2018 Ukrainian Pharmaceutical Forum

The State became important stakeholder in the pharmaceutical market of Ukraine

Gorlova Irina
SMD CEO

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State participation in medicines supply

- **Out-clinic treatment**

- **Affordable Medicines project**
- Start April 2017
- www.liky.gov.ua

- Full payment and co-payment for 3 main nosology – hypertension, bronchial asthma and diabetes
- 23 molecules, with further extension
- 6 179 pharmacies participating the project (≈ 1/3)

- **In-clinic treatment**

- **NEML (National Essential Medicines List)**
- Start January 2018

- Prioritized purchases of selected molecules by health institutions, compensated by State budget
- 400 + molecules, main list and additional one
- Based on WHO' Basic List of Essential Medicines

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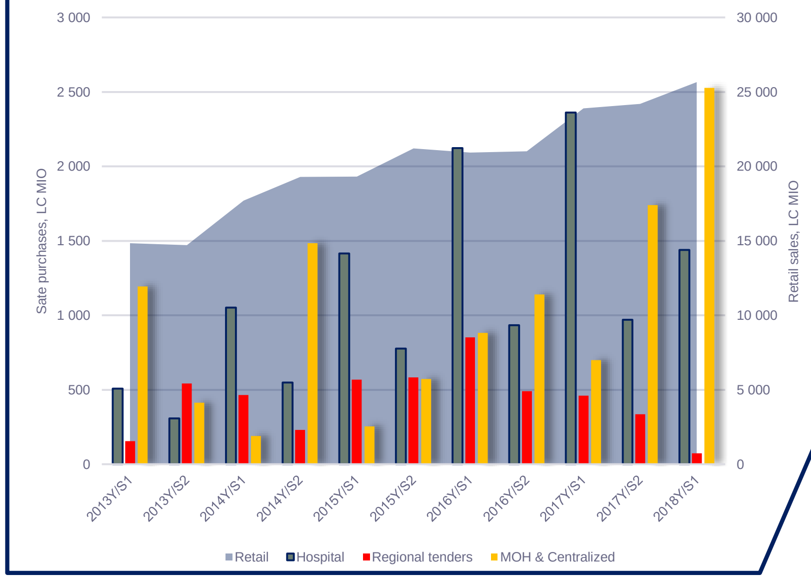
Support in Market Development

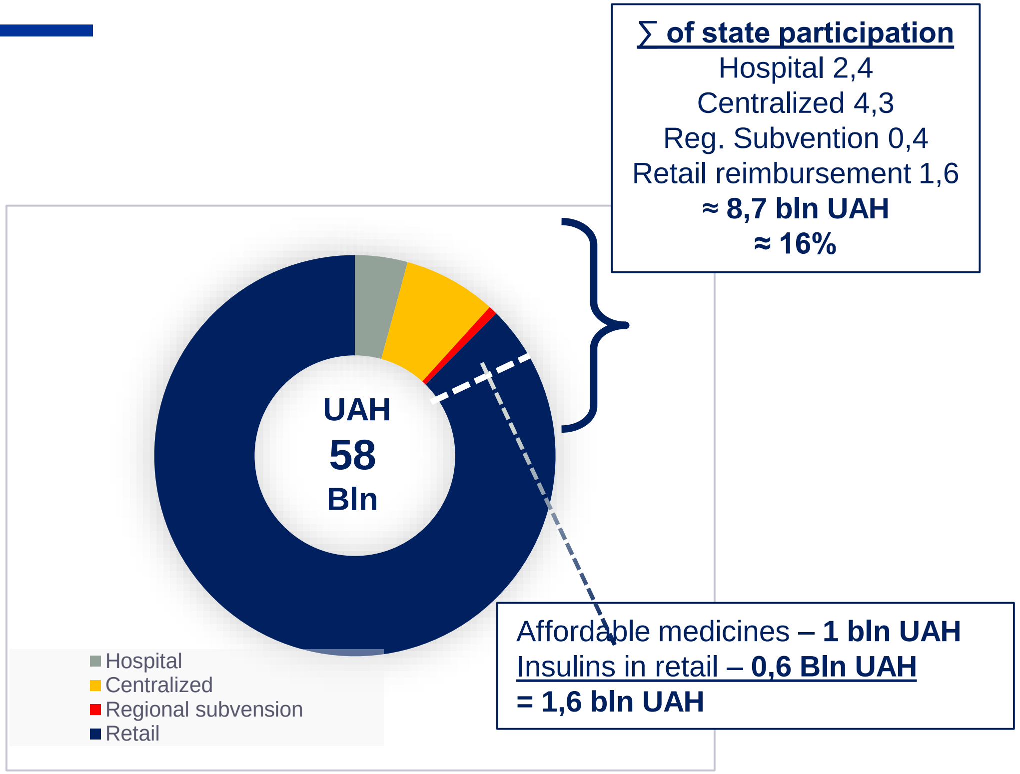
Market - state participation in purchase of medicines

