HEALTHWARE

Newsletter
No. 7, Issue VI. 2018
Published: 23/07/2018

Actualities of the Hungarian pharmaceutical financing market

News, current issues

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- News — The three basic preconditions for improving Hungarian healthcare. »
- News — Hungarian Central Statistical Office's report, 2017: Dramatical numbers characterize the health care. »

Decision-making index, May 2018

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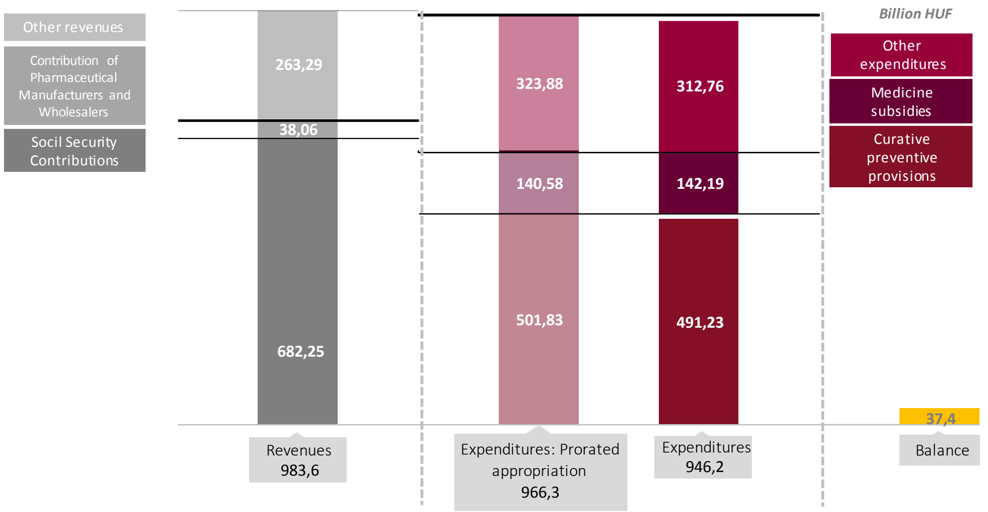
Methodology

Macro approach to financing healthcare and medicinal products

Balance of the Health Insurance Fund, May 2018



Source: Healthware analysis based on NHIFA data

Product offering

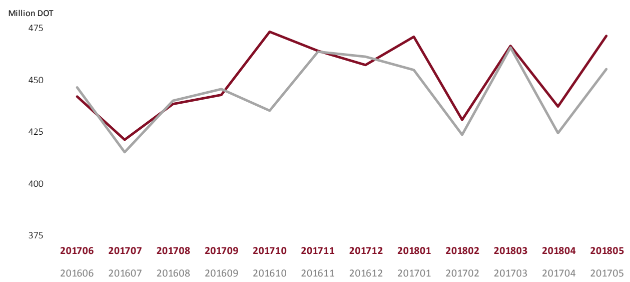
Market forecast

Healthware efficiently simulates market situations by developing and improving complex econometric models using economical-statistical estimators. Based on these models Healthware forecasts turnovers and can provide various scenario analyses.

For further information, please visit our website or contact our colleagues: **link**

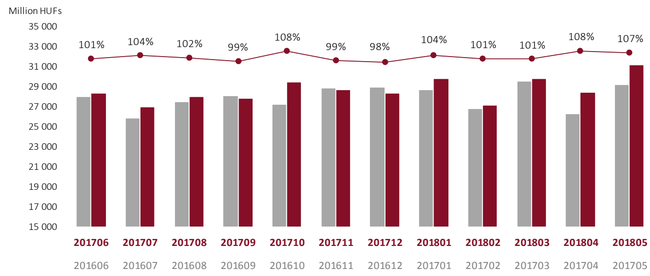
Dynamics of the sales/circulation of prescription-only-medicine

