

THE TRUTH ABOUT (PUBLIC) PHARMACEUTICAL EXPENDITURE

During recent months, there is a confusion between the terms “pharmaceutical expenditure” and “total pharmaceutical sales”. The data recorded by the National Organisation for Medicines (EOF), have been incorrectly designated as “pharmaceutical expenditure.” It should be clarified that the data provided by EOF represent total pharmaceutical sales, at retail prices, which include the wholesaler’s profit, the pharmacist’s profit and VAT.

EOF records, on a monthly basis, **the sales of medicinal products** from companies to Hospitals and Wholesalers/ Pharmacies. **Public expenditure on medicinal products** –according to OECD *International Classification of Health Accounts*, with which our country is harmonised- describes the expenditure on medicinal products dispensed to outpatients, which is covered by Social Insurance Funds. **Therefore, pharmaceutical expenditure is only a fraction of total pharmaceutical sales.**

To be more precise, it should be noted that **pharmaceutical sales** comprise:

A) *public expenditure on medicinal products, which is incurred by social insurance funds (part of it, however, returns to public funds, through 9% VAT)*

B) *pharmaceutical sales to hospitals (at Hospital Price: Wholesale Price minus 13%)*

C) *sales of medicinal products which are re-exported (parallel exports)*

D) *sales of medicinal products to either Greek citizens or tourists, which are paid out-of-pocket*

E) *sales of medicinal products dispensed to Greek citizens or foreigners insured at private insurance companies, which are covered by the latter*

F) *patients co-payment, which is not reimbursed by social security*

As far as point B is concerned, it should be noted that pharmaceutical sales to hospitals are included in hospital expenditure; therefore, if included in pharmaceutical expenditure as well, they would be double-counted.

As far as points C, D and E are concerned, it should be stressed that these sales do not constitute public pharmaceutical expenditure –on the contrary, they provide public funds with revenue, through VAT, income and salary taxation, payments to insurance funds, and others.

As a result, pharmaceutical expenditure, which is incurred by social insurance, is much lower than total pharmaceutical sales.

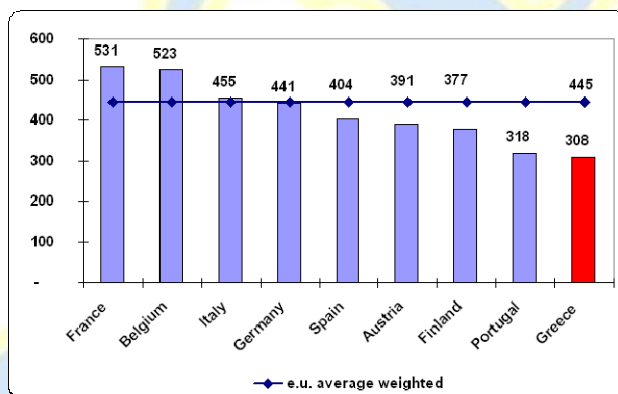
Therefore, the amount which is actually reimbursed by social insurance (ie the State) is estimated to be around 1/2 of total “pharmaceutical sales”. This is the “real pharmaceutical expenditure”.

It should be stressed that for the first time in the history of the Greek State, public pharmaceutical expenditure was officially announced in the Ministerial Decree issued by the Ministry of Employment and Social Protection according to which public pharmaceutical expenditure amounted to 3.218.312.756,71 € in 2006 and 3.831.824.232,45 € in 2007. This expenditure represents the amounts covered by Social Insurance Funds, in retail prices including VAT minus patient co-payment. This is the real public pharmaceutical expenditure in Greece.

It is worthwhile noting that pharmaceutical expenditure represents only one fifth of the total Health Expenditure.

Furthermore according to the OECD Health Data 2008 the per capita pharmaceutical expenditure in Greece is the lowest among the countries of the Euro zone as shown by the chart below:

Per Capita Pharmaceutical Expenditure in euro area countries (€), 2006



Source: OECD HEALTH DATA 2008

As pharmaceutical expenditure is only a fraction of total pharmaceutical sales, and as long as all other parameters are taken into consideration, it is accurate and valid that the burden of pharmaceuticals to Social Insurance Funds is actually much smaller than the one arising when we incorrectly designate “sales” as “expenditure.”