

# Striving for Excellence in Healthcare in a Turbulent Environment

Ireland

March 2014

Graham Lewis

VP Global Pharma Strategy



# Agenda

---

- **Putting the world into context**
  - **Forecasts to 2017**
- Challenge #1
  - Developed markets: getting to grips with reality
- Challenge #2
  - Navigating the communication and dialogue revolution
- Ireland

# The dilemma for Pharma is the recognition that new medicines are subordinated to greater needs

---

Medicines have contributed to ageing populations and unintentionally increased the welfare burden to breaking point

1 The elderly are increasingly prevalent, 'poor' and an increasing financial 'burden'

2 Europe is especially challenged by its social welfare ethos: 7% of global population but 50% of global welfare costs

3 Pharma has made enormous contributions to health but with an almost 100% emphasis on chronic management and not on cure

4 Generics provide a good enough solution for more than 80% of patient visits

5 Politics is the key driver of medicine strategies and what fuels political decision making is public opinion

# So Pharma needs legitimacy in promoting innovation on an agenda which is driven by other stakeholders

---

In an arena where the hierarchy of needs acts as a filter so as to direct funds to the areas of greatest need

- There is very little more cash for medicines in developed markets so innovation must have compelling evidence to shift budgets from other areas: **better is the only option**
- There are 3 markets where pharma **must** develop strategies to match regulatory and Payer expectations: USA, Germany and Japan
- It also means **strengthening government affairs** in developed markets
- Recognise that the **internet and enabling technologies** is transforming informed debate among all Stakeholders in healthcare
- Pharma must gain the key attributes which fulfils the needs of Stakeholders
  - **Passion and commitment**
  - **Relentless focus on better outcomes**
  - **Stakeholder intimacy and relevance**

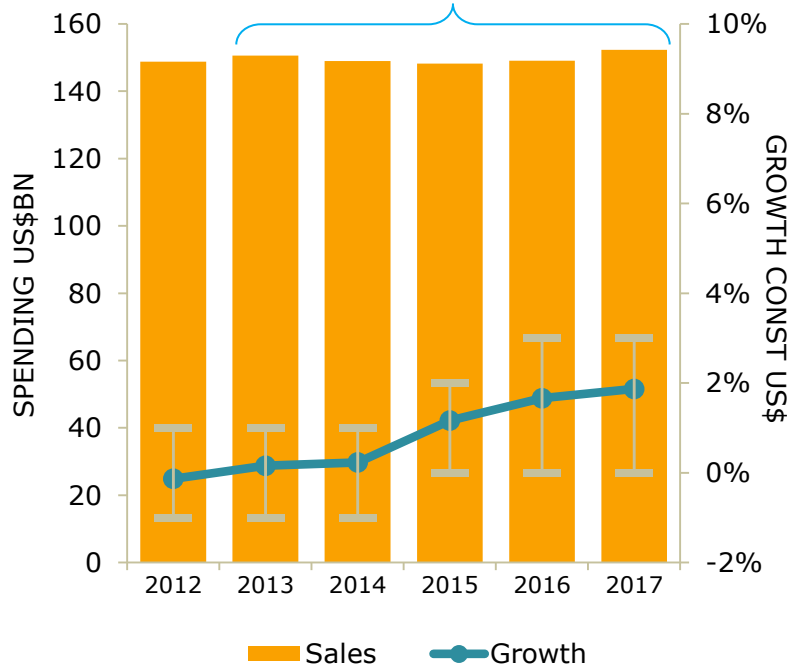
# In Europe macroeconomic factors will have an impact on the use of innovative medicines



## Europe Drug spend forecast

Forecast

2013-17 CAGR, 0-3%



Macroeconomic factors	Innovation implications
<p><i>Europe resurgent</i></p> <ul style="list-style-type: none"> <li>• High productivity</li> <li>• Consumer confidence up</li> <li>• Reduced unemployment</li> <li>• Favourable financing conditions</li> </ul>	<p><i>Innovative medicines supported</i></p> <ul style="list-style-type: none"> <li>• Innovation prospers across Europe due to more widely efficient genericisation and widespread economic growth</li> </ul> <p><i>2017 drug spend: \$31-34Bn</i></p>
<p><i>Patchy recovery</i></p> <ul style="list-style-type: none"> <li>• North Europe recovers strongly while South Europe's economy continues to deteriorate</li> </ul>	<p><i>Innovative medicines sustained</i></p> <ul style="list-style-type: none"> <li>• New launches thrive in some countries where economic growth injects funds and genericisation frees up budget</li> </ul> <p><i>2017 drug spend: \$28-31Bn</i></p>
<p><i>Ongoing austerity</i></p> <ul style="list-style-type: none"> <li>• Low productivity</li> <li>• Hyperinflation</li> <li>• High unemployment</li> <li>• Net exports only source of growth</li> </ul>	<p><i>Innovative medicines restricted</i></p> <ul style="list-style-type: none"> <li>• Innovative medicines use is restricted and a hostile environment exists based on austerity measures limiting market access</li> </ul> <p><i>2017 drug spend: \$23-26Bn</i></p>

Source: IMS Health Market Prognosis, September 2013

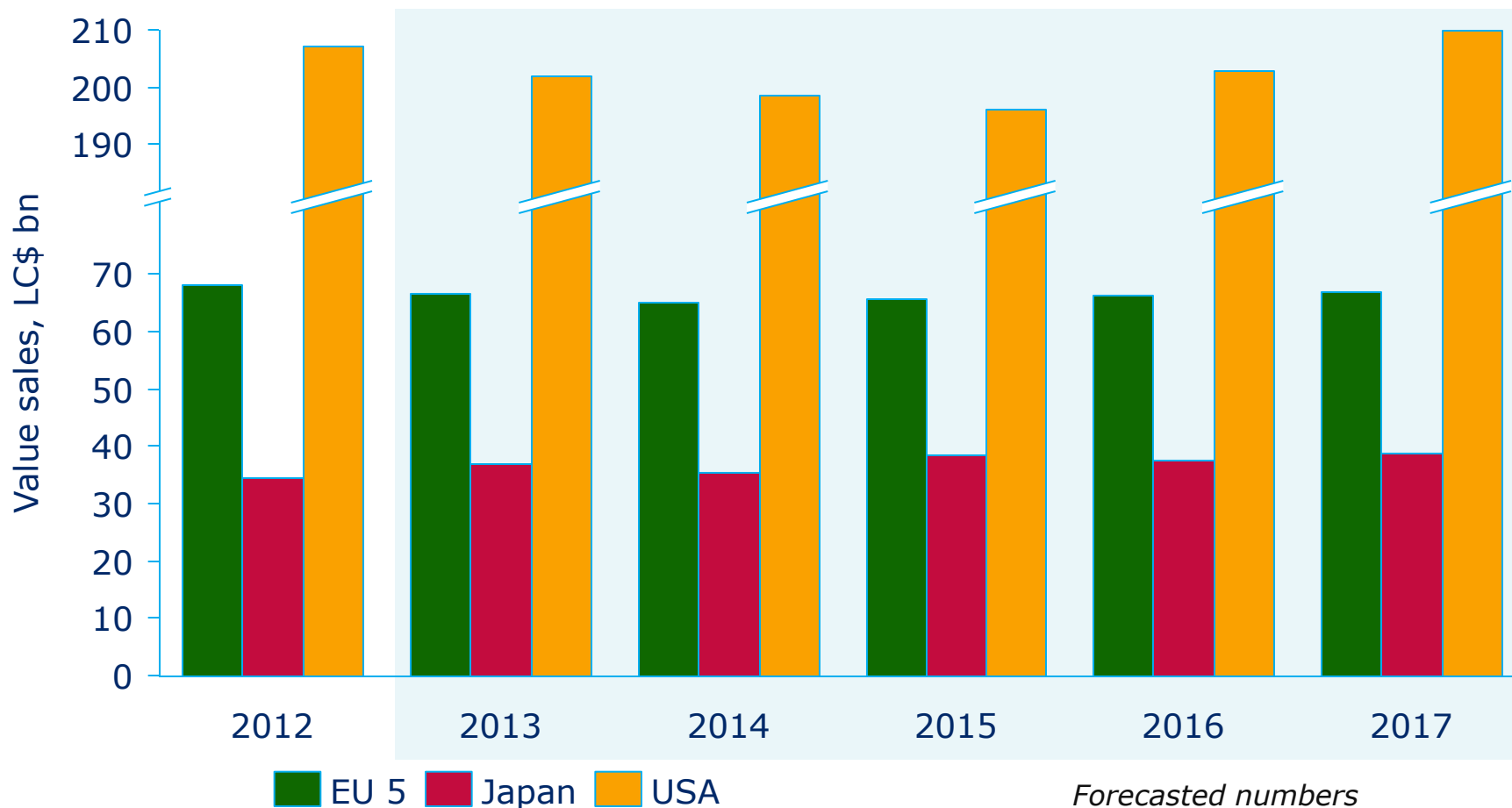
# Protected sales will decline in the US and EU5 to 2017: outlook in Japan more positive

**US 13-17**  
CAGR **(-1) - 2%**

**EU5 13-17**  
CAGR **(-1) - 2%**

**JAPAN 13-17**  
CAGR **0-3%**

## 2012 - 2017 EX man Sales of Protected Brands across regions

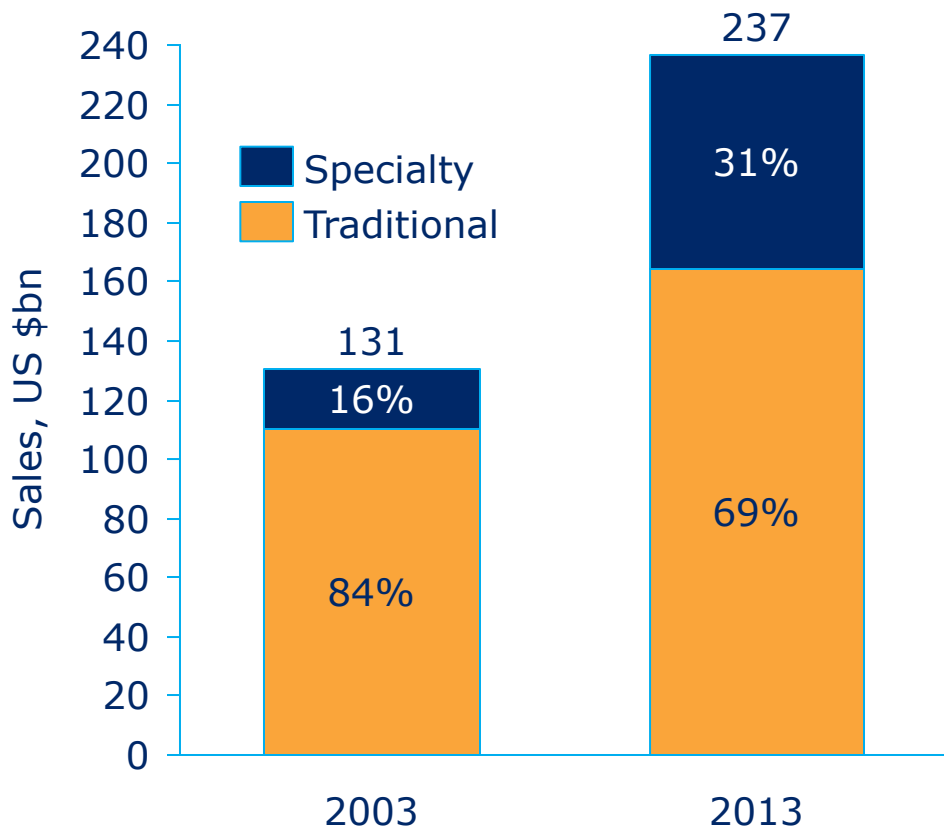


Source: IMS Health Market Prognosis, September 2013, Audited data only

# Specialty medicine outpaces pharma growth: Just under 2/3 specialty market are biologics



Europe: specialty (\*) sales (billion US\$)