Pharmacy DOT turnover



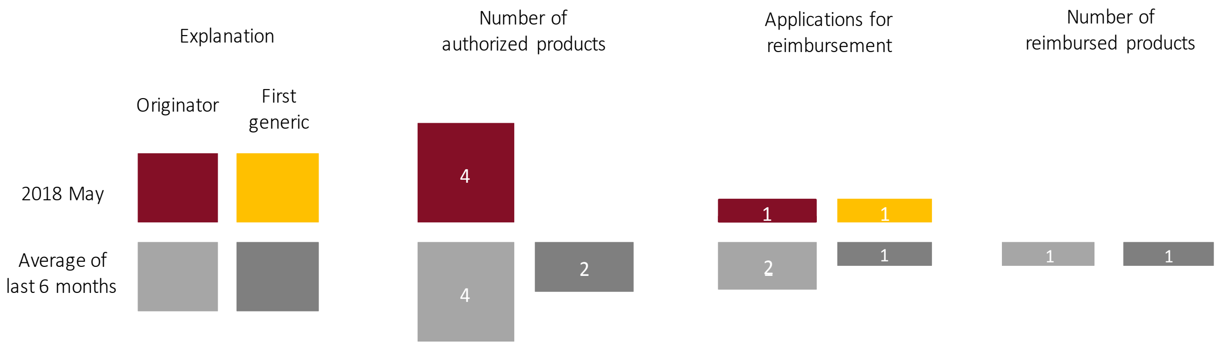
Source: Healthware analysis based on NHIFA data

Pharmacy reimbursement turnover



Source: Healthware analysis based on NHIFA data

Changes to subsidized medicinal product categories, May 2018



Source: Healthware analysis based on NHIFA data

Healthware Consulting Ltd.
H-1093 Budapest Közraktár st. 30-32. 7th floor. I + 36-1-324-2050

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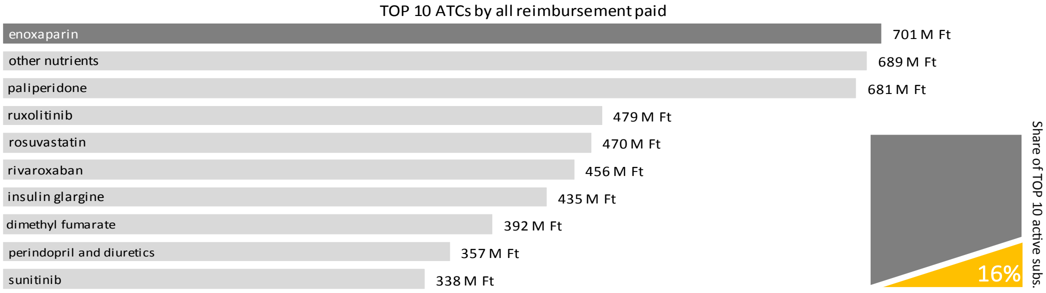
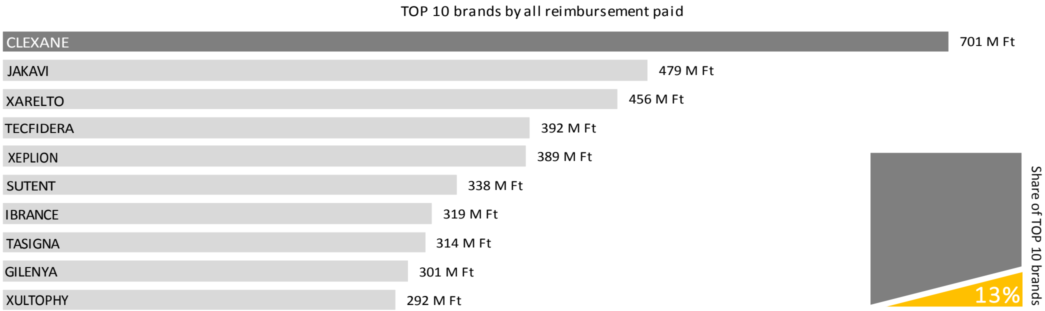
Market data

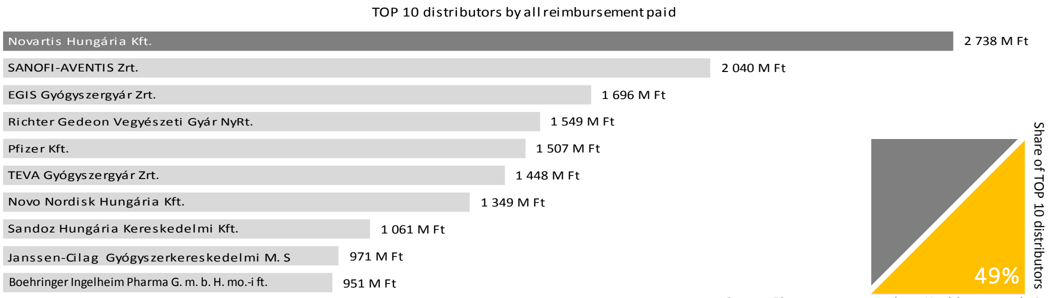
Toplists of reimbursement and number of patients, May 2018



