

# Drivers of Expenditure on Primary Care Prescription Drugs in 10 High-Income Countries with Universal Health Coverage

## SYNOPSIS

In comparing spending on prescription drugs across 10 high-income countries with universal health care coverage, researchers found that differences in prices and drug choices—not the volume of drugs purchased—account for the wide spending variations found. Countries with single-payer systems have greater purchasing power in price negotiations with manufacturers, which may allow them to promote lower prices and encourage use of lower-cost treatments. This, in turn, results in lower pharmaceutical spending than in countries with multipayer systems.

## THE ISSUE

The rising cost of prescription drugs presents a challenge for health care systems around the world. As their per capita spending on pharmaceuticals increases, high-income countries with universal coverage are striving to manage costs to maintain affordable drug prices for the people who need them. The drivers of spending growth can include the volume of drugs prescribed, the choice of drugs within a category or class of pharmaceuticals, or factors related to price, including use and availability of generics. Former Commonwealth Fund Harkness Fellow Steven Morgan and coauthors compared 10 high-income countries' spending on prescription drugs used in primary care by focusing on six common drug categories: hypertension treatments, pain medications, lipid-lowering medications, noninsulin diabetes treatments, medication for depression, and drugs to treat gastrointestinal disorders such as ulcer and heartburn.

## KEY FINDINGS

- ▶ Average spending per capita on the six medication categories varies by more than 600 percent across the 10 countries. Volume of drug use varies by only 41 percent, suggesting that drug choices and prices drive differences in expenditures.
- ▶ Total volume of pharmaceutical use is highest in Germany and Norway. Hypertension medicines account for the largest share of use in all countries.
- ▶ The mix of therapies prescribed (within the drug classes included in the study) led to higher costs in Canada, Australia, France, and Switzerland. In

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***Among the 20 OECD countries with gross domestic product per capita of more than \$45,000 (Canadian), average per capita expenditures on pharmaceuticals increased by about one-third in the past 10 years and more than doubled in the past 20 years.***

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contrast, in New Zealand, Norway, Sweden, the United Kingdom, and Germany, patients were prescribed lower-cost treatments within the drug classes studied.

- ▶ The average daily cost of drug treatment in New Zealand and the United Kingdom is approximately one-third that of other countries. This difference is attributed to lower-cost drug choices. Alternatively, in Canada, patients were prescribed higher-price drug treatments, resulting in significantly higher spending than in other countries. This is especially true for depression and lipid-lowering medications.
- ▶ Switzerland and Canada have the highest list prices for drugs and the highest average per capita expenditures in all six drug categories. List prices are 61 percent higher in Canada and 57 percent higher in Switzerland than the average list prices in the other nine countries.
- ▶ Canada's high list prices are offset somewhat by a greater use of cost-saving generic drugs. In contrast, a preference for brand-name pharmaceuticals results in 12 percent higher expenditures per capita in Switzerland.

## THE BIG PICTURE

The wide variation in prescription drug spending seen across the 10 countries stems more from disparities in pricing and mix of drugs rather than from the volume of drugs consumed. The nations with single-payer systems appear to be more successful at maintaining lower costs. The authors suggest that these countries have greater purchasing power in negotiating drug prices with manufacturers and can therefore promote lower prices. In addition, single-payer systems are better able to encourage the use of lower-cost treatments. Results also point to the value of generic alternatives in keeping down drug spending. Public health systems aiming to reduce expenditures could achieve savings by reexamining the drug choices they offer and availing themselves of less-costly options.

## ABOUT THE STUDY

The authors used market research data from the IMS MIDAS or QuintilesIMS sales database for 2015. This database tracks more than 95 percent of the international pharmaceutical market. They compared data from 10 developed countries that participated in The Commonwealth Fund's International Health Policy Survey: Australia, New Zealand, Norway, Sweden, the United Kingdom, France, Germany, the Netherlands, and Switzerland. The countries included in the study all offer some form of universal health coverage.

## THE BOTTOM LINE

Wide differences in spending on primary care prescription drugs in high-income countries can be attributed to prices and prescribing patterns within drug classes, rather than volume of drugs purchased. These drivers are amenable to policy intervention; for instance, price negotiations with pharmaceutical manufacturers or encouraging providers to choose lower-cost drug options.

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