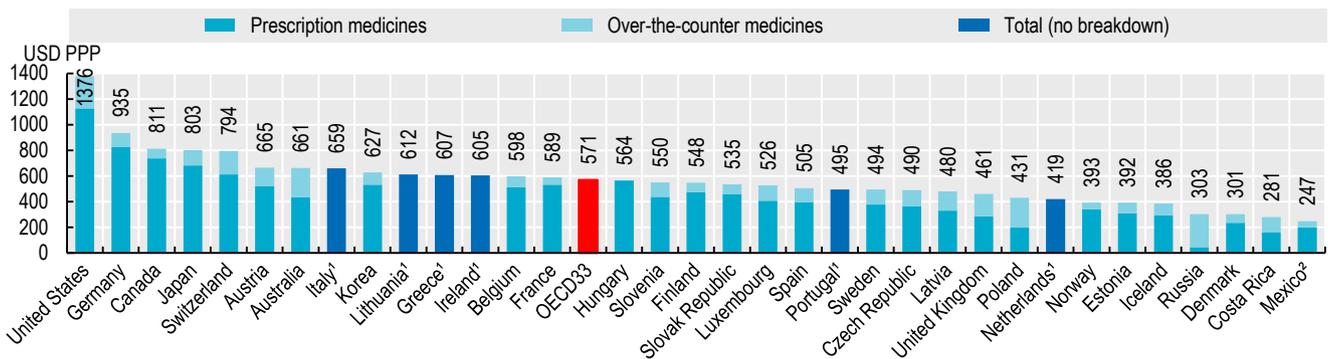
Figure 9.1. Expenditure on retail pharmaceuticals by type of financing, 2019 (or nearest year)



1. Includes medical non-durables.
Source: OECD Health Statistics 2021.

StatLink <https://stat.link/nbkdht>

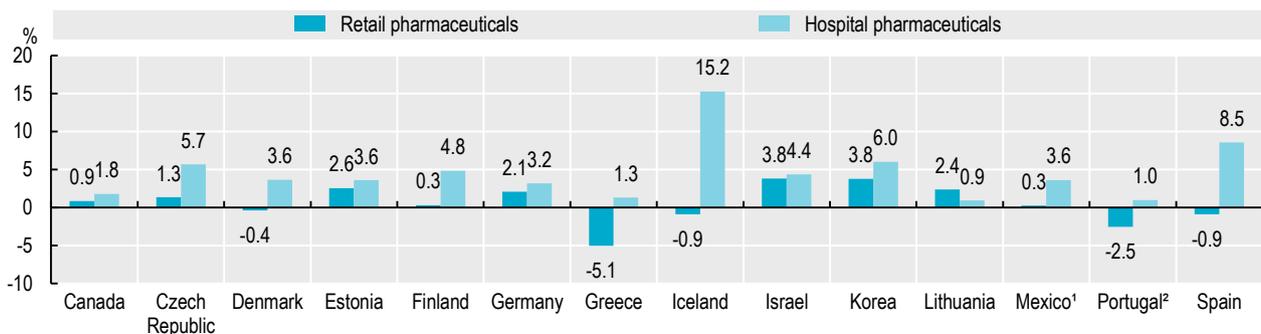
Figure 9.2. Expenditure on retail pharmaceuticals per capita, 2019 (or nearest year)



1. Includes medical non-durables (resulting in an overestimation of around 5-10%). 2. Only includes private expenditure.
Source: OECD Health Statistics 2021.

StatLink <https://stat.link/s5ah40>

Figure 9.3. Annual average growth in retail and hospital pharmaceutical expenditure, in real terms, 2010-19 (or nearest years)



1. Only includes private expenditure. 2. Excludes expenditure on other medical products from retail spending.
Source: OECD Health Statistics 2021.

StatLink <https://stat.link/4vowkg>



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