- In Europe, specialty market holding 31% share (MAT 12 2013). EU 5 represents 72% of the European specialty market
- Globally, ~60% medications in pipeline (Pre-Clinical - Registered) are specialty drugs
- Specialty growth 7% (MAT 2013/2012) in Europe with EU 5 growing at 7.3%

	Rx-bound Market Share	2003	2013
		12%	35%
10 yr CAGR		5%	21%

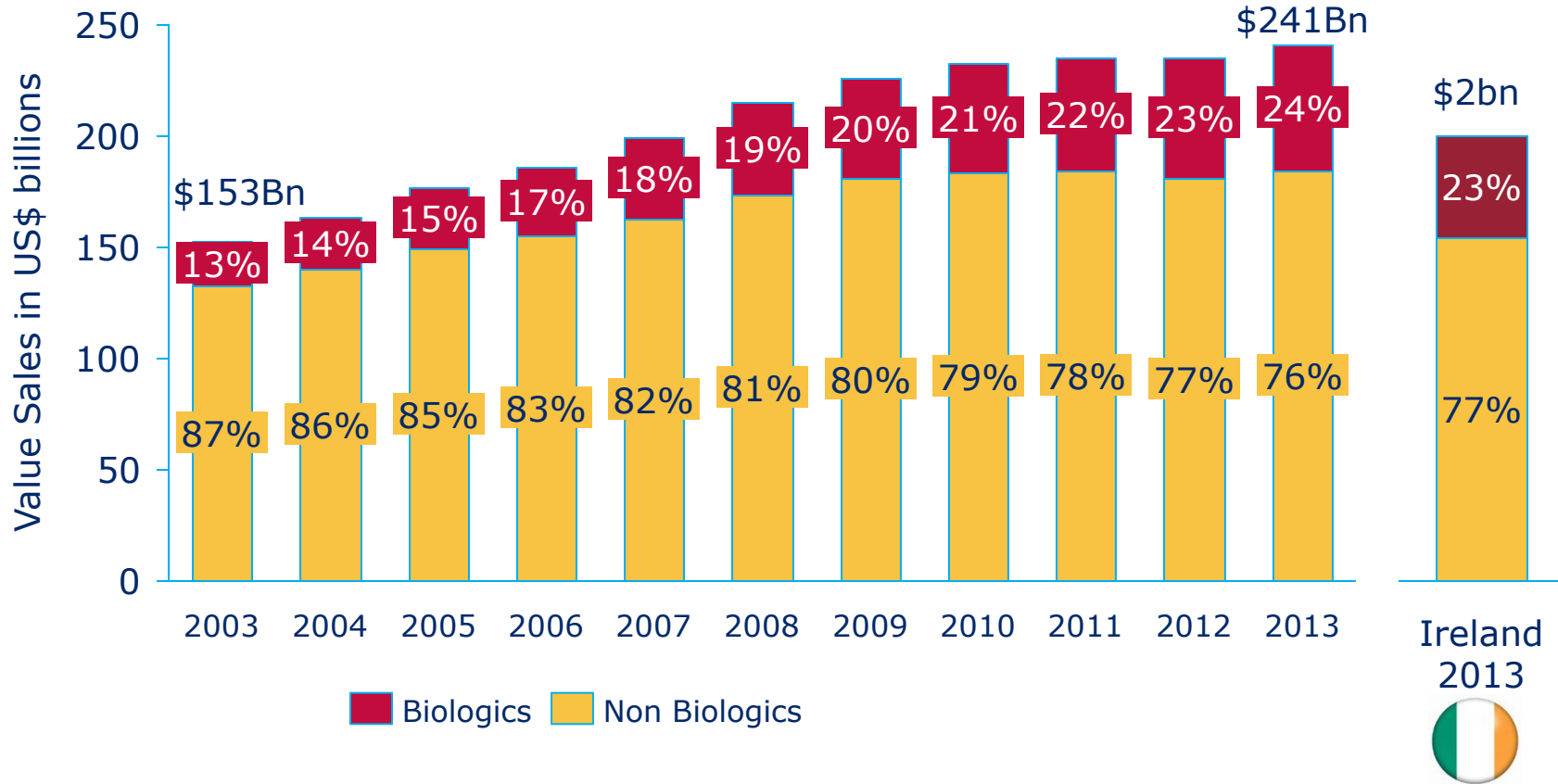
(\*) IMS definition: Specialty products defined as medicines that treat specific, complex chronic diseases with four or more of the following attributes: Initiated only by a specialist, require special handling and administration; unique distribution; High cost; warrants intensive patient care; might require reimbursement assistance

