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Actualities of Hungarian pharmaceutical financing market

Newsletter

HEALTHWARE CONSULTING LTD.

News, current issues

- **Legislations** come into force from December 2014**:** Act XI of 1991 (2014.12.31.,2015.01.01.); Act LXXXIII of 1997 (2015.01.01.); Act CLIV of 1997 (2014.12.31.,2015.01.01.); Act XXV of 1998 (2015.01.01.); Act II of 2000 (2015.01.01.); Act XCV of 2005 (2015.01.01.); Act XCVII of 2006 (2015.01.01.); Act XCVIII of 2006 (2015.01.01.); Gov.Decree No.284/1997. (2015.01.01.); Gov.Decree No.43/1999. (2015.01.01.); Gov.Decree No.337/2008. (2015.01.01.); Gov.Decree No.319/2010. (2015.01.01.); Gov.Decree No.323/2010. (2014.12.15.,2015.01.01.); Gov.Decree No.364/2010. (2015.01.01.); Gov.Decree No.59/2011. (2015.01.01.); Gov.Decree No.313/2011. (2015.01.01.); Gov.Decree No.46/2012. (2015.01.01.)
- **NEWS:** *"The Most Important New Drugs Of 2014"* link
- **NEWS:** *"The main figures of drug budget of 2015"* link
- **NEWS:** *"Private hospital shuffles the health care"* link
- **NEWS:** *"Against the EMA recommendation Emergency Contraceptive is prescription-only in Hungary"* link

Survey of references, meta – analysis

We collect the available information, evidence in related articles, directives, studies, research.
As the first step of systematic research of the scientific literature we define the relevant keywords.
Then we present the evidence charts, it is followed by organization and comparative analysis.

Meta – analysis

We are able to make an exact summary of the results with statistical methods, which is based on the systematic research of scientific literature that led to compiling the parameters of evidence charts.

More details: link

Product offering

Macro approach to financing healthcare and medicinal products

Balance of the Health Insurance Fund

Billion HUF

Health Security Fund	2013. I-XII.	2014 original appropriation	2014		
			I-XI. months	% of appropriation	% of last year
Total of Budgetary Expenditures	**1 847,8**	**1 884,2**	**1 721,8**	**99,7%**	**102,4%**
Curative preventive provisions	908,0	931,9	844,6	98,9%	102,6%
Medicine subsidies	296,0	294,1	275,8	102,3%	102,5%
Medicine subsidies (pharmacy)	281,5	222,4	262,6	128,8%	101,9%
Total of Budgetary Revenues	**1 847,8**	**1 884,2**	**1 759,9**	**101,9%**	**103,8%**
Social Security Contributions	768,0	852,9	794,8	101,7%	113,9%
Contribution of Pharmaceutical Manufacturers and Wholesalers	58,7	56,0	48,2	94,0%	88,5%
Balance	**0,0**	**0,0**	**38,1**		**277,9%**

The 2014 budget counts with 2% increase in the expenditure and in the revenues too, while the balance is nil. The central budget contribution is planned to be less with 5% than last year fulfilment, and this gap is filled with the 11% higher social security contribution (85 billion HUF). The medicine subsidies plan are lower with 2 billion HUF than last year expenses.
In the first eleven months of 2014 the Health Security Fund produced a 2,21% surplus mainly because of the higher social security contributions (+1,7%).

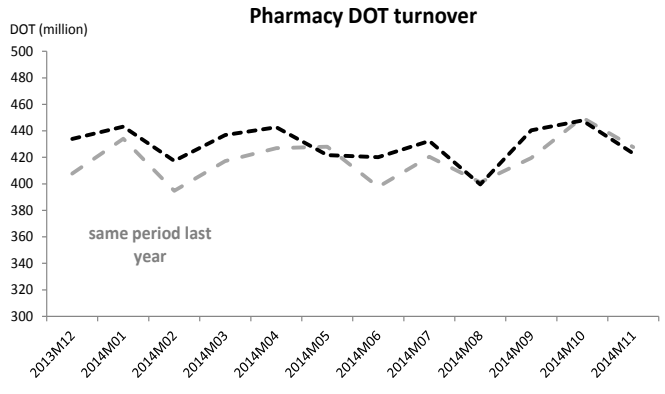
Changes to subsidised medicinal product categories

Changes in the public drug list	2014 Aug.	2014 Sep.	2014 Oct.	2014 Nov.	2014 Dec.	2015 Jan.	2015
Number of new products	21	26	23	13	8	26	26
Number of new AI	3	1	1	1	1	3	3
Number of delisted products	26	20	47	23	9	26	26
Prices							
Decrease	10	7	263	3	3	24	24
Increase	1	2	2	0	2	3	3