Market

- Total market makes **58 bln UAH** in purchase prices
- Share of **state purchases = 16%**, including reimbursed part sold through retail

Market dynamics per channels, values LC (UAH)





State spending accounted 16% in values LC, MAT 06 2018

Source: SMD Retail and State Purchases data
Values LC (UAH), period MAT June 2018

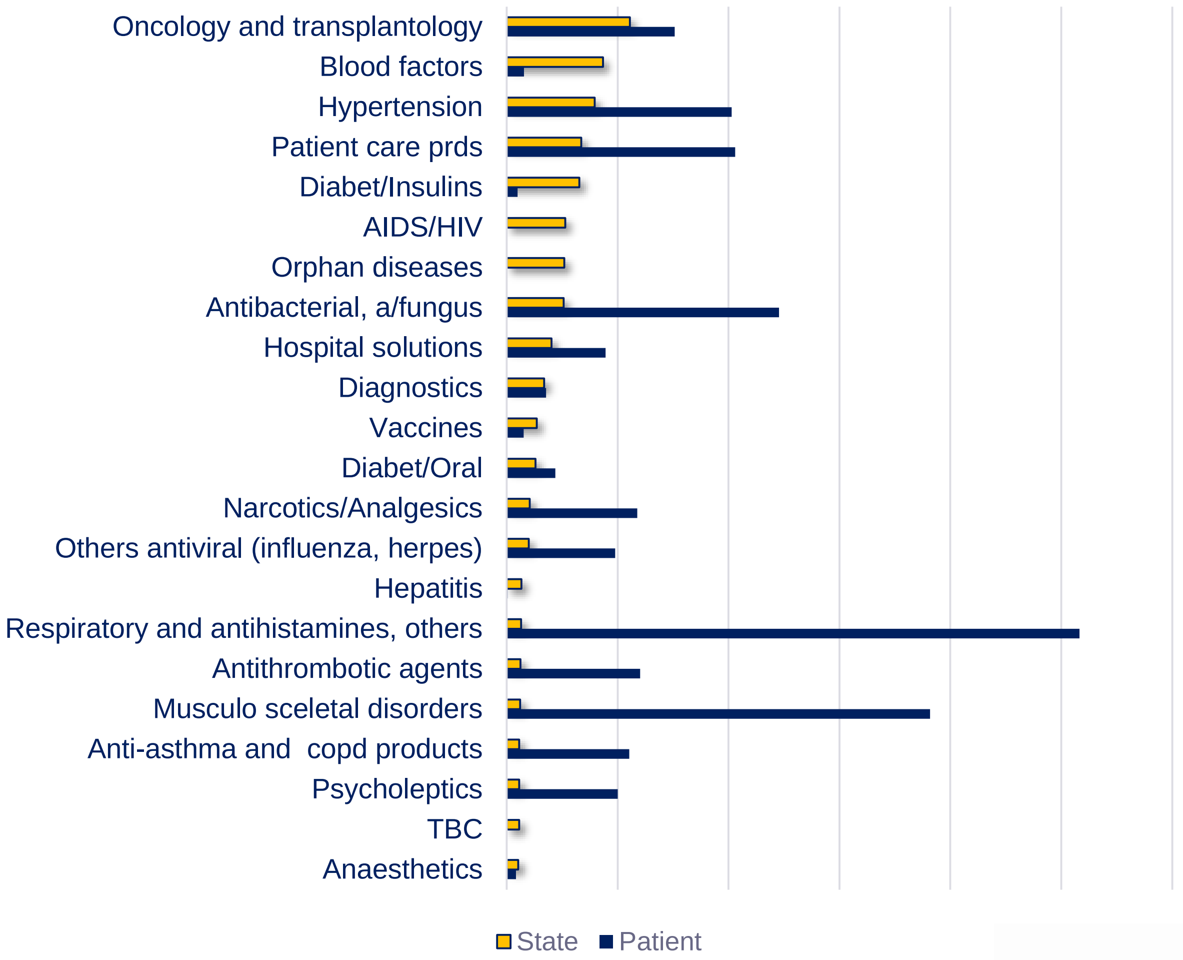
Market dynamics, MAT June 2018 vs MAT June 2017