Source: Pharmacy turnover data, Healthware analysis

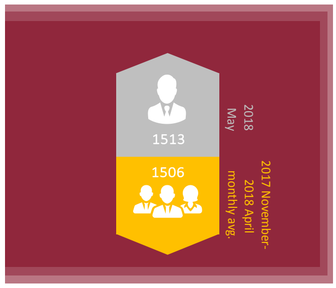


Source: Pharmacy turnover data, Healthware analysis

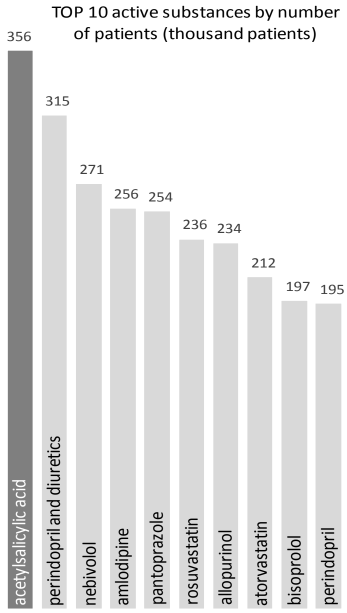


Source: Pharmacy turnover data, Healthware analysis

Average number of medical sales reps



Source: NHIFA data, Healthware analysis

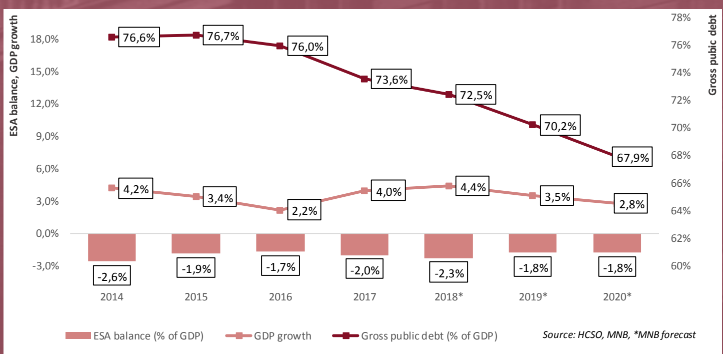


Source: Pharmacy turnover data, Healthware analysis

The role and importance of special taxes in healthcare financing – Case study

In our case study published in May 2017, we discussed the trends of pharmaceutical tax, and whether it follows a similar path as the other industry-specific taxes, or not. The primary goal of our current case study is to examine, how these payments will change in the period of 2017-2019, according to actual data of 2017, the preliminary data of 2018 and the drug budget plan for 2019, which latter was published in June 2018.

Special taxes (just a few of them and with lower rates) existed in the Hungarian tax system already before 2010, but their significance reached a higher level in the period of 2010-2013. Among the special taxes affecting the pharmaceutical sector only the so-called "Spanish tax" was introduced in that period. The other payment obligations have been part of the system since 2007, but their rates were increased significantly in 2011, in accordance with the Semmelweis Plan[1]. Originally the main reason for implementing industry-specific taxes was the poor performance of the economic system, however, in the last few years there is significant improvement in the main economic indicators.



The actual data and also the expectations of the Hungarian National Bank give us a favorable picture about the economic climate. In the last few years we have experienced gradually decreasing government debt, ESA balance stabilized around -2%, and 2-4% of GDP growth – these trends are expected to continue in the next years.

This economic climate would give the opportunity to moderate special taxes, or even to abolish these industry-specific burdens. In our analysis below we examine the trend of special taxes affecting the pharmaceutical sector, and whether it shows any sign of moderation comparing to taxes affecting other industries.

Since 2017 one more special tax, the tourism development contribution has been introduced, so today we consider 17 taxes as special tax. Of these, 14 proceed to the central budget, and 3 directly to the Health Insurance Fund: accident tax (since 2012), public health product fee (since 2012), and pharmaceutical special tax (since 2007). (This also included the healthcare contributions of the tobacco companies introduced in 2015, which the European Commission terminated in 2016[2].)

