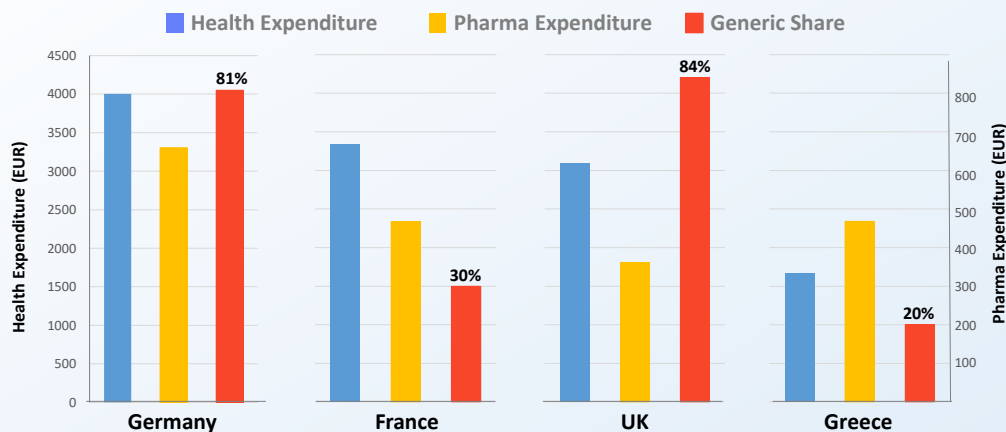


A Europe of Many Colors: Pharmaceutical Expenditures and Pricing

The recently published ‘Health at a Glance. Europe 2016’ by OECD not only sheds a light on the health status of the people across the Europe member states, but also provides interesting insights for the pharmaceutical industry.

Per capita spending on healthcare was 4,000 Euro in Germany (see figure, below), just above 3,000 in France and the UK, and ~2,400 Euro in Italy and Spain. Greece spent 1,600 Euros per capita on healthcare and in eastern European countries, such as Hungary, Poland and Bulgaria health expenditures were considerably lower, just above 1,000 Euro.

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Source: Health at a Glance: Europe 2016, OECD/EU, 2016

Similarly, expenditures on pharmaceuticals were highest in Germany with 551 Euro spent per capita. France at 467 Euros was higher than the EU average of 402 Euro, while the UK was well below at 360 Euro. Interestingly, Greece despite spending comparatively little on health overall, spent 468 Euros on pharmaceuticals. (At the other end of the spectrum, Poland spent 248 Euros on pharmaceuticals and surprisingly, Denmark just above 200 Euros.)



The differences in per capita expenditures for pharmaceuticals have a variety of reasons, such as overall consumption, prices, co-pay, etc. However, looking at the share of generics across the different countries reveals some interesting details. Only two countries, UK and Germany, have generics share above 80% (volume). The EU average is just above 50% (the share of generics in the US is 89%), while France only has a 30% share and Greece only 20%.

Germany with its relatively high per capita pharmaceutical expenditure despite a high penetration of generics and various cost-containment measures, suggests that Germany is a country with generally high price levels for pharmaceuticals. In contrast, in the UK, having a similarly high generic share, the overall pharmaceutical expenditure is considerably lower than in Germany, indicative of lower priced original products.

This conclusion is supported by numerous studies, which revealed that manufacturer and retail prices for pharmaceutical in Germany are up to 50% higher than in the UK, for example (see, e.g., Health Systems in Transition, 2016. Pharmaceutical regulation in 15 European countries).

France, with a generic share of only 30%, has higher per capita expenditures for pharmaceuticals than the UK. And Greece, with overall health expenditures approx. half of the UK, spent more on pharmaceutical products than the UK. One reason for that may be the low penetration of generics of 20%, indicating that Greece, despite low overall health expenditures still is an interesting market for pharmaceuticals.

In addition, this comparison indicated that, given the relatively small shares of generics across most European countries, local regulators still have considerable room for implementing cost-containment measures to reduce the overall expenditures on pharmaceuticals.

For any pharmaceutical or biotech company planning to enter the European market, it is essential to understand the European healthcare systems and appreciate the differences across countries in order to plan its market entry strategy and maximize its potential across this diverse set of markets.