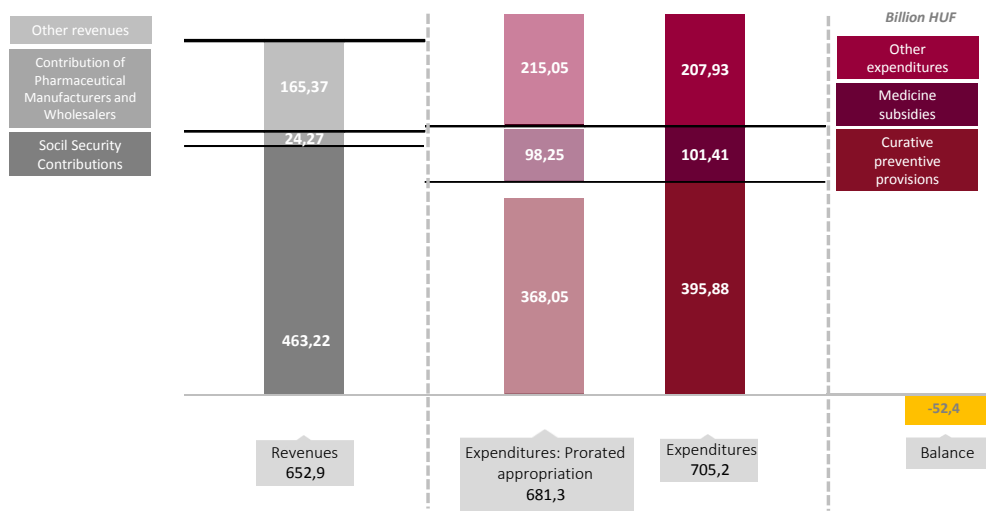


News, current issues

- News** Cooperation of public and private health care might increase >>
- News** Clinical trials could also contribute to the relaunch of the economy >>
- News** Jump in pharmacies' turnover >>

Macro approach to financing healthcare and medicinal products

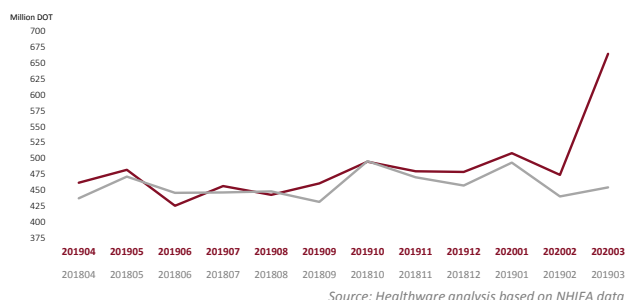
Balance of the Health Insurance Fund, March 2020



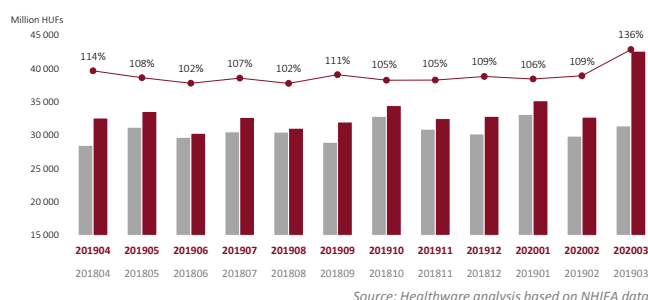
Source: Healthware analysis based on NHIFA data

