

# Access to medicines thematic budget (OTMED) 2021

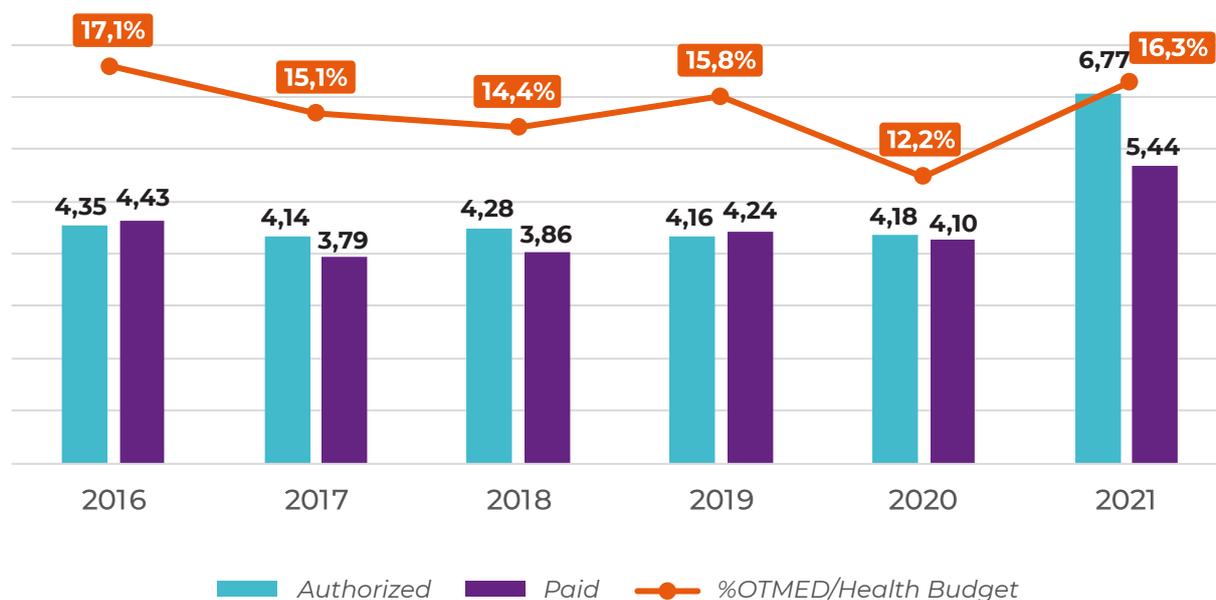
November 2022

The OTMED analyzes pharmaceutical assistance expenses incurred by the federal government. In 2021, this expenditure grew 33% when compared to the previous year, totaling **USD 5.4 billion**. This is a significant increase from the average of the previous 5 years.

One of the factors driving this increase is probably the purchase of Covid-19 vaccines. In 2021, **USD 3.3 billion** were spent on vaccines against Covid-19, and **USD 0.5 billion** in 2020.

## GRAPH 1 | Brazilian federal government medicines expenditure and corresponding percentage of the health budget

values in **billion** of dollars corrected by 2021 prices and %



Source: Elaboration by INESC, based on data from SIGA Brazil.

The financial execution of OTMED in 2021 was 80%, a percentage lower than the 90% observed in the recent past. It is important to consider that, in its denialism, President Bolsonaro's government did not plan adequate resources to combat the new coronavirus pandemic and considered that it would end in 2020.

