

Medicine price comparison between Australia and the United States

The Pharmaceutical Benefits Scheme helps keep the prices Australians pay for medicine low. In the USA, the pharmaceutical industry is calling on the Trump administration to put retaliatory tariffs on Australia as a way of pressuring Australia to make changes to the PBS so that it can make more money. This would make medicines more expensive for Australians.

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INTRODUCTION

Over 20 years ago, during negotiations for the Australia United States Free Trade Agreement (AUSFTA), the United States (US) pushed hard to include provisions that watered down Australia's Pharmaceutical Benefits Scheme (PBS). The United States pharmaceutical industry was behind the push.

When this was highlighted by various groups, including The Australia Institute,¹ the public backlash forced the Howard Coalition Government to resist US pressure.² While there was some watering down of the PBS as a result of AUSFTA, the changes were far less significant than what the US pharmaceutical industry wanted.

¹ The Australia Institute (2003) *Comparing Drug Prices in Australia and the USA: The implications for the US-Australia Free Trade Agreement*, <https://australiainstitute.org.au/report/comparing-drug-prices-in-australia-and-the-usa-the-implications-of-the-us-australia-free-trade-agreement/>

² Australian Labor Party (2004) *Amendments to deliver cheaper medicines*, <https://web.archive.org/web/20040818214342/http://www.alp.org.au/media/0804/20008138.html>

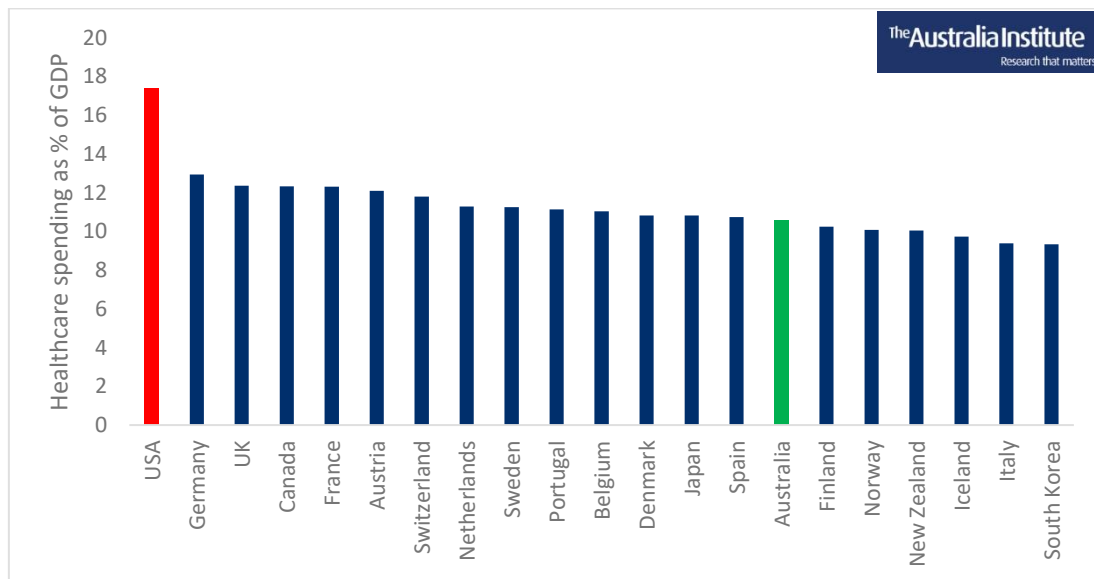
In defiance of the AUSFTA, the newly elected Trump administration has imposed tariffs on Australian steel and aluminum, and is threatening to impose additional tariffs in areas like agriculture.³ Unsurprisingly, the US pharmaceutical industry is again lobbying the US Government to recognize the PBS as a non-trade barrier. The threat is that unless Australia agrees to dismantle or water down the PBS, which would make medicines more expensive, the Trump administration will impose retaliatory tariffs.

Australians should be very concerned about this. Without the PBS Australians would have to pay the same kinds of astronomical costs for medicines that people in the USA do.

HEALTHCARE COSTS IN THE UNITED STATES

It is well known that healthcare in the USA is expensive. The USA spends considerably more on medicine, as a proportion of their national income (GDP), than similar developed countries.

