

# Portugal

## Healthcare report

(Forecast closing date: July 23rd 2009)

### Healthcare spending, international comparison

(% of GDP)

	2004 <sup>a</sup>	2005 <sup>a</sup>	2006 <sup>a</sup>	2007 <sup>b</sup>	2008 <sup>b</sup>	2009 <sup>c</sup>	2010 <sup>c</sup>	2011 <sup>c</sup>	2012 <sup>c</sup>	2013 <sup>c</sup>
Portugal	9.5	9.7	9.9	10.0	10.0	10.3	10.5	10.5	10.4	10.2
US	15.9	16.0	16.0	15.8	16.1	16.3	16.0	16.2	16.2	16.2
Japan	6.4	6.5	6.5	6.7	6.8	7.0	7.2	7.3	7.5	7.7
China	4.7	4.7	4.7	4.7	4.7	4.7	4.7	4.7	4.7	4.7
Germany	10.6	10.7	10.6	10.7	10.8	11.4	11.8	11.9	11.8	11.8

<sup>a</sup> Actual. <sup>b</sup> Economist Intelligence Unit estimates. <sup>c</sup> Economist Intelligence Unit forecasts.

Source: Economist Intelligence Unit.

**Overview** Portugal spent an estimated 10% of GDP on healthcare in 2008, which was a higher proportion than in many EU countries, including Spain (8.7%), Italy (8.8%) and the UK (9.4%). Translated into annual spending per head, Portugal spends less than most countries in the EU, at an estimated US\$2,300 in 2008, compared with US\$3,076 in Spain and as much as US\$5,880 in Denmark. Public spending accounts for a little over 70% of total Portuguese healthcare expenditure, a smaller share than in the majority of EU member states. Health indicators have been improving, but remain slightly worse than in comparable west European countries. Life expectancy, at an estimated 78 years in 2008, is the lowest in western Europe. The infant mortality rate—at an estimated 4.8 per 1,000 live births in 2008—has almost halved since 1990, but is at the upper end of the range among EU15 member states.

The current Socialist Party (PS) government has continued with reforms instituted by its Social Democratic Party (PSD)-led predecessor, introducing more market-oriented management techniques for public hospitals, curbing spending on medicines and rationalising the network of health centres. A number of factors are driving reforms to Portugal's healthcare system, including: the need to improve the quality of healthcare provision; the need to ensure greater efficiency (given that spending on the national health service—NHS—continues to exceed its target); and the need to ensure the financial sustainability of the health service in view of demographic pressures. Pressure to rein in growth in public spending is likely to make further reforms necessary in the forecast period, regardless of whether the PS or PSD returns to government. Although ageing of the population is a less acute issue than in some other European countries, the proportion of the population reaching retirement age is forecast to rise rapidly from 2010, which will increase pressure on the social security and health sectors in Portugal.

**Income and demographics**

	2004 <sup>a</sup>	2005 <sup>a</sup>	2006 <sup>a</sup>	2007 <sup>a</sup>	2008 <sup>a</sup>	2009 <sup>b</sup>	2010 <sup>b</sup>	2011 <sup>b</sup>	2012 <sup>b</sup>	2013 <sup>b</sup>
Nominal GDP (US\$ bn)	179.2 <sup>c</sup>	185.8 <sup>c</sup>	195.2 <sup>c</sup>	223.3 <sup>c</sup>	244.4 <sup>c</sup>	219.6	223.2	231.0	242.3	253.0
Population (m)	10.5	10.5	10.6	10.6	10.6	10.7	10.7	10.7	10.7	10.8
GDP per head (US\$ at PPP)	19,241	20,021	20,844	21,844	22,252	21,410	21,322	21,657	22,142	22,836
Private consumption per head (US\$)	10,958	11,442	12,070	13,696	15,313	13,654	13,813	14,284	14,942	15,564
No. of households ('000)	3,809	3,856	3,898	3,933	3,965	3,997	4,029	4,061	4,094	4,127
No. of households with annual earnings above US\$5,000 ('000)	3,809	3,856	3,898	3,933	3,965	3,997	4,029	4,061	4,094	4,127
No. of households with annual earnings above US\$10,000 ('000)	3,405	3,466	3,529	3,637	3,735	3,701	3,743	3,795	3,852	3,906
No. of households with annual earnings above US\$50,000 ('000)	588	634	696	901	1,146	933	978	1,059	1,165	1,266
No. of households with net wealth over US\$1m ('000)	8 <sup>c</sup>	4 <sup>c</sup>	9	14	11	8	8	10	11	12