	Values LC	Volume Units
Retail (all categories) **49 bln UAH.** Grow due to Rx segment (both value and volume)	+11%	-3%
Centralized purchases through foreign agencies (delivery) **4,3 bln UAH**	+132%	+37%
Hospitals purchases **2,4 bln UAH** Growth of NEML purchases +25% in value and volume!	-27%	-24%
Regional Subvention 0,4 bln UAH Insulins migrated to Retail!	-57%	-10%

Source: SMD Retail and State Purchases data
Values LC (UAH), period MAT June 2018

Main groups of medicinal products, compensated by the state

Top groups, Mio UAH	State	Patient
Oncology and transplantology	1 111	1 515
Blood factors	868	156
Hypertension	793	2 029
Patient care prds	671	2 059
Diabet/Insulins	656	98
AIDS/HIV	529	7
Orphan diseases	518	0
Antibacterial, a/fungus	515	2 456
Hospital solutions	405	891
Diagnostics	338	354
Vaccines	273	154
Diabet/Oral	260	438
Narcotics/Analgesics	207	1 177
Others antiviral (influenza, herpes)	199	978
Hepatitis	132	9
Respiratory and antihistamines, others	129	5 164
Antithrombotic agents	123	1 203
Musculo sceletal disorders	121	3 816
Anti-asthma and copd products	114	1 104
Psycholeptics	113	1 001
TBC	113	4
Anaesthetics	104	83
Others	755	24 355



Source: SMD Retail and State Purchases data

Values Mio LC (UAH), period MAT June 2018

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Affordable Medicines – reimbursement project
Launch date 01/04/2017

Affordable medicines - government reimbursement program, full or partial payment of medicines included in the detailed budget list.

- **Full payment or co-payment**
- **Receipt** is a financial document
- **6179 pharmacies** participate the project

- **Program budget – 1 bln UAH**

1 **Hypertension -17 INNs**

2 **Diabetes – oral anti-diabetes – 3 INNs**

3 **Bronchial Asthma – 3 INNs**

www.liky.gov.ua

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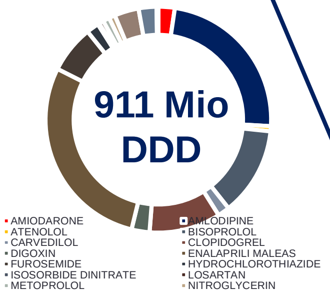
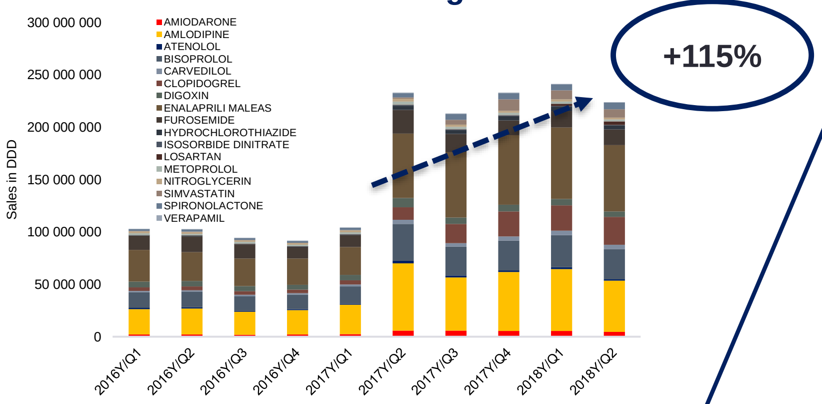
Affordable Medicines – Success Story Hypertension

17 INNs

- **Annual sales – UAH 764 Mio, 911 Mio DDD**
- DDD sales growth +115%
  - Simvastatin +999%
  - Losartan +386%
  - Isosorbide Dinitr +375%
  - Metoporolol, Nitroglycerin, Digoxin –”0” growth