Source: IMS Health, MIDAS, MAT December 2013, Non Rx Bound

# Payers looking at biologic costs as small molecule generic opportunities waning fast



**Europe 2003-13: biologics vs. non biologics sales**



Source: IMS Health, MIDAS, MAT December 2013



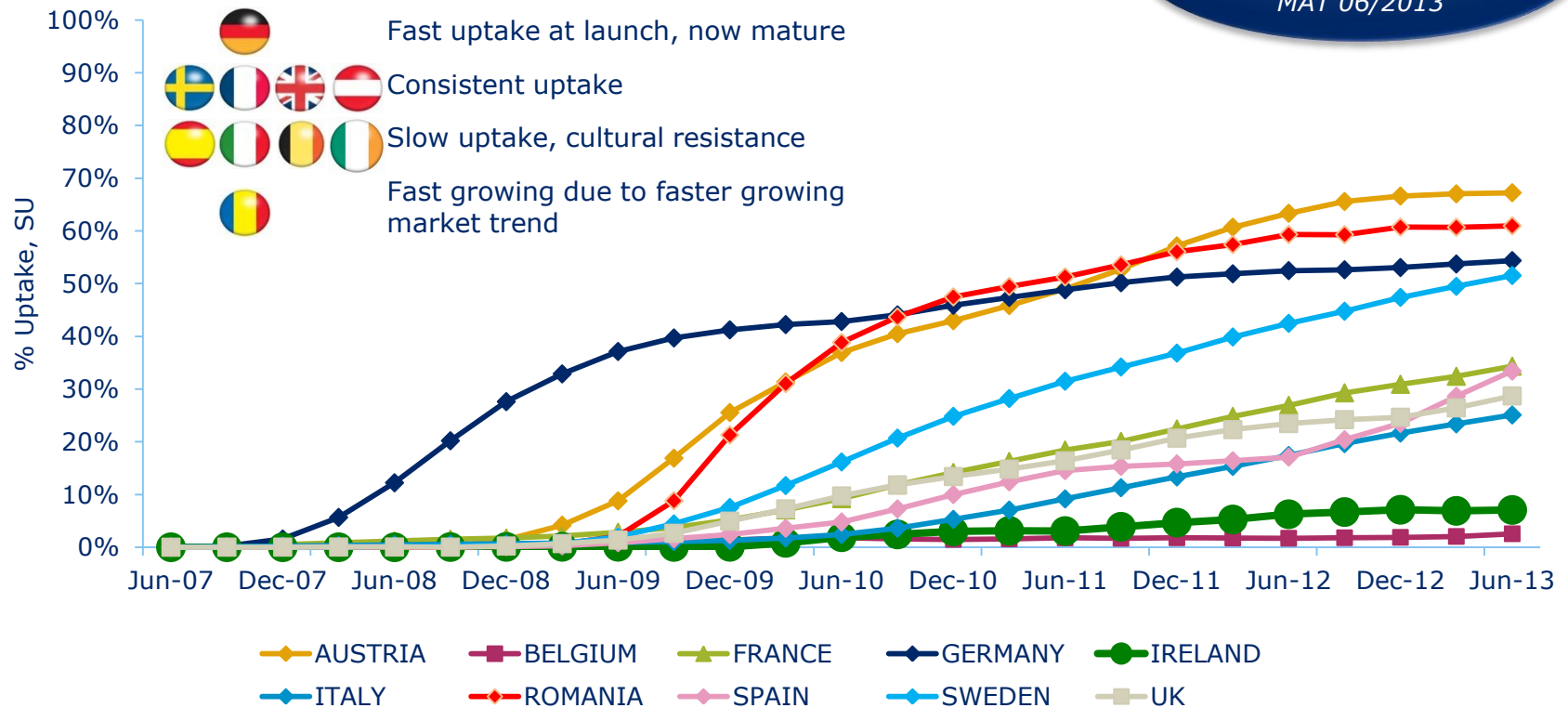


# In Europe, biosimilar uptake exhibits different paces

## Negligible penetration in Ireland

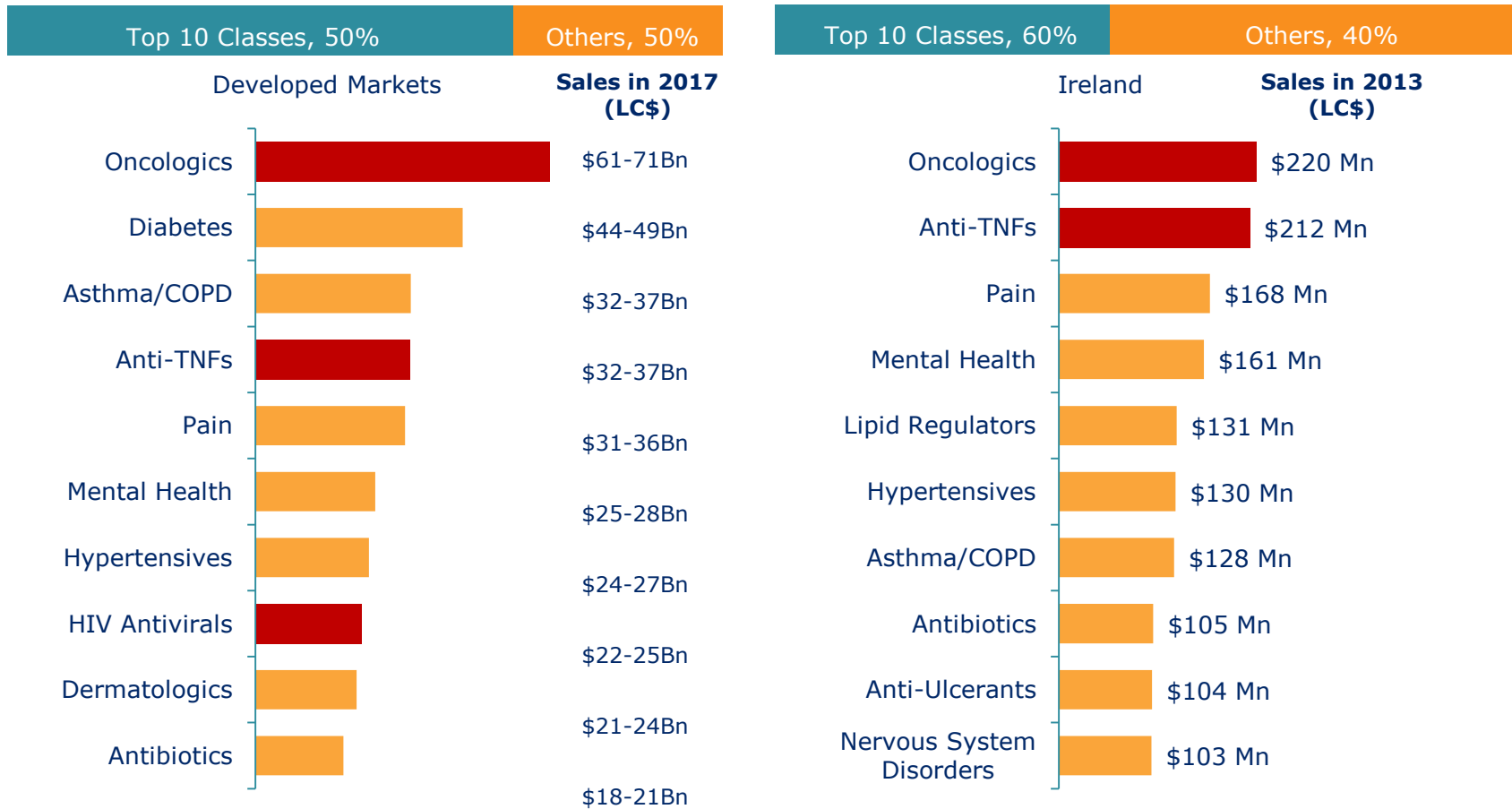
**Biosimilar uptake across Europe**  
MAT 06/2007 – 06/2013 (Volumes, SU)

Total 10 countries  
476M \$  
MAT 06/2013



Source: IMS MIDAS, MAT 06/2013

# Oncology will dominate Pharma spend: diabetes ranks only #11 which is asking for trouble



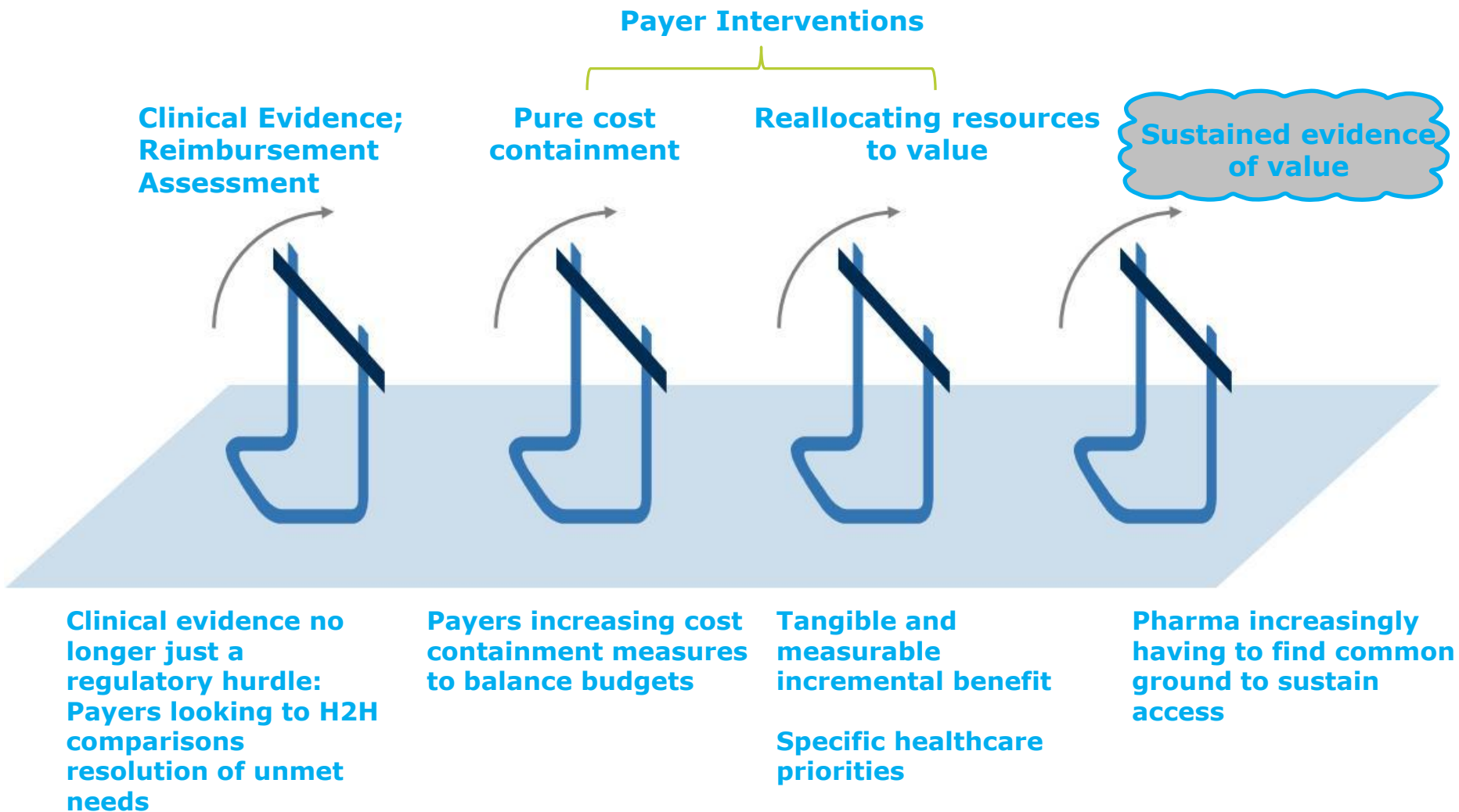
Source: IMS Health Thought Leadership, September 2013

# Agenda

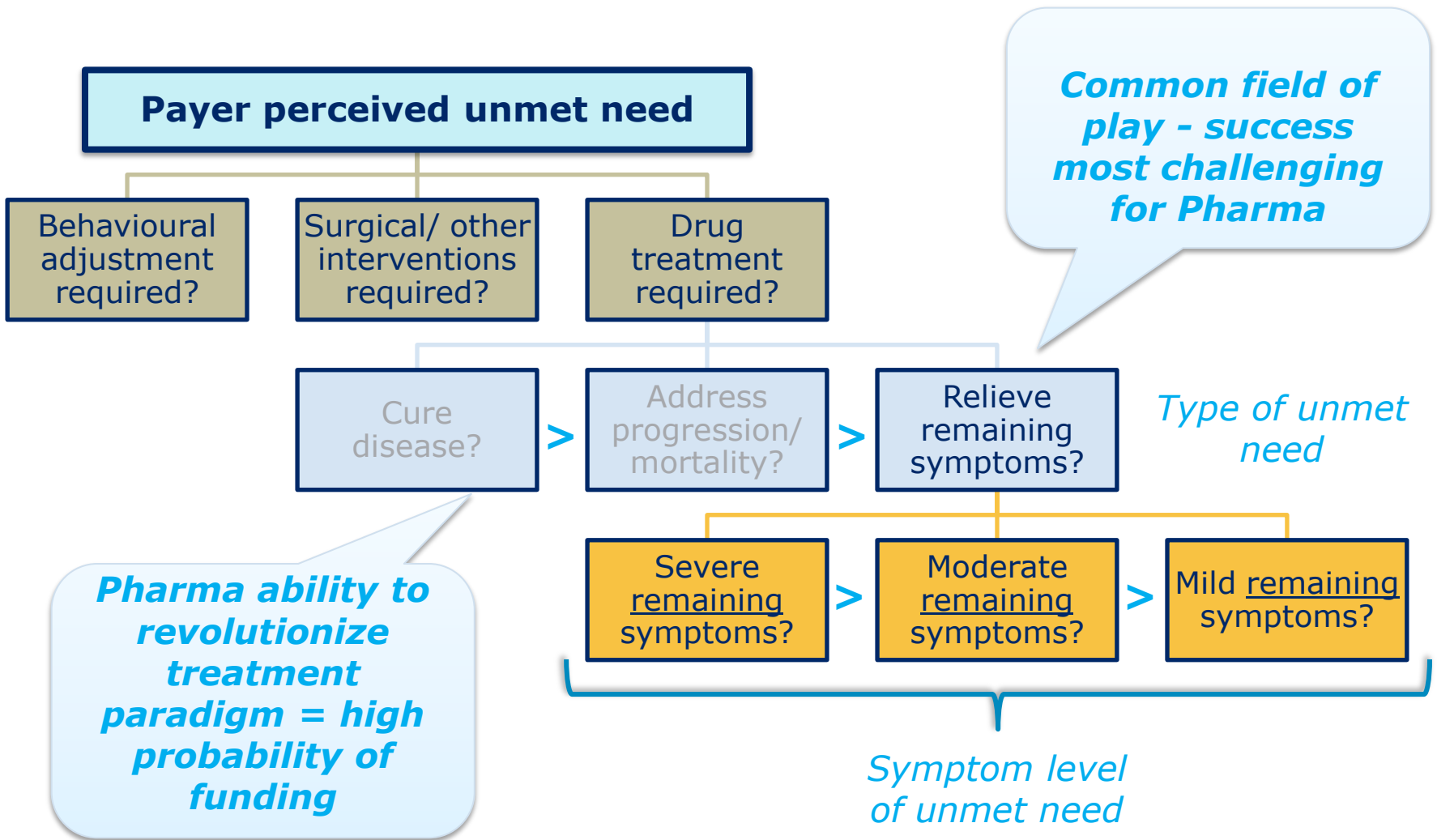
---

- Putting the world into context
  - Forecasts to 2017
- **Challenge #1**
  - **Developed markets: getting to grips with reality**
- Challenge #2
  - Navigating the communication and dialogue revolution
- Ireland