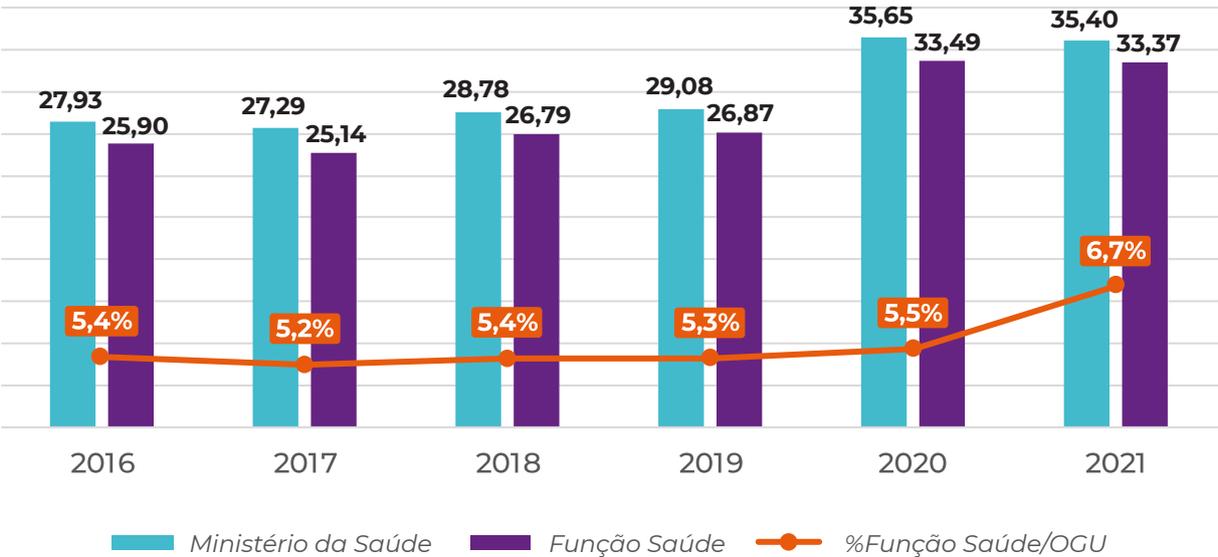
In 2021 the pandemic not only continued but worsened. While in 2020 there were about 200,000 deaths in Brazil, in 2021 this figure doubled, reaching 400,000 lives lost this year alone. As we warned in the Union Budget Balance publication, Brazil, despite having about **3%** of the global population, was responsible for **7%** of the total cases of Covid-19 in the world and **11%** of the deaths, considering data from the World Health Organization (WHO).

The federal government denialism and the lack of adequate planning and management of health resources certainly contributed to this scenario. As resources were being authorized by extraordinary credits, almost in a drip, the programming of purchases of inputs, mainly specialized and high-cost ones, such as vaccines and other biological medicines, was impaired.

Despite the worsening of the pandemic, when we analyze the total health budget, whether considering the health function or the budget of the Ministry of Health, we see that the volume of resources invested in 2021 was similar to that of 2020. In 2021, the financial execution with the health function was **USD 33.4 billion** and corresponded to almost **7%** of the Union Budget.

**GRAPH 2 | Total health expenditures and corresponding percentage of the Federal Government Budget**

values in **billion** of dollars corrected by 2021 prices and %



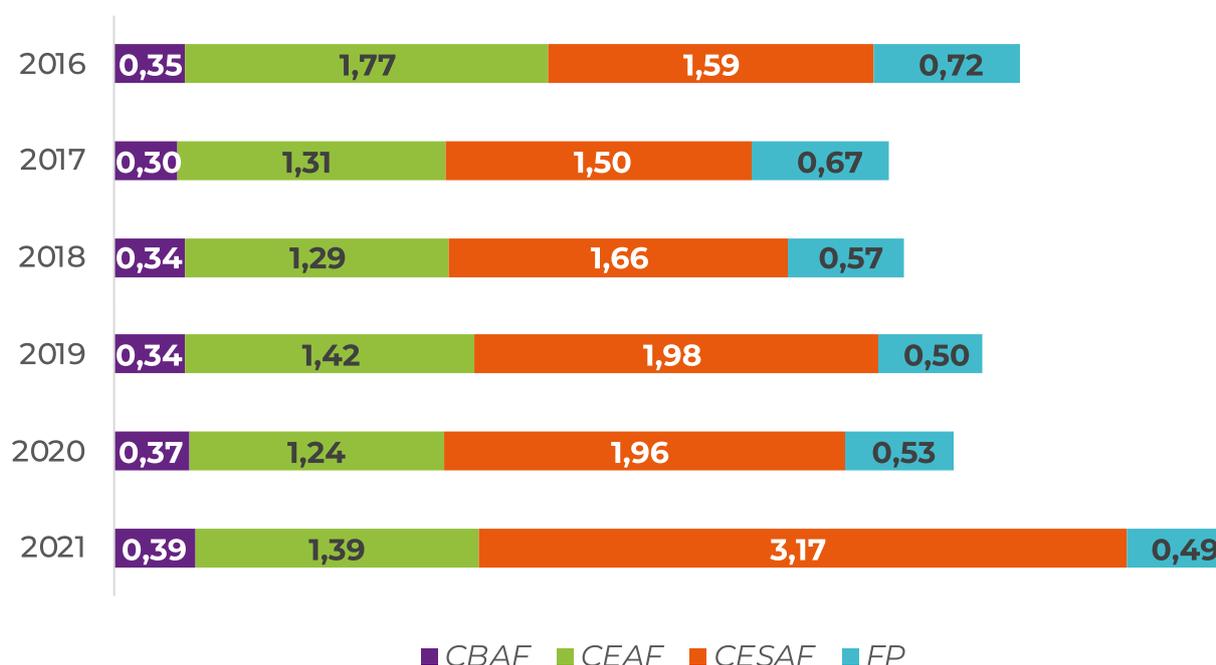
Source: Elaboration by INESC, based on data from SIGA Brazil.

