



The Pharmaceutical Market in Greece
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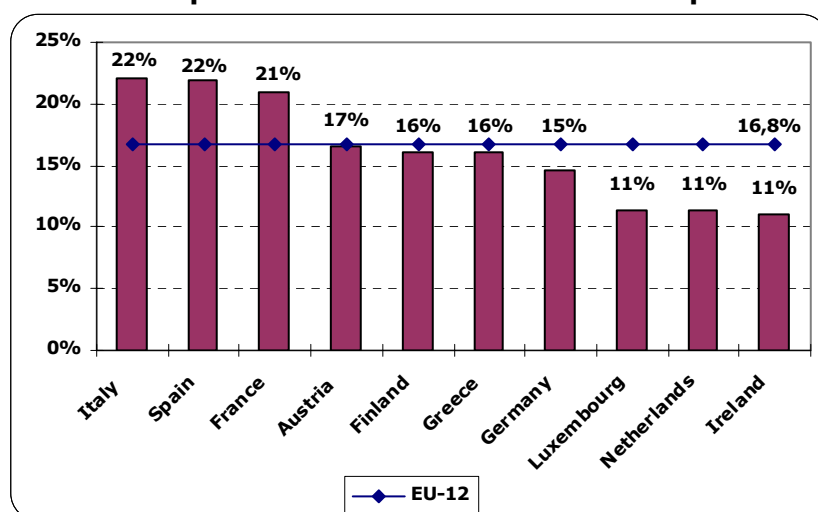
The Department of Health Economics of the Foundation for Economic & Industrial Research recently released its updated Annual Report on the Greek Pharmaceutical Market. The study includes the most up-to-date statistical data concerning the demand, the supply and the external trade of the pharmaceutical sector, as well as an in depth description and evaluation of the regulatory framework, the problems and the international environment of the pharmaceutical market.

The most important results arising from the study are the following:

In 2004, total **health care expenditure** in Greece rose to €16.4 billion, of which 54% referred to public and 46% to private expenditure. It is remarkable that, although a National Health System has been established in Greece since 1983, private health care expenditure approximates figures of private health care systems, while it considerably exceeds the respective figures of other European countries.

Pharmaceutical expenditure, on the other hand, rose to €2.9 billion, exhibiting a mean annual rate of 12,6%, for the period 2000-04. In 2003, (last year of available data for the euroarea countries) pharmaceutical expenditure in Greece as a percentage of total health care expenditure was lower than the European average (16% against 16,8%, respectively).

Pharmaceutical Expenditure as % of Health Care Expenditure, 2003



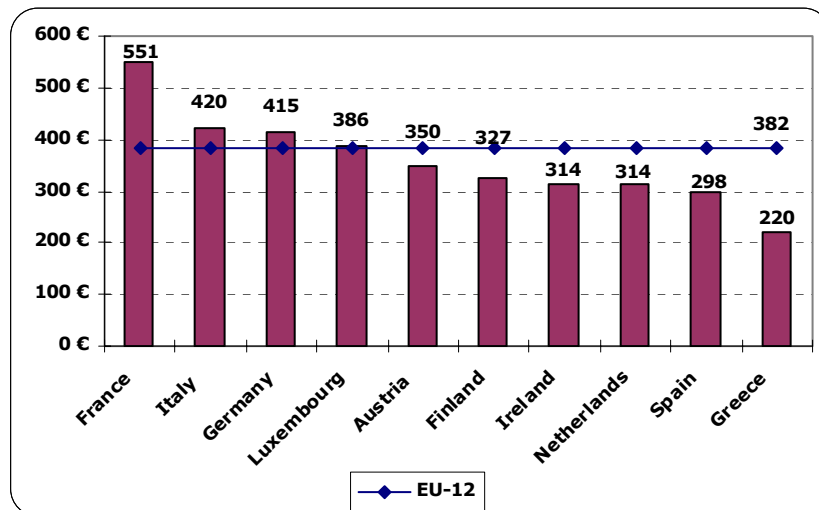
Source: OECD Health Data 2005
Belgium and Portugal are excluded due to lack of data

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The cost of prescription pharmaceutical products reached €2,7 billion in 2004, while *per capita pharmaceutical expenditure* rose to €220 in 2003, placing Greece at the last position amongst the other euroarea countries.