<sup>a</sup> Economist Intelligence Unit estimates. <sup>b</sup> Economist Intelligence Unit forecasts. <sup>c</sup> Actual.

Source: Economist Intelligence Unit.

**Spending.** The NHS was established in 1979. It is funded mainly via general taxation and provides a comprehensive package of care. Patients make co-payments towards prescription drugs and pay flat-rate fees for medical consultations, emergency hospital visits, overnight hospital stays, home visits and diagnostic tests. Exemptions apply for certain groups, such as those on low incomes or the permanently disabled. In addition to the NHS, insurance schemes exist for certain occupations, to which both employers and employees contribute, and citizens may choose to take out private health insurance. Around 15% of the population has private insurance, mainly through corporate group policies, although individual policies are also available.

The proportion of GDP spent on healthcare and pharmaceuticals will remain high during the forecast period, at about 10% of GDP, partly as a result of the growing burden associated with caring for the ageing population. This will lead to additional pressure to find savings in the budget for the NHS, which is one of the main recipients of public expenditure. Although Portugal's pharmaceutical market is relatively small by European standards, spending on pharmaceuticals as a proportion of total health expenditure is higher. In 2005, for example, Portugal spent 21.6% of total healthcare spending on pharmaceuticals (according to data from the OECD), which is a much greater proportion than in Germany (15.1%), Greece (18.5%) or France (16.7%), but lower than in Spain (22.4%). The reason for this is that many medicines in Portugal are imported, and so prices of drugs are relatively high compared with domestic price levels, whereas other health costs (such as salaries for doctors and nurses) reflect local prices.

One step taken by the government since it came to office in 2005 was to lower total medicine expenses at public hospitals through an increased use of generic pharmaceuticals. In 2008 it also implemented unilateral cuts of 30% in the prices that it would pay for generics, and these changes have the potential slowly to decrease the share of pharmaceutical spending in overall public health expenditure. The government aims to limit the annual growth of spending on medicine at hospitals to 4%. As part of the wider shake-up of policy regarding pharmaceuticals, the government also reduced reimbursement

prices and liberalised the distribution of over-the-counter (OTC) drugs. Spending on OTC drugs has risen rapidly in recent years and is expected to increase further over the forecast period, as more OTC drugs will become available in places other than pharmacies (which previously had been the only outlets) and the practice of self-medication grows. The government has also authorised the (regulated) sale of medicines over the Internet.

The prospects for private-sector health providers were boosted by the approval in mid-2006 of plans to separate the provision and financing of health services, which include the introduction of price lists for all state-financed services that can then be contracted out to either the public or the private sector. There are some public-private-partnership (PPP) projects to build new hospitals in conjunction with the Department for Health. Demand for private medical facilities will also be supported by the number of foreign residents of pensionable age (particularly from northern European countries), who will need access to medical care. A related development is the growth of Portugal's "health tourism" industry, spearheaded by hotel groups that are seeking to combine the provision of specialist medical care (in fields such as cardiology, psychology, dermatology, nutrition and physiotherapy) with the level of hospitality normally associated with the high-end tourist sector.