The pharmaceutical special tax is an overall category, in the Health Insurance Fund report published by National Institute of Health Insurance Fund Management is referred to as „pharmaceutical and distributor's payment providing continuous drug provision". It includes the 20% tax, the 10% Spanish tax, the medical reps fee, and the 2.5% wholesaler margin tax, and the tax in case of drug budget overspending[3]. (The payment obligations generated by the price volume agreements are often come under the pharma industries repayment obligations, but they are subject to private law contracts, not taxes.)

...continued on the next page...

[1] Semmelweis Plan
[2] http://ec.europa.eu/competition/elojade/isef/case_details.cfm?proc_code=3_SA_41187
[3] Act XCVIII of 2006, 36. § (1), (2), (4)-(4a); 38-38/A. §.; 40/A. §.; 42. §

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The role and importance of special taxes in healthcare financing – Case study

Special taxes (billion HUF)	2010	2011	2012	2013	2014	2015	2016	2017	2018*	2019**
Total revenue in the central budget	377,9	402,0	295,0	624,5	638,7	574,1	494,2	492,4	493,7	559,9
Total revenue in the Health Insurance Fund	38,3	49,0	100,8	92,8	94,4	111,9	115,5	127,0	122,4	117,6
Of this, pharmaceutical special taxes	**38,3**	**45,7**	**56,6**	**51,1**	**50,5**	**55,0**	**53,8**	**56,3**	**55,4**	**58,0**
Total drug expenses	**357,2**	**376,9**	**315,1**	**296,0**	**302,3**	**326,2**	**349,8**	**339,2**		
Special taxes by pharmaceutical manufacturers as a % of total drug expenses	**10,7%**	**12,1%**	**18,0%**	**17,3%**	**16,7%**	**16,9%**	**15,4%**	**16,6%**		
Total	416,2	450,9	395,8	717,4	733,1	686,0	609,7	619,4	616,1	677,5
Total revenue in the Health Insurance Fund (ratio)	9,2%	10,9%	25,5%	12,9%	12,9%	16,5%	18,9%	20,5%	19,9%	17,4%
Total revenue in the central budget (ratio)	90,8%	89,1%	74,5%	87,1%	87,1%	83,5%	81,1%	79,5%	80,1%	82,6%
Total special tax as a percentage of GDP	1,5%	1,6%	1,4%	2,4%	2,3%	2,0%	1,8%	1,7%	1,7%	1,8%
The proportion of special taxes within budget reve	4,9%	5,4%	4,2%	6,5%	6,1%	5,7%	4,9%	4,7%	5,6%	5,9%

**2018. Budget Bill **2019. Budget Bill proposal*

Source: Healthware, based on NEAK publications

The sum of the special taxes in 2014 (HUF 733.06 billion), as a percentage of GDP, and in proportion to the total revenue of the budget, was the highest in 2013 (HUF 717.3 billion, since than it show a decreasing tendency. That year, special taxes accounted for 6.5% of the total budget revenues and were equal to 2.4% of the given year GDP. (By comparison, this is almost half of the total personal income tax revenue of the given year.) Since then the sum of special taxes has been decreasing, however, according to the 2019 budget plan, the volume of these taxes will increase again (to HUF 677.5 billion).