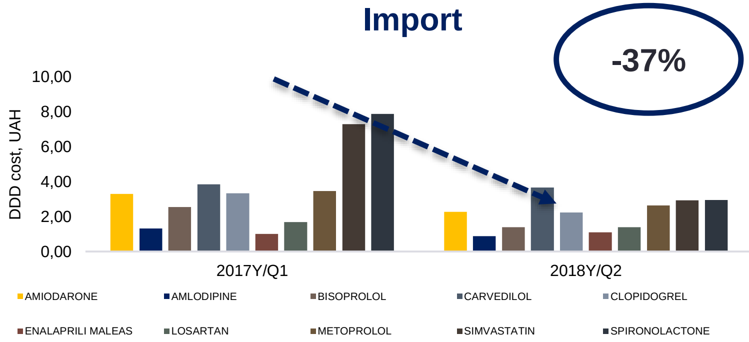


Growth in DDD is significant



Prices’ effect … (DDD cost)

Import



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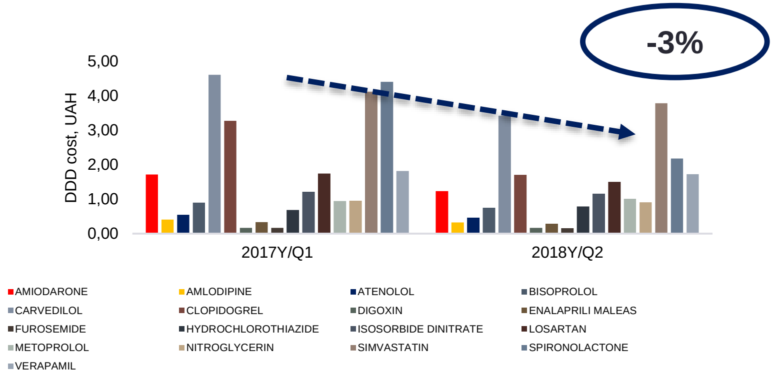
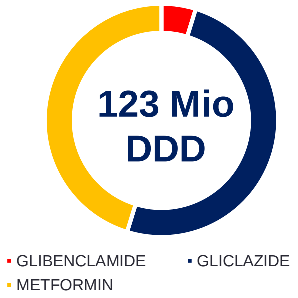


Source: SMD Retail data

Affordable Medicines – Success Story
Oral anti - diabetes

3 INNs

- **Annual sales – UAH 255 Mio, 123 Mio DDD**
- DDD sales growth +74%
  - Metformin +115%
  - Gliclazide +58%
  - Glibenclamide +4%



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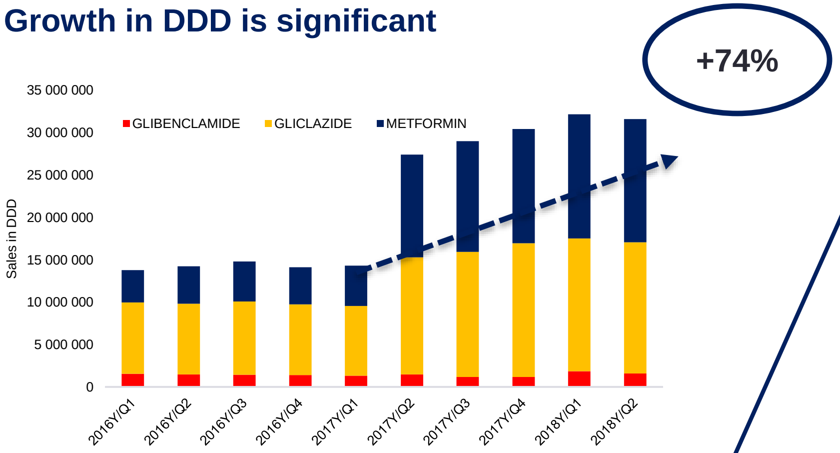

