Strict budget consolidation has helped Portugal ease a heavy public spending deficit, but improving access to healthcare has been hampered by a shortage of GPs, which creates a challenging environment for the pharma industry.

**PORTUGAL AT A GLANCE**

- **Area:** 92,400 Km²
- **Population:** 10.6 million
- **GDP:** €134bn
- **GDP growth:** 1.8 per cent (2007)
- **Healthcare expenditure:** €13.52bn
- **Healthcare expenditure as percentage of GDP:** 2.1 per cent
- **Pharmaceutical sales:** €3.48bn

Source: IMS 2007

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CURRENT CONTEXT

In the year 2008, a significant amount of attention was devoted to Portugal because of its high deficit (45 per cent of GDP) and public debt. Portugal’s fiscal situation was unsustainable, and the country was on the brink of losing its credit rating. The government faced a difficult task of reducing the deficit and improving its economic performance. The success of the government’s austerity measures has been attributed to the adoption of policies that focused on fiscal consolidation, structural reforms, and the implementation of a growth strategy.

HEALTHCARE IN PORTUGAL

The Portuguese healthcare system is decentralised and comprises three main public institutions: the Reguladora da Saúde (ERS), the Instituto de Vigilância Sanitária (IVS), and the Fundação de Saude Pública (FSP). These institutions are responsible for the implementation of health policies and the regulation of healthcare services.

The Ministry of Health is responsible for the planning, funding, and supervision of healthcare services. It is also responsible for the implementation of health policies and strategies, as well as the provision of healthcare services. The Ministry of Health is divided into three main areas: healthcare, social services, and long-term care.

The ERS is responsible for the regulation of healthcare services and the supervision of healthcare providers. It ensures the quality of healthcare services and the protection of patients’ rights. The ERS also monitors the financial performance of healthcare providers and ensures the transparency of healthcare costs.

The IVS is responsible for the implementation of health policies and the promotion of healthy lifestyles. It is also responsible for the regulation of health products and the protection of consumers’ rights.

The FSP is responsible for the provision of healthcare services, including primary care, secondary care, and tertiary care. It is also responsible for the management of health facilities and the training of healthcare professionals.

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Sustainable Pharmaceutical Development in Portugal

**Funding and Organisation Continue to Change**

While there is sufficient competition and pricing power in the Portuguese pharmaceutical market, there has been a lack of investment in new medicines. The Instituto Nacional da Farnácia e do Medicamento (INFARMED) has introduced several measures aimed at increasing the market share of generic medicines. One of these is the introduction of a new price band for generics, which is expected to reduce the price of these products by 20%.

**Structural Change in the Hospital Sector**

The healthcare system in Portugal has undergone significant changes in recent years. The introduction of a national health insurance scheme in 2005 has led to substantial changes in the way healthcare is delivered. The system is now more patient-centred, with greater emphasis on primary care. The number of primary care centres has increased significantly, from around 300 in 2000 to over 1,000 in 2008. This has led to a reduction in the number of hospital admissions, with patients being treated in primary care centres when possible.

**The SNS and Reforms**

The Sistema Nacional de Saúde (SNS) is the national health insurance scheme in Portugal. It covers around 98% of the population and is financed through a combination of general taxation and employee contributions. In 2007, the SNS expenditure on drugs totalled about €1.5m, representing around 20% of the total healthcare spending. The SNS is responsible for the reimbursement of medical care of €5 per day for hospitalisation, and for setting co-payment levels. It is also responsible for the regulation of pharmaceuticals and medical equipment. This includes the establishment of a list of essential medicines, the approval of new medicines, and the reimbursement of pharmaceuticals.

**Efficient Management**

The SNS has introduced several initiatives to improve the efficiency of the healthcare system. One of these is the introduction of a new system for the management of pharmaceuticals, which is expected to reduce the cost of these products by 10%. Another initiative is the introduction of a new system for the management of medical equipment, which is expected to reduce the cost of these products by 15%.

**Conclusion**

The Portuguese healthcare system has undergone significant changes in recent years, with a focus on improving the efficiency and effectiveness of the system. While there are still challenges to be addressed, the system is making progress towards becoming more sustainable and patient-centred.

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**The Author**

Hugo Mendes, senior manager, business line management.
an increasingly important segment within this market. Parapharmacies, especially retail chains, will become an
important player in the market, enjoying a period of solid growth as the government attempts
to increase the availability of generic medicines and enhance the accessibility of local pharmacies. This is expected to result in greater price and service competition between
pharmacies. Traditional retail pharmacies will have to adapt their business approach in order to remain viable in the face of growing competition from mass-market outlets. In the longer term there is strong speculation that legislation will be relaxed further, allowing
the establishment of pharmacy chains.

