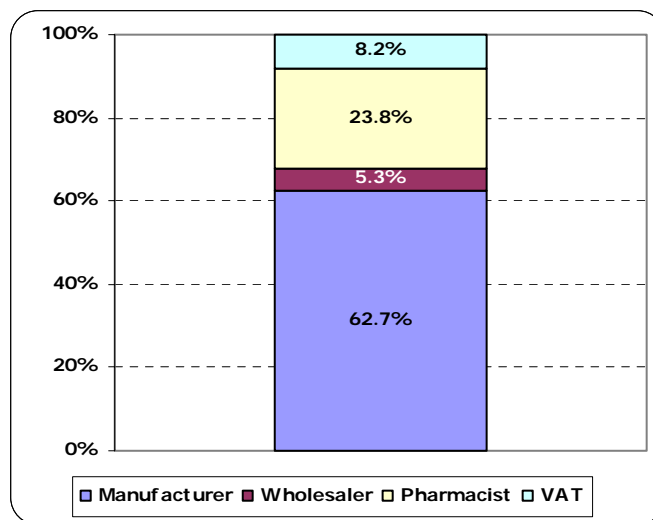


# PRESS RELEASE

## THE TRUTH ABOUT (PUBLIC) PHARMACEUTICAL EXPENDITURE

During recent months, a prevailing confusion has existed between the terms “pharmaceutical expenditure” and “total pharmaceutical sales”. More specifically, “pharmaceutical sales,” the data recorded by the National Organisation for Medicines (EOF), have been incorrectly designated as “pharmaceutical expenditure.” First, it should be clarified that the data provided by EOF describe total pharmaceutical sales, at retail prices, which include the wholesaler’s profit, the pharmacist’s profit and VAT. Specifically, the structure of a medicine’s Retail Price is the following:

**Pharmaceutical Retail Price Structure**  
**(R.P. =100)**



EOF records, on a monthly basis, **the sales of medicinal products** from companies to Hospitals and Wholesalers/ Pharmacies. Contrarily, **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” and is estimated on the basis of both the aforementioned and the following:**

It is clear that pharmaceutical sales describe **the pharmaceutical sector’s supply-side, rather than the demand-side**. Therefore, the proper way to present these sales is by estimating them at ex-factory prices, which is the usual case, rather than at retail prices. Presenting pharmaceutical sales at retail prices (sales which include medicines that will never reach the domestic retail market due to parallel exports), creates an overwhelmingly inflated picture of pharmaceutical expenditure. Moreover, the increase in sales at retail prices includes the effect of the rise in VAT in April 2005, which, of course, should not be attributed to a change in the pharmaceutical market per se.

Consequently, **sales of medicinal products in terms of value**, reached € 3.8 billion in 2005 (Table 1). **The rate of increase for the same year was 10%.**

**Table 1**  
**Pharmaceutical Sales in Value**  
*(at ex factory prices)*

Year	Hospitals (Hospital Price)		Wholesalers–Pharmacies (Net Price <sup>1</sup> )		Total	
	<i>thousand €</i>	<i>% of change</i>	<i>thousand €</i>	<i>% of change</i>	<i>thousand €</i>	<i>% of change</i>
2000	423,274	-	1,358,873	-	1,782,147	-
2001	522,504	23%	1,652,265	22%	2,174,769	22%
2002	626,286	20%	1,983,592	20%	2,609,878	20%
2003	767,984	23%	2,252,925	14%	3,020,909	16%
2004	837,497	9%	2,638,165	17%	3,475,662	15%
2005	921,387	10%	2,907,646	10%	3,829,033	10%

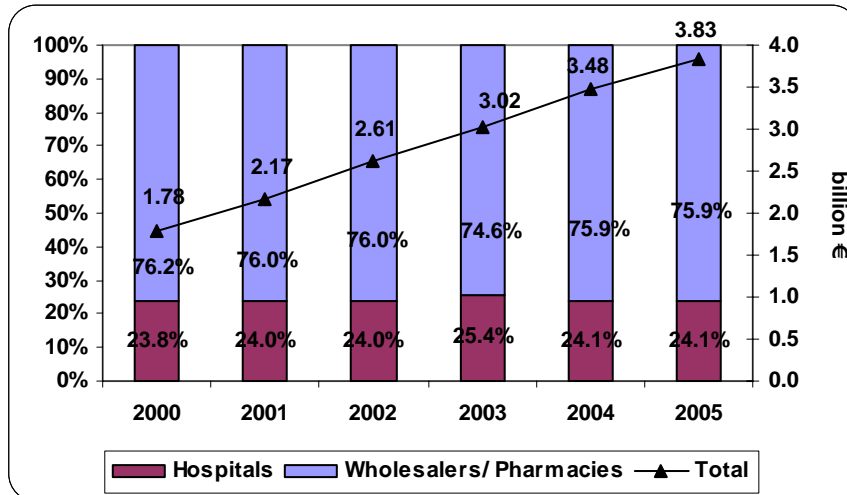
*Source: EOF-IFET and IOBE calculations*  
*Data include parallel exports*

Moreover, by presenting sales data in this way, we are being more precise in estimating the share of hospital sales on total sales, which when estimated by using the retail price, is much lower due to the fact that sales to wholesalers/ pharmacies include wholesaler and pharmacist profit.

**Therefore, in order to calculate pharmaceutical expenditure, we must subtract 24% (hospital sales) out of total sales (Diagram 1), and from the remaining €2.9 billion, we should subtract parallel exports (for which no official data exist). Accordingly, pharmaceutical expenditure which is incurred by insurance funds is estimated to be about 1/2 of total pharmaceutical sales.**

<sup>1</sup> Net Price is the wholesaler purchasing price, ie the Wholesale Price decreased by the compulsory discounts and the wholesaler's profit: Wholesale Price minus 8%.

**Diagram 1**  
**Breakdown of Pharmaceutical Sales to Hospitals and Wholesalers/ Pharmacies**



*Source: EOF-IFET and IOBE calculations  
 Data include parallel exports*

In summary, it is evident that in Greece, pharmaceutical sales data are entirely different from pharmaceutical expenditure data.

**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.”**