# It's the restricted funding environment which Pharma must surmount to ensure sustainable access

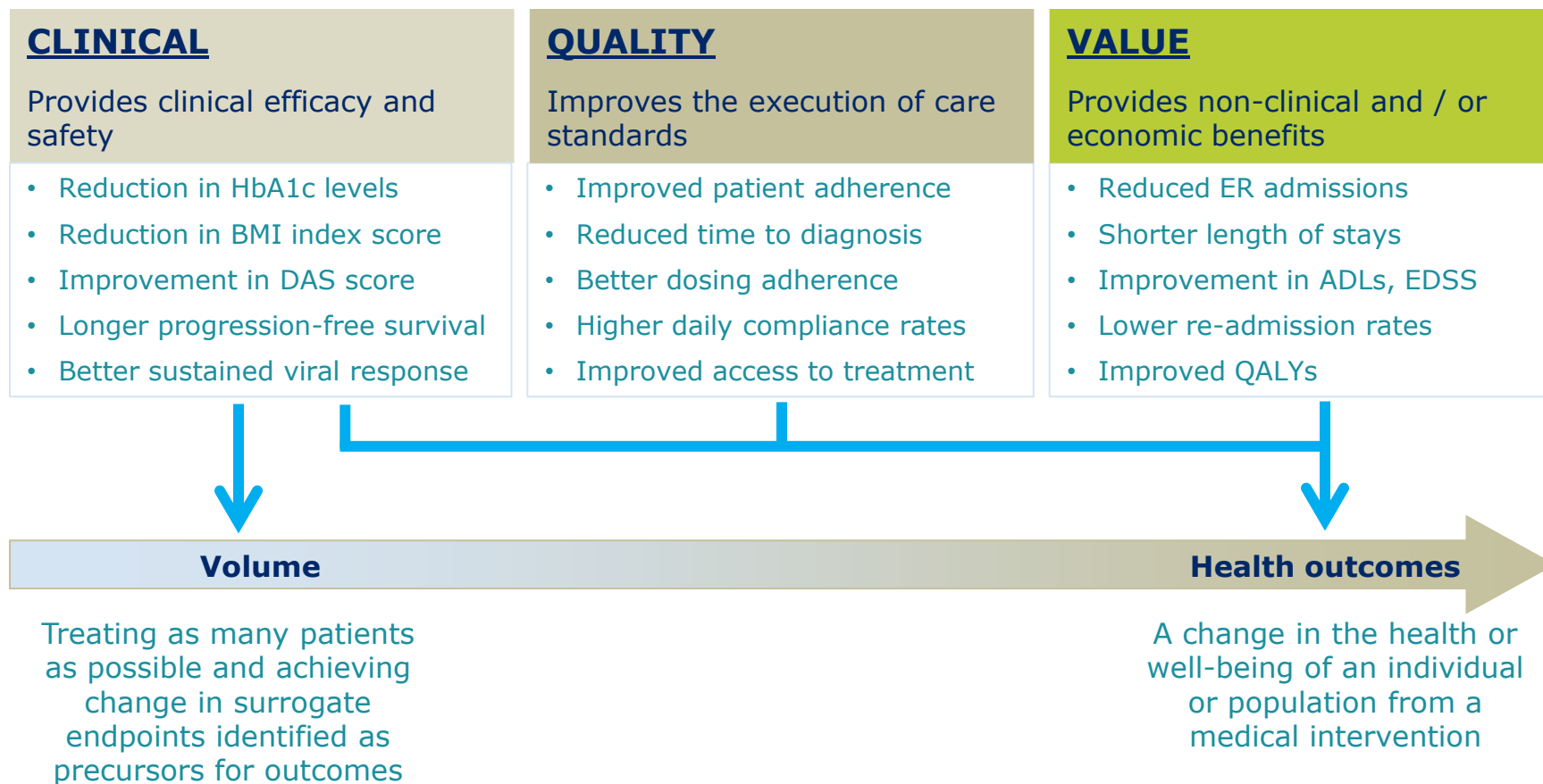


# Payer willingness to fund often relies on proving value in treating *remaining* unaddressed symptoms



# Payers need broad spectrum efficiencies: the generic cliff is over while patient burden grows

## EVOLUTION TO HEALTH OUTCOMES



Source: IMS analysis



# Pharma in partnership can drive efficiencies

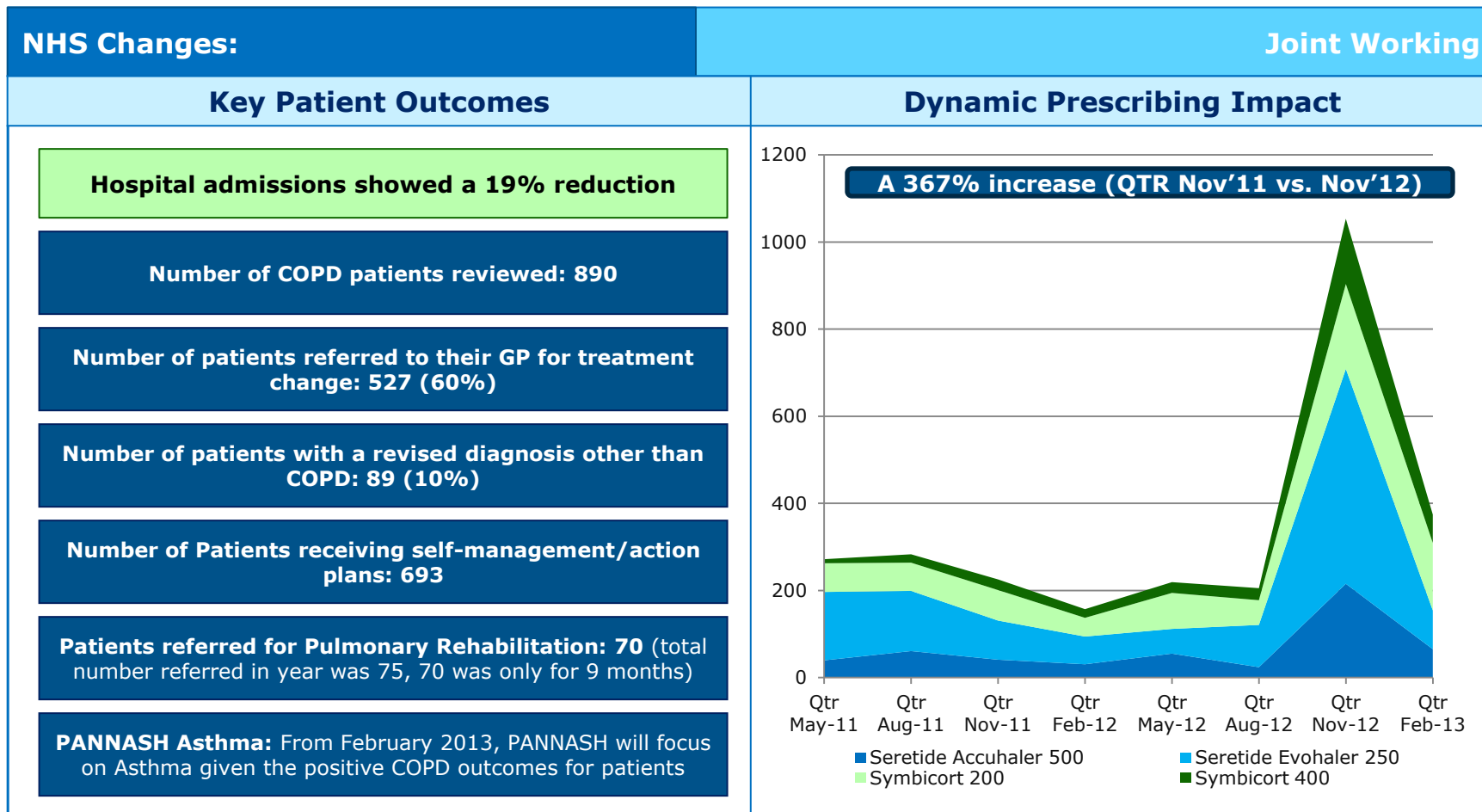
## The PANNASH project in the UK

NHS Changes:	Joint Working
<p><b>What is PANNASH?</b></p>	<ul style="list-style-type: none"> <li>• Pulmonary Advancement Network of Newark and Sherwood Health (<b>PANNASH</b>) was a <b>collaboration</b> between the <b>CCG</b>, Sherwood Forest <b>Hospitals Trust</b>, County Health Partnerships, the British Lung Foundation, Breathe Easy (patient group) &amp; <b>6 pharma companies</b> BI, AstraZeneca, GSK, MSD, Teva, &amp; Pfizer</li> <li>• 14 practices within the CCG participated in the project during 2012</li> </ul>
<p><b>Why PANNASH?</b></p>	<ul style="list-style-type: none"> <li>• COPD <b>prevalence is higher in Newark &amp; Sherwood than the national figure</b> – 1.72% vs. 1.57%, with a cost in 2010/2011 of £645,000 for those COPD patients experiencing a non-elective admission in hospital as a result of COPD exacerbations. These admissions (including issues around multiple admissions, 20 patients 4 times) contributed to <b>higher A&amp;E utilization services</b> owing to COPD than any other CCG in the UK making <b>COPD the key QIPP priority for 2012/13</b></li> </ul>
<p><b>What did PANNASH hope to achieve?</b></p>	<ul style="list-style-type: none"> <li>• Improve the <b>quality and effectiveness</b> of care delivered to patients with COPD in primary care</li> <li>• <b>Reduce avoidable admissions</b> to hospital for COPD related complications</li> <li>• <b>Improve long term outcomes</b> for patients with COPD in Newark and Sherwood</li> </ul>