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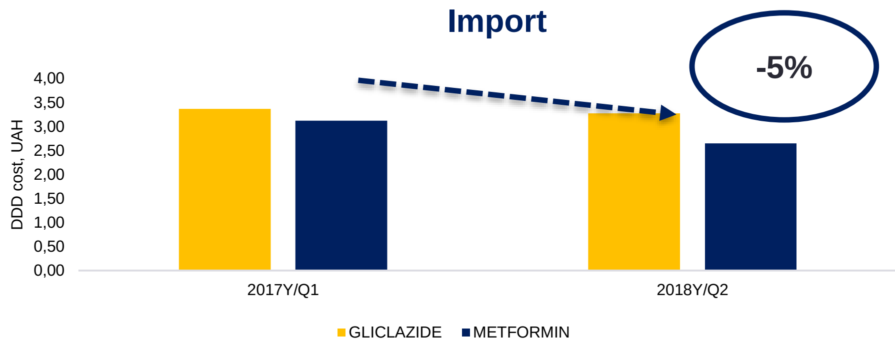

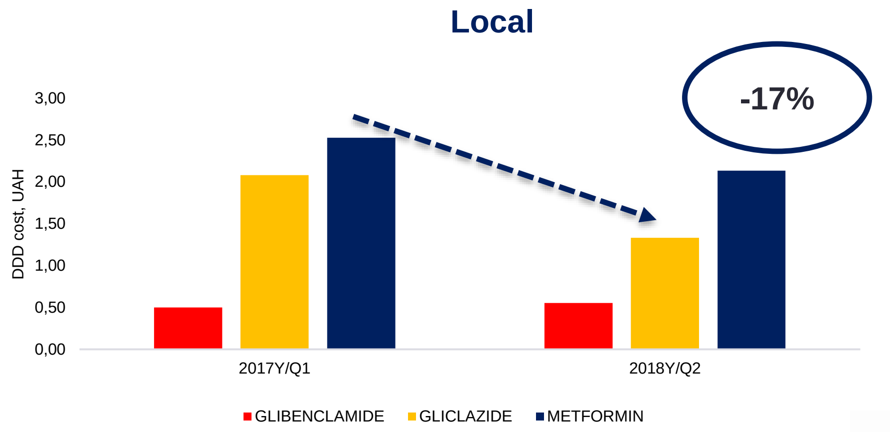

Source: SMD Retail data

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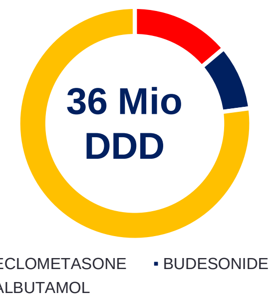
Affordable Medicines – Success Story
Bronchial Asthma

3 INNs

- **Annual sales – UAH 101 Mio, 36 Mio DDD**
- DDD sales growth +27%
    - Beclomethazone +100%
    - Budesonide +605%
    - Salbutamol +9%



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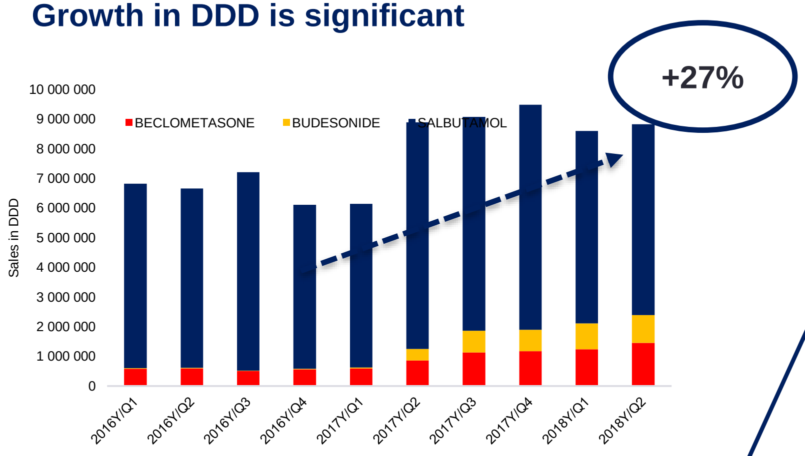

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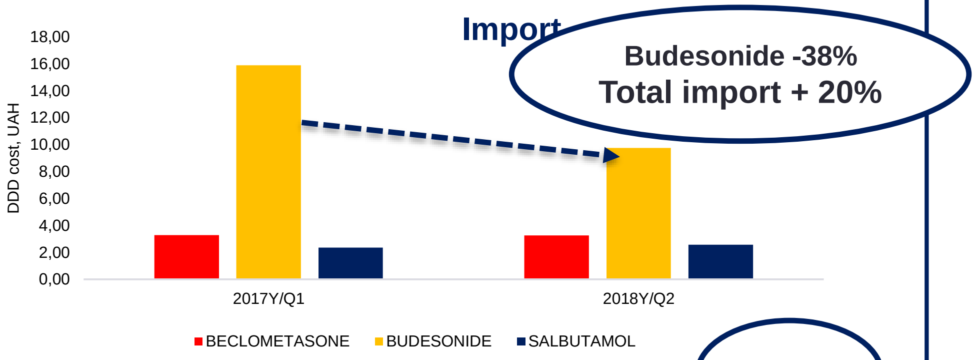