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

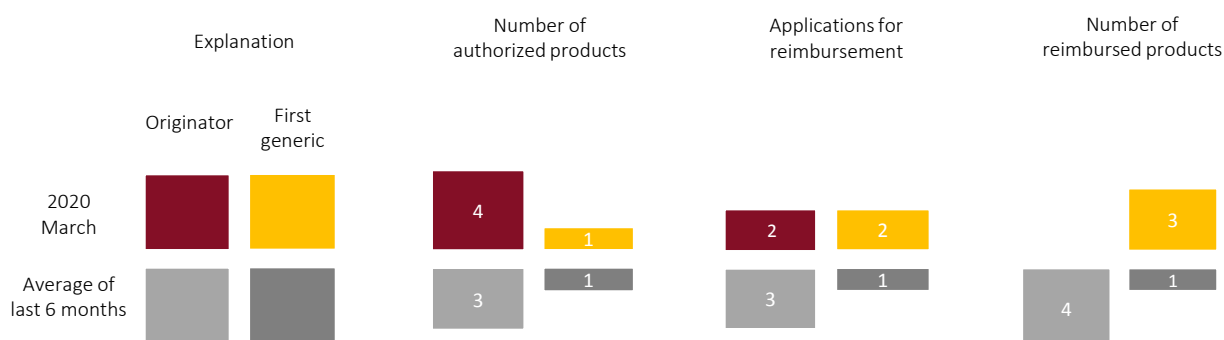
Pharmacy DOT turnover



Pharmacy reimbursement turnover

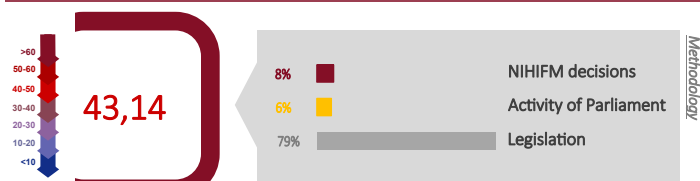


Changes to subsidized medicinal product categories, March 2020



Source: Healthware analysis based on NHIFA data

Decision-making index, March 2020



Product offering

Revealing real symptoms of diseases

In the analysis basic country-wide demographic data related to diseases (prevalence, incidence, mortality rates) are summarized along with randomly chosen subcategories (area, sex, primary disease, accompanying diseases [comorbidity]).

As a result of the analysis, the basic epidemiological characteristics of a given therapeutic area can be brought to light, which may provide a point to any further research, or may be suitable for independent use, especially in professional material to the attention of physicians.

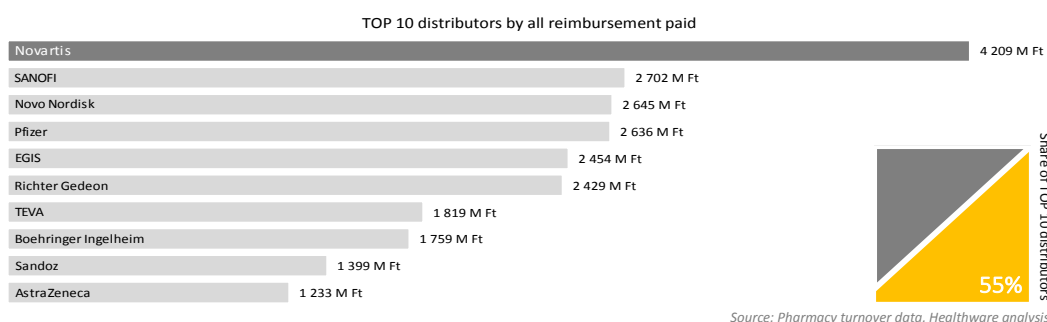
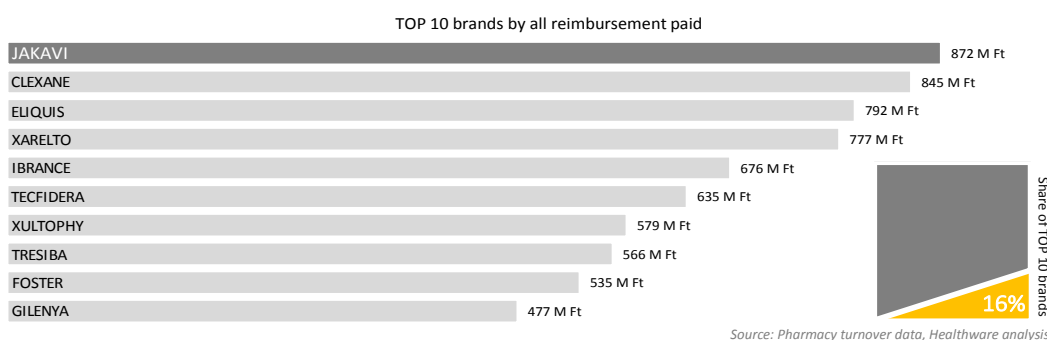
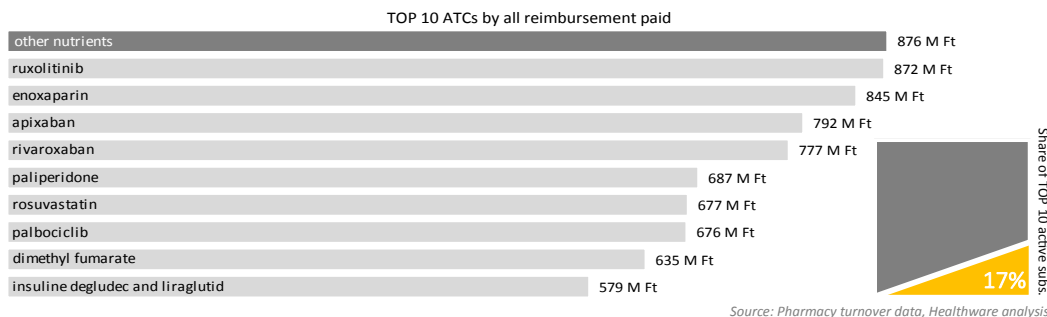
Because there is no publicly accessible central patients' register, only limited disease-related data and information is available.