Source: IMS UK Team

# PANNASH clearly showed the improvement in patient outcomes possible through aligned/collaborative working

6 pharma companies working with NHS to assess COPD patients

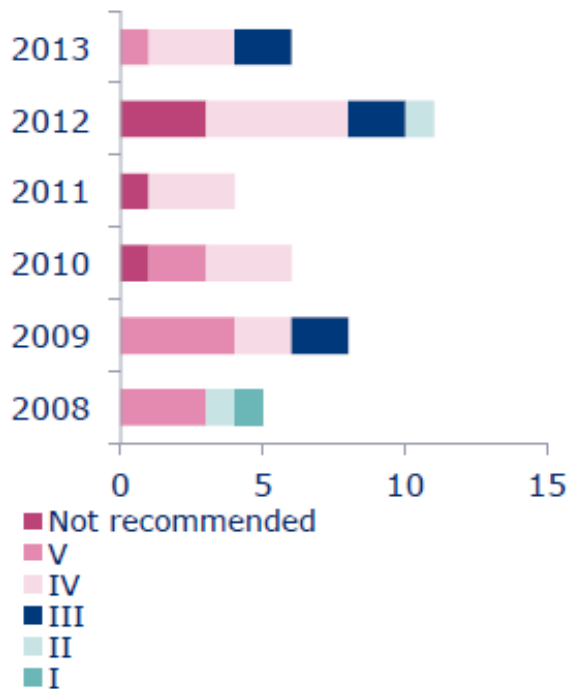


Source: IMS UK Team



# But even in oncology Payers demanding more

5 non-reimbursement verdicts.  
Only 1 ASMR > 3 in the last 5 years



Recent NICE approvals have all required a patient access scheme



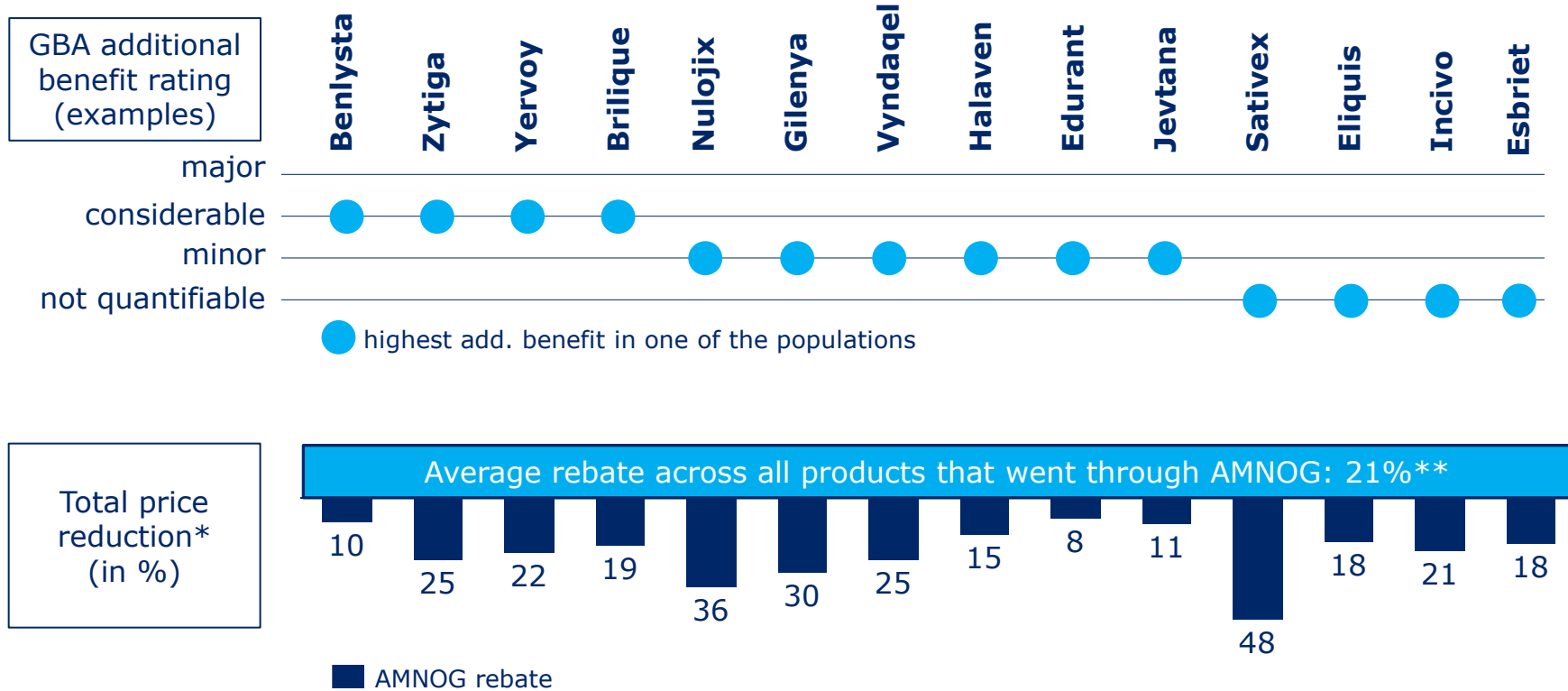
5 oncology products received no additional benefit rating from G-BA since 2012



Source – Published payer assessments (CT reports, G-BA assessments, NICE guidance). From Unravelling payer perception in oncology • P&8 MA Forum June 2013



# And driving increasingly hard bargains



The following products were withdrawn from the market after unsatisfying price negotiation results: Trobalt (GSK), Xiapex (Pfizer), Rasilamlo (Novartis), Trajenta (BI), Forxiga (AZ)

\*AMNOG rebate includes the mandatory rebate of 6% and the negotiated AMNOG rebate

Source - Lauer-Taxe; GBA homepage (1st January 2014)

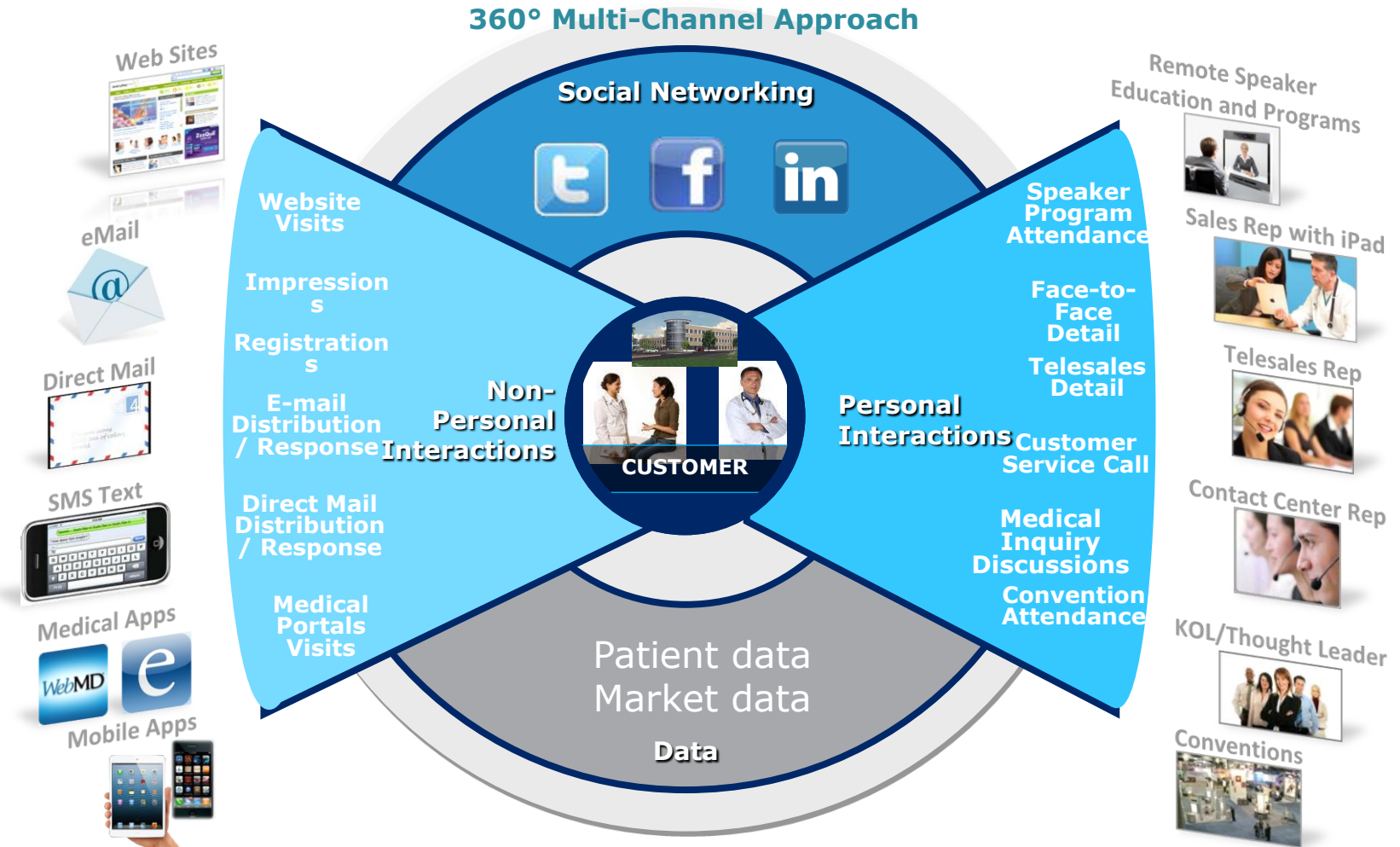
# Agenda

---

- Putting the world into context
  - Forecasts to 2017
- Challenge #1
  - Developed markets: getting to grips with reality
- **Challenge #2**
  - **Navigating the communication and dialogue revolution**
- Ireland

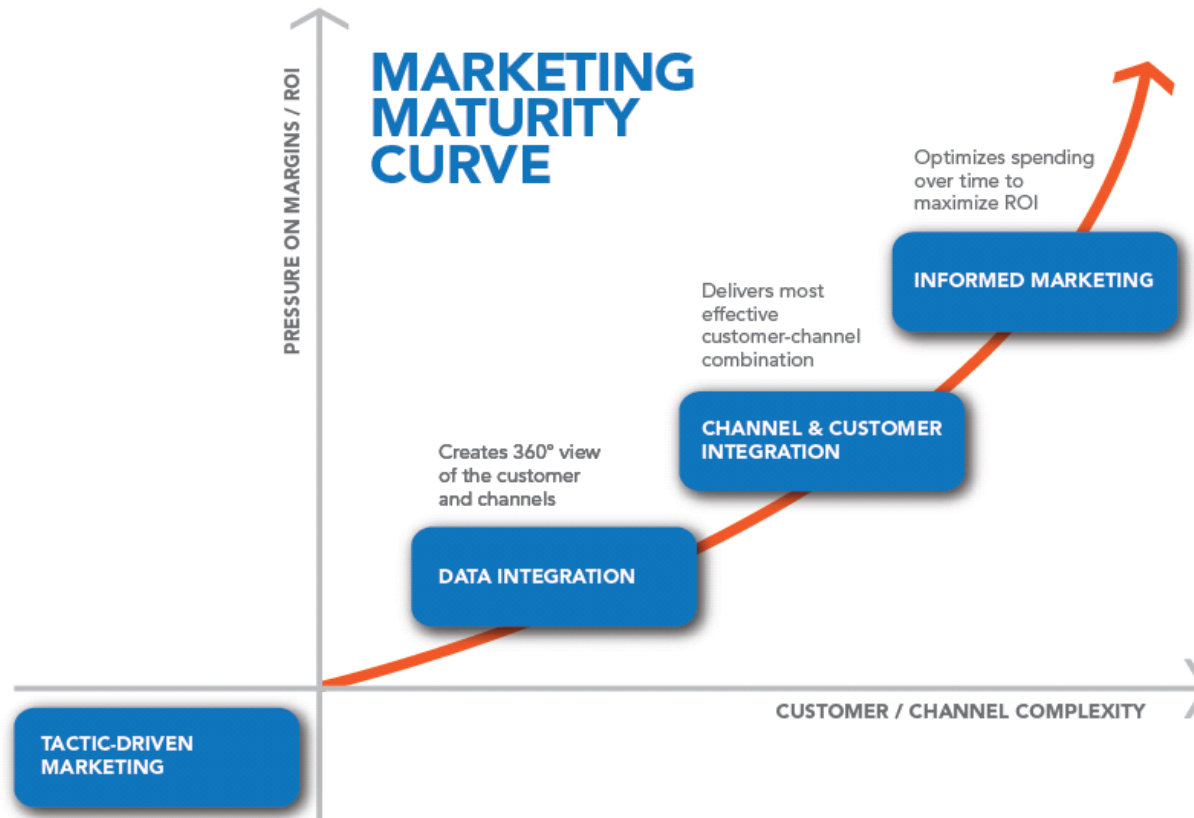
# New customer interaction models bring increasing engagement options