Figure 1: Healthcare spending as a proportion of GDP for various nations, 2021



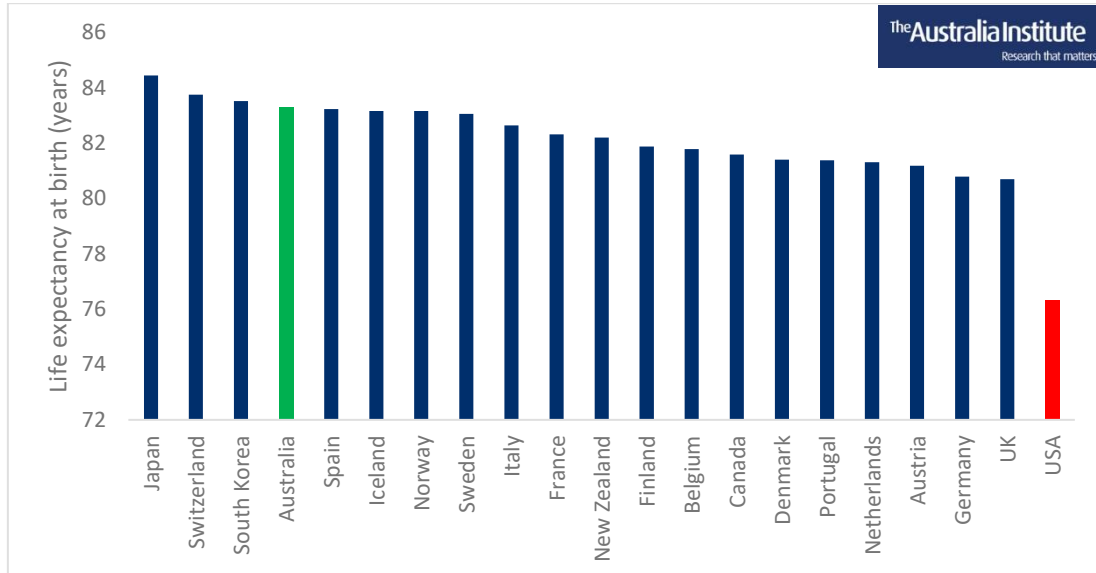
Source: World Bank (n.d.) *Current health expenditure (% of GDP)*, <https://data.worldbank.org/indicator/SH.XPD.CHEX.GD.ZS>

Despite spending significantly more than other countries, the USA’s health system delivers considerably worse health outcomes. The USA has the lowest life expectancy

³ Foley et al. (2025) *Farmers warned to brace for 10 per cent tariffs as Trump targets \$7b industry*, <https://www.smh.com.au/politics/federal/farmers-warned-to-brace-for-10-per-cent-tariffs-as-trump-targets-7b-industry-20250401-p5lo5e.html>

of any of the developed nations in Figure 1. In contrast, Australia has one of the highest.

Figure 2: Life expectancy at birth for various nations, 2021



Source: World Bank (n.d.) *Life expectancy at birth (years)*,
<https://data.worldbank.org/indicator/SP.DYN.LE00.IN>

The reason for this is not a mystery. The United States Government spends less on public healthcare, and private healthcare is too expensive for many to afford. This means that many Americans do not have the high level of healthcare that the citizens of other nations – like Australia – take for granted.⁴

The higher price of basic prescription medication — the kind covered by the PBS in Australia — is a significant reason for high healthcare costs in the USA.

MEDICINE PRICES IN THE USA AND AUSTRALIA

It has been suggested that the new Trump administration could declare the PBS a non-trade barrier and level reciprocal tariffs against Australia.⁵ This means that whoever forms government in Australia after the next election could come under pressure to dismantle essential elements of the PBS.

⁴ OECD (2023) *Health at a Glance 2023: OECD Indicators*, Fig 7.12 p163,
https://www.oecd.org/en/publications/2023/11/health-at-a-glance-2023_e04f8239.html

⁵ Dalzell et al. (2025) *Australia defends Pharmaceutical Benefits Scheme as US companies urge Trump to impose reciprocal tariffs*, ABCNews, <https://www.abc.net.au/news/2025-03-19/australia-defends-pbs-us-pharma-urges-reciprocal-tariffs/105072750>

If the US pharmaceutical industry succeeds in its goal of undermining the PBS, Australians are likely to have to pay the high medicine prices common in the USA. Table 1 compares the prices of 11 medicines commonly used for a range of conditions. The table includes the pharmaceutical compound, the condition that it is used to treat, and the price that people in Australia and the US pay. All doses have been standardized to a one-month treatment. All prices are in Australian dollars, and the prices were collected in July 2024.

Table 1: The price of 11 commonly prescribed medications in the USA and Australia, \$AUS, 2024⁶

