

News, current issues

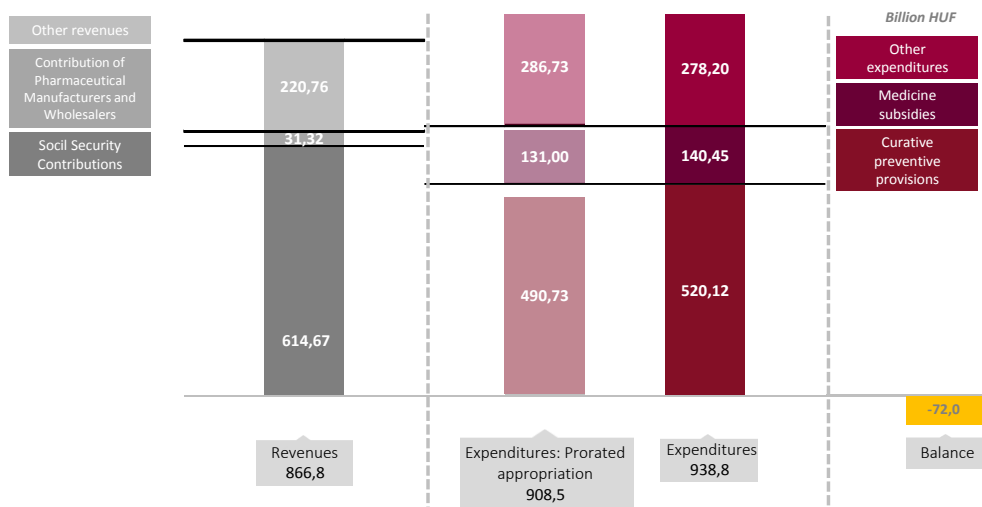
News GVH and OGYÉI renewed their cooperation >>

News Hungarian healthcare system is near bottom in Europe >>

News Turnover of pharmacies dropped by billions >>

Macro approach to financing healthcare and medicinal products

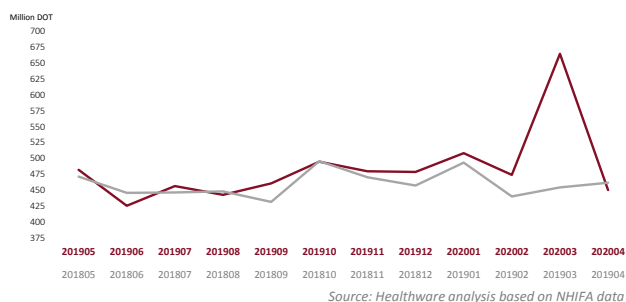
Balance of the Health Insurance Fund, April 2020



Source: Healthware analysis based on NHIFA data

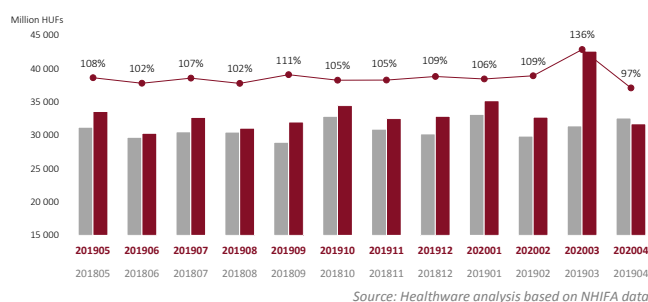
Dynamics of the sales/circulation of prescription-only-medicine

