



Development of consumption and reimbursement costs in a liberalized market structure

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The consumption (in DDD) of pharmaceuticals in Norway is low compared to other Scandinavian countries. At the same time the reimbursement costs per capita in Norway has been stable/decreasing the last years. This poster tries to explain this development.

Development of consumption per capita

As shown in figure 1, there are large differences in consumption per capita in the Scandinavian countries. The differences can be explained by regulations, differences in therapeutical traditions, as well as cultural and demographical differences.

The Norwegian pharmacy legislation is one of the most liberal in Europe, allowing vertical integration between wholesalers and pharmacies, as well as free establishment, with no need for the owner to be a pharmacist. Denmark has a legislation where only pharmacists can own a pharmacy, while Sweden has a governmental monopoly, which is to be liberalized in the end of 2009. Norway and Denmark has low prices as one of the main political objectives.

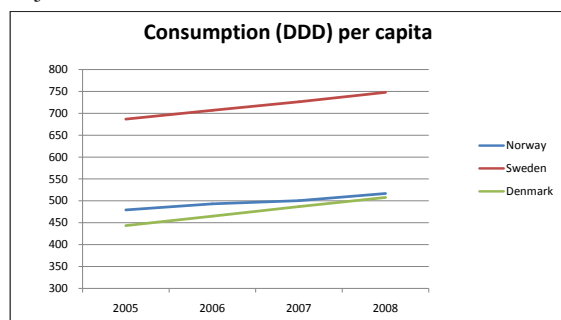


Figure 1: Consumption per capita in Norway, Sweden and Denmark (DDD/inhabitants). Source: Danish Medicines Agency, Apoteket.se, Norwegian Pharmacy Association.

If there is a correlation between a liberalized pharmacy sector and drug consumption, you would expect to see a higher consumption level in Norway than in Sweden. This is not the case, as shown in the figure above. Sweden has by far the largest drug consumption per capita in DDD, while Norway has among the lowest.

Development of reimbursement costs

The National Insurance Scheme's reimbursement costs has decreased from NOK 8,0 billion in 2004 to NOK 7,7 billion in 2008 (medicines on prescription - excluding medicines that has changed source of finance in the period). See figure 2.

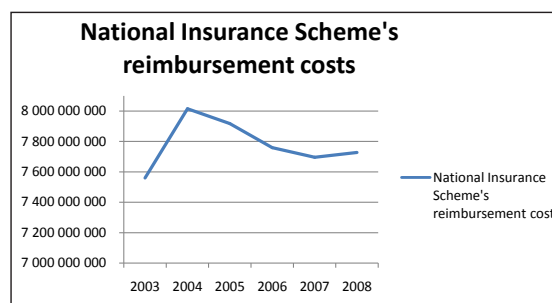


Figure 2: National Insurance Scheme's reimbursements costs. Source: Norwegian Pharmacy Association.

What has been done to cut reimbursement costs?

- An international reference price system that ensures that medicine prices in Norway are among the lowest in Western Europe.
- Establishing a tiered pricing system for drugs with generic competition.
- Establishing a system with preferred drug for certain diseases.
- Transfer the financial responsibility for some very expensive drugs from National Insurance Scheme to the Regional Health Authorities.

In contrast to the Government's aim to cut reimbursement costs, the public are now paying a larger share of the total drug costs. As shown in figure 3, the public's share of expenditure of medicine on prescription is now more than 32 percent, while it was less than 28 percent in 2003.

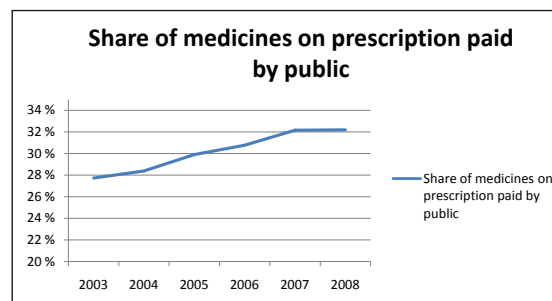


Figure 3: Share of medicines on prescription paid by the public. Source: Norwegian Pharmacy Association.

CONCLUSION

A liberalized market structure does not necessarily mean increased consumption or increased reimbursement costs. Data collected suggests that there is no apparent positive correlation between market structure and drug consumption/ expenditure.