Consequently these pieces of information can play a valuable role on their own.

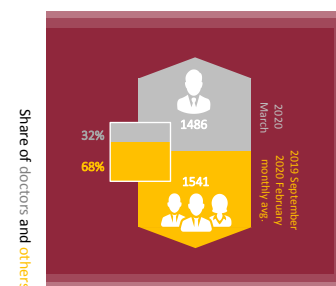
Further information: [link](#)

Market data

Toplists of reimbursement and number of patients, March 2020

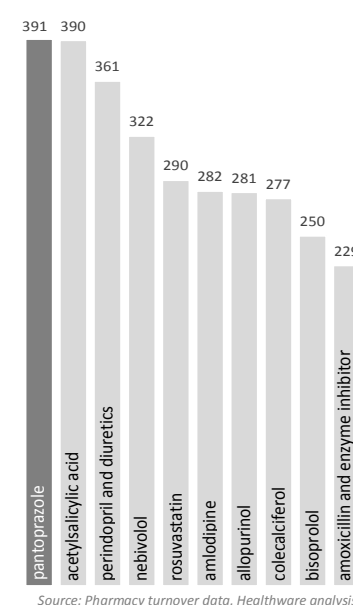


Average number of medical sales reps



Source: NHIFA data, Healthware analysis

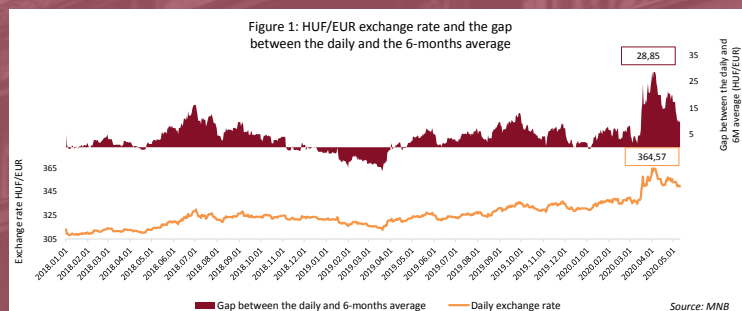
TOP 10 active substances by number of patients (thousand patients)



Effects of exchange rate changes on pricing and reimbursement inclusions - Case study

The forint/euro exchange rate peaked on 1 April 2020; on that day one euro was worth 364.57 Hungarian forints. Although the weakening of the domestic currency - with some short strengthening phases - has been going on for a long time, since March 2019 this process has been essentially continuous but also consolidated. However, by March, it had already crossed the 340 mark, and by April 1st, it has weakened by 1.5% in one day.

In addition to other macroeconomic areas, the exchange rate developments also have a significant impact on the pharmaceutical industry. Both the weakening trend of the forint itself and the sudden and lasting jumps mean uncertainty for the participants. In our current case study, we review the subjects of pricing and reimbursement inclusion; how the risks inherent in exchange rate changes affect these processes, and how market participants – producers or the Payer - could/would react to these events.