Pharmacy DOT turnover



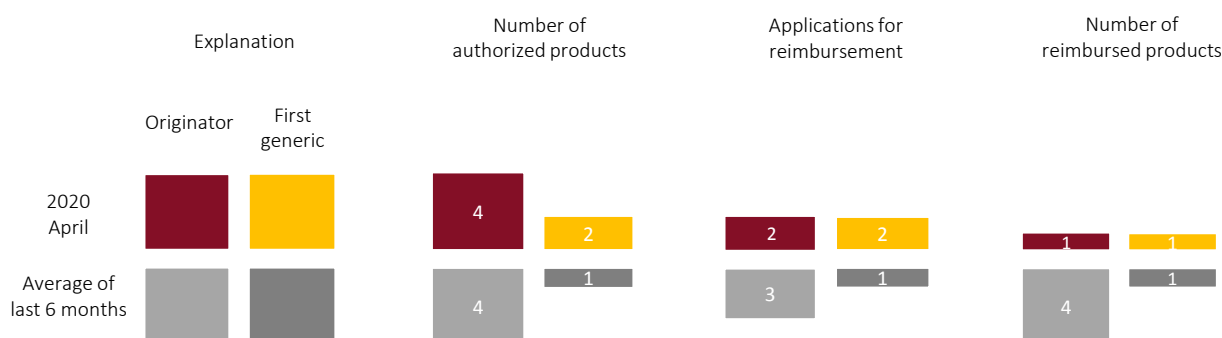
Source: Healthware analysis based on NHIFA data

Pharmacy reimbursement turnover



Source: Healthware analysis based on NHIFA data

Changes to subsidized medicinal product categories, April 2020



Source: Healthware analysis based on NHIFA data

Product offering

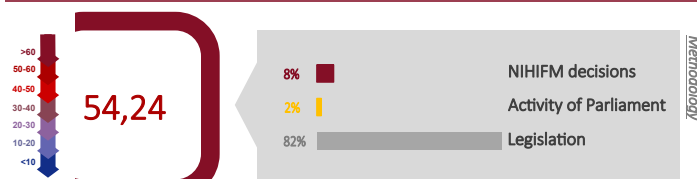
Macroeconomic report

In our quarterly compiled macroeconomic report with our guide to the evolution of the main macroeconomic indicators, the absolute performance and the relative performance compared to the whole economy of the health care in the given period are the focus.

In addition to the domestic situation the description of the similar indicators in neighbouring countries also plays a role, which helps to place the situation of the domestic health care at regional level.

More about the service: [link](#)

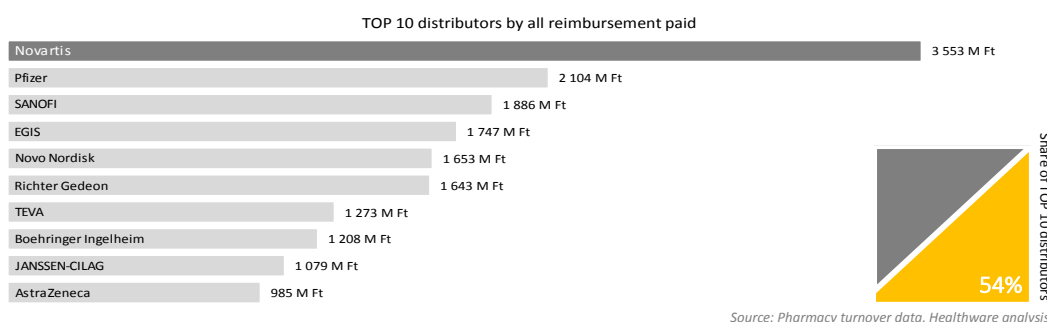
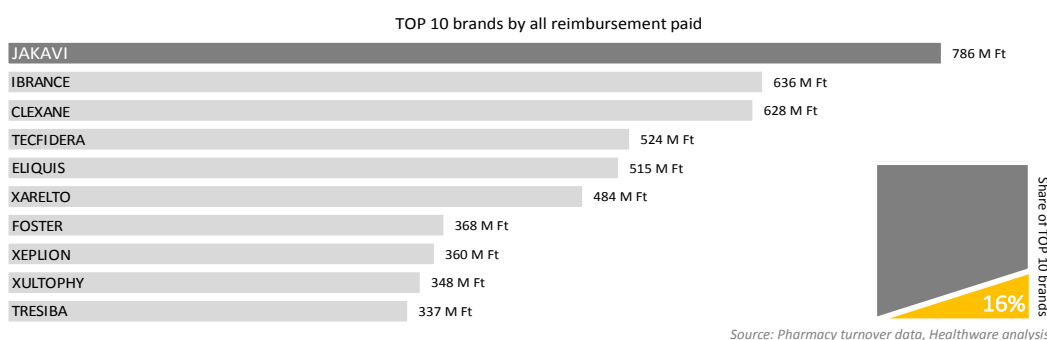
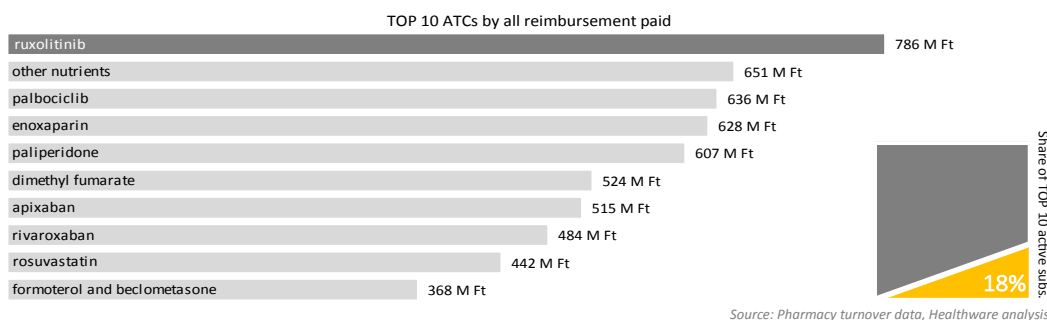
Decision-making index, April 2020