Per Capita Pharmaceutical Expenditure, 2003



*Source: OECD Health Data 2005
Belgium and Portugal are excluded due to lack of data*

The study also includes an analysis of the determinants of demand for health care, based on the Household Budget Surveys of the National Statistical Service of Greece (ESYE). According to these data, the largest share of the households' private health care expenditure refers to dental care (31%), as the latter is not fully reimbursed by Social Insurance. Total expenditure on medical care (including dental) holds 65.7% of private health care expenditure, while pharmaceuticals account for 16.4%, respectively.

One of the factors that considerably affect pharmaceutical expenditure is the household's area of residence. More specifically, rural households incur the highest monthly pharmaceutical expenditure, which exceeds the country's average by 22%. On the other hand, the lowest pharmaceutical expenditure is incurred by households of Thessaloniki (Central Macedonia), which spend 15% less on pharmaceuticals than the country's average household.

The increase in the number of household members does not systematically lead to an increase in pharmaceutical expenditure, whereas age structure is a factor that considerably affects the latter. Total health care expenditure also increases with income, while pharmaceutical expenditure does not exhibit a systematic relationship with it. On the other hand, the latter varies considerably with the occupation of the "head of the household", with the largest upward divergence from the average value found in households whose head is unemployed, due to lack of social insurance. It is remarkable that households, whose "head" is a scientist, spend on pharmaceuticals only 60% of the country's average, while households whose "head" holds a higher managerial post exceed the respective average by 13%.

Public pharmaceutical expenditure, on the other hand, represents 36% of Insurance Funds' health care expenditure (including in kind provisions). This share appears to be rather high due to the fact that Insurance Funds' debts towards hospitals are subsidized by the national budget.

On the **supply side** -according to IFET data- 1,643 new pharmaceutical products were launched in the market over the last five years, which amounted to €575 million. The market holders of pharmaceutical products in Greece are 552 companies, while the role of wholesaling is performed either by private companies or by pharmacists' cooperatives (which amount to 110 and 27, respectively). The total number of pharmacists in Greece amounts to 12.336, while the number of pharmacies operating is about 9.400.

The **Industrial Production Index** for the pharmaceutical sector has been increasing over the period 2000-2004, reaching 213 units in 2004. Additionally, the production units operating in the country have increased from 61 in 2001 to 63 in 2002. (last year of available data for ESYE).

As far as **external trade** is considered, imports were increased by 16,8% in 2004, while exports increased by 21,6%. The Balassa Index is negative throughout the period under investigation, indicating the dominance of imports over exports. The deficit of the trade balance was €1,6 billion in 2004., while according to IOBE's estimate, parallel exports exceeded €1.2 billion over the same year.

The analysis of the **regulatory framework** leads to the conclusion that the health care system, and consequently the pharmaceutical market, is characterized by plurality of competent authorities and complexity of decision making processes. These two factors often render the implementation of a solid and efficient pharmaceutical policy impossible.

In particular, the pharmaceutical sector is strongly controlled and regulated by the State. The main reason of government intervention is the protection of the patient and the pharmaceutical company, as well as cost containment. To achieve these goals, the State uses a series of regulatory measures, which mainly aim to control the supply and the demand side of the market. The most important of these are the pricing and reimbursement systems adopted, which also are the main points of the recent reform in the pharmaceutical framework in Greece.

Finally, the main **problems** of the pharmaceutical market consist of both demand-side and supply-side problems. From the demand side, the main problem refers to the market access delays of innovative products, which have already been granted marketing authorization. Moreover, due to the increase in parallel exports, the phenomenon of medicines' significant shortages in the market is often observed. From the companies' point of view, the most important problems are the delays in the decision making processes, as well as the enduringly varying regulatory framework, which cause lack of stability and do not allow companies' longterm strategic planning.