



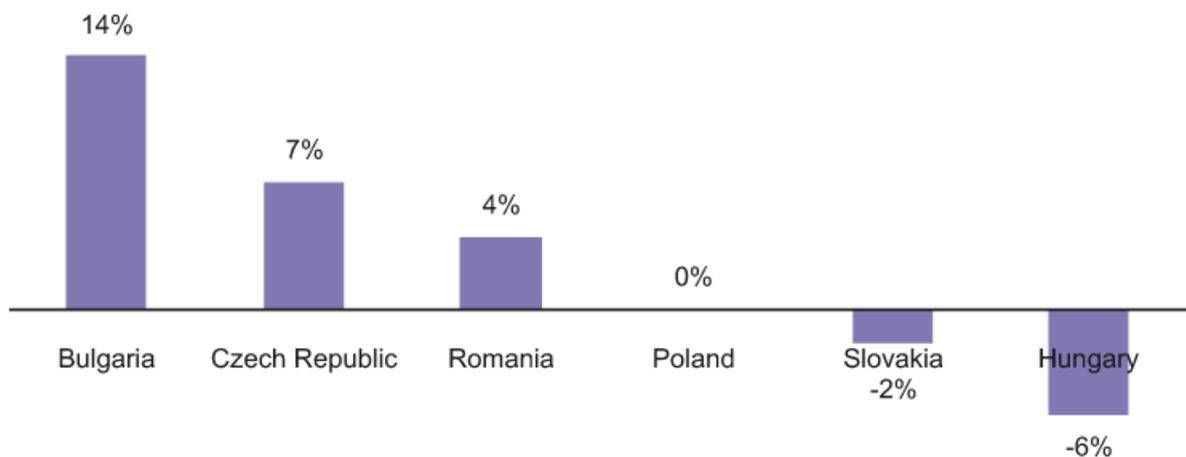
Legislative changes to hamper innovative drugs market in Central Europe between 2012 and 2014

Due to legislative changes implemented during 2011 in most of the Central European (CE) countries, the innovative drug market in the region will decline in 2012 by 1%, to €6.1bn at manufacturer prices, according to the latest report published by research and consulting company PMR, entitled "Generic and innovative drugs market in Central Europe 2012. Comparative analysis, reimbursement policies and development forecasts for 2012-2014". In all, the CAGR for innovative drugs in the region will be approximately 2% in 2012-2014.

Innovative markets to decline in some CE countries

In terms of the rate of change on the innovative market, huge differences are to be observed in the development of this subgroup in individual countries. In Bulgaria the growth rate will be substantial – around 14% per annum on average, whereas in the Czech Republic and Romania it will fluctuate around 7% and 4% respectively. In Poland the innovative drug market is expected to develop at a 0% rate and, in 2014, it should, therefore, return to its 2011 value. In Slovakia and Hungary the year-on-year changes will be negative. On the other hand, in all of the CE countries analysed, between 2012 and 2014 the average annual rates of change in the value of the generic drugs market will be positive.

CAGR for innovative drug markets in the CE countries analysed, 2012-2014



Note: change in local currency.

Source: report 'Generic and innovative drugs market in Central Europe 2012.

Comparative analysis, reimbursement policies and development forecasts for 2012-2014', PMR, 2012


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Szell Kalman Plan implications for Hungary

In general, in Hungary the climate for innovative medicines is the most unfavourable in CE. "2009 and 2010 have already been difficult for innovative drug manufacturers in the country. Many manufacturers complained that the country had not supported innovations. In 2011 the situation became even worse, with the introduction of changes to R&D expense deductions" says Agnieszka Skonieczna, PMR Senior Pharmaceutical Market Analyst and the report co-author. In addition, in recent months most medicines which appeared on the reimbursement lists in the country were generic. For example, the October 2011 update to the reimbursement list included 21 generic and eight innovative drugs.

In 2011 a structural reform programme based on the Szell Kalman Plan was launched in Hungary. The programme is aimed at consolidating the Hungarian public sector by instigating structural reforms, boosting economic growth, encouraging an increase in employment levels and enhancing the competitiveness of Hungary's economy, and it will have several consequences for the pharmaceutical industry in the country.

The main aim of the plan is to reduce the reimbursement costs for the OEP (National Health Insurance Fund) and drug prices for patients which will have the most severe effect on innovative medicines. In 2012 the drug budget is expected to be HUF 83bn (€301m) less than that of 2010, and in 2013 and 2014 budget cuts will fluctuate around HUF 120bn (€430m) each year. In February 2012 the Hungarian government announced that it was looking for further savings, and the situation could, therefore, become even worse in the future.

Slovakia favours generic medicines

Government reimbursement policy in Slovakia is favouring generics, rather than innovative drugs. This is why a slight reduction in the latter is expected in the foreseeable future, whereas the overall market will grow. There are several reasons for this. First of all, in Slovakia the market share of original drugs by value is relatively high in comparison with those of other countries, and this market subdivision, which is quite saturated, will develop at a slower rate than that of generics. Furthermore, the country's policy in the pharmaceutical arena does not support innovative companies. In the five reference pricing rounds which have taken place so far, the prices of several hundred medicines have been reduced, and most of these were innovative medicines. The legal changes are also designed to support the generic market rather than that of innovative medicine. For example, in Slovakia a new reference pricing system (in which a drug price will be set at the level of the lowest price in a basket of prices of all of the EU countries) has come into force, with the aim of reducing medicine prices further. In addition, the prescription of APIs, instead of brand names, has been introduced in the country, and this could boost sales of generic medicines. Obligatory generic substitution at pharmacies is also planned to be standard practice in the country.

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