### Healthcare: key indicators

	2004 <sup>a</sup>	2005 <sup>a</sup>	2006 <sup>a</sup>	2007 <sup>b</sup>	2008 <sup>b</sup>	2009 <sup>c</sup>	2010 <sup>c</sup>	2011 <sup>c</sup>	2012 <sup>c</sup>	2013 <sup>c</sup>
Life expectancy, average (years)	77.3	77.5	77.7	77.9 <sup>a</sup>	78.0	78.2	78.4	78.5	78.7	78.8
Life expectancy, male (years)	74.1	74.2	74.4	74.6 <sup>a</sup>	74.8	75.0	75.1	75.3	75.5	75.6
Life expectancy, female (years)	80.8	81.0	81.2	81.4 <sup>a</sup>	81.5	81.7	81.9	82.0	82.2	82.3
Infant mortality rate (per 1,000 live births)	5.1	5.0	5.0	4.9 <sup>a</sup>	4.8	4.8	4.7	4.7	4.6	4.5
Healthcare spending (€ bn)	14	14	15	16	17	17	17	17	17	18
Healthcare spending (% of GDP)	9.5	9.7	9.9	10.0	10.0	10.3	10.5	10.5	10.4	10.2
Healthcare spending (US\$ m)	17,024	18,006	19,289	22,345	24,436	22,620	23,436	24,251	25,199	25,806
Healthcare spending (US\$ per head)	1,625	1,710	1,825	2,108	2,300	2,123	2,195	2,265	2,348	2,397
Healthcare (consumer expenditure; US\$ m)	6,248	6,664	7,152	8,201	9,287	8,472	8,690	9,067	9,554	10,039
Doctors (per 1,000 people)	3.4	3.4	3.4	3.4	3.4	3.4	3.4	3.4	3.4	3.4
Hospital beds (per 1,000 people)	3.7	3.5	3.5	3.4	3.4	3.4	3.4	3.3	3.3	3.3

<sup>a</sup> Actual. <sup>b</sup> Economist Intelligence Unit estimates. <sup>c</sup> Economist Intelligence Unit forecasts.

Source: Economist Intelligence Unit.

**Policy.** Healthcare standards in Portugal lag behind those in most other countries in western Europe. The public system suffers from poor management and ineffective spending controls, with the result that spending systematically exceeds annual budgets without the accompanying incremental benefits to the population. To address these problems, the former PSD-led government (2002-05) began to implement reforms in the health sector, most notably by transferring responsibility for hospital management and budgets from the public to the private sector. Although these hospitals are still formally owned by the state, they are run as public companies, with hospital managers solely in charge of decision-making and cost management, including salaries. Under the system, hospitals are paid by the state for operations and other medical interventions on the basis of diagnosis-related groups (DRGs). The reform process began in 2003 and is continuing under the current PS government. So

far, the changes have reduced the amount that the public sector spends on running hospitals, including on auxiliary services such as laboratories.

The NHS is the main provider of general practitioner (GP) and hospital care and employs the majority of the country's doctors. GP care is generally delivered via health centres, each covering around 30,000 people. However, many Portuguese prefer to go directly to hospital emergency departments or to the private sector for care. Private health providers generally supplement the NHS, rather than supplying a complete alternative. They are prevalent in areas such as diagnostic testing, dentistry and physiotherapy. Portugal had an estimated 3.4 doctors per 1,000 population in 2008, around the EU average, and 3.4 hospital beds per 1,000 population, a relatively low ratio. There is little public provision of community care, in a society where families have traditionally provided informal care.

The PS government is continuing the process of converting state-owned hospitals into public companies, giving them new powers of self-government, more transparent financing and more flexible labour frameworks (employees will not be covered by public-sector compensation packages). However, proposed reforms to healthcare provision have met with strong union opposition, and demonstrations forced the resignation in early 2008 of the former minister of health, who had failed to sell the reforms to the public. The current administration is expected to make little further progress before the general election in late 2009, because of the political difficulty of some of the reforms, especially those involving consolidation of health services. With a severe economic crisis in 2009-10, pressure on the public finances will continue, and the NHS is one of the main sources of that pressure. As the population suffers from lower disposable income in 2010 and beyond, demand for NHS services (as opposed to private health services) is expected to increase.