The development of the exchange rate is a two-sided issue for manufacturers in the reimbursement inclusion procedure of medicines. The continuous weakening of the forint and the increasing gap between the 6-months average from the current exchange rate both severely affect the market participants.

At the bottom of the first figure, we can see the processes –already mentioned in the introduction–, the development of the daily exchange rate, while the upper half of the figure shows the difference between the daily exchange rate and the 6-month average exchange rate. It is clear that with the soaring euro exchange rate in March-April, the difference rose above HUF 28; the average difference of HUF 4.87 in January-February 2020 increased to HUF 16.05 in March-April.

Although the weakening of the exchange rate has been dynamic and unbroken ever since it was only on May 1st, 2020 when the 6-month average approached the daily exchange rate of March 1st, 2020 with the value of 339.81 HUF / EUR.

The first of these two processes, the gradual but definite weakening of the forint, in itself worsens the situation of manufacturers of reimbursed products. These are mainly players of international markets who can apply to the domestic market mainly prices approved in euro. These prices are set then in forint, and – given the limited possibility in Hungary for increasing reimbursed prices – they remain unchanged for years, or moving downwards at most. Accordingly, the full risk of the gradually weakening forint is borne by pharmaceutical distributors, they have to maintain their profitability at prices set much earlier, regardless of the exchange rate fluctuation.

The sudden jump in March also leads to a deviation of the 6-month average exchange rate - applied in the reimbursement inclusion procedures - from the daily, perceived exchange rate, entailing another significant problem for pharmaceutical manufacturers. In the reimbursement inclusion procedure, the price of the submitted product is determined based on international prices. The domestic price will be the lowest among the internationally reimbursed reference prices, determined in HUF - calculated with the average exchange rate of the 6 months preceding the submission. This 6-month average exchange rate can differ significantly from the daily and monthly average exchange rates, as we see in the recent period (at the peak, for example, this gap between the daily and the 6-month rate was almost 29 HUF / EUR).

This implies that, following the legal requirements in Hungary, new products should be accepted at a price lower than the European price levels. Due to the widespread use of external-reference pricing in European countries, this pricing may have an impact on the level of reimbursed prices in these countries, too.

¹http://njt.hu/cgi_bin/njt_doc.cgi?docid=84085.382508
http://njt.hu/cgi_bin/njt_doc.cgi?docid=103838.370203

Effects of exchange rate changes on pricing and reimbursement inclusions - Case study

Taking into account the uncertainty (continuous weakening with fluctuation) of the forint exchange rate, this in itself can generate significant price erosion in those countries that regularly monitor the Hungarian price levels. If this risk cannot be resolved in the medium or long term, then in more and more cases this exchange risk will no longer be worth to bear by the individual players, which may mean the exclusion of certain therapies from the Hungarian market. Products with lower price levels - which are often the base in the treatment of a therapeutic area - are often exposed to the fluctuations of the forint. In these cases, the tendency that the Payer releases these essential active ingredients from the scope of reimbursement, leaving room for free pricing may not be desirable.

Although the exchange rate surge of the last two months seems to be consolidating in May, the trend is not expected to change, so the exchange rate exposure of companies may continue to be a problem in the future. The question for the coming months is how the Payer will react to price increases that can be traced back to exchange rate changes.

The use of a 6-month average exchange rate may be justified since it smooths out small, temporary fluctuations, but in the case of an enormous and lasting change such as the one we are experiencing now, it significantly distorts the prices set at the time of the reimbursement inclusion. It would be worth rethinking these pricing rules beyond the current extreme situation, as the processes (for example removal of products from the reimbursement system, non-introduction of new indications, and development of non-transparent discount systems) that can be traced back to the forint exchange rate risk have started much earlier.

The new financing method - appearing in practice this year -, that NEAK monitors the international prices during the mid-year re-conclusion of price volume agreements, increases the topicality of this issue. The question is whether the Payer is able to react to the exchange rate fluctuations in practice.