The retail pharmacy sector is dominated by large, long-term players, such as Ambac and Farmacêutica, which account for 80 per cent of the market. The remaining 20 per cent
is held by a mass of small independent pharmacies. The growth of the generics industry is expected to
encourage dispensing of the cheapest generic, take hold. This will accelerate the mandatory price cuts
that threaten some manufacturers over the next couple of years, but the industry remains apprehensive. In Portugal, the authorities have introduced a reference pricing system, introduced in
1998, to balance prices. Applied to pharmaceutical products, this system institutes a maximum value to be contributed by the SNS – calculated at €712m last April – a positive aspect, but on the other hand it prevents generics from offering discounts if the market fails to encourage them.

The local pharma industry is likely to take advantage of the reference pricing system to save the system from establishing prices that are too high. However, this is a long-term solution and it may be necessary to adopt other measures. The authorities have introduced a purchasing protocol for prices, in order to reduce the number of local subsidiaries. Some small-to-medium companies have formed alliances, but this may not be enough to offer significant discounts to pharmacies. The government attempts to increase
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active. This is not only doctors, but also patients and others, as well as the community pharmacies.

Generic companies are also targeting pharmacists with similar offers. However, while many pharma companies are constrained by cost-containment policies, industry executives predict a substantial growth in generics. Currently, a high percentage of drugs sold by cost-containment policies. Industry executives predict a strong growth in generics. Over the last few years, the sector has stagnated, with its growth typically attributed to the launch of new products. These new products are expected to maintain a steady growth in the retail market.

The government hopes that this will happen because of the mandatory reimbursement process. The government has launched a number of initiatives, such as the new reimbursement process for the local market, which is expected to increase. The market penetration for generic products has been relatively weak, which remains relatively weak despite the government's efforts to boost the sector.

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REIMBURSEMENT

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Reimbursement levels were revised in September 2005, and again in the 2006 budget in an attempt to reduce public spending on pharmaceutical products. However, the government hopes to maintain a balanced budget in the coming years.

Author

Hugo Mendes, senior market access manager, Portugal, PM Group.
The main objectives of the healthcare reforms are to:

- Improve the health of the population
- Work on disease prevention
- Guarantee the sustainability of the system
- Stimulate the knowledge and development in healthcare
- Simplify the SNS.

Primary care is considered by the executive to be the “central base of the health system”. Portugal was one of the first countries to offer an integrated health service via health centres, offering an accessible and effective means to promote health. The system was in need of updating to improve equipment, facilities, and human resources.

The creation of Unidades de Saúde Familiar (USF) – Family Health Units – was the first step in restructuring the Centros de Saúde – health centres. Made up of smaller teams and directed at smaller population groups, USFs allow access to all basic health services such as family doctors, vaccination services, and dentistry. They have organisational autonomy and are integrated into a network with health centres and hospitals. Portugal has 135 USFs and is aiming to establish 175 to facilitate better access to a family doctor.

At the same time, Centros de Saúde are being closed, particularly in regions where the population does not justify their existence. Since 2005, around 30 units have been shut down. Those still open are being developed to improve services with new equipment, especially information technology, allowing the implementation of telemedicine in centres further away from hospitals.

Pharmaceutical policy is another area where budgets are being restricted. Besides the campaigns to promote generics, resulting in improved market penetration during the last six years, other measures – such as the reduction of contribution on branded pharmaceuticals and reductions in reference prices – have been taken.

Another reform introduced in 2007 was the sale of OTC medicines outside pharmacies. Coming at a time when the pharmaceutical products suffered a general reduction of 6 per cent, these measures were contested by both the pharmaceutical manufacturers and pharmacists.

### Current Drug Categories and Reimbursement Rates

<table>
<thead>
<tr>
<th>Category</th>
<th>Description</th>
<th>Reimbursement Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>A</td>
<td>Drugs vital for survival or used to treat chronic diseases</td>
<td>95%</td>
</tr>
<tr>
<td>B</td>
<td>Essential drugs used to treat serious illnesses, requiring prolonged treatment</td>
<td>69%</td>
</tr>
<tr>
<td>C</td>
<td>Non-priority medicines, with confirmed therapeutic value (usually includes reimbursed OTCs)</td>
<td>37%</td>
</tr>
<tr>
<td>D</td>
<td>Transitional category for new medicines while therapeutic and cost-effectiveness is being evaluated</td>
<td>15%</td>
</tr>
</tbody>
</table>

Source: IMS Health

*Although most drugs in this category are now reimbursed at 95 per cent, some products retain full reimbursement, including insulin, immunomodulators, and antidiuretic hormones. Infarmed updates the official list of drugs eligible for 100 per cent reimbursement on a regular basis.*