Commercial enablement today is complex and costly



Source: IMS Health Appature

# The integration of data and technology offers many opportunities to personalise engagements

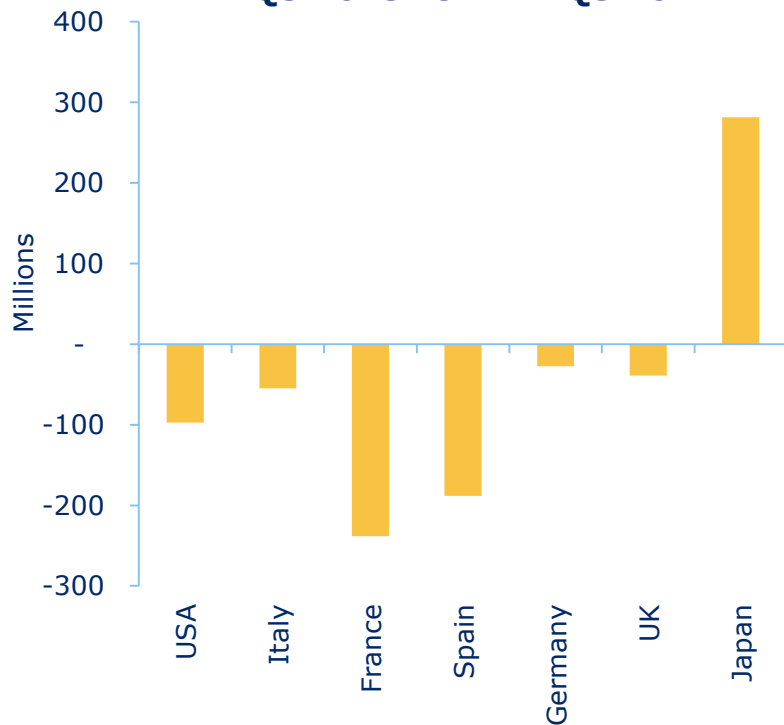


# Traditional detailing levels in mature markets show decline

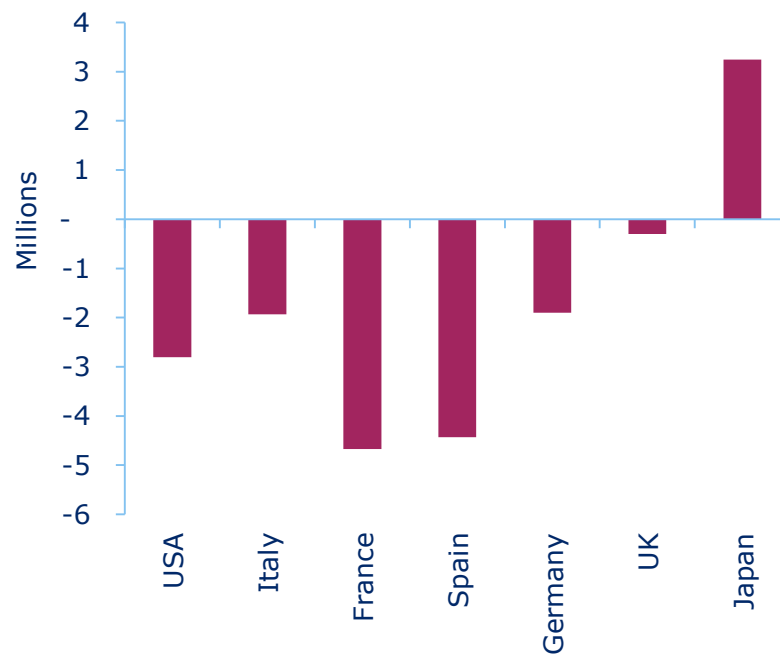
Shift to specialty plays a role in reducing detail volume and spend

## Traditional Detailing Trends in Developed Markets

**Detailing spend absolute growth  
MAT Q3 2013 vs MAT Q3 2012**



**Detailing volume absolute growth  
MAT Q3 2013 vs MAT Q3 2012**





Source: IMS Health, Global Promo Track, MAT Sep 2013


# As traditional promotion falters, social media rises

Social media (and IMS includes Wikipedia as social media because of the ability to edit) are increasingly important as sources of information and exchange for patients, prescribers, regulators and providers

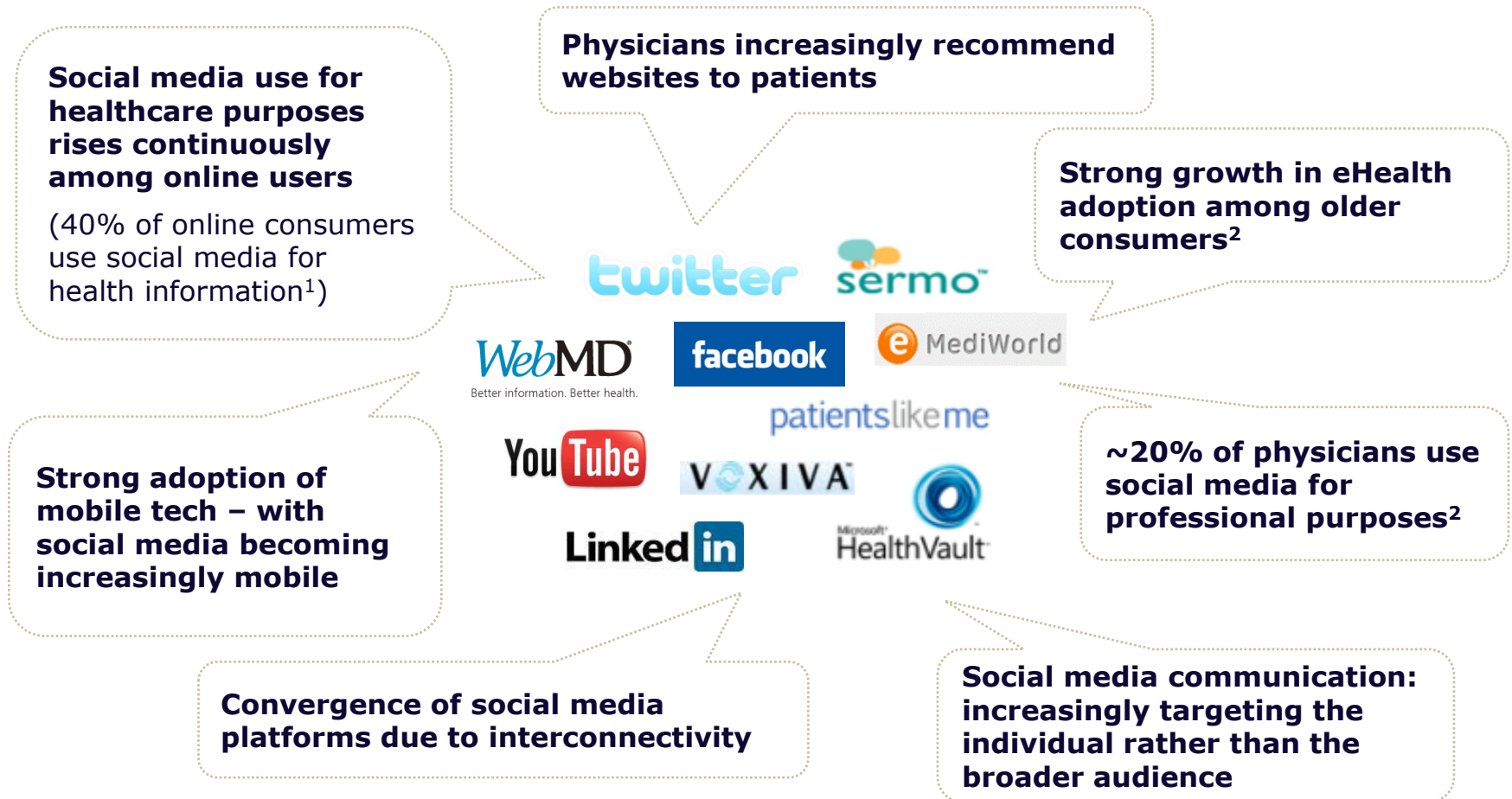
	<p><b>+</b> Comprehensive and free online information source Emphasis on self-regulation resulting in higher quality control than other social networks</p>
	<p><b>-</b> The combination of trust in Wikipedia and its vulnerability to both mistakes and author bias has caused concern within the academic and medical community</p>

	<p><b>+</b> The most diverse social network Capable of detailed and engaging interactions Enhanced word-of-mouth effect from friends' activity</p>
	<p><b>-</b> Regulatory adherence is more difficult and varies according to geographic region Privacy concerns</p>

	<p><b>+</b> Effective broadcasting platform, high viral possibilities Strong for news and live events such as conferences Small message size is easily digestible</p>
	<p><b>-</b> Character limit makes it difficult to have any depth Hard to generate meaningful engagement</p>

	<p><b>+</b> Favoured by physicians for highly informative, detail-orientated videos Engagement correlates to emotive patient focused content Good link to other social networks</p>
	<p><b>-</b> Videos often require a large time investment Engagement not as direct as other social media platforms</p>

# Communication increasingly embracing the patient



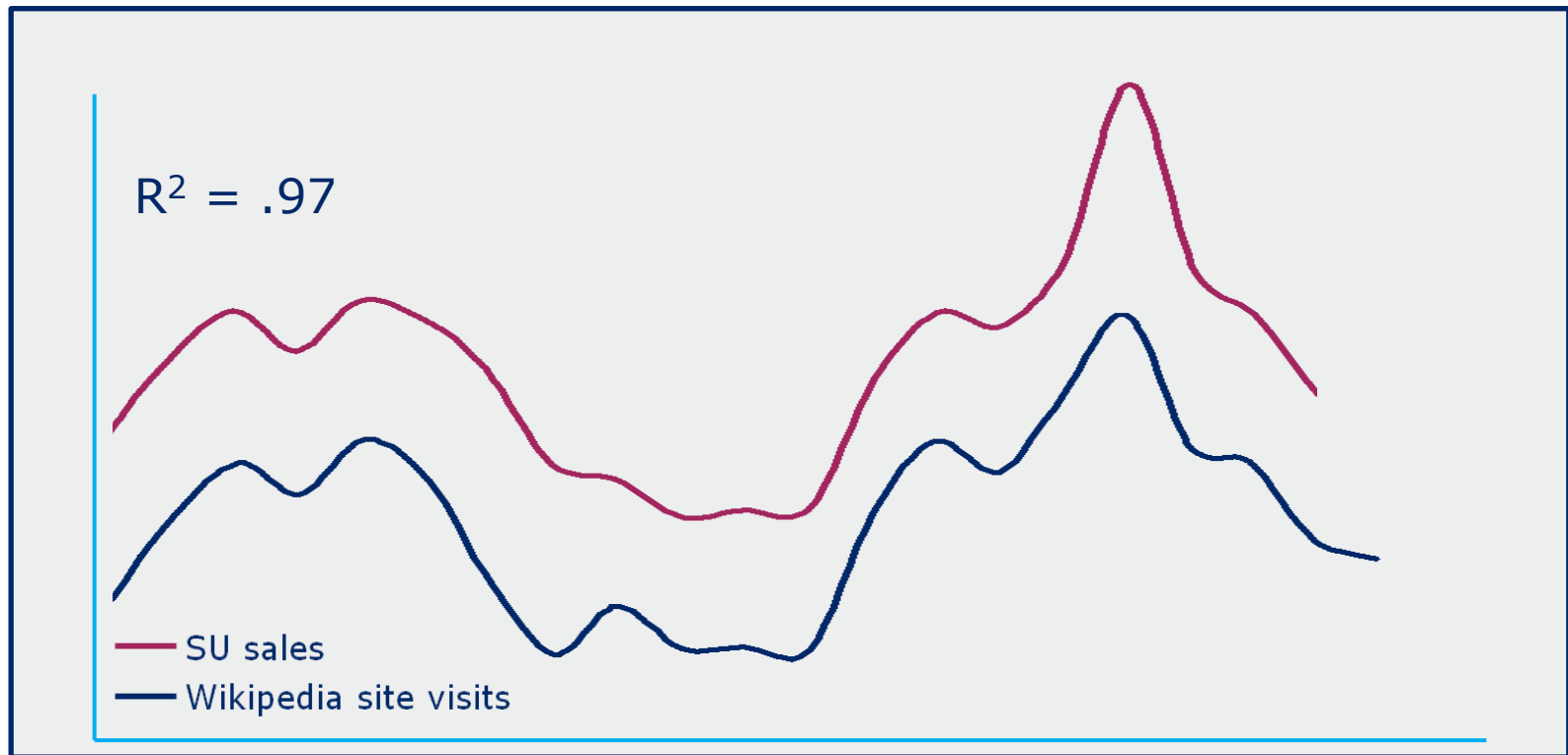
Source: <sup>1</sup>Epsilon cited by Mediapost; <sup>2</sup>Manhattan Research



