

A Datamonitor report

# Pricing and Reimbursement in Key Asia-Pacific Markets

## Australia, Singapore, China and Hong Kong: Which Pharmaceutical Market is the Most Rewarding?

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### Providing you with:

- **Insight** into pricing and reimbursement strategies in Australia, Singapore, China and Hong Kong
- **Analysis** of drivers and barriers for entering Australia, Singapore, China and Hong Kong
- **Overview** of healthcare systems in Australia, Singapore, China and Hong Kong
- **Identification** of trends shaping national P&R strategies and their impact on branded Pharma

### *Use this report to...*

*Understand the recent changes in the P&R environment in the key Asia-Pacific markets*

# Introduction

With the Asia-Pacific markets growing rapidly, they are becoming increasingly attractive for Pharma to enter. However, a number of key P&R developments and reforms are set to change the healthcare environment in the next few years, as healthcare is made more accessible to the poor and elderly.

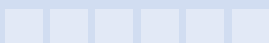
With cost containment and healthcare coverage ranking as key concerns for payers, pharmaceutical companies need to be aware of the implications these issues have on market accessibility, sales, and return on investment. While some markets offer major advantages for Pharma, others still have some way to go before multinationals can compete effectively against domestic players.

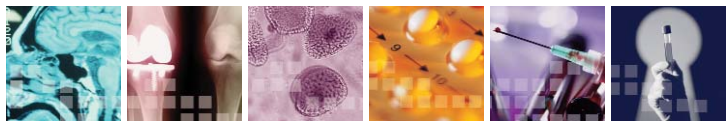
## Key findings and highlights

- In Australia, a high level of evidence is needed to show clinical and cost effectiveness, thus clearly pointing to a barrier for entering the Australian market. It is essential that a new medicine is cost effective against the standard of care, therefore solid head-to-head clinical trial data must be presented to have a successful listing.
- Recent changes by the Chinese National Development and Reform Commission (NDRC) means that the financial rewards for the multinationals will be jeopardized. The pricing authority has planned another round of price reductions, but for the first time, this will also affect imported drugs.
- Singapore's affluent population translates into high per capita spending on healthcare and a preference for branded drugs. Its healthcare financing system based on co-payments discourages excessive consumption and acts as a measure of cost-containment.

## Reasons to buy

- **Understand** the recent changes in the P&R environment in the key Asia-Pacific markets
- **Analyze** recent trends in healthcare in Asia-Pacific and the impact on branded pharma
- **In-depth** and up to date information on P&R regulations through interviewing local industry executives





# Sample pages from the report

**Overview of Asia Pacific P&R**

### Comparing efficiency across healthcare systems

The region's varying budgets, populations and economic issues give rise to different health outcomes for each country, and distinct opportunities and barriers for pharma companies looking to enter a new market. However, high expenditure on health does not always equate to a healthy population.

The cost-effectiveness of healthcare systems can be analyzed by comparing total per capita expenditure (Figure 2). The World Health Organization (WHO) uses life expectancy as a measure of the health of a population without reduced functioning due to illness.

Healthy life expectancy is by no means given that other factors, such as size of a living environment and political stability does provide a summary measure of the health of a population.

**Figure 2: Which country has the most efficient healthcare system?**

Country	Per capita total expenditure on health (USD)
Australia	~3,200
China	~2,500
Singapore	~5,200

Source: Figures based on [www.who.int](http://www.who.int)

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**Overview of Asia Pacific P&R**

### Drivers and resistors for pharma companies entering the Australia, China and Singapore branded pharmaceutical markets

Before entering a new market, careful analysis of the benefits and drawbacks to the target country is needed (Figure 3) to assess whether the benefits outweigh the risks.

**Figure 3: Drivers and resistors for branded Pharma entering the Australia, China and Singapore markets, 2009**

Country	Drivers	Resistors
Australia	<ul style="list-style-type: none"> <li>Growing private sector and increasing competition between hospitals to improve performance</li> <li>Drugs in P1 formulary can maintain the high prices and are not subject to price cuts</li> <li>AUSTFA will improve timeliness and transparency for listing on PBS</li> <li>Changes to Australia's IP system raise the interest of the originator: generic &amp; biotechnology companies</li> <li>Currently there is a low level of generics</li> </ul>	<ul style="list-style-type: none"> <li>Highly competitive market</li> <li>Highly competitive market</li> <li>Highly competitive market</li> </ul>
China	<ul style="list-style-type: none"> <li>Fast growing economy and pharmaceutical market (number of hospitals in China growing at a rate of 20-30% per year)</li> <li>Huge population (1.3 billion in 2008)</li> <li>Emergence of a relatively wealthy urban population in the major cities</li> <li>Emergence of health insurance should gradually improve access to healthcare</li> <li>Strong demand for private urban hospitals</li> <li>Government's incentives for foreign investment</li> <li>Relaxed registration process should simplify regulatory system</li> <li>Extremely low labor force</li> </ul>	<ul style="list-style-type: none"> <li>Highly competitive market</li> <li>Highly competitive market</li> <li>Highly competitive market</li> </ul>
Singapore	<ul style="list-style-type: none"> <li>Hub for medical care in Asia</li> <li>Affluent population means Singaporeans are willing to spend a significant amount on medications (very high out-of-pocket expenditure)</li> <li>Preference for branded drugs</li> <li>Price competition is stimulated as patients can choose healthcare provider</li> <li>Pricing of pharmaceuticals rewards innovation</li> <li>No reference pricing or abusive price controls</li> <li>Superior IP protection</li> </ul>	<ul style="list-style-type: none"> <li>Highly competitive market</li> <li>Highly competitive market</li> <li>Highly competitive market</li> </ul>

