

## Pharmaceutical expenditure

In 2021, spending on retail pharmaceuticals (that is, excluding those used during hospital stays and in other health facilities) accounted for one-sixth of overall healthcare expenditure in OECD countries. While retail pharmaceuticals continued to represent the third largest component of health expenditure after inpatient and outpatient care, spending on these goods has increased at a slower pace than most other areas of the health system over the last decade (see section on “Health expenditure by type of service” in Chapter 7), due to cost-control measures and generic uptake.

Across OECD countries, governments and compulsory insurance schemes are the main payers of retail pharmaceuticals, financing 58% of total spending in 2021 (Figure 9.1). In countries such as France, Ireland and Germany, this share was even higher, with more than 80% of total costs covered by these schemes. Direct out-of-pocket payments by households (including cost-sharing for reimbursed medicines) were also a significant source of financing, representing an average of 39% of total pharmaceutical spending in 2021, albeit with much higher shares in countries such as Chile (78%), Poland (65%) and Latvia (59%). Out-of-pocket spending was also high in OECD accession countries Bulgaria and Romania. In contrast, voluntary health insurance schemes accounted for a relatively small proportion of total costs, at 7% or less in all but two OECD countries with comparable data (and averaging 3%). Canada and Slovenia are exceptions, where voluntary private health insurance accounted for 34% and 25%, respectively, of retail pharmaceutical spending.

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 2021, per capita retail pharmaceutical expenditure in OECD countries averaged USD 614 (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  $\pm 20\%$  from the average. Per capita spending was lowest in Denmark, at less than half the OECD average. In that country, a comparably high proportion of medicines is dispensed as part of inpatient or outpatient treatments and thus outside traditional retail channels.

Pharmaceutical spending has two main components: prescription medicines and over-the-counter (OTC) products. Across OECD countries, prescription medicines accounted for more than three-quarters of the total pharmaceutical retail bill. The split between prescriptions and OTC products 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 country where spending on OTC products exceeded that of prescription medicines.

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 and other settings can be significant – typically accounting for 20% or more on top of retail spending (Morgan and Xiang, 2022<sup>[1]</sup>). 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 (IQVIA Institute for Human Data Science, 2021<sup>[2]</sup>). Hospital and other non-retail pharmaceutical spending increased more rapidly than retail medicines in most countries, with the highest growth rates in Germany, Spain and the Czech Republic (Figure 9.3).

### 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, hypodermic syringes and facemasks). This typically leads to an overestimation by 5-10%, but during the COVID-19 pandemic the overestimation might have been higher. 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 (OECD/Eurostat/WHO, 2017<sup>[3]</sup>). 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.

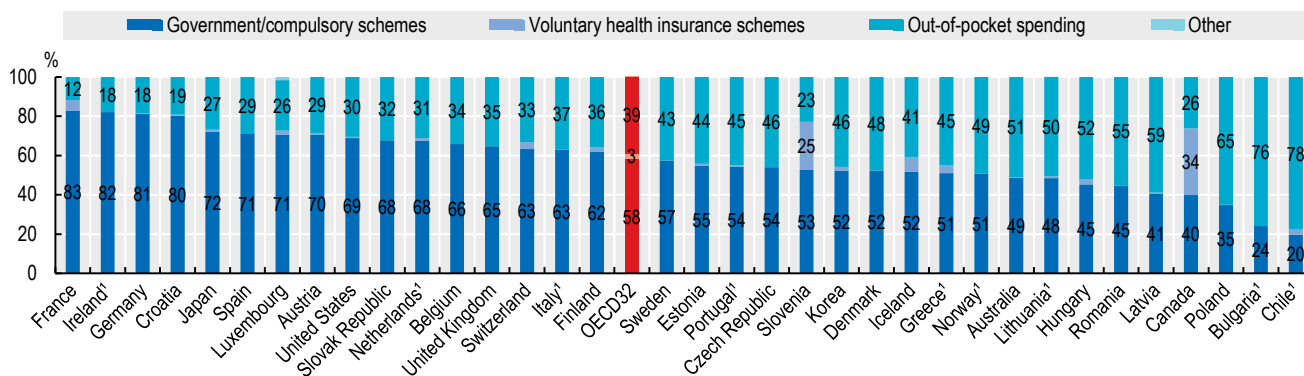
Hospital and other non-retail pharmaceuticals include drugs administered or dispensed during an episode of hospital care or in another healthcare setting. The costs of pharmaceuticals consumed in hospitals and other healthcare settings are reported as part of the costs of inpatient or day-case treatment. Non-retail pharmaceuticals also include the costs of vaccines that are consumed as part of a vaccination campaign and that are not procured via retailers.

