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Actualities of Hungarian pharmaceutical financing market

Newsletter

HEALTHWARE CONSULTING LTD.

News, current issues

- **Legislations** come into force from February 2014: Act LXXXIII of 1997 (2014.02.25.); NM Decree No.9/1993. (2014.02.01.); Gov.Decree No.284/1997. (2014.02.25.); Gov.Decree No.43/1999. (2014.02.25.); Gov.Decree No.337/2008. (2014.02.25.); Gov.Decree No.323/2010. (2014.02.25.); ESzCsM Decree No.32/2004. (2014.02.01.); EüM Decree No.31/2010. (2014.02.01.)
- **NEWS:** *"Decresing rate of pharmaceutical subsidy"* link (HUN cont.)
- **NEWS:** *"Soros Makes Drugmaker Teva Biggest Stake as Shares Climb"* link (ENG cont.)
- **NEWS:** *"Expensive patient, expensive treatment"* link (HUN cont.)
- **NEWS:** *"Time to involve private insurance"* link (HUN cont.)
- **STUDY:** *"Distressing opinions about health care"* link (HUN cont.)

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.	% of appropriation	% of last year
Total of Budgetary Expenditures	**1 847,8**	**1 884,2**	**144,8**	**92,2%**	**102,2%**
Curative preventive provisions	908,0	931,9	69,6	89,6%	105,8%
Medicine subsidies	296,0	294,1	23,0	93,8%	99,5%
Total Of Budgetary Revenues	**1 847,8**	**1 884,2**	**168,5**	**107,3%**	**104,9%**
Social Security Contributions	768,0	852,9	83,2	117,1%	117,1%
Contribution of Pharmaceutical Manufacturers and Wholesalers	58,7	56,0	4,7	100,1%	84,3%
Balance	**0,0**	**0,0**	**23,7**		**124,9%**

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. The medicine subsidies plan are lower with 2 billion UF than last year expenses.
In the first month of 2014 the Health Security Fund produced a 15,1% surplus mainly because of the higher social security contributions (+17%) and lower spending. The in- and outcare expenditure was 10,4% lower than the budget plan proportional to that time interval.

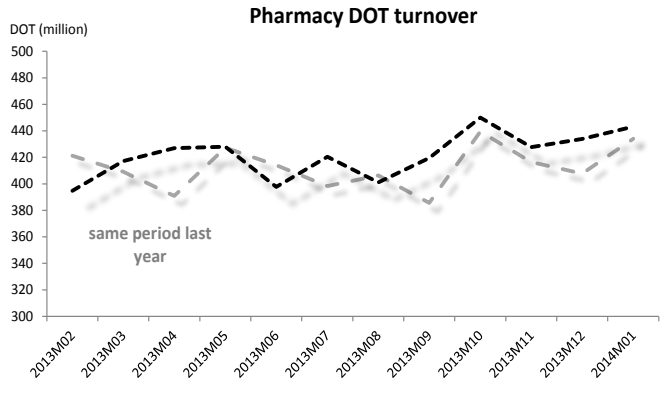
Changes to subsidised medicinal product categories

Changes in the public drug list	2013 Oct.	2013 Nov.	2013 Dec.	2014 Jan.	2014 Feb.	2014 Mar.	2014
Number of new products	18	37	42	22	34	13	69
Number of new AI	1	1	0	1	8	1	10
Number of delisted products	34	28	41	63	21	42	126
Prices							
Decrease	686	6	4	33	7	5	45
Increase	0	0	0	0	0	1	1

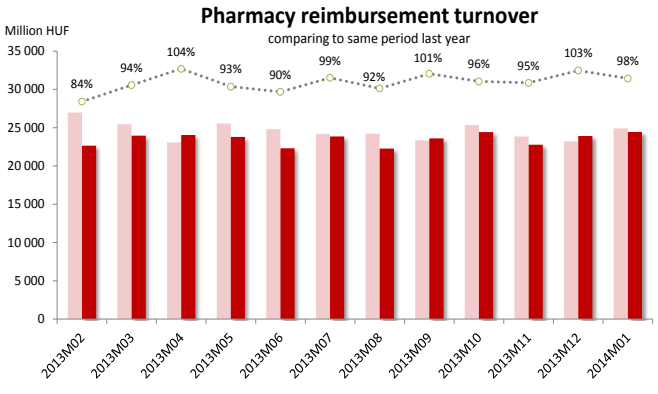
Changes in the public drug list	2013 Oct.	2013 Nov.	2013 Dec.	2014 Jan.	2014 Feb.	2014 Mar.	2014
Reimbursement							
Decrease	1 277	3	0	47	1	7	55
Increase	104	1	9	3	2	0	5
Co-payment							
Decrease	768	13	14	46	10	8	64
Increase	732	0	0	16	0	3	19

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 month of 2014 was 2,1% higher than the same period last year, while the average reimbursement per DOT decreased. The reimbursement turnover is 1,86% below for this period compared to last year.

