

BREXIT AND GREXIT – PAYER VIEWPOINTS AND EXPECTATIONS

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INTRODUCTION

- The prospect of either or both a UK exit from the European Union ('Brexit') and a Greek exit from the Eurozone ('Grexit'), is predicted to have significant implications for European healthcare systems
- There is great interest in understanding the perspectives of healthcare payers across Europe regarding the potential implications and ramifications of Brexit and or Grexit
- As an EU Member, prices in the UK market are included in international reference pricing baskets for many other EU states, an arrangement which may or may not continue in the event of Brexit. Despite the independence of the British pound, Brexit may lead to further regional price disparity due to currency fluctuations as the pound sterling to euro exchange rate may drop following a Brexit
- Grexit may have a significant impact on parallel trade amongst EU member states (exports for parallel trade account for -12% of the Greek pharmaceutical market) as well as the purchasing power of Greece and its ability to fund healthcare access to medicines

METHODOLOGY

1. Navigant conducted a short online pulse survey to examine the perceptions of payers regarding Brexit and or Grexit
2. Survey participants (N=18) were recruited from UK, Greece, and the EU4 (France, Germany, Italy, and Spain)
3. Telephone interviews were conducted with a subset of respondents
4. Questions included the ramifications of Brexit and Grexit on a number of different areas, including pharmaceutical regulatory policy, pricing, parallel trade issues, health technology assessments, and research and development

Markets in Scope	Population (MM)	HC as % of GDP
France	65.9	11.7
Germany	80.6	11.3
Greece	11.0	9.9
Italy	60.2	9.1
Spain	46.6	8.9
United Kingdom	64.1	9.1

RESULTS

PAYER EXPECTATIONS

- EU4 payer respondents estimate the probability of Brexit and Grexit to be approximately the same at -23% for each; Greek payers estimate Grexit probability at -36% while UK payers estimate probability of Brexit at -29%
- In the event of exit(s), payers expect Brexit to impact their own health system to a greater extent than Grexit (Figure 1);
- In respondent estimations, the relative ranking of categories of impact differ; though the impact on parallel trade ranks high for both Figure 2, 3
- Additionally, respondents expect a significant impact of Brexit on R&D (Figure 3)
- Within their own respective market, UK and Greek payers anticipate a high impact of their own exit; particularly on the availability of medicines (Figure 4)
- Across markets, Grexit is predicted to have a higher impact on pharmaceutical prices than Brexit

FIGURE 1: IMPACT ON HEALTHCARE SYSTEM IN RESPONDENT MARKET

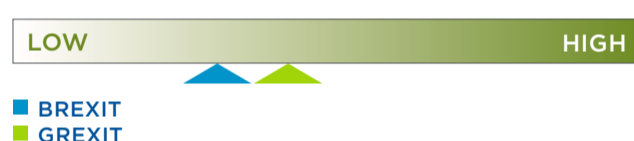


FIG 2: IMPACT - GREXIT

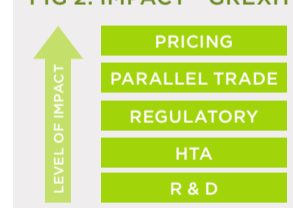


FIG 3: IMPACT - BREXIT

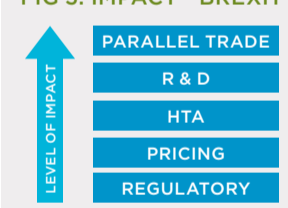


FIGURE 4: FURTHER INSIGHTS

Markets	Probability of Grexit/Brexit	HC Level of Concern of Grexit/Brexit	Level of Impact Grexit/Brexit	Impact on Availability of Medicines Grexit/Brexit
Greece	High	High	High	High
UK	Low	Low	Low	Low
EU4	Low	Low	Low	Low

Note: Responses refer to level of concern/impact in country of respondent

CONTEXT

- Regarding Brexit, EU4 respondents are most concerned about the ability to import drugs from the UK, as UK exit from the EU would terminate unlimited importation of drugs that are manufactured in the UK
"The UK would end up like Switzerland... to import a drug from Switzerland we must prove that we don't have an equivalent in Germany" - Payer, Germany
- Payers in the EU4 and the UK are also concerned that pharmaceutical investment in the UK may decline if the regulatory systems are not aligned *"One issue is that pharmaceutical companies may be less inclined to launch in the UK as they wouldn't reap the benefit of approval in an EMA market"* - Payer, UK
- Payers in Greece note that medicine shortages are already a significant concern and that the problem is likely to be exacerbated in the event of Grexit; expensive drugs in particular are likely to be difficult to obtain
"Everything will worsen if we leave the Eurozone - shortage of medicines, lack of access, physicians will continue to move abroad in search of work - it will be hugely problematic for the healthcare system. I am already prepared to leave the country if we leave the Eurozone!" - Payer, Greece

CONCLUSIONS

- Across all 6 markets, payers surveyed expect the withdrawal of the UK from the EU or withdrawal of Greece from the Eurozone as having an unfavourable impact in their own healthcare market, though the focus and degree of that impact varies
- Consistent with their own market interest, Brexit is of greatest concern to UK respondents, while Grexit is of extreme concern to Greek payers; with payers from each market identifying access to medicines of high concern in the event of their own country exit
- Greek payers are particularly concerned that the impact on an already struggling healthcare system may be catastrophic
- While Grexit could lead to an increase in parallel trade if pharmaceutical prices in Greece drop significantly, the relatively small size of the Greek pharmaceutical market coupled with the distance of most EU4 markets from Greece lead EU4 payers to consider parallel trade from Greece a somewhat minor issue
- Payers from France, Germany, Italy, and Spain report that the impact of Brexit is far more likely to be felt in their own healthcare market than the impact of Grexit. The ability to continue importing drugs from the UK is cited as the most significant concern as EU markets may be unable to import drugs without restrictions. EU markets may be subject to similar restrictions as imports from Switzerland and other non-EU markets which are described as cumbersome
- Payers expect that a UK withdrawal from the EU may result in price changes across the EU due to the potential removal of the UK from many international reference pricing baskets. However, the majority of payers report that the UK will most likely be retained in most reference baskets even if Brexit occurs