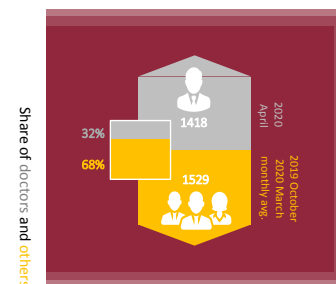
Methodology

Market data

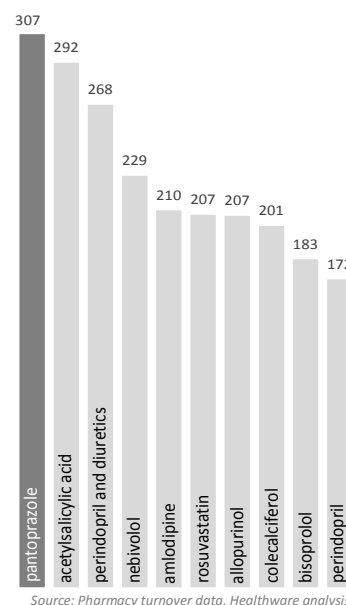
Toplists of reimbursement and number of patients, April 2020



Average number of medical sales reps

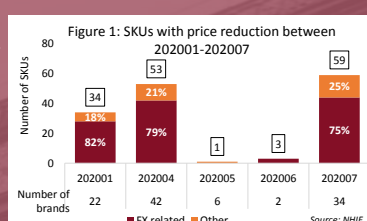


TOP 10 active substances by number of patients (thousand patients)



Innovative price reductions - Case study

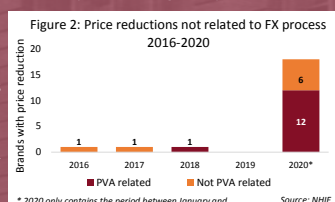
This year we became aware of a new phenomenon in the circle of reimbursed pharmaceuticals – in several cases, innovative, patent-protected products had reduced their prices, which has not been typical in the frames of the Hungarian reimbursement system. In our current case study, we analyze the reasons/background for these price reductions and try to discover the consequences of these tendencies.



Between January and July 2020, 150 public price reduction has happened in the Hungarian reimbursed pharma market – concerning 86 brands and 132 SKUs. The majority of them – according to the previous practice - were due to the quarterly FX process (reference pricing system) - including the reductions of June (early first-round bids of the July FX).

The focus of our case study is the 18 –mainly originator - brands (31 cases), whose price reduction was not linked to the FX process. In the first six months of the year (January – July 2020), the number of these price cuts was unusually high, considering the history of the Hungarian pharma market.