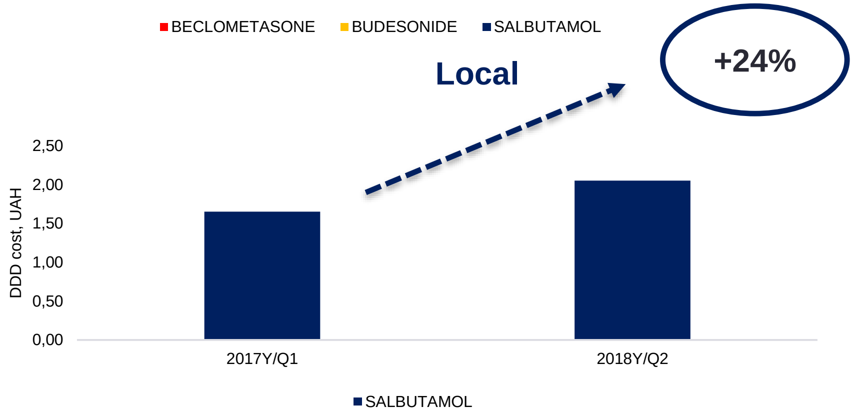

* Prices are within of Wholesalers-Retail prices' Register

Source: SMD Retail data

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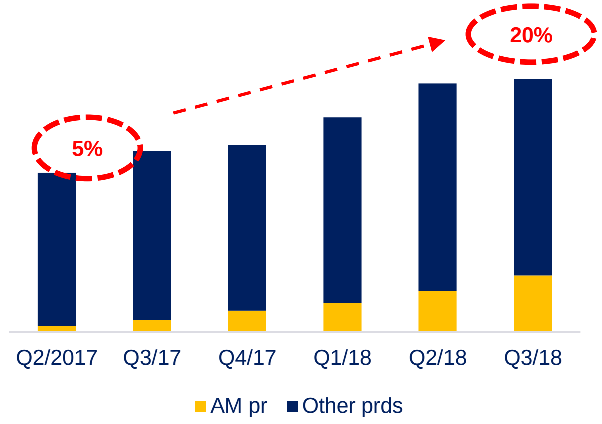
Support in Market Development

Affordable Medicines (AM) – Success Story
Influence into Pharmacies

Pharma Chains categories	Number of chains	# POS	Participate AM project	Share of POS participating AM project
1st 300+ POS	5	2 020	318	16%
2nd 150 to 230 POS	11	1 986	807	41%
3rd 100 to 150 POS	9	1 114	376	34%
4th 50 to 100 POS	17	1 149	381	33%
5th 10 to 50 POS	164	3 445	1 062	31%
6th less than 10 POS	1176	6 419	1 945	30%
Entrepreneurs		6 974	2 151	31%

- Market share of AM **in total market ≈ 4%**
- **In successful pharmacies**, participating the project, it makes **up to 20%** out of the turnover
- **Growth of overall turnover** due to the fact, that patient comes to the pharmacy for free of charge medicine and buy additional products



Source: SMD database of pharmacies, data on pharmacies participating the AM project (www.liky.gov.ua)
SMD calculations

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Affordable Medicines – Success Story
Pro and Contra

Pro

- ✓ **It happened!** The state became powerful player in pharma market and the Receipt became a financial document
- ✓ The **most socially significant diseases** with complications affecting the working ability of the population; mainly for socially unprotected citizens
- ✓ Pharmacies participating the project has **new source of sales increase.** Patient comes to the pharmacy for free medication makes **additional purchases**. Share of AM in such pharmacies up to 25% of turnover.

Contra

- ✓ It is **still minor 1 bln UAH vs 45 bln UAH retail market** (only 5% in values but 10% in volume (Standard Units) among Rx)
- ✓ **Financial challenges** - funding outages (end and beginning of fiscal year); bigger problem in financing is in areas with the lowest income vs. budget allocation per capita
- ✓ The **current choice** of INNs covers only part of the treatment protocol
- ✓ **Expansion of new nosology**?