Source: Datamonitor

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**Australia-specific P&R measures**

Table 4 illustrates how the PBS formulary is classified into two main groups—F1 and F2—the latter being further subdivided into two categories

**Table 4: Examples of drugs in the new PBS formularies, as of September 11, 2007**

F1	F2A	F2T
atorvastatin	fluvastatin	simvastatin
bisoprolol	carvedilol	metoprolol
cefuroxime	cefazolin	cephalexin
celecoxib	ketoprofen	naproxen
doxorubicin (pegylated liposomal)	doxorubicin	-
levobunolol	betaxolol	timolol
olanzapine	clozapine	-
rebexetine	-	citalopram, fluvoxamine
salmeterol	-	salmeterol
ticarcillin with clavulanic acid	-	salbutamol
zolmitriptan	sumatriptan	amoxicillin with clavulanic acid
-	oxazepam	-
-	-	diazepam

Source: Faunce and Lofgren, 2007

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Although it is too early to assess these changes, it is believed the new pricing system will result in higher prices for newly listed, novel patented drugs. There is concern that if such drugs do not offer improved clinical benefit to existing therapies, their price will be unjustified. However, with increasingly tough regulations, the approval of such drugs in the first place is likely to be minimized.

What this reform will achieve though, is lower prices and greater transparency for generics (Faunce and Lofgren, 2007). Furthermore, the changes highlight a shift away from the evidence-based methodology originally used by the PBS (Faunce, 2007; Doran and Henry, 2008).

Ultimately, this may result in unaffordable innovative drugs, offering greater incentives for physicians and formularies to buy the cheaper generics; a strategy that could result in branded pharma sales being hit equally hard as under the previous pricing scheme. However, under the new Scheme, Pharma will have greater certainty on the price (and therefore of its revenues) for its innovator medicines since the price will not be subject to change over the course of the drug's lifecycle.

“...Asian countries tend to look at Australia for guidance in terms of whether or not a drug is clinically effective or cost effective, and therefore if you can get your drug into the Australian market and on the PBS... it will help with accessing the rest of Asia...”

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- **Key findings**

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- **Reimbursement in Asia-Pacific region**
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  - Pharmacoeconomics
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  - Pharmacist substitution
  - Pricing strategies in Asia-Pacific
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  - Australia - becoming more appealing for Big Pharma
  - China - enter with caution
  - Singapore - a thriving environment for foreign investment

## AUSTRALIA-SPECIFIC P&R MEASURES

- **Healthcare system in Australia**
  - Healthcare expenditure in Australia has remained stable
  - Healthcare reforms aim at improving hospitals and health outcomes
  - Access to healthcare needs to be improved in rural areas
  - Health insurance is dominated by the public sector although this is likely to change
- **Pricing and reimbursement in Australia**
  - Prices for prescription drugs are low
  - Reimbursement in Australia is extensive

## CHINA-SPECIFIC P&R MEASURES

- **Healthcare system in China**
  - Healthcare expenditure has grown significantly
  - Healthcare reforms are aiming for universal

healthcare coverage

- Access to healthcare services is difficult for the poor and the rural population
  - Health insurance coverage is rising in both urban and rural areas but is insufficient
- **Pricing and reimbursement in China**
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    - Reimbursement is negotiated at local level
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    - Pricing and reimbursement in Hong Kong

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- **Healthcare system in Singapore**
  - Healthcare expenditure is low but sufficient
  - Health insurance
- **Pricing and reimbursement in Singapore**
  - Pricing system in Singapore rewards innovation
  - Reimbursement is dependent on the level of care

## BIBLIOGRAPHY

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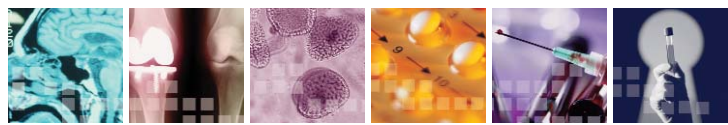
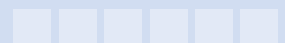


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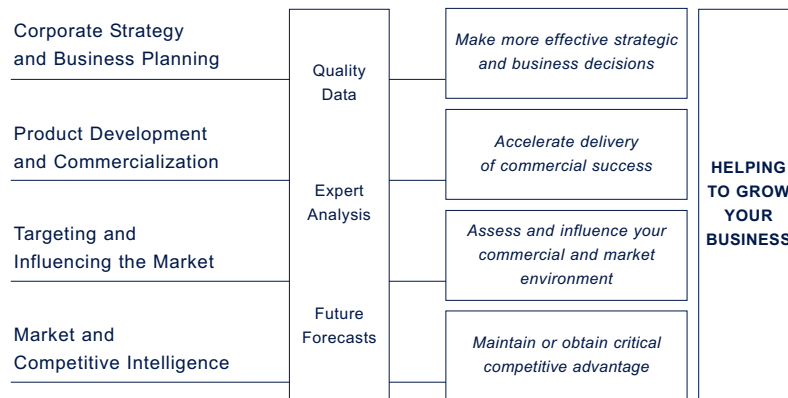
*“...There will be a number of initiatives in Australia that in the short-term it will drive down drug prices to try and extract savings...”*



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