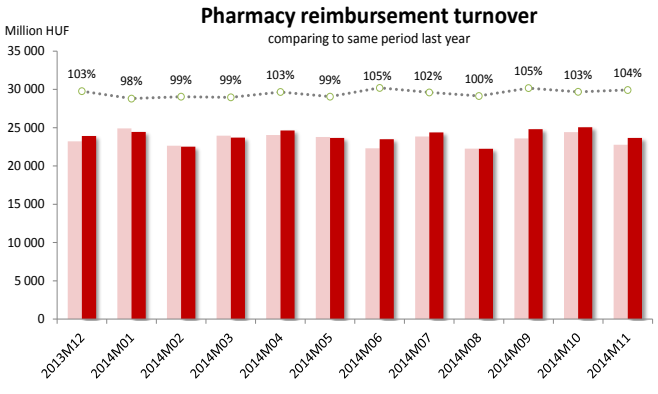
Changes in the public drug list	2014 Aug.	2014 Sep.	2014 Oct.	2014 Nov.	2014 Dec.	2015 Jan.	2015
Reimbursement							
Decrease	11	2	683	1	2	47	47
Increase	2	0	78	1	6	13	13
Co-payment							
Decrease	18	9	348	7	4	42	42
Increase	2	2	511	0	5	24	24

Source: Healthware analysis based on OEP-PUPHA data

Dynamics of the sales/circulation of prescription-only-medicine



Source: Healthware analysis based on OEP's data



Source: Healthware analysis based on OEP's data

While the turnover or reimbursed medicines in pharmacies increased by 2,2% in 2013 (measured in DOT), the total medicine subsidy of Health Security Fund was lower by 5,9%. The main cause of this saving was the reference price system which lead to significant cuts in prices and reimbursements.
Drug sales in the first eleven months of 2014 was 2,32% higher than the same period last year, while the average reimbursement per DOT increased slightly compared to the previous month. The reimbursement turnover is 1,57% higher for this period compared to last year.

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Market data

Marketing authorisation information

2013	EMA	OGYI
New brands	80	207
New SKUs	719	1 777

2014 - Q3	EMA	OGYI
New brands	15	43
New SKUs	121	332

November 2014	EMA	OGYI
New brands	9	14
New SKUs	55	256

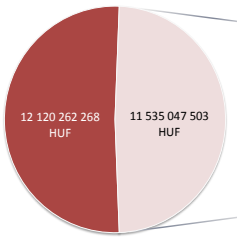
Source: Healthware analysis based on OGYI's and EMA's data

Average number of medical sales reps; 11/2014

All	1 829
Medicinal products	1 553
Medical aids	240
Both	36

Source: Healthware analysis based on OGYI's

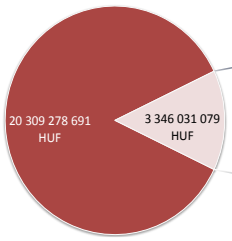
TOP10 DISTRIBUTOR by all reimbursement paid in November 2014



TOP 10 - DISTRIBUTOR	Reimbursement
Novartis Hungária Kft.	2 212 016 478 HUF
SANOFI-AVENTIS Zrt.	1 474 892 490 HUF
EGIS Gyógyszergyár Zrt.	1 216 559 857 HUF
TEVA Gyógyszergyár Zrt.	1 196 751 564 HUF
Richter Gedeon Vegyészeti Gyár NyRt.	1 139 838 205 HUF
Pfizer Kft.	977 375 345 HUF
Lilly Hungaria Kft.	893 721 316 HUF
Novo Nordisk Hungária Kft.	862 528 946 HUF
Janssen-Cilag Gyógyszerkereskedelmi Marketing Szolgáltató Kft.	787 394 084 HUF
Sandoz Hungária Kereskedelmi Kft.	773 969 218 HUF

Source: Healthware analysis based on the sales turnover that pharmacies produced from POM

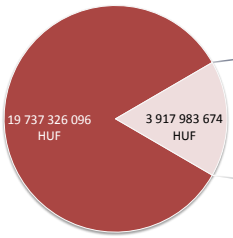
TOP10 BRAND by all reimbursement paid in November 2014



TOP 10 - BRAND	Distributor	Reimbursement
GLIVEC	Novartis Hungária Kft.	515 410 248 HUF
CLEXANE	SANOFI-AVENTIS Zrt.	473 404 965 HUF
SPIRIVA	Boehringer Ingelheim Pharma Gesellschaft m. b. H. N	401 377 541 HUF
XEPLION	Janssen-Cilag Gyógyszerkereskedelmi Marketing Szo	364 916 094 HUF
LANTUS	SANOFI-AVENTIS Zrt.	322 590 847 HUF
HUMULIN	Lilly Hungaria Kft.	281 224 829 HUF
SYMBICORT	Astra Zeneca AB	262 064 228 HUF
SUTENT	Pfizer Kft.	251 532 991 HUF
TASIGNA	Novartis Hungária Kft.	243 171 340 HUF
LEVEMIR	Novo Nordisk Hungária Kft.	230 337 996 HUF