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

### References

- IQVIA Institute for Human Data Science (2021), *Drug Expenditure Dynamics 1995-2020: Understanding Medicine Spending in Context*, <https://www.iqvia.com/insights/the-iqvia-institute/reports/drug-expenditure-dynamics>. [2]
- 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]
- OECD/Eurostat/WHO (2017), *A System of Health Accounts 2011: Revised edition*, OECD Publishing, <https://doi.org/10.1787/9789264270985-en>. [3]

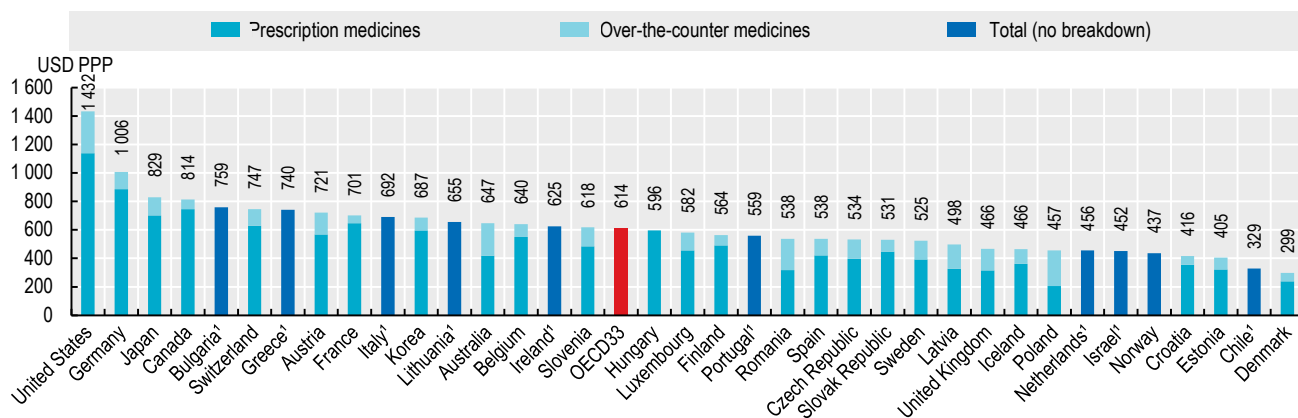
Figure 9.1. Expenditure on retail pharmaceuticals by type of financing, 2021 (or nearest year)



1. Includes medical non-durables.  
Source: OECD Health Statistics 2023.

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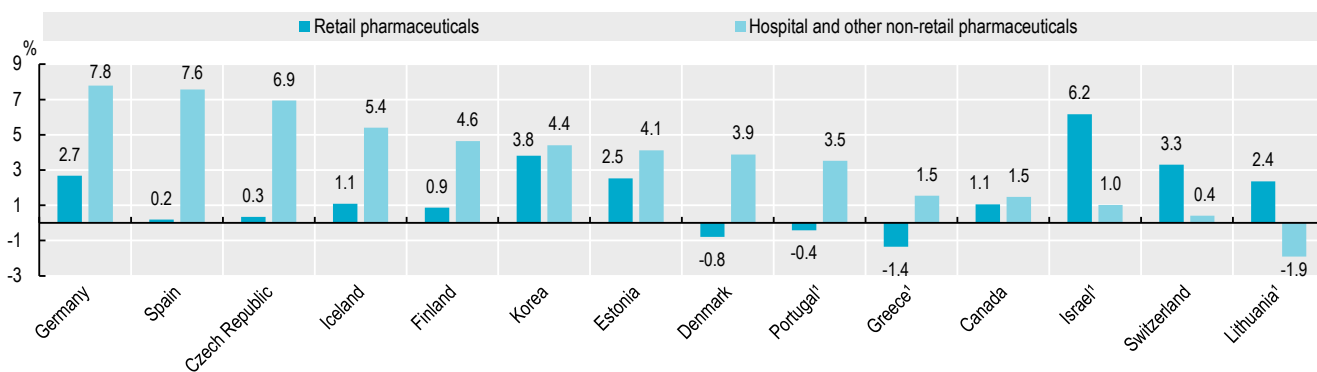
Figure 9.2. Expenditure on retail pharmaceuticals per capita, 2021 (or nearest year)



1. Includes medical non-durables.  
Source: OECD Health Statistics 2023.

StatLink <https://stat.link/s62bo8>

Figure 9.3. Annual average growth in retail and hospital and other non-retail pharmaceutical expenditure, in real terms, 2011-21 (or nearest years)



1. Includes medical non-durables.  
Source: OECD Health Statistics 2023.

StatLink <https://stat.link/7v5pki>



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