Between 2016 and 2019, only three brands have had not FX-related price reduction (Figure 2). In the first half of 2020, the number of these cases was six-times higher, 18 brands initialized price cuts this year. The question is whether these are sporadic cases, or is this the beginning of a new practice, becoming regular in the future? And who benefits from it?

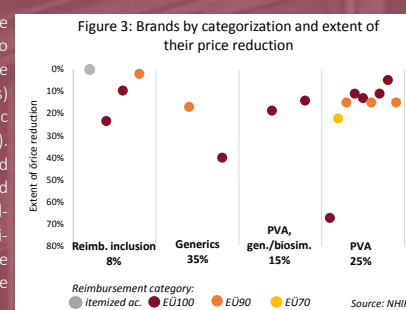


First, in our analyses, we try to discover the possible reasons behind the not expected, and not FX-related price reductions. We classified the 18 brands on the following three aspects (Figure 3):

- whether the brand had a new submission – a new indication, preparation
- whether there is or expected to be any generic/biosimilar on the market
- whether there is an expired price-volume agreement (PVA) for the product

In the cases of a) and c), changes are taking place due to amendments in NEAK procedures. Unlike before, NEAK revises international prices not only at the submission of the dossiers (in line with the regulation) but also before the Health Technology Assessment discussion, at the time of the publication and when renegotiating the terms of the existing PVAs.

Among the examined cases, the price change of 4 brands was related to reimbursement inclusion, (a). The price reduction of 4 other brands (7 SKUs) has linked to the presence of generic products or a threat posed by them (b). In some of these cases, the price – and the copay - have already been pushed down by the generic/biosimilar products, forcing the price cut of the originator. However, price reduction can be also a preventive strategy to undermine generic appearance on the market.



We found 12 brands having price-volume agreements (c). Their PVAs – except for one – were valid until the end of 2019 – according to the latest published data –, in 10 cases, there seems to be no other rational reason behind the price cuts. For each group, we see products at very different stages of their life cycle, which can have an impact on the extent of their public price cuts.

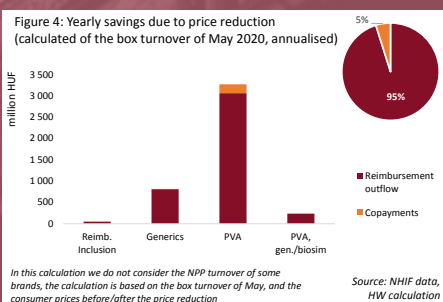
Considering the average price reduction of products in each category (a, b and c), we found that there has been a larger reduction in those where generics/biosimilars have already appeared or are expected to appear - but are not yet included in the FX process. For these products, an average price reduction of 35% can be observed. The average decrease of the products with PVAs was 25%, while reimbursement inclusion-related average was the lowest, 8%. The prices of the GLIVEC and SANDOSTATIN / SANDOSTATIN LAR brands decreased the most, the former by 60-70% and the latter by 40%.

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Innovative price reductions - Case study

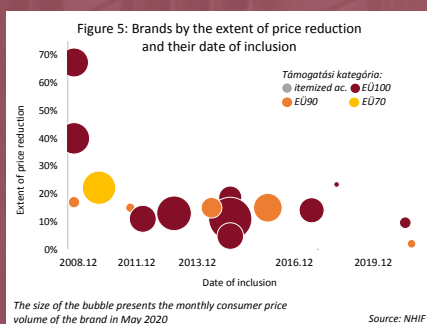
These changes are in line with the facts, that a product in the early stage of its life-cycle 1) has European price at a common price level, and 2) probably can realize marginal price cuts due to strict corporate pricing policy rules. This also applies when the distributor initialize the price cuts due to a new indication, SKU, but the Payer can enforce the European lowest price – because of the conditions set by the legislation. The proactive price cuts of products with soon expiring patents are probably a defensive pricing strategy trying to prevent the generic entrance, since the fixed generic pricing sequence creates a difficult situation for the first generic/biosimilar also with an expected price level discount of 30-40%. The price reduction level of products with PVAs is outstanding, especially if we consider that this process has no clarified legal background.

