

PULSE

Drug spending tops

\$25 billion

Although the explosive growth rate of spending on drugs in Canada abated slightly in 2006, it continued to outstrip overall growth in health spending. Canadians are projected to have shelled out \$25.2 billion for drugs, including \$21.1 billion for prescription medications and \$4.1 billion for non-prescription drugs.

Overall drug spending rose 6% last year, compared with 8.7% in 2005, and an average of 9.6% between 1985 and 2004, according to the Canadian Institute for Health Information's annual drug expenditures report. Spending on prescription drugs rose 6.9%, whereas that on non-prescription drugs (over-the-counter drugs and personal health supplies like disposable diabetic syringes) rose 2%.

The Canadian Institute for Health Information report surmises that a range of "interrelated" factors drive spending increases, including price, the entry of new drugs (typically more costly) and volume of drug use.

The report adds that volume of drug use is affected by an array of subfactors, including the following:

- Population-related: changes in population size, structure and distribution; age, gender and ethnicity; emergence of new diseases and epidemics.
- System-related: availability and access to third-party insurance coverage; the extent of formulary listings.
- Research and technology-related: new treatment approaches; drugs replacing surgery; therapies for previously untreatable diseases; improved diagnostic technologies.
- Pharmaceutical industry: development of new products (i.e., "new strengths, new drug forms and presentations), promotion of drugs to physicians, drug sampling, and direct-to-consumer advertising.
- Practice and consumers: changes in prescribing and dispensing patterns, number and mix of prescribers, mul-

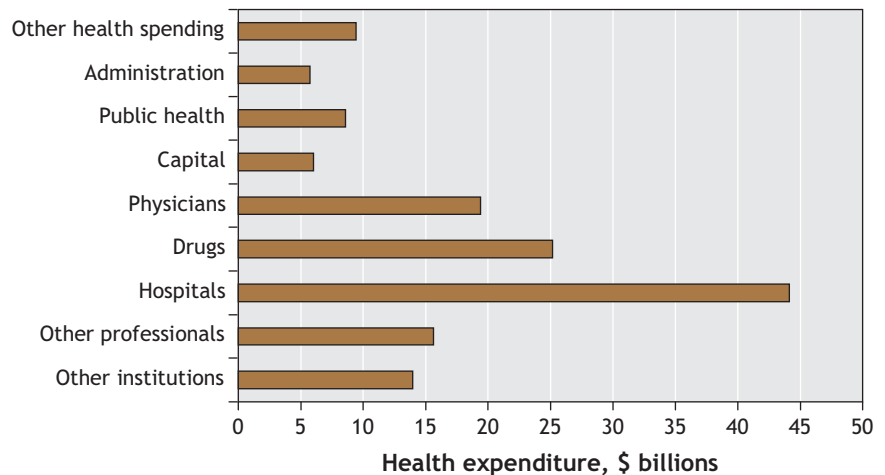


Fig. 1: Health expenditures in Canada, by use of funds, projected for 2006. Source: Canadian Institute for Health Information.

tipple doctoring, consumer expectations and behaviours, and adherence to treatment.

The report also indicates that nationally, drugs now consume 17% of the health care dollar (Fig. 1), with the share having risen significantly in all provinces except PEI and the Northwest Territories and Nunavut since 1985 (Fig. 2).

The report says Canada now spends more per capita on drugs and relies more heavily on the private sector to absorb the cost than most other Organization for Economic Co-operation and Development nations. Canada

spent \$699 per capita on drugs in 2004, trailing the US (\$940) and France (\$749), who are among 17 so-called "comparator" countries. Mexico (\$173), Poland (\$298) and Denmark (\$338) spent the least.

In Canada, the public sector funded 37.8% of the bill, the fourth lowest among the 17 nations, well behind Luxembourg (83.7%) and Belgium (77.4%), but ahead of Poland (36.5%), the United States (24.4%) and Mexico (11.6%). — Wayne Kondro, *CMAJ*

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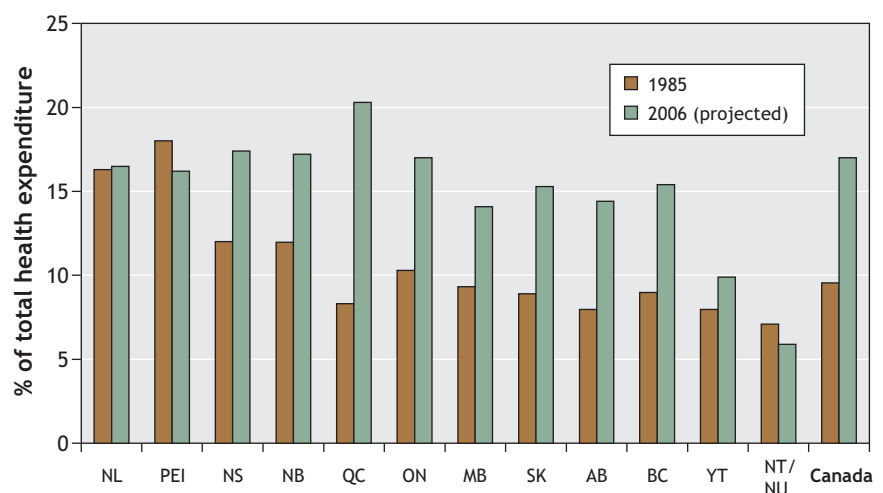


Fig. 2: Drug expenditures as a percentage of total health expenditure in Canada in 1985 and 2006. Source: Canadian Institute for Health Information.