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Market data

Marketing authorisation information

2013	EMA	OGYI
New brands	79	207
New SKUs	716	1 742

2013 - Q4	EMA	OGYI
New brands	14	40
New SKUs	198	372

January 2014	EMA	OGYI
New brands	5	20
New SKUs	21	176

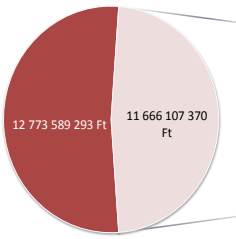
Source: Healthware analysis based on OGYI's and EMA's data

Average number of medical sales reps; 01/2014

All	1 555
Medicinal products	1 315
Medical aids	220
Both	20

Source: Healthware analysis based on OGYI's

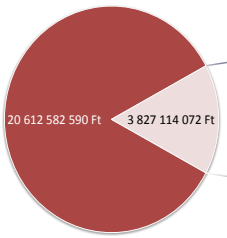
TOP10 DISTRIBUTOR by all reimbursement paid in January 2014



TOP 10 - DISTRIBUTOR	Reimbursement
Novartis Hungária Kft.	2 104 350 496 Ft
SANOFI-AVENTIS Zrt.	1 460 342 144 Ft
Teva Magyarország Zrt.	1 247 468 443 Ft
EGIS Gyógyszergyár Nyrt.	1 238 245 871 Ft
Richter Gedeon Vegyészeti Gyár NyRt.	1 137 372 475 Ft
Pfizer Kft.	1 079 722 964 Ft
Lilly Hungaria Kft.	929 604 186 Ft
Novo Nordisk Hungária Kft.	844 199 560 Ft
Sandoz Hungária Kereskedelmi Kft.	819 542 092 Ft
Janssen-Cilag Gyógyszerkereskedelmi Marketing Szolgáltató Kft.	805 259 138 Ft

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

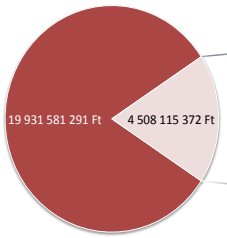
TOP10 BRAND by all reimbursement paid in January 2014



TOP 10 - BRAND	Distributor	Reimbursement
GLIVEC	Novartis Hungária Kft.	609 531 438 Ft
SPIRIVA	Boehringer Ingelheim Pharma Gesellschaft m. b. H. N	471 265 959 Ft
CLEXANE	SANOFI-AVENTIS Zrt.	460 054 369 Ft
SYMBICORT	AstraZeneca Kft.	414 063 332 Ft
SUTENT	Pfizer Kft.	328 581 632 Ft
SERETIDE	GlaxoSmithKline Kft.	328 276 008 Ft
LANTUS	SANOFI-AVENTIS Zrt.	316 185 401 Ft
HUMULIN	Lilly Hungaria Kft.	308 846 562 Ft
XEPLION	Janssen-Cilag Gyógyszerkereskedelmi Marketing Szo	302 588 428 Ft
RISPERDAL	Janssen-Cilag Gyógyszerkereskedelmi Marketing Szo	287 720 944 Ft

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

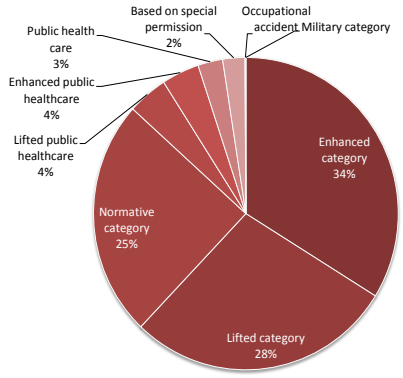
TOP10 ATC by all reimbursement paid in January 2014



