Drug spending in OECD countries up by nearly a third since 1998, according to new OECD data

Spending on pharmaceuticals across OECD countries has increased by an average of 32% in real terms since 1998, reaching more than US $450 billion in 2003, according to new data released by the OECD.

Drug spending is an increasing share of health costs in many OECD countries. Growth in drug spending has outpaced total health expenditure over the past five years in most OECD countries (Chart 1). Spending on drugs grew more than twice as fast as total health expenditure in the United States and Australia between 1998 and 2003. The rate of growth was more moderate in Japan, Italy and Switzerland.

Spending on drugs represented, on average, around 18% of total health spending in OECD countries in 2003 (Chart 2). The share ranged from highs of almost 30% or more in the Slovak Republic, Korea and Hungary to lows of around 10% in Denmark and Norway.1

In 2003, total drug expenditure per person was highest in the United States (more than US$700 per person), followed by France (just over US$600), Canada and Italy (about US$500); the lowest spending of just over US$100 was in Mexico and Turkey (Chart 3). Variations in drug spending across countries reflect differences in prices and consumption, as well as the pace of introduction of new and often more expensive drugs. Difference in income levels across countries is also a significant factor affecting spending on pharmaceuticals.

Around 60% of drug spending is publicly financed on average across OECD countries, with the remainder paid by private sources, mainly out-of-pocket payments and private health insurance. By comparison, almost three-quarters of total health spending is funded through public sources on average in OECD countries. Most countries have seen the public share of pharmaceutical spending increase in recent years, including in the United States, although at around 20% in 2003, it is still the second lowest public share among OECD countries.

1 Drug spending comprises prescription and non-prescription drugs. The share of drug spending in total health spending reported in OECD Health Data is an underestimate because it takes no account of spending on drugs given in hospitals (which is included in the hospital spending category).
Significant cross-country variations in spending levels exist also in terms of total health spending. In 2003, the United States spent $5,635 per person on health, more than twice the OECD average and around 10 times more than the lowest-spending countries, Mexico and Turkey (Chart 4). The United States devoted 15% of its GDP to health spending in 2003, followed by Switzerland and Germany, at over 11% of GDP. At the other end of the scale, Korea and the Slovak Republic allocated a little under 6% of their GDP to health (Chart 5). The OECD average in 2003 was 8.6%.

**OECD Health Data 2005**

These are some of the findings in *OECD Health Data 2005*, the most authoritative source of comparable health statistics among developed countries. *OECD Health Data 2005* provides evidence of striking variations across the 30 OECD member countries in many aspects of their health systems, health status and health risks. This comprehensive database includes more than 1200 indicators, with some time series going back to 1960. An extensive documentation of definitions, national sources and estimation methods per country is included in the database.

*OECD Health Data 2005* is available on CD-ROM in a multilingual version (English, French, German, Italian, Spanish and Russian) for single-user or network installations. An online version of the database is also available to subscribers of SourceOECD. Free technical assistance, data and software updates are accessible via the Internet at [www.oecd.org/health/healthdata](http://www.oecd.org/health/healthdata).

Country notes are available at the following website: [www.oecd.org/health/healthdata](http://www.oecd.org/health/healthdata).

A limited number of CD-ROMs are available to journalists from the OECD's Media Relations Division (tel. 33 1 45 24 97 00 or news.contact@oecd.org). For further information, journalists are invited to contact Elizabeth Docteur (tel. + 33 1 45 24 76 03 or elisabeth.docteur@oecd.org) or Gaétan Lafortune (tel. + 33 1 45 24 92 67 or gaetan.lafortune@oecd.org) from the OECD’s Health Division.
Chart 1. Annual growth in drug expenditure and in total health expenditure, 1998 to 2003

Note: Countries are ranked from left to right by annual growth of per capita pharmaceutical expenditure.
Source OECD HEALTH DATA 2005, June 05
Chart 2. Drug expenditure as percentage of total health spending, 2003

Slovak Republic 38.5
Korea 28.8
Hungary (1) 27.6
Turkey (3) 24.8
Italy 22.1
Spain 21.9
Mexico 21.8
France 21.4
Japan (1) 20.9
Canada 18.4
Austria (1) 16.9
Finland 16.1
Greece 16.0
Germany 16.0
Iceland 14.6
Australia (2) 14.5
Sweden (1) 14.0
United States 13.1
Luxembourg (1) 12.9
Netherlands 11.6
Ireland (1) 11.4
Switzerland 11.0
Denmark 10.5
Norway (1) 9.8
OECD 9.4

Source OECD HEALTH DATA 2005, June 05
Data are expressed in purchasing power parities (PPPs), which provide a means of comparing spending between countries on a common base. PPPs are the rates of currency conversion that equalise the cost of a given 'basket' of goods and services in different countries.

Source OECD HEALTH DATA 2005, June 05
Chart 4. Health expenditure per capita, public and private spending, 2003

Data are expressed in purchasing power parities (PPPs), which provide a means of comparing spending between countries on a common base. PPPs are the rates of currency conversion that equalise the cost of a given ‘basket’ of goods and services in different countries.

Source OECD HEALTH DATA 2005, June 05
Chart 5. Health expenditure as percentage of GDP, 2003


Source OECD HEALTH DATA 2005, June 05