# As an example, Wikipedia visits show high correlation with ATC-3 class sales

Digital and real world activity increasingly correlate

Wikipedia visits vs. ATC-3 sales: common cold English language wiki page, chest rub ATC3 sales (US)



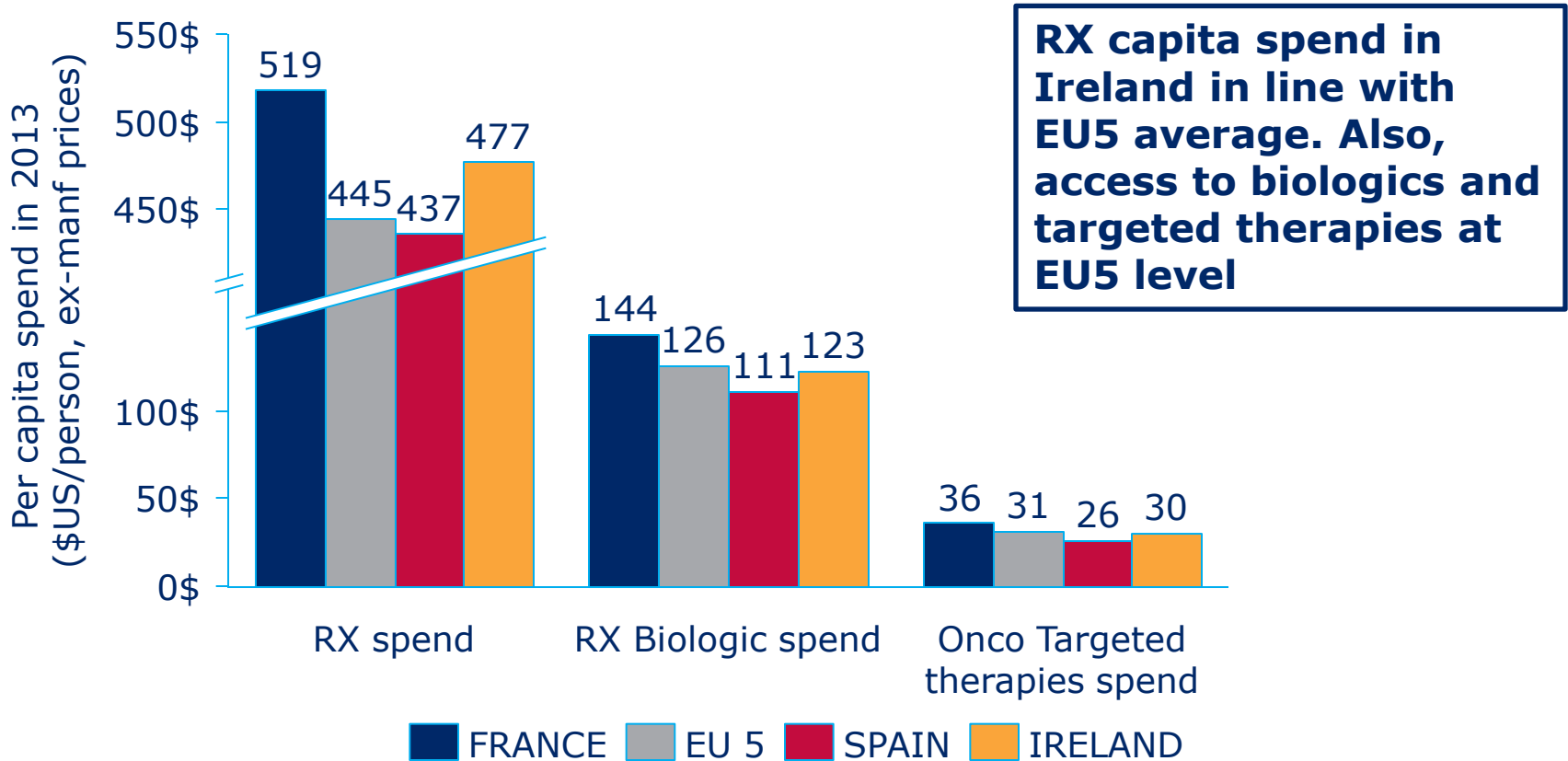
Source: IMS Health Social media analysis, Y-axis not to scale

# Agenda

---

- Putting the world into context
  - Forecasts to 2017
- Challenge #1
  - Developed markets: getting to grips with reality
- Challenge #2
  - Navigating the communication and dialogue revolution
- **Ireland**

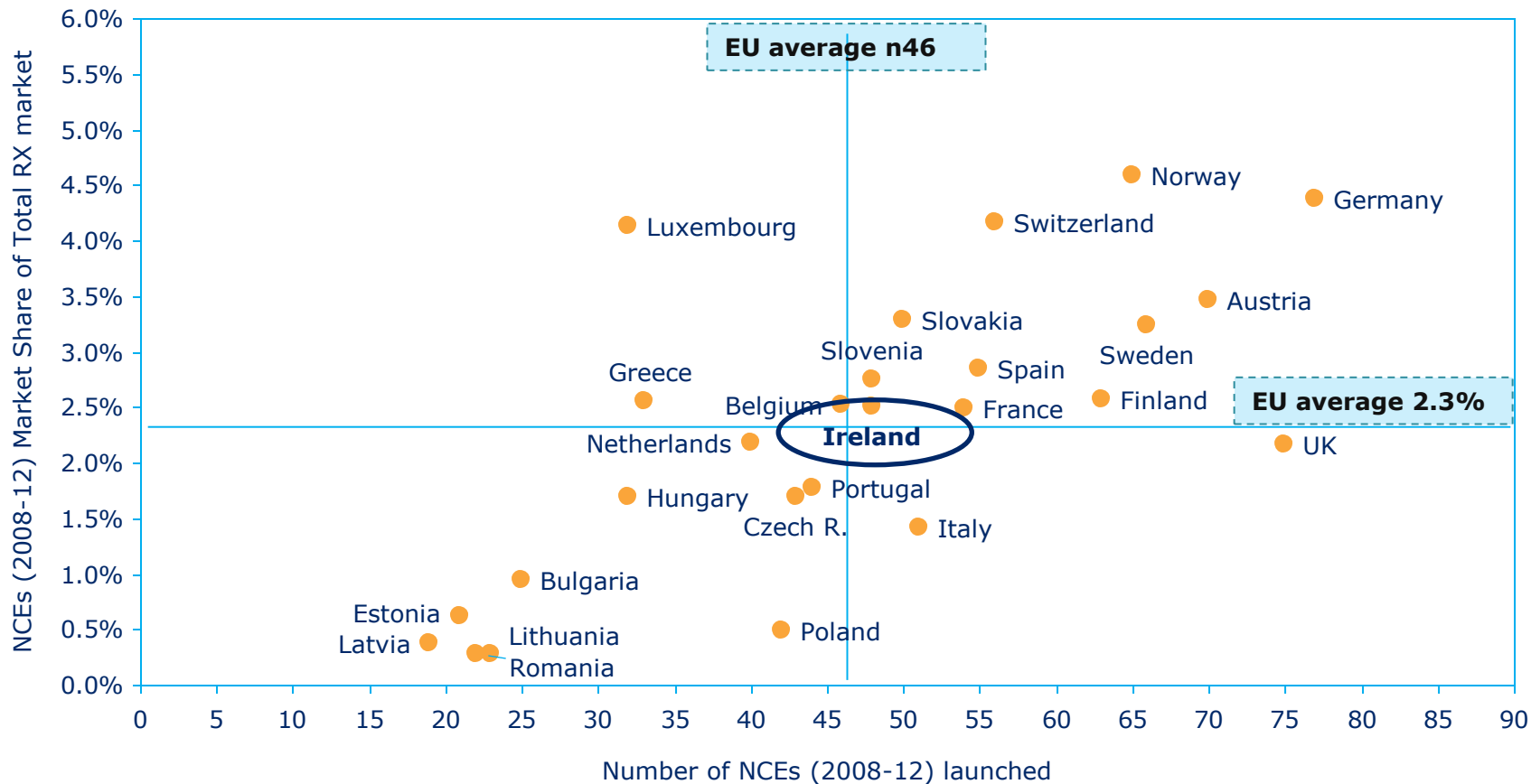
# Access to innovation in Ireland on a par with EU5 average



Source: IMS Health, MIDAS MAT December 2013 Rx. Population data – IMF, 2012.