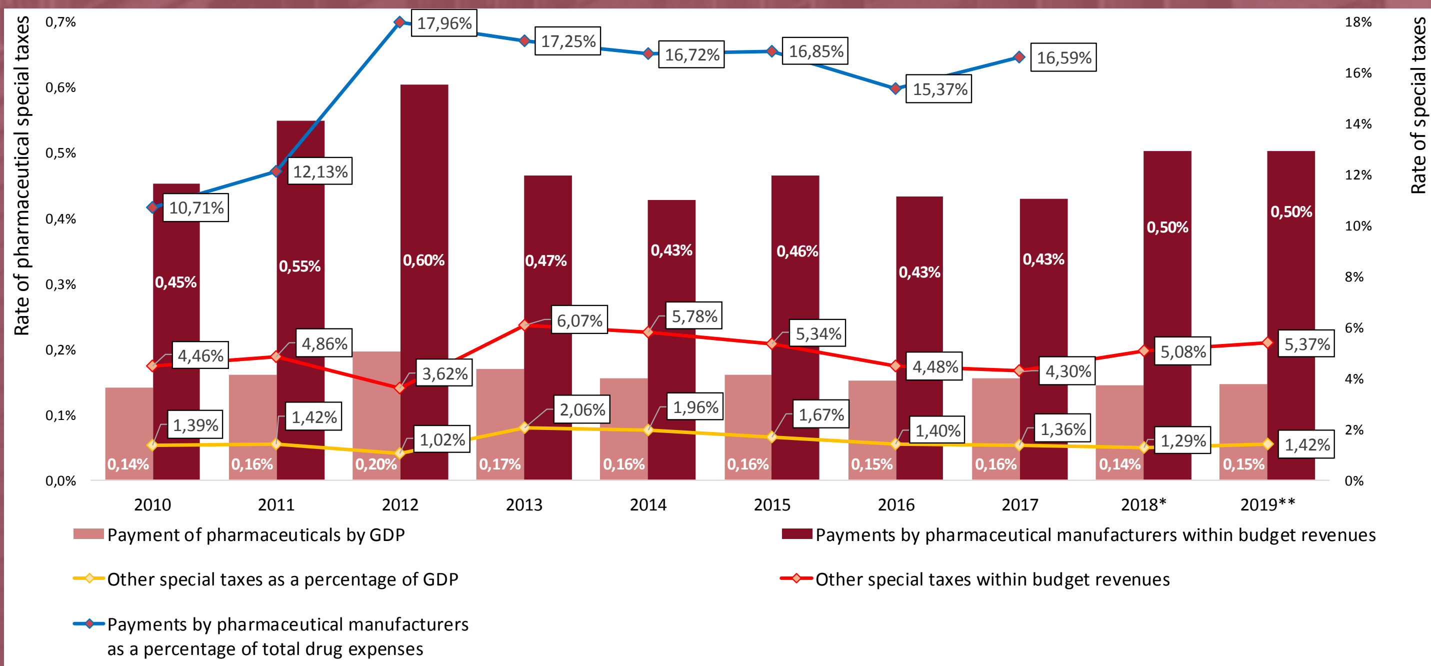
The special taxes and the obligations affecting the pharmaceutical industry proceeding in the Health Insurance Fund, shaped differently. Typical data is that if the special tax on pharmaceutical companies is not counted, the proportion of all other special taxes as a percentage of GDP ranges from 2.06% in 2013 to 1.36% in 2017, in proportion to the revenue of the budget decreased from 6.07% to 4.30%. The pharmaceutical industry had its highest contribution as a percentage of GDP and as well as the revenue of the budget in 2012. In subsequent years, following the fall in 2013, we may see stagnation or slight growth in the sum and in the proportions. The decrease in the sum is mainly due to changes in the reimbursement system, introduced by the Széll Kálmán Plan and the Semmelweis Plan.

The existing financial policy instruments have been tightened, as a result of that the pharmacy reimbursement outflow had a significant decrease. Another reason for the decrease in the sum and in the proportions is the allowance from the repayment obligation of domestic pharma companies, depending on their R+D expenses (we discussed this matter in our case study, published in February 2017). According to the budget law and the drug budget plan for 2019, this stagnation will continue in the next two years, but the importance of other special taxes in the revenue for the government will increase.

The stability of the favorable macroeconomic environment (based on the optimistic expectations of the National Bank) gives an opportunity to abolish continuously the special taxes, however, they seem to have an important role in the government plans. One reason for that might be the appearance of a possible crisis in the government communications in the last few weeks. If the elimination of the pharmaceutical taxes is not possible in the near future, it would be important to obtain guarantees, which ensure that these payments will only be allocated for programs supporting the stability and efficiency of the health care system, or other health care focused development projects – possibly involving the concerned actors in the allocation mechanism.

The public health product tax (which was implemented in 2015) provides us a good example for such a measure, since the amount of this tax credit ensures the funding of various health promotion programs[4]. Concerning pharmaceutical special taxes, the range of accepted R+D expenses could be extended. Furthermore, the income of these taxes could be used for financing projects, like development of disease registries, or improvement of diagnostic methods and available assets for early recognition or personalized medicine.

[4] https://magyaridok.hu/belfold/beremelesek-es-nepjoleti-programok-fedezete-a-csipszado-bevetele-3284438/



**2018. Budget Bill, **2019. Budget Bill*

Source: HW calculation based on HCSO and NEAK data