National Essential Medicines List (NEML) in current issue (July 01, 2017). Compulsory since 01/01/2018

National Essential Medicines List - is a list of medicines with proven efficacy that is necessary to ensure the immediate needs of medical care for the population in health care facilities for treatment at the expense of state and local budgets. The Ukrainian National List is based on the **Target List of Essential Medicines** developed by the World Health Organization

- Free of charge and/or with co-payment for **out-patient** treatment of **certain population groups**
- The **demand** for procurement of medicinal products is determined by types of medical care in accordance with the procedure established by the Ministry of Health.
- **As soon as the demand is fully satisfied**, customers may purchase medicinal products that are registered in Ukraine in accordance with the law and are not included in the specified NEML.

INNs
≈ 400 in NEML
341 in the market

2 323 SKUs

205 ATC4

https://www.kmu.gov.ua/ua/news/250149531

National Essential Medicines List (NEML) values and volume

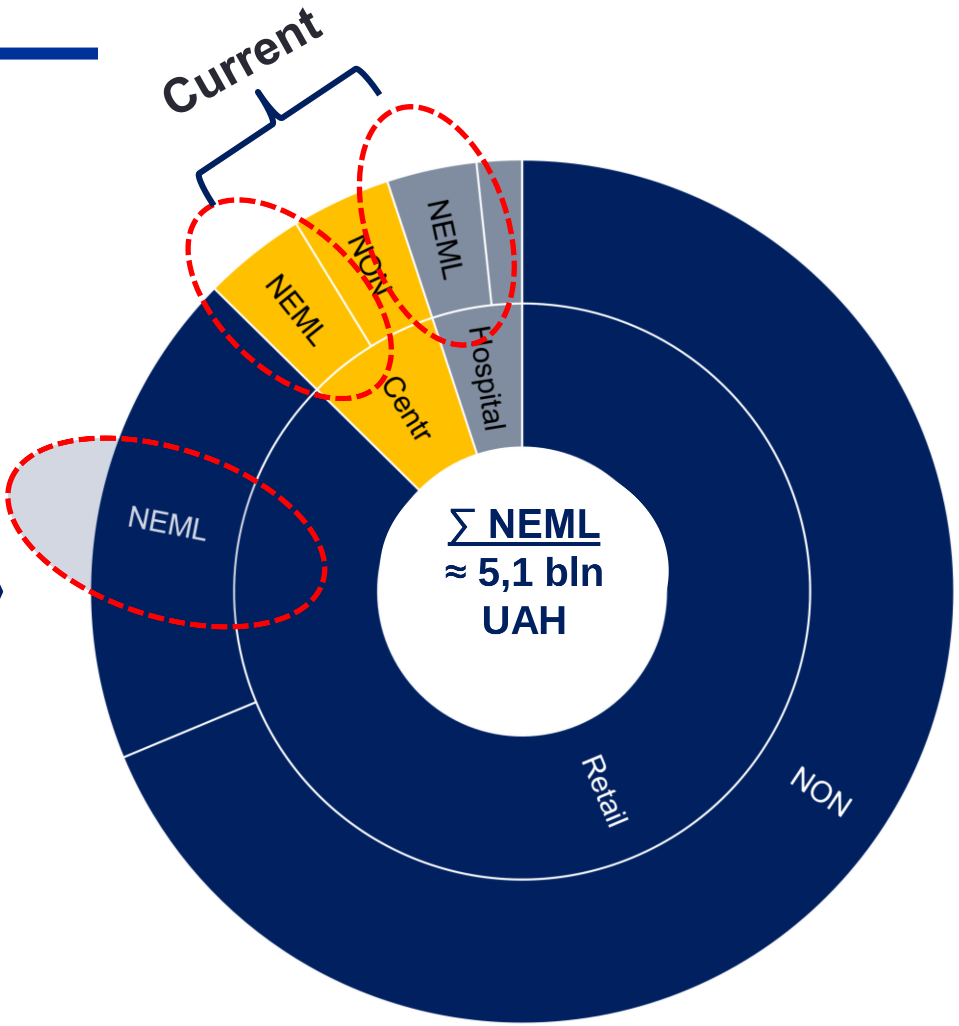
NEML and the market

Total current value of **NEML = 5,1 bln UAH**:

- ✓ *Hospital 1,6*
- ✓ *Centralized 1,9*
- ✓ *Reimbursement 1,6 (Retail Insulins and Affordable Medicines)*

Current volume in DDD = **40 bln** DDDs

Potentially Retail unmet needs for in-clinic treatment in sum of **9 bln UAH and 450 bln DDDs**



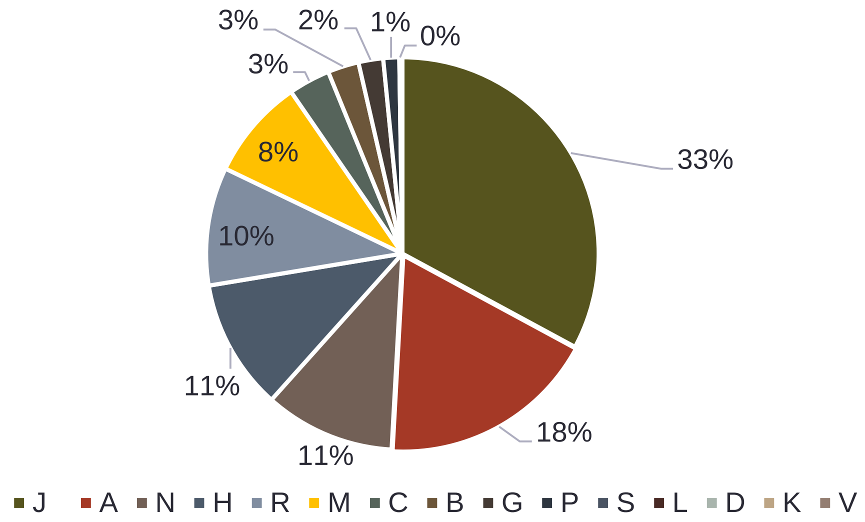
Source: SMD data

National Essential Medicines List (NEML) grouped by ATC1 in DDD

NEML and the market

Current NEML in DDD (40 bln DDD)
The state compensates mainly antibacterial (J), narcotics/analgetics and non-steroid anti-inflammatory. **Three groups make 90% of current NEML purchases.**

Potential NEML in DDD (450 bln DDD)
J and A makes half in potential NEML (retail).
A – mainly Ranitidine and enzymes



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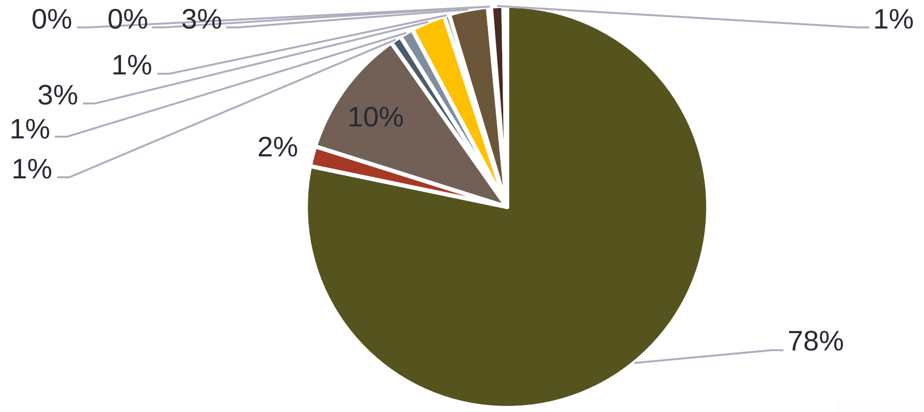

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National Essential Medicines List (NEML) main challenges and imperfection

Legal aspects	• Structure – **Main & Additional List?** What is the difference? • Being based on WHO list, **not fully reflect the structure of consumption** • INN selection – some important INNS are not included	• Need to be **worked out based on market data** • Only essential products with **the biggest consumption in hospitals** should be compensated under conditions of insufficient budget

How to work in accordance with NEML?	• Calculation of real demand and unmet needs in clinics?
	  ◦ Based on historical purchases
	  ◦ Based on number of patients vs diagnosis; protocols vs formulars.
		• **Historical purchases do not reflect demand** in clinics. As out-of-pocket purchases for in-clinic treatment are traditional
		• Only **MIS implemented under e-health project