# Launches of NCEs in Ireland also on a par with EU average

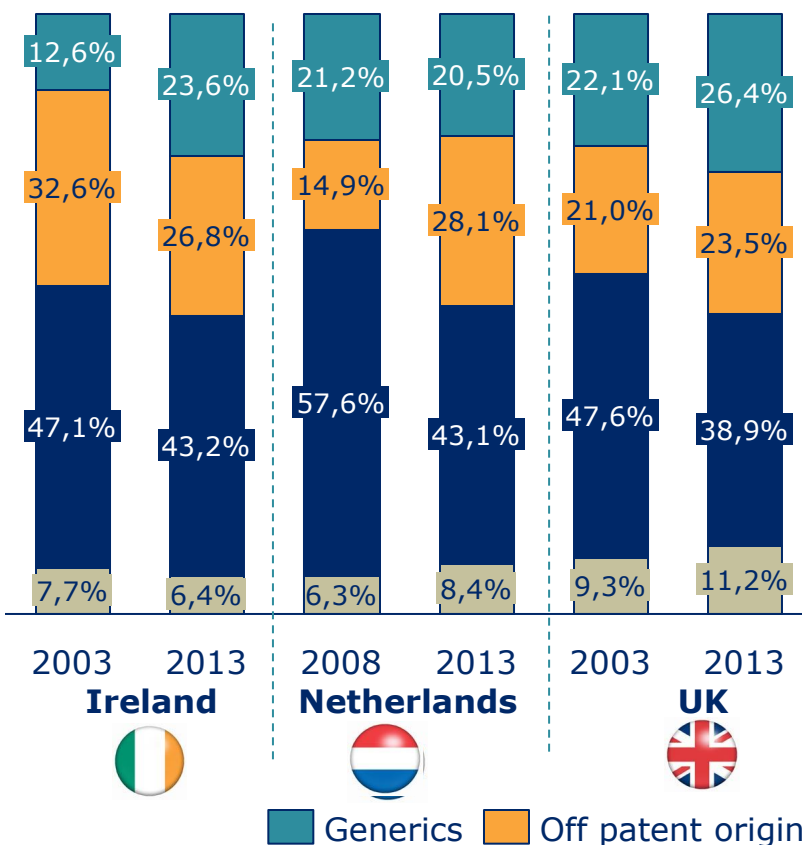
## Country Innovation profile (NCEs launched vs. Market Share achieved)



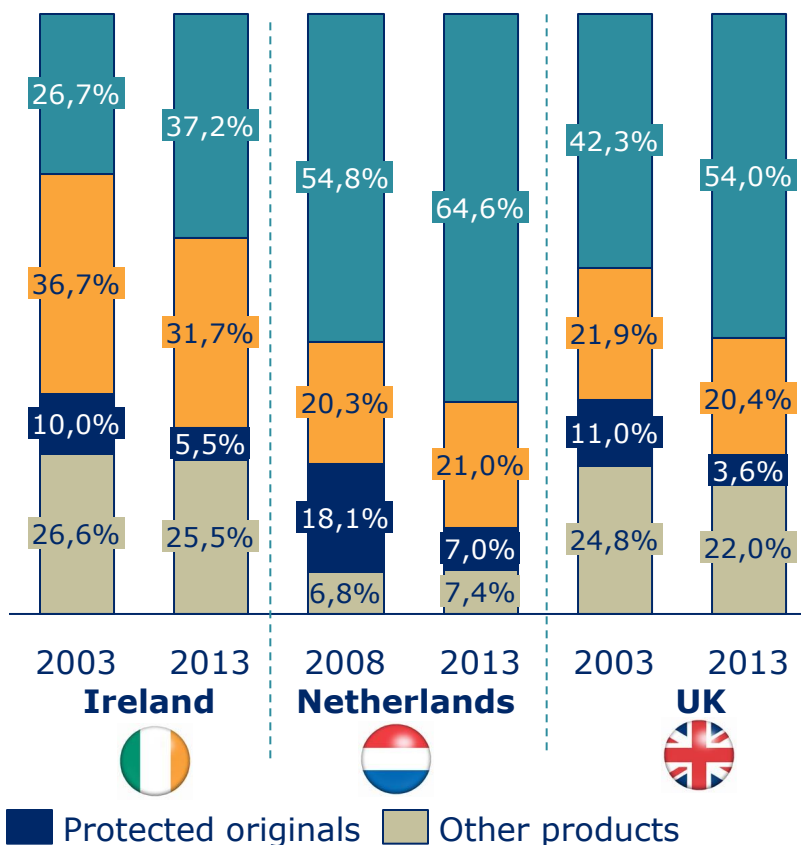
Source: IMS Health, MIDAS, MAT December 2013, Rx only. Denmark not included. NCEs (New Chemical Entities)

# Generic penetration in Ireland equivalent in value to benchmarks but low in volume

Selected markets segmentation value share

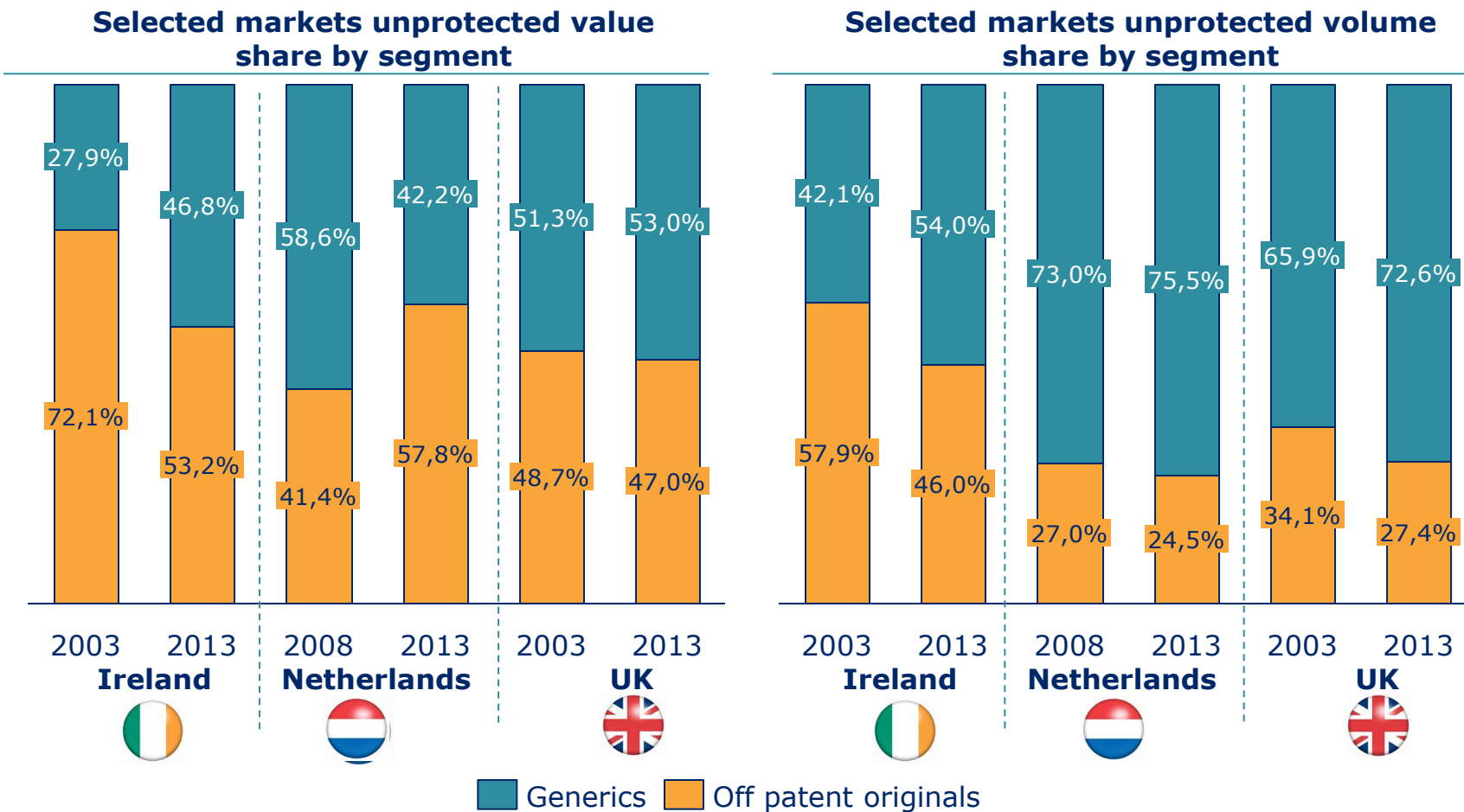


Selected markets segmentation volume share



Source: IMS Health MIDAS December 2013, Market segmentation. \* Netherlands earliest available period 2008

# Generic erosion of the unprotected segment in Ireland is also at variance to others

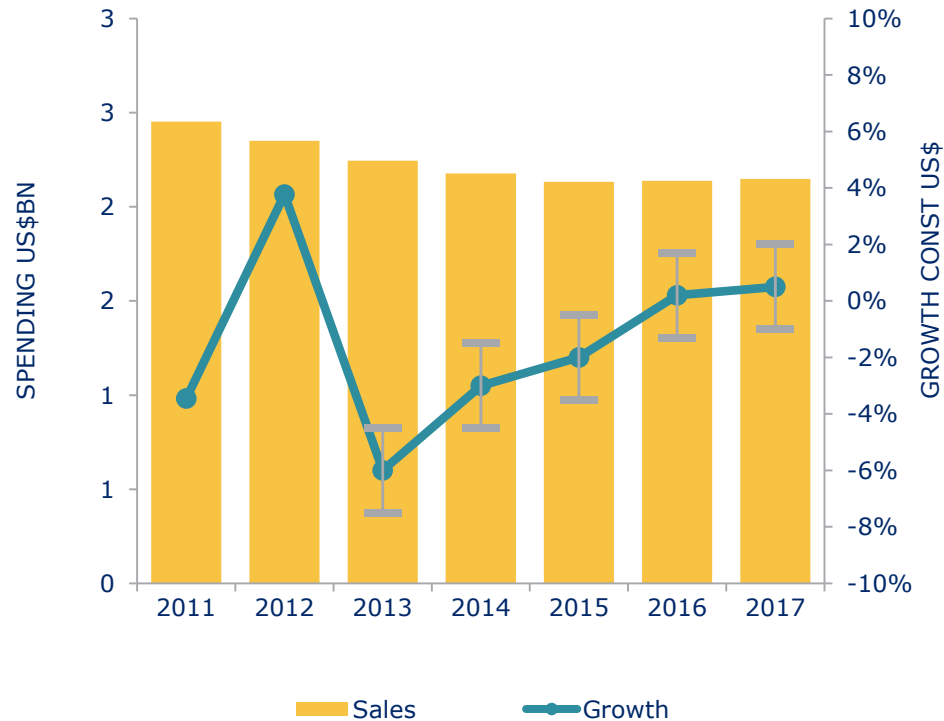


Source: IMS Health MIDAS December 2013, Market segmentation. \* Netherlands earliest available period 2008

# Future growth of the Irish market is highly dependent on the impact of government initiatives



## Ireland, drug spend forecast



Introduction of **Reference Pricing** for off patent medicines and their generic equivalents has had and will continue to have significant impact on the Irish market as each medicine is reviewed

The introduction of a **preferred drug list** from the **Medicines Management Board** for PPIs and statins happened in 2013 was expected to generate savings, but has had little impact

Introduction of **Hospital Groups** may lead to savings through tender offers - biosimilars

Introduction of **Universal Health Insurance** may have an affect on drug spend, but has been delayed until 2019

Source: IMS Market Prognosis, Sep 2013 at ex-manufacturer price levels, not including rebates and discounts. Contains Audited+Unaudited data. MoU: Memorandum of Understanding; PBS: Pharmaceutical Benefits Scheme

# Jaw, jaw, not war, war\*

---

- The accumulative impact of higher levels of education coupled with the explosion of information and insights easily available is transforming engagements among all stakeholders
- Payers want clarity on value in defined patient cohorts and a commitment to sustained measurement of outcomes throughout the lifecycle
- But as the quick generic wins decline Payers need to move on to greater efficiencies in the delivery of healthcare
- As patients supported by providers become more vocal Payers will need to become more transparent and that's where Pharma can provide the evidence to inform rational decision making

\* Winston Churchill



# Pharma can contribute to cost effective and quality health care: time to change?

---

