

Pharmaceutical expenditure accounted for almost a fifth (19%) of all health expenditure on average in EU member states in 2010, making it the third biggest spending component after inpatient and outpatient care. Increased spending on pharmaceuticals has contributed to the overall rise in total health expenditure over the past decade, although the growth rate turned negative in several countries in 2010. The relationship between pharmaceutical expenditure and other health expenditure is a complex one, in that increased expenditure on pharmaceuticals to tackle different diseases may reduce the need for costly hospitalisations and interventions now or in the future.

The total pharmaceutical bill across the European Union reached more than EUR 190 billion in 2010. However, there are wide variations in pharmaceutical spending per capita across countries, reflecting differences in volume, structure of consumption and pharmaceutical prices (Figure 5.5.1, left panel). At EUR 528, Ireland spent more on pharmaceuticals than any other European country on a per capita basis. This is 50% above the average across EU member states of EUR 349. Other countries with relatively high pharmaceutical expenditure include Germany (EUR 492), Belgium (EUR 479) and France (EUR 468). At the other end of the scale, Romania spent only EUR 164 per capita. Denmark, Estonia, Latvia and Poland are also among the countries that have relatively low pharmaceutical spending per capita, at less than 70% of the EU average.

Pharmaceutical spending accounted for 1.6% of GDP on average across EU member states, ranging from below 1% in countries such as Denmark, Luxembourg and Norway, to more than 2% in Bulgaria, Hungary, the Slovak Republic and Serbia (Figure 5.5.1, right panel).

The economic crisis in many European countries has had a significant effect on pharmaceutical spending (Figure 5.5.2). Between 2000 and 2009, pharmaceutical spending increased on average in EU member states by 3.2% per year in real terms (slightly below the growth rate in total health spending), but the average growth in pharmaceutical spending in 2010 came to a halt (0.0%). In Ireland, pharmaceutical spending per capita increased at a rate of over 8% per year in real terms on average

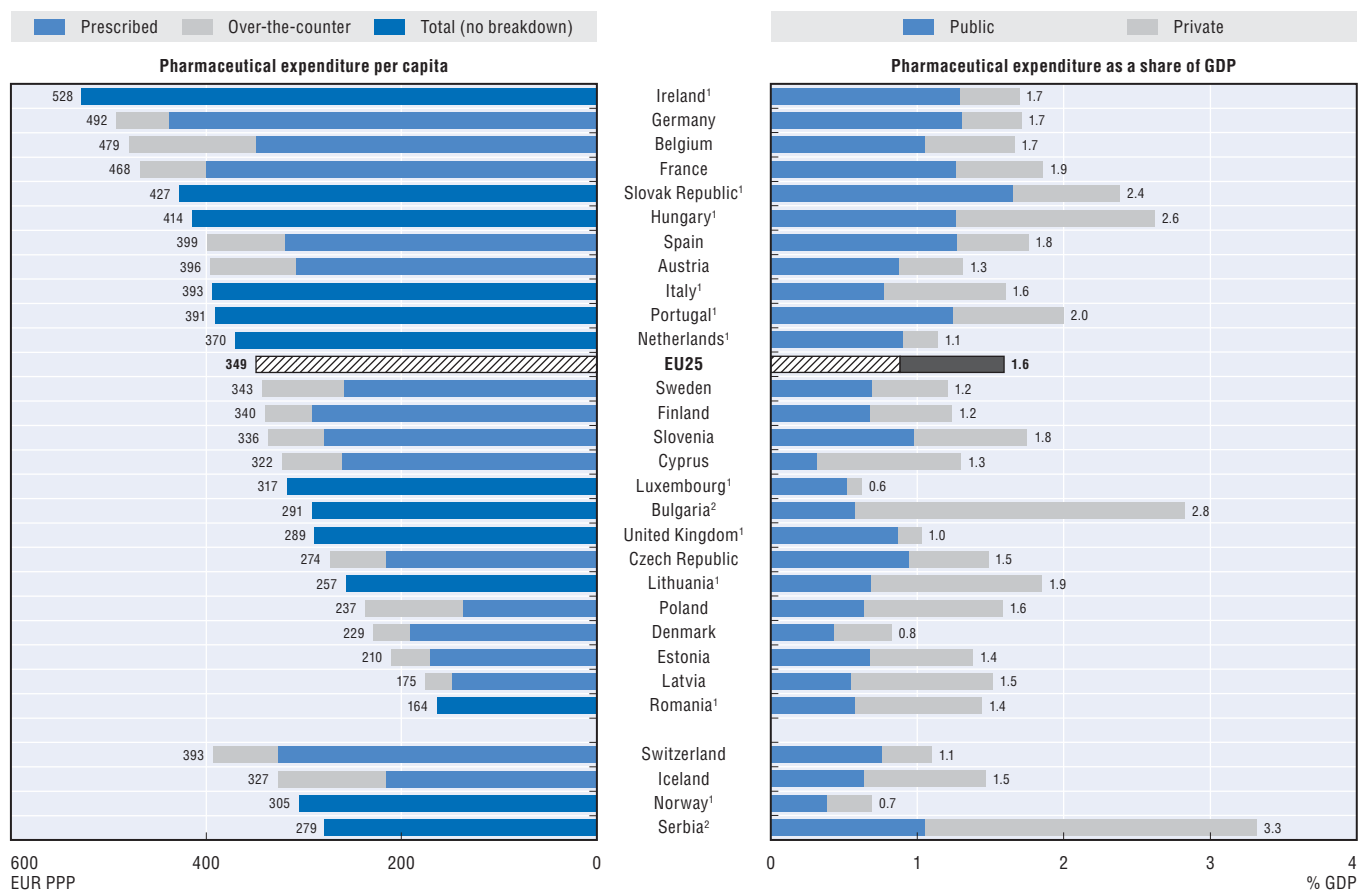
between 2000 and 2009, but the growth rate slowed down markedly to less than 2% in 2010. This slowdown followed the introduction of a series of measures to control pharmaceutical spending in Ireland, including large price reductions and increases in co-payments by households. Several other countries severely affected by the economic crisis cut their spending on pharmaceuticals drastically in 2010: Iceland (-6.3%), Lithuania (-4.6%) and Portugal (-3.3%).

