

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. In 2018, retail pharmaceuticals (excluding those used during a hospital treatment) alone accounted for around one-sixth of all health care expenditure, and represented the third largest spending component in EU countries after inpatient and outpatient care. In total, the EU retail pharmaceutical bill was around EUR 190 billion in 2018. However, without accounting for spending on medicines used in hospital (generally included under inpatient care), this does not provide a complete picture of overall pharmaceutical expenditure.

Spending for retail pharmaceuticals averaged EUR 381 per person across EU member states in 2018, adjusted for differences in purchasing power. The variations in per capita retail pharmaceutical spending across countries can reflect differences in the basket of available medicines, pharmaceutical prices, consumption and the relative role of hospitals in dispensing pharmaceuticals, as well as the market penetration of generics (Figure 5.15). With EUR 615 per capita, Germany spent by far the most on pharmaceuticals among EU member states – 60% above the EU average. Belgium, France and Austria spent between 20-40% more on medicines per capita than the EU average. At the other end of the scale, Denmark and Croatia had relatively low spending levels.

Around four out of every five euros spent on retail pharmaceuticals 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. 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 Cyprus.

In most countries, the costs of pharmaceuticals are predominantly covered by government or compulsory insurance schemes (Figure 5.16). On average across EU countries, these schemes cover around 56% of all retail pharmaceutical spending, with out-of-pocket payments (41%) and voluntary private insurance (2%) financing the remaining part. Public coverage is most generous in Germany and France, 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 and coverage is particularly low in Bulgaria (27%) and Cyprus (17%).

In recent years, spending growth on retail pharmaceuticals in the EU was low compared to other health services (see indicator “Health expenditure by type of good and service”) and was even negative in many countries during the years following

the 2008 financial crisis. This was due in part to a combination of cost-containment policies and market dynamics, including generic and biosimilar competition (Belloni, Morgan and Paris, 2016).

However, new high cost treatments such as for Hepatitis C and some cancer drugs help explain a return to positive growth rates in more recent years. For example, the number of new cancer medicines and indications has been increasing rapidly, along with the prices. The value and sales of oncology medicines have more than doubled in Europe in the past decade.

Yet the retail pharmaceutical sector only tells part of the story, since spending on pharmaceuticals used during hospital care can typically add another 20% to a country’s pharmaceutical bill. Available data in a number of European countries suggest that pharmaceutical spending growth in the hospital setting has frequently outpaced that of retail pharmaceuticals, such as in the Czech Republic, Denmark, Finland, Germany or Spain (Figure 5.17). In some countries, this may reflect deliberate policy decisions to transfer high cost medicines to hospital dispensing.

Definition and comparability

Pharmaceutical expenditure covers spending on prescription medicines and over-the-counter products. Other medical non-durable goods (such as first aid kits and hypodermic syringes) are also included.

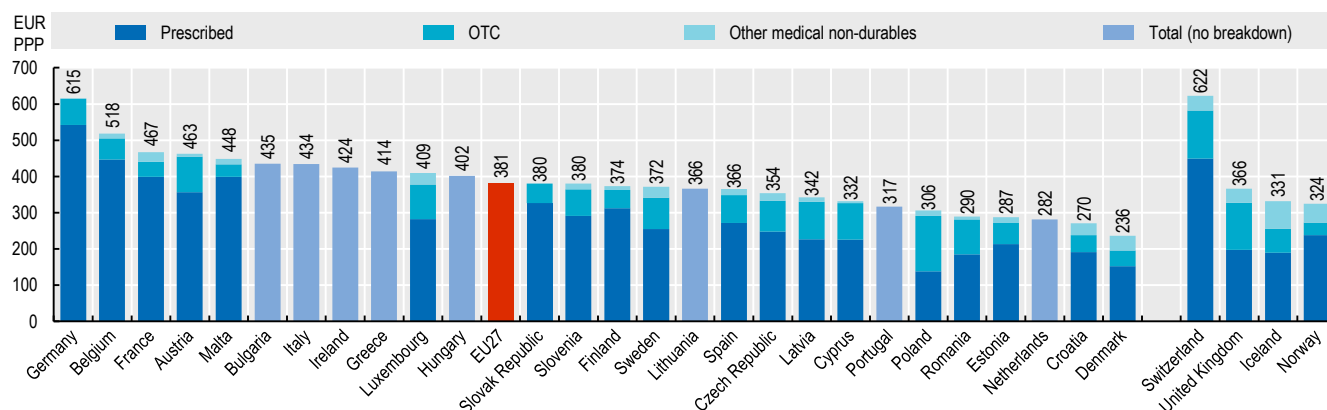
Retail pharmaceuticals are provided outside hospital care, such as those dispensed through a pharmacy or bought from a supermarket. Hospital pharmaceuticals include drugs administered or dispensed during an episode of hospital care. Expenditure on retail pharmaceuticals includes wholesale and retail margins and value-added tax.