Source: Healthware analysis based on the sales turnover that pharmacies produced from POM

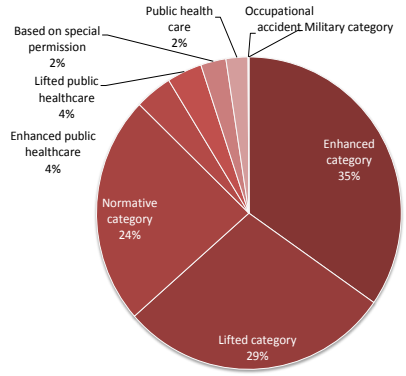
TOP10 ATC by all reimbursement paid in November 2014



TOP 10 - ATC	International non-proprietary name (INN)	Reimbursement
L01XE01	imatinib	515 410 248 HUF
B01AB05	enoxaparin	473 404 965 HUF
V06D	other nutrients	446 801 872 HUF
N05AX13	paliperidone	439 913 640 HUF
R03BB04	tiotropium bromide	401 377 541 HUF
C10AA07	rosuvastatin	377 774 826 HUF
A10AB01	insulin (human)	343 980 040 HUF
A10AE04	insulin glargine	322 590 847 HUF
R03AK07	formoterol and other drugs for obs. airway diseases	310 271 749 HUF
C09BA04	perindopril and diuretics	286 457 946 HUF

Source: Healthware analysis based on the sales turnover that pharmacies produced from POM

Drug reimbursement by legal title; 11/2014

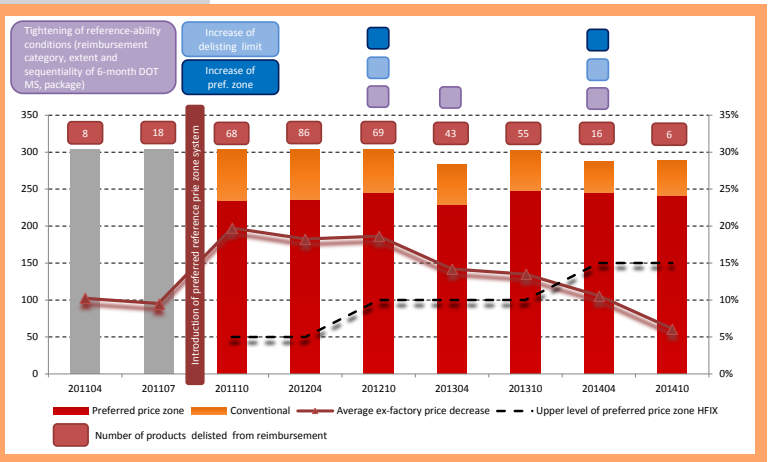


Source: Healthware analysis based on the sales turnover that pharmacies produced from POM

Changes in intensity of internal reference pricing — Case study

The preferred reference price zone system introduced in 2011 resulted huge changes in the Hungarian generic program, chiefly within the internal reference pricing (FX) system, on behalf of the Health Fund with the aim of increasing savings besides maintaining continuous and safe drug provision. Specific rules of the new system encouraged some of the market actors – in numerous cases irrationally – to active behavior considering price cuts, as a consequence both reference prices and average price level decreased significantly compared to previous FX processes. In course of this case study we analysed, whether changes can be observed in intensity of price cuts after seven blind bid processes, considering changes in law came into force during this period.

On the figure the column chart reflects the number of concerned FX groups (HFIX, and TFX groups without biologics FX and LMWH groups), groups concerned in preferred price zone segment are marked by red, and groups concerned not yet by orange. The red line chart shows the simple average of ex-factory price cuts observed in the FX processes, the dashed line chart shows the upper level of preferred price zone in case of active ingredient based FX groups in each period. Values in the red bubbles reflect the number of delisting products after the second round in each FX process, the purple and the two blue bubbles marks the relevant changes in laws.



Number of concerned FX groups did not changed significantly during the time period. The most radical price cuts can be observed in course of the first two blind bids, the extent of price cuts increased from the former 10% to close to doubled level (which derives on the one hand from the first round price cuts, which are to decrease the reference price, and on the other hand from the second round price corrections), number of delisting products increased significantly. Parallel with the continuous easements in law (increase of the delisting limit and upper level of preferred price zone two times, tightening of reference-ability conditions), and as a result of former radical price erosion, extent of price cuts continuously eased after the 10. 2012. blind bid, in course of the last blind bid it decreased to the level of FX processes before blind bid system, number of delisting products also decreased significantly.

Further research directions are feasible in order to implement a more complex evaluation of the observed patterns in the blind bid system:

- Exploration of price cut patterns (1. and 2. round)
- Correlation between price cut strategies and achieved results
- Changes in structure and number of distributors
- Turnover switches among INNs and reimbursement categories (reimbursed, non-reimbursed)
- Changes in patient burdens, role of social welfare reimbursement category

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