**The strategic component had increase of 62% in 2021**

The analysis of expenditures on pharmaceutical assistance by component shows that expenses with the Strategic Component (CESAF) grew **62%** in 2021 compared to the previous year. CESAF aims to finance access to medicines and other health supplies for the treatment of diseases with an endemic profile, socioeconomic impact and other criteria considered as strategic for the Brazilian public health system (SUS), especially immunobiologicals. Vaccines against Covid-19 fall into this component and probably contributed to driving its increase.

Spending on the Popular Pharmacy program (Farmácia Popular) fell to the same extent as the Basic Component increased, **7%** in relation to the previous year. And spending on the Specialized Component grew by **12%**.

**GRAPH 3 | Expenditure by Pharmaceutical Assistance Component**  
values in **billion** of dollars corrected by 2021 prices



Source: Elaboration by INESC, based on data from SIGA Brazil.

## Expenditure on judicialized medicines significantly increased in 2021

The judicialization of medicines happens when SUS users must resort to justice to guarantee treatment. In 2021, spending of this type was **USD 341 million**, an increase of almost **70%** over the previous year.

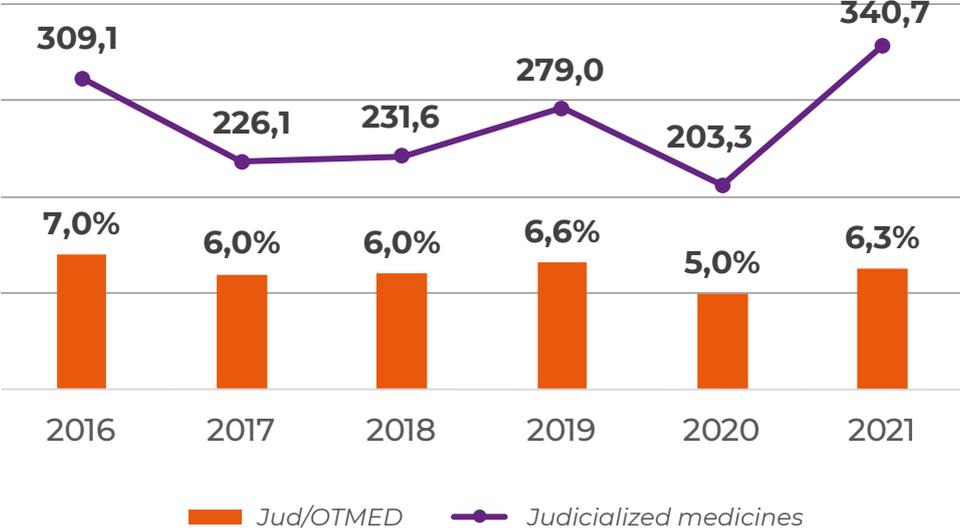
In 2020, expenses with judicialization were the lowest in the last five years. This may be due to the actions taken by the federal government to control this expense, such as collaboration with the Judiciary for technical training, to better qualify decisions or, even, the incorporation of high-cost drugs with a recommendation to reduce prices by the National Commission for the Incorporation of Technologies in the Unified Health System (Conitec).

However, as it was the first year of the Covid-19 pandemic, there may have been a lower demand for specialized health services, causing the demand for medicines through this route to be lower.