Directorate General of Health: [www.dgs.pt](http://www.dgs.pt)

Ministry of Health: [www.min-saude.pt](http://www.min-saude.pt)

OECD: [www.oecd.org](http://www.oecd.org)

World Health Organisation: [www.who.int](http://www.who.int)

### Pharma and biotech

The Portuguese pharmaceutical manufacturing sector is relatively small, worth around €1.9bn in 2007, although this is almost double what it was worth a decade earlier. The industry employs around 10,500 people in Portugal, and all major international pharmaceutical firms are present in the country, although most of them do not produce locally. The Portuguese spend around 2% of GDP on pharmaceuticals (2008 data), and the government has enacted a number of decrees to control the growth in spending on medicines, including measures to boost the share of generics.

#### Pharmaceutical sales

	2004 <sup>a</sup>	2005 <sup>a</sup>	2006 <sup>a</sup>	2007 <sup>b</sup>	2008 <sup>b</sup>	2009 <sup>c</sup>	2010 <sup>c</sup>	2011 <sup>c</sup>	2012 <sup>c</sup>	2013 <sup>c</sup>
Pharmaceutical sales (US\$ m)	4,860	5,075	5,300	5,600	6,100	6,600	6,900	7,200	7,500	7,900

<sup>a</sup> Actual. <sup>b</sup> Economist Intelligence Unit estimates. <sup>c</sup> Economist Intelligence Unit forecasts.

Source: Economist Intelligence Unit.

**Demand.** According to figures compiled by the European Federation of Pharmaceutical Industries and Associations (EFPIA), Portugal's pharmaceutical market was the tenth-largest in the EU25 in 2007, worth €3.5bn at ex-factory (wholesale) prices, including prescription medicines and over-the-counter (OTC) medicines. Figures from the national pharmaceutical regulatory agency, Infarmed (Instituto Nacional da Farmacia e do Medicamento), indicate that the total spent on pharmaceuticals at retail prices was higher, at €4.5bn in 2007, of which €3.6bn was spent in the ambulatory market and €930m in hospitals.

Patients make co-payments towards prescription drugs, which vary depending on the therapeutic value of the drug. For most medicines, the co-payment is around 30%. Government efforts in recent years to control rising drug costs, such as reference pricing, have struggled to be effective, but lately generic pharmaceuticals have been making greater inroads into the patented drug segment, allowing pharmaceutical costs to rise more slowly, especially for the public purse.

The pharmaceuticals sector is regulated by Infarmed, which oversees legislation; approves new drugs and personal hygiene products, acting as quality assurance; implements safety measures; licenses pharmaceutical activities, such as manufacturing of drugs, imports and wholesaling, pharmacy and hospital pharmaceutical services; and authorises marketing of medicines. Infarmed is also required to disseminate information to health professionals and the public. A new reference price system, Sistema de Preços de Referência (SPR), was established in December 2002, along with a system of prescription of medicines by International Common Denomination (ICD). Since April 2004 reference prices and their respective homogenous groups need to be approved or updated every three months.

Item	Price (US\$)	% of monthly personal disposable income	Affordability rank
Aspirins, 100 tablets (supermarket)	17.46	1.23	28 out of 57
Routine check-up at family doctor (av)	185	13.03	34 out of 57
One X-ray at doctor's office or hospital (av)	107	7.55	27 out of 58
Visit to dentist, one X-ray and one filling (av)	165	11.68	27 out of 58

Note. Affordability rank: for each country the price of an item as a percentage of monthly personal disposable income is calculated. Countries are ranked according to these percentages. The most affordable country will have the lowest percentage and be ranked first.

**Supply.** Large multinationals, mostly importing finished products, dominate the market. Domestic pharmaceutical production was worth €2bn in 2007, which is a small share compared with total European production of €187bn. Portugal is therefore reliant on pharmaceutical imports, which totalled €1.8bn in 2007, of which over three-quarters originated from the EU15. Exports in 2006 amounted to €400m.