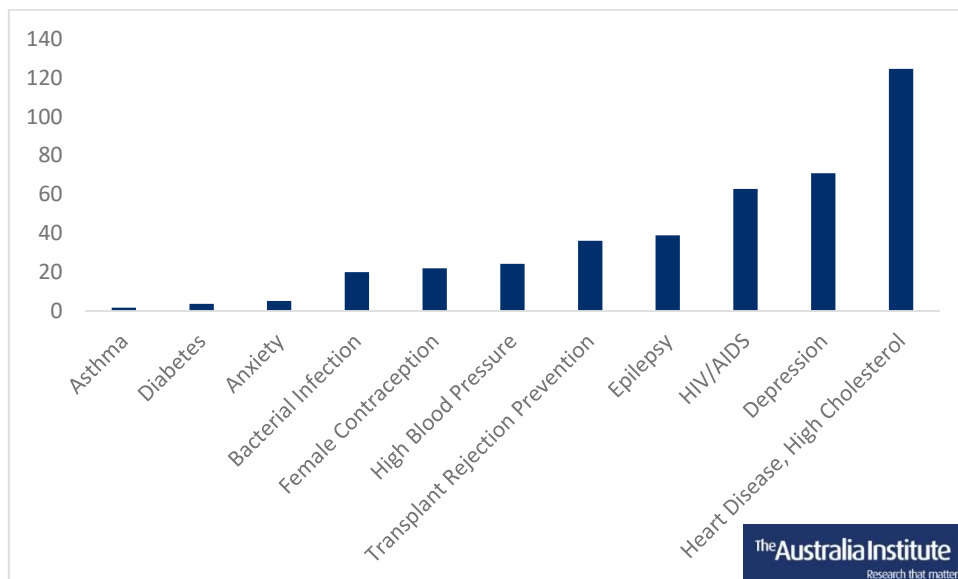
Compound	Condition	Australia	United States	US by Aust price
Pregabalin	Epilepsy	\$24.81	\$968.46	39.0
Atorvastatin	Heart Disease, High Cholesterol	\$21.07	\$2,628.39	124.7
Salbutamol	Asthma	\$30.03	\$49.88	1.7
Azithromycin	Bacterial Infection	\$7.70	\$154.55	20.1
Insulin Glargine	Diabetes	\$31.60	\$115.16	3.6
Tacrolimus	Transplant Rejection Prevention	\$31.60	\$1,143.25	36.2
Drospirenone / Ethinylestradiol	Female Contraception	\$28.33	\$621.46	21.9
Fluoxetine	Depression	\$31.60	\$2,244.10	71.0
Alprazolam	Anxiety	\$27.64	\$143.73	5.2
Lisinopril	High Blood Pressure	\$25.90	\$631.34	24.4
Tenofovir	HIV/AIDS	\$31.60	\$1,984.24	62.8

Source: Compare the market (2024) *Prescription costs around the world*, <https://www.comparethemarket.com.au/health-insurance/features/cost-of-medications/>

Medicines are so much more expensive in the USA than in Australia that the best way to think of the comparison is to consider the US price as a multiple of the Australian price. Figure 3 shows each of the above medicines in terms of how many more times more expensive the American price is compared to the Australian price.

⁶ Australian prices are what the consumer pays under the PBS. US prices are recommended retail prices and consumers may pay less depending on their health insurance. But private health insurance is ultimately paid by the policy holder, and hence the cost of the medication is borne by the consumer.

Figure 3: Common US medicine prices expressed as a multiple of the Australian price 2024



Source: Compare the market (2024) *Prescription costs around the world*,
<https://www.comparethemarket.com.au/health-insurance/features/cost-of-medications/>

From figure 3 we can see that while asthma medication is the closest in price, it is still 1.7 times more expensive in the USA. That means it costs about \$30 in Australia but about \$50 in the USA. High blood pressure medication costs almost 25 times more in the USA than in Australia. This means that the same medication that costs an Australian about \$26, sells for about \$630 in the USA.

The product with the largest price multiple is the heart disease/high cholesterol medication Atorvastatin. Under the PBS it costs Australians just over \$20, but in the United States it costs almost \$2,630 – or 125 times as much.

AUSTRALIA’S BARGAINING POWER

The PBS is how the Australian Government subsidises medicines for the Australian public. Under the PBS, the Australian Government buys medications from suppliers, and then charges patient’s a copayment based on their circumstances.

The US pharmaceutical industry does not object to the subsidisation of medicines in this way, because the more medicine the Australian Government buys, the more money they make.

Instead, they object to the PBS using its massive buying power to negotiate down the price that the Australian government pays for medications on our behalf. Because it

buys so many medicines, and because it refuses to purchase medicines if they are too expensive when compared to similar medicines with similar benefits, the Australian Government can get US pharmaceutical companies to sell medicines to Australia for significantly less than they otherwise would. This use of scientific evidence to evaluate the benefits of different medications combined with the bargaining power of the Australian government buying medicine on behalf of all Australians means that drug companies make far less profit selling to Australians than they do selling the same medications in the USA.

CONCLUSION

If the US pharmaceutical companies are successful in watering down the Australian PBS, the price of medicine in Australia will go up. There are only two ways for Australians to pay for such price increases, either by higher out-of-pocket costs for prescriptions, or through the extra taxes that would be needed to cover the massive increase in the cost of the PBS. Either should be unacceptable to any Australian Government.

Australia's desire to use its buying power to deliver cheaper medications for Australian consumers and the government is not a restriction on trade. Regardless of what the US drug companies think of this practice, the Australian Government has a sovereign right to design policy that benefits Australians. The imposition of tariffs on aluminum and steel by the Trump administration threaten Australia's supposedly "close relationship"⁷ with the USA. If the price of maintaining our relationship with the US is paying exorbitant prices for medicine, then Australians will inevitably ask the question – is this a friend we really want?

⁷ ABCNews (2025) *Albanese says 'unjustified' US tariffs on Australia poor way to treat a friend*, <https://www.abc.net.au/news/2025-03-12/australia-reacts-us-steel-tariffs-poor-friend-partner/105040948>