Thus, it is estimated that the increase in spending in 2021 is due to meeting the pent-up demand in the previous year and also to the inflation of medical supplies. Many of the judicialized medicines are expensive, and in some cases imported, so the rise of dollar prices and the increase in the price international shipping due to the restrictions imposed by the fight against the pandemic certainly had an impact on this expense.

**GRAPH 4 | Expenditure with judicialized medicines and OTMED corresponding percentage**

values in **million** of dollars corrected by 2021 prices and %



Source: Elaboration by INESC, based on data from SIGA Brazil.

**Tax expenditure showed a reduction of 24% when compared to the previous year**

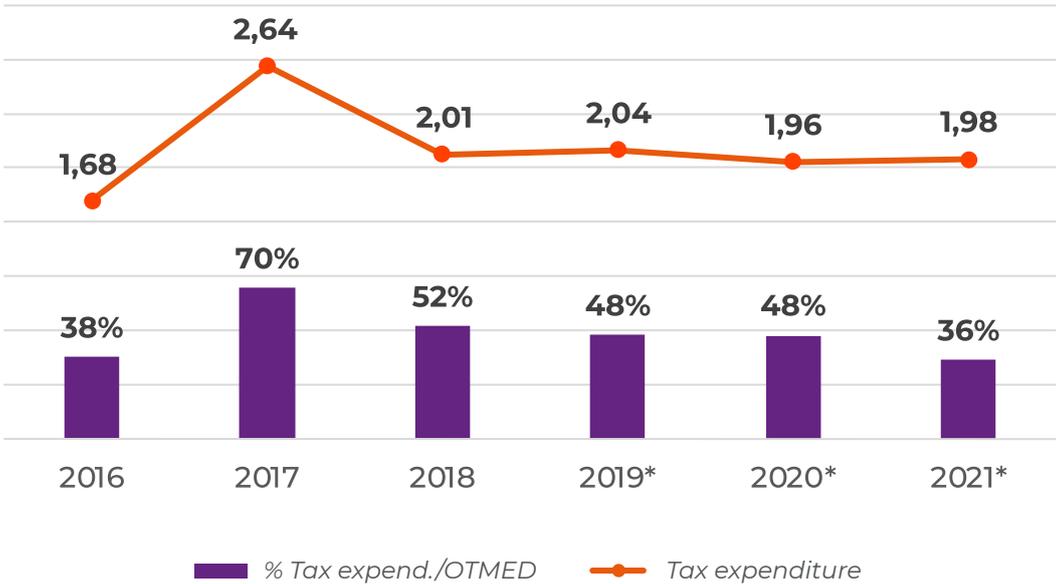
Tax expenditures are a waiver of revenue that in practice function as public expenditure. They are created, or at least they should be, with a specific goal, such as, for example, equalization of income between regions, incentive to economic sectors or even a tax advantage aimed to tackle distributional issues.

They are part of the government's tax relief expenditures and may be exemptions, deductions or other tax benefits that reduce potential revenue. Exemptions or tax benefits may or may not be classified by the Internal Revenue Service (IRS) as tax expenditures from legal mechanisms, which means that they are only a part of the total government tax incentives.

Considering the last effective data published by the IRS, in 2018, tax expenditures on medicines fell **24%**, a value of **USD 632 million** lower than the previous year. In 2017, these expenses rose significantly, reaching **USD 2.6 billion**. In 2018, it corresponded to **USD 2.0 billion**. Even with the drop, the amount of tax expenditure in 2018 is equivalent to half of the OTMED of that same year.

**GRAPH 5 | Tax expenditure with medicines and equivalent percentage of OTMED**

values in **billion** of dollars corrected by 2021 prices and %



Source: Elaboration by INESC, based on data from the Federal Revenue Service.  
Data with an asterisk (\*) are estimated.

## How this study was elaborated - Methodology

Thematic budgets are the tools used to analyze in depth a specific theme. The OTMED is composed of a set of budgetary actions related to pharmaceutical assistance.

Financial execution is considered, that is, the amounts paid (outlays and carry-overs). The information comes from the SIGA Brasil platform. Only expenditure on vaccines for Covid-19 was taken from a specific panel of the Transparency Portal. All values were corrected by the National Wide Consumer Price Index (acronym in Portuguese IPCA), at 2021 prices. Data on tax expenditures were taken from the Federal Revenue website, from the Tributary Expenditures (Effective Bases) section. Values were converted to USD using a exchange rate of 1 USD = 5,22 BRL.