The Portuguese pharmaceutical producers' association, Apifarma, counted 137 members in 2007 (the nearest approximation to the number of firms in the sector available). The major international pharmaceutical firms are all present in Portugal as suppliers, if not all as local producers. These include Abbot Laboratories (US), AstraZeneca (UK), Bayer (Germany), Bristol-Myers Squibb

(US), GlaxoSmithKline (UK), Johnson & Johnson (US), Lilly (US), Merck (US), Novartis (Switzerland), Reckitt Benckiser (UK), Roche (Switzerland), Sanofi-Aventis (France) and Schering-Plough (US). However, research and development centres in Portugal are rare for the pharmaceutical giants, which usually prefer to locate these in pharmaceutical clusters elsewhere. Local firms include Bial, Bluepharma, Edol, Iberfar, Medinfar, OM Portuguesa, Lusomedicamenta, Tecnimed and Vitória. The pharmaceutical industry employs around 10,500 people in Portugal.

In 2007 there were 343 medicine wholesalers in Portugal, and 2,906 pharmacies and pharmacy extensions. The pharmacy sector is highly regulated. Prescription medicines are sold exclusively in pharmacies. However, new regulation has made more OTC products available in supermarkets, especially analgesics such as aspirin. All medicines are subject to value-added tax (VAT) of 5%, against a standard rate of 20%. There is also the opportunity to purchase medicines over the Internet, although this channel is tightly regulated.

Apifarma: [www.apifarma.pt](http://www.apifarma.pt)

Espicom: [www.espicom.com](http://www.espicom.com)

European Federation of Pharmaceutical Industries and Associations (EFPIA): [www.efpia.org](http://www.efpia.org)

Infarmed: [www.infarmed.pt](http://www.infarmed.pt)

**Generics** The Portuguese pharmaceutical market has not been well penetrated by generic medicines in recent years, indicating that it had not yet reached the maturity of some comparable western European markets. However, the latest figures show that this is changing, as the government aims to increase the share of cheaper generics in pharmaceutical consumption, at the cost of more expensive brand-name drugs.

There is only limited production of generic pharmaceuticals, and the majority of demand is met by imports. Most of the large international generics players are present with sales operations in Portugal.

**Demand.** New legislation introduced by the current and previous governments as part of the attempts to reduce health expenditure appears to have facilitated the switch to generic pharmaceuticals, along with an awareness campaign to entice patients to ask for the generic rather than the branded medicine. The number of generic medicines sold in Portugal in 2008 by volume (number of packages sold) was 34.2m, worth 13.6% of the market. In terms of the value of generics, at €622m, the market share was 18.6%. The value share had been catching up with the volume share in recent years, but dropped back in the first five months of 2009.

**Supply.** Generics supply is shared between foreign and local production, with both domestic and international firms being involved. On the international side, major players include Alpharma (UK), Mepha (Switzerland), Ratiopharm (Germany), Sandoz (Switzerland), Teva Pharma (Israel) and Winthrop (UK). Large local firms are Farnoz, Sociedade J Neves and To Life, among others, according to the Portuguese Association of Generics Producers (Apogen).

---

Apogen: [www.apogen.pt](http://www.apogen.pt)

**Diseases** Life expectancy in Portugal has risen steadily since the 1970s, but at an estimated 78 years (in 2008), it is still one of the lowest in the EU15. Life expectancy will continue to rise over the forecast period, to reach an average of 78.8 years by 2013, but as in other European countries, the rate of increase is expected to slow. The Portuguese have a relatively healthy "Mediterranean" diet, but obesity is nonetheless on the rise, as in other affluent west European countries. The increasing popularity of convenience, ready-to-eat and takeaway meals, which often contain high salt and sugar levels, risks pushing up the incidence of diseases associated with a dietary imbalance. As average life expectancy rises, demand is also expected to increase for treatments for conditions related to old age, such as arthritis, rheumatism and diabetes. This is expected to increase the burden on the healthcare system, which is set to trend upwards in terms of spending as a share of GDP in the medium to longer term.

©2009 The Economist Intelligence Unit Ltd. All rights reserved. Copyright of Healthcare & Pharmaceuticals Report: Portugal is the property of EIU: Economist Intelligence Unit and its content may not be copied or emailed to multiple sites or posted to a listserv without the copyright holder's express written permission. However, users may print, download, or email articles for individual use.

"Whilst every effort has been taken to verify the accuracy of this information, The Economist Intelligence Unit Ltd cannot accept any responsibility or liability for reliance by any person on this information"