Many European countries have attempted to control pharmaceutical expenditures even before the recession via a mix of price and volume controls directed at physicians and pharmacies, as well as policies targeting specific products (OECD, 2010b). In Germany, pharmaceutical companies must now enter into rebate negotiations with health insurance funds for new innovative medicines, putting an end to the previous free-pricing regime. Spain mandated a price reduction for generics and introduced a general rebate applicable for all medicines prescribed by NHS physicians in 2010. In France, price reductions or rebates on pharmaceuticals have often been used as adjustment variables to contain health spending growth while in the United Kingdom caps were introduced on pharmaceutical companies' profits relating to NHS sales.

### Definition and comparability

Pharmaceutical expenditure covers spending on prescription medicines and self-medication, often referred to as over-the-counter products. In some countries, the data also include other medical non-durable goods (adding approximately 5% to the spending). The expenditure also includes pharmacists' remuneration when the latter is separate from the price of medicines. Pharmaceuticals consumed in hospitals are excluded (their inclusion would add another 15% to pharmaceutical spending approximately). Final expenditure on pharmaceuticals includes wholesale and retail margins and value-added tax.

5.5.1. Expenditure on pharmaceuticals per capita and as a share of GDP, 2010 (or nearest year)

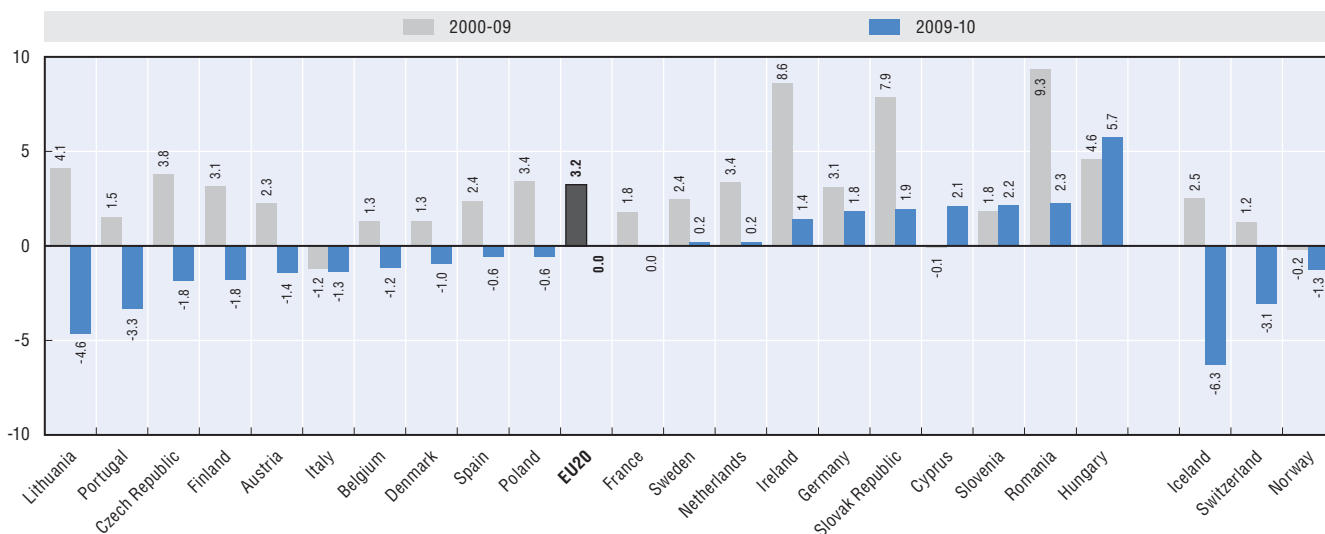


- 1. Includes medical non-durables.
- 2. Total medical goods.

Source: OECD Health Data 2012; Eurostat Statistics Database.

StatLink <http://dx.doi.org/10.1787/888932705577>

5.5.2. Average annual growth in pharmaceutical expenditure per capita, in real terms, 2000 to 2010 (or nearest year)



Source: OECD Health Data 2012; Eurostat Statistics Database.

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