### Step by step

Identify  
budgetary  
actions



Extract  
from  
SIGA Brazil



Correct  
values by  
2021 prices

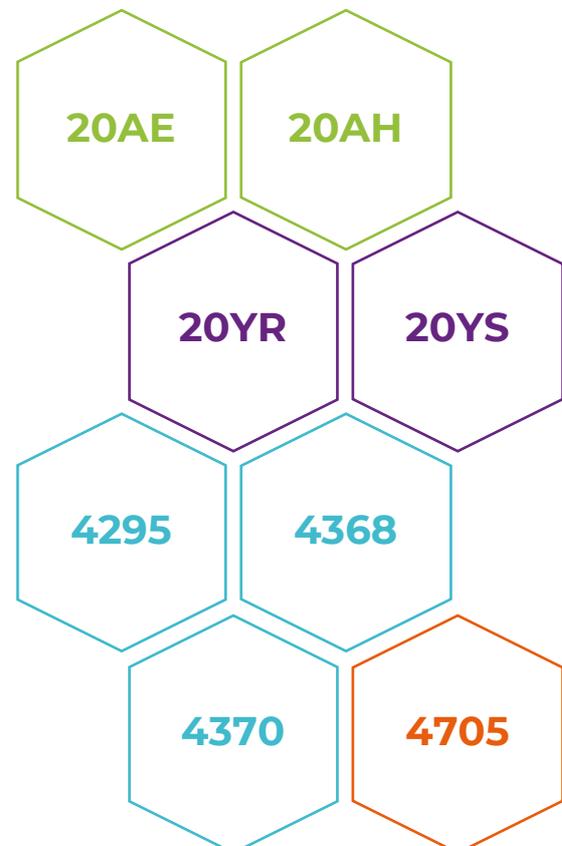


Data  
analysis



When necessary, request  
extra data by Access to  
Information Law

### Budgetary actions considered



Label: CBAF, FP,  
CESAF, CEAF

**Pharmaceutical assistance (PA):** set of actions aimed at promoting, protecting and recovering both individual and collective health, having the drug as an essential input and aiming at its access and rational use.

**PA Components:** These are the blocks that organize the financing of pharmaceutical assistance.

### **CBAF: Basic component**

- **It guarantees the funding and distribution of essential medicines and supplies intended for Primary Care.**
- States and municipalities are primarily responsible for its funding. But the federal government centralizes the purchase of some drugs, such as insulin and oral contraceptives, to rationalize spending or guarantee supply.
- This component also includes actions for the qualification of Pharmaceutical Assistance, and assistance to people deprived of their liberty and for natural disasters.

### **FP: Farmácia Popular (Popular Pharmacy Program)**

- The Popular Pharmacy (FP) is a federal program to promote access to medicines by subsidizing prices of purchases made in private pharmacies registered with the program.
- Through the FP, the Ministry of Health subsidizes some types of medication, generally for chronic diseases, in the form of co-payment with a discount for the user.

### **CESAF: Strategic component**

- **It finances medicines and supplies included in strategic SUS programs that target diseases with an endemic profile, with epidemiological importance, socioeconomic impact or that affect vulnerable populations.**
- These are medicines for the treatment of neglected diseases, such as tuberculosis, leprosy, Chagas disease, for focal endemic diseases (eg malaria, leishmaniasis, dengue, among others), coagulopathies, STD/AIDS, smoking and for food and nutrition.

### **CEAF: Specialized component**

- **It finances outpatient drug treatment for clinical conditions that have higher or more complex treatment costs.**
- In addition, it includes most of the expenses with judicialized medicines.
- CEAF drugs are defined in SUS Clinical Protocols and Therapeutic Guidelines (PCDT).
- This component is organized into groups according to financing and procurement responsibility.

Since 2015, the Institute for Socioeconomic Studies (INESC) has been preparing the Thematic Budget for Access to Medicines (OTMED), which aims to assess the allocation of federal resources in promoting access to medicines in Brazil and its impacts on ensuring this fundamental part of the right to health. All publications are available here: [www.inesc.org.br/acoes/acesso-a-medicamentos](http://www.inesc.org.br/acoes/acesso-a-medicamentos)