

Pharmaceutical expenditure

Pharmaceutical care is constantly evolving, with an increasing number of novel medicines entering the market every year. These may offer alternatives to existing treatments, and in some cases, the prospect of treating conditions previously considered incurable. However, the costs of new pharmaceutical drugs can be very high, with significant implications for health care budgets.

Spending on retail pharmaceuticals (including other medical non-durables) averaged EUR 462 per person across the EU in 2020 (Figure 5.15). With EUR 660 per capita, Germany spent by far the most on pharmaceuticals among EU member states – over 40% above the EU average. At the other end of the scale, Denmark and Cyprus had relatively low spending levels, more than 40% below the EU average.

Around three out of every four euros spent on retail pharmaceuticals (including other medical non-durables) goes on prescription medicines, with most of the rest on over-the-counter medicines (OTC). OTC medicines are pharmaceuticals that are generally bought without prescription, and in most cases, their cost is fully borne by patients. The share of OTC medicines is particularly high in Poland, accounting for more than half of retail pharmaceutical spending, and stands at 30% or more in Romania, Latvia, and the United Kingdom.

In most countries, the costs of pharmaceuticals (including other medical non-durables) are predominantly covered by government or compulsory insurance schemes (Figure 5.16). On average across EU countries, these schemes cover 70% of all retail pharmaceutical spending, with out-of-pocket payments (29%) and voluntary private insurance (1%) financing the remainder. Public coverage is most generous in Cyprus, Germany, France and Ireland, where government and compulsory insurance schemes pay for more than 80% of all pharmaceutical costs. By contrast, in eight EU member states, public or mandatory schemes cover less than half the amount spent on medicines.

Between 2013 and 2019, spending on retail pharmaceuticals (including other medical non-durables) grew at a slower rate than other health care functions (see indicator “Health expenditure by type of good and service”). However, retail pharmaceuticals tell only part of the story since pharmaceuticals used during hospital care or in other health care settings can typically add another 20% to a country’s pharmaceutical bill (Morgan and Xiang, 2022^[1]). Available data for a number of European countries suggest that total pharmaceutical spending growth has frequently outpaced that of retail pharmaceuticals between 2013 and 2019; a trend that is likely to have continued even in 2020 (Figure 5.17).

Definition and comparability

Retail pharmaceutical expenditure covers spending on prescription and over-the-counter medicines. Other medical non-durable goods include goods such as first aid kits or medical face masks.

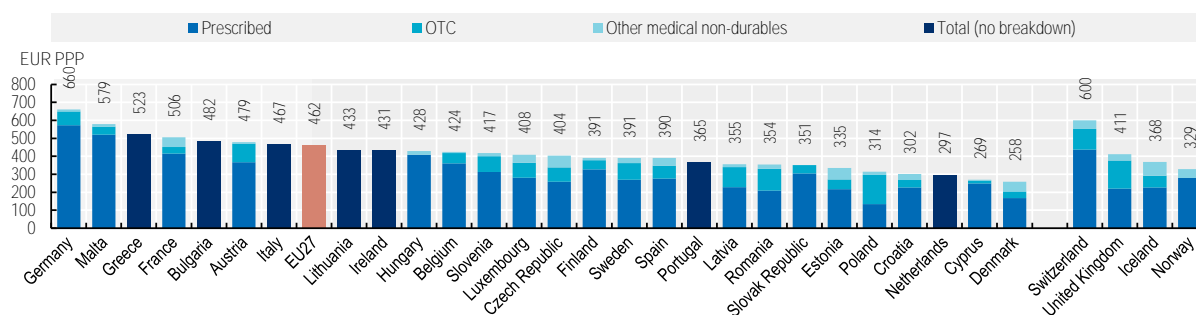
Retail pharmaceuticals are provided outside hospital care, such as those dispensed through a pharmacy or bought from a supermarket. Expenditure on retail pharmaceuticals includes wholesale and retail margins and value-added tax and should refer to “net” spending – i.e. adjusted for possible rebates payable by manufacturers, wholesalers or pharmacies.

