

**EXECUTIVE
BOARD
MEETING**

SM/15/67
Correction 1

March 26, 2015

To: Members of the Executive Board

From: The Secretary

Subject: **Hungary—Selected Issues**

Board Action: The attached corrections to SM/15/67 (3/13/15) have been provided by the staff:

Factual Errors Not Affecting the Presentation of Staff's Analysis or Views

Page 17 (para. A, line 10)

Typographical Errors

Page 17 (para. A, line 3 and para. B)

Questions:

Mr. Klein, EUR (ext. 36706)
Ms. ElGanainy, EUR (ext. 39463)
Ms. Jenkner, FAD (ext. 35861)

Appendix II. Overview of Recent Reforms in the Health and Education Sectors

- A. Health sector.** OECD (2008); Forthun and Hagemann (2010); Gaál et al. (2011); IMF (2012); and Eris (2012) review recent reforms in the health sector, which included, among others, strengthening individual incentives through the introduction of co-payments for pharmaceuticals and long term chronic care;²⁶ strengthening the efficiency of health care delivery by adjusting the capacity of providers to meet the needs of patients;²⁷ containing pharmaceutical subsidies by requiring that prior authorization be obtained for overspending in the pharmaceutical sub-budget of the Health Insurance Fund;²⁸ and fostering competition in the pharmaceutical market—for example by moving to international reference pricing and to the generic program.²⁹ More recent measures included the introduction of the public health product tax in 2012-2011 to encourage healthier life style; enhancing the management of health workforce, including by improving the remuneration of health care professionals in 2012; launching the health sector structural transformation in 2012, which included recentralization of hospitals from the local to the central government; and promoting IT and human resource development under the EU-financed development programmes of 2007–13.
- B. Education sector.** OECD (2004); OECD (2008); and Hungary's 2014 National Reform Program review reforms to the public education system, which included among others, the introduction of performance-based financing scheme in 2007—which replaced a financing system based on a fixed amount of funds per student—to encourage schools to improve performance;³⁰ and the expansion of development spending under the EU funds 2007–13 programming period to support both infrastructure (including IT) and content development. More recent reforms aimed at further strengthening accessibility to (and quality of) education,³¹ transferring the operations

²⁶ Co-payments in primary and outpatient care and a hospital daily fee for inpatient care were introduced during 2006-07, but the measures were subsequently repealed by a national referendum in 2008 (IMF, 2012).

²⁷ This led to some reduction in hospital beds, as well as closure and merger of some hospitals (Gaál et al. (2011)).

²⁸ To further contain pharmaceutical spending, the government also increased the license fees of pharmaceutical industry sales representatives to address the perceived problem of undue influence of pharmaceutical companies on physicians.

²⁹ The move towards generic program was facilitated in part by halving the time required for a generic product to become a reference product to three months after the expiration of the patent.

³⁰ The new financing system linked financing to a number of parameters, such as class size, lessons time, teachers compulsory number of training per week...etc.

³¹ For more details about the government priorities in the education sector and the EC's recommendations on education and training, see Hungary's 2014-17 convergence program, available at

(continued)