Analyzing the direct impacts of these price reductions, there is no perceptible change in patient cost burdens, as most of the brands concerned have indication-based reimbursement of 100% (11). The price cuts of brands with 90% (5 brands) or 70% (1 brand) reimbursement were both in number and extent more modest. (Opdivo, as the only itemized brand in our analysis, had a negligible change in its list price)¹.



Hence, savings of price reductions are mainly reflected in the Health Fund ("NHIF"). Based on the box turnover data of May 2020, the examined price reductions generate approximately HUF 4 billion fewer reimbursement outflows on an annual basis. However, the calculation may be misleading, as it was examined on a gross price basis, the final net price reimbursement may significantly differ from the gross (and public) results. The net reimbursement amounts are likely to remain below the public price both before and after the price reductions, so it does not results substantial change for the Payer. For the distributors however, the international market potential may decrease, since Hungary is a reference country in many country.

It is interesting to look at the date of inclusion of the examined brands - at what stage of their life cycle this unusual price cuts occurred. Figure 5 shows that the most excessive price reductions have linked to long-established brands that are already competing in the market of generics. After the reimbursement inclusions of 2010, we no longer see a separation between the products examined, in terms of price reduction.



However, an interesting process emerges.

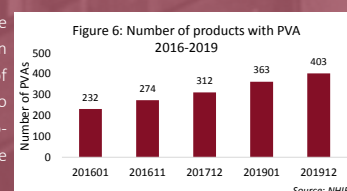
In the early stages of the original brands' life cycle, manufacturers are already willing to start price erosion, even years before the competitive environment created by generics. We see an empty period between 2017 and 2019. The products getting reimbursed during this period have not submitted a price reduction request in this year. This may be related to the current practice, that mostly 3-year-long PVAs have been concluded by the contracting parties, so the brands having their first PVA in this period (2017-2019) may appear in the following years with renegotiation-related (c) price reduction.

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Legislations only applies to the generic inclusion sequence and the revision of international prices in the reimbursement inclusion procedure, according to the situation at the time of the submission of the dossier. The price reduction at the time of inclusion and PVA-related price modifications are not regulated. Nevertheless, from this year onwards, we see a large number of 'voluntary' price erosion initialized by originator distributors.

Price reductions at the beginning of the life cycle may be a less sensitive issue for the distributor if the net price is significantly below the public price level, however, the volatility of the domestic currency may also make it risky in the long run. As does the - according to the current trends - yearly renegotiation of PVAs (and the price adjustment claim by NHIF related to it), that may cause more dynamic price erosion among originators. As a further uncertainty, it is also unclear what exchange rate is applied in the currency conversion in these cases.

Another important consideration might be whether there is enough capacity to maintain the already dynamically expanding number of PVAs (increased by 74% since 2016), and to continue its annual renewal. And what substantial result can be realized by either of the players?



In connection with the public price reductions this year, we can conclude that:

- ♦ conditions of price reductions at reimbursement inclusions are regulated in law
- ♦ in the case of expected generic or biosimilar appearance, the distributors – if they can do so – are willing to cut their public prices to secure their current market position
- ♦ the effect of international reference pricing applied during the PVA negotiations becoming more and more dominant in the reimbursed pharma market, even though the legal specifics and detailed rules are not well defined right now, and the specific benefits available to actors are also not clear

Although the real benefit from the PVA and international reference pricing-related price reductions is a question, it is worth building up the legal background for it, if this increasingly common process seems to become a permanent part of the Hungarian practice. Due to the extreme volatility of the forint, it is questionable whether this is indeed the best time to introduce this practice. It is also uncertain whether the – internationally – exceptionally creative and in several ways discounted reimbursement system can withstand another element in the long-run. Moreover, Hungarian public prices are reference prices in many countries, which may no longer be an acceptable risk to distributors due to the high volatility of the forint.

¹We did not take into account that some brands also have NPP turnover, so in the case of sold NPP boxes the copay volume was calculated based on the indication based reimbursement category of the given brand