Comparability issues exist regarding the administration and dispensing of pharmaceuticals for outpatients in hospitals. In some countries, the costs are included under curative care; in others, under pharmaceuticals. Pharmaceuticals consumed in hospitals and other health care settings as part of an inpatient or day-case treatment are excluded from retail pharmaceutical spending but are included in the aggregate of total pharmaceutical spending.

References

- Morgan, D. and F. Xiang (2022), “Improving data on pharmaceutical expenditure in hospitals and other health care settings”, *OECD Health Working Papers*, No. 139, OECD Publishing, Paris, <https://doi.org/10.1787/6c0d64a2-en>. [1]

Figure 5.15. Expenditure on retail pharmaceuticals* per capita, 2020 (or nearest year)

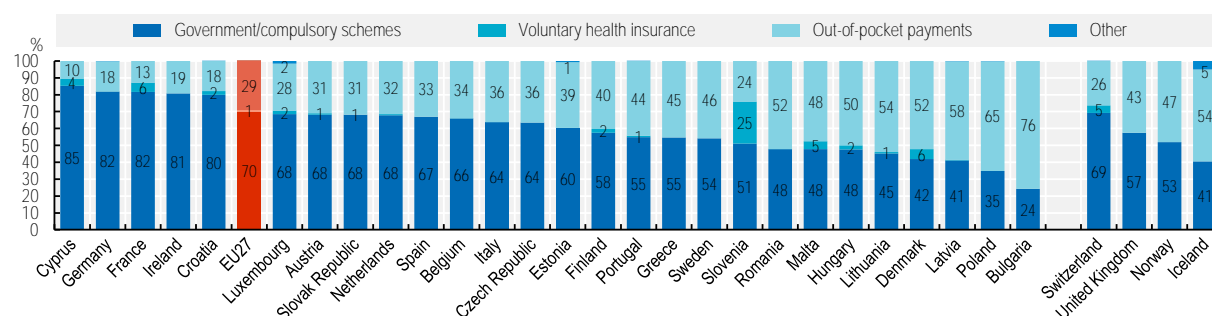


Note: The EU average is weighted. *Including other medical non-durables.

Source: OECD Health Statistics 2022.

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Figure 5.16. Expenditure on retail pharmaceuticals* by type of financing, 2020 (or nearest year)

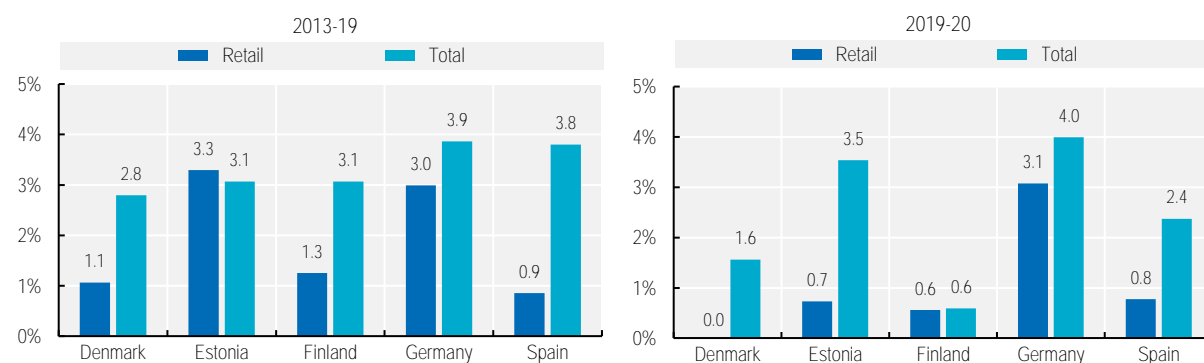


Note: The EU average is weighted. *Including other medical non-durables. The category 'Other' includes non-profit-schemes, enterprises and rest of the world.

Source: OECD Health Statistics 2022; Eurostat Database.

StatLink <https://stat.link/m8p32a>

Figure 5.17. Annual average growth in retail and total pharmaceutical expenditure, in real terms, 2013-20 (or nearest year)



Note: If necessary, growth rates and time periods have been adjusted by the OECD Secretariat to take account of breaks in series.

Source: OECD Health Statistics 2022.

StatLink <https://stat.link/92enlz>



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