TOP 10 - ATC	International non-proprietary name (INN)	Reimbursement
L01XE01	imatinib	609 531 438 Ft
R03AK07	formoterol and other drugs for obs. airway diseases	603 986 970 Ft
R03BB04	tiotropium bromide	471 265 959 Ft
V06D	other nutrients	460 785 705 Ft
B01AB05	enoxaparin	460 054 369 Ft
C10AA07	rosuvastatin	414 997 601 Ft
R03AK06	salmeterol and other drugs for obs. airway diseases	391 414 582 Ft
N05AX13	paliperidone	382 950 172 Ft
A10AB01	insulin (human)	376 902 747 Ft
C10AA05	atorvastatin	336 225 831 Ft

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

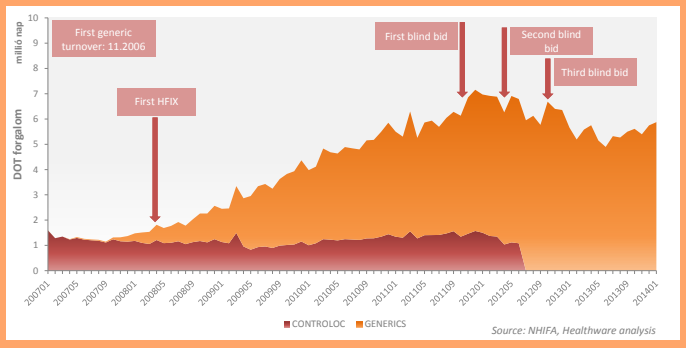
Drug reimbursement by legal title; 01/2014

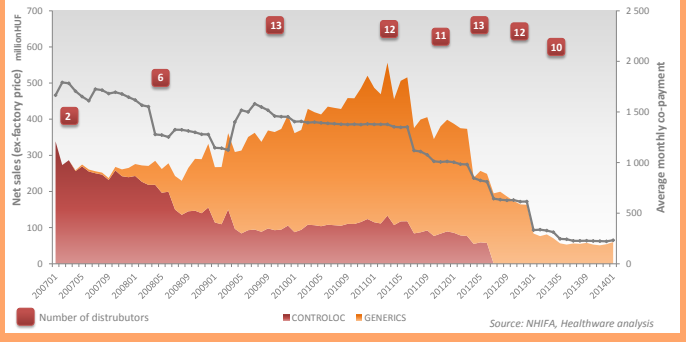


Source: Healthware analysis based on the sales turnover that pharmacies produced from POM

Impacts of blind bid on pantoprazole market — Case study

In course of the following case study we examined what kind of turnover trends can be obvserved in case of such a mature market (A02BC02: pantoprazol, reimbursed pharmacy products), in which therapy 5% of the Hungarian population was concerned in recent years, and which INN was concerned in patent-expiry, appearance of generics, FX processes and in the blind bid process introduced in 2011.





DOT turnover of the original product can be considered stable from the beginnings through the FX processes until the delisting in 2012, which may let conculede to efficient patient-cooperation. After appearance of generics the demand of the INN increased in significant extent continuously until the first blind bid, partly this growth resulted, that the originator product managed to keep its former volume in demand. After the first blind bid the demand stagnated, than slightly decreased. Considering the INN's net sales (payback obligations deducted from ex-factory price turnover) similar patterns can be observed.

Total sales increased until 2011, than it decreased significantly due to huge and continuous price-erosion after introduction of blind bid system. Net sales of the originator product decreased after appearance of generics, but stagnated after first FX process. Considering the price level the weighted average daily treatment cost amounted around 280HUF in 2007, this value decreased to 17HUF in 2013. Average monthly co-payments also decreased to the end of the period from 1.500HUF to 500HUF.

In course of the second and third blind processes both the originator and both 2 products with the highest market shares were delisted from reimbursement system. Turnover decrease at the end of the period, can be observed on the DOT turnover figure, and the delisting of the above mentioned products let us conlude, that not the total demand of pantoprazol decreased, but a given part of the demand takes place out of the reimbursement system, and the concerned products have significant turnover without reimbursement.

Introduction of the preferred price zone system resulted significant savings for the financor, but it may be a key point to prove the efficiency of the system in order to prove and maintain adequate drug provision of patients and to decrease their burdens.

Further research directions are feasible in order to implement a more complex examination of turnover trends of mature markets:

- Correlation between price cut strategies and achieved results
- Extent of turnover switches to preferred products
- Trends on social welfare list category
- Changes in patient burdens, price-elasticity analysis
- Switches between INNs (within ATC5 level)
- Changes in structure and number of distributors

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