Total pharmaceutical spending refers in most countries to “net” spending – i.e. adjusted for possible rebates payable by manufacturers, wholesalers or pharmacies. Pharmaceuticals consumed in hospitals and other health care settings as part of an inpatient or day-case treatment are excluded from retail pharmaceutical spending (available data suggests that their inclusion would add another 20%). 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.

References

Belloni, A., D. Morgan and V. Paris (2016), “Pharmaceutical Expenditure and Policies: Past Trends and Future Challenges”, *OECD Health Working Papers*, No. 87, OECD Publishing, Paris, <http://dx.doi.org/10.1787/5jm0q1f4cdq7-en>.

Figure 5.15. Expenditure on retail pharmaceuticals per capita, 2018

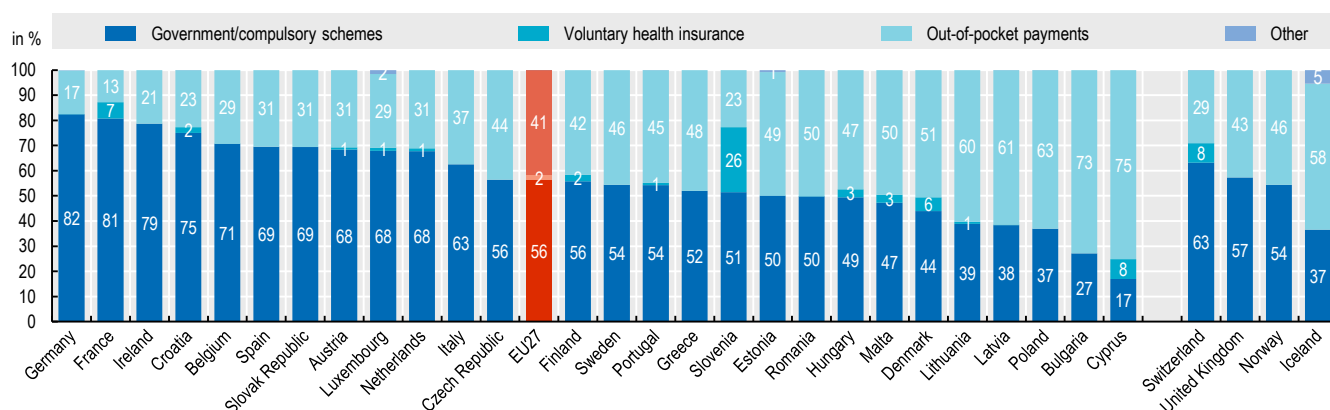


Note: The EU average is unweighted.

Source: OECD Health Statistics 2020; Eurostat Database.

StatLink <https://stat.link/84ynae>

Figure 5.16. Expenditure on retail pharmaceuticals by type of financing, 2018

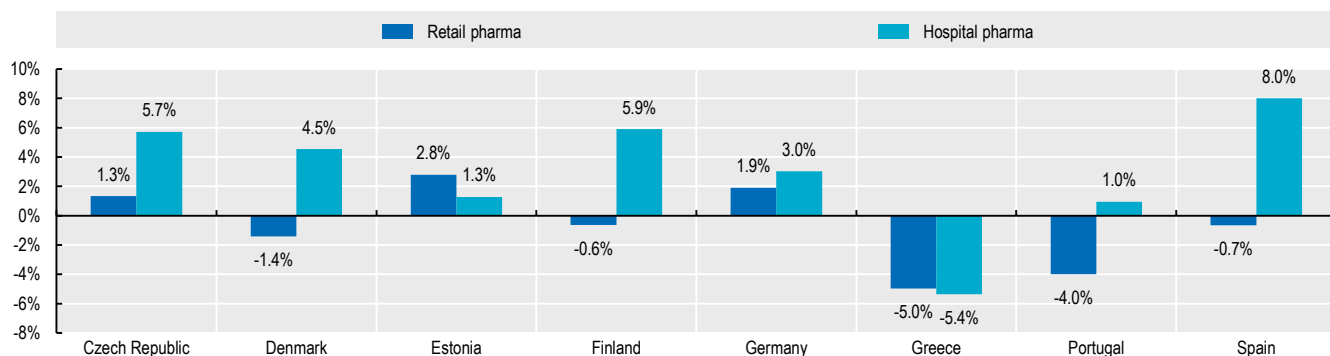


Note: The EU average is unweighted. The category 'Other' includes non-profit-schemes, enterprises and rest of world.

Source: OECD Health Statistics 2020; Eurostat Database.

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

Figure 5.17. Annual average growth in retail and hospital pharmaceutical expenditure, in real terms, 2008-18 (or nearest year)



Note: Growth rates and time periods may have been adjusted by the OECD Secretariat to take account of breaks in series.

Source: OECD Health Statistics 2020.

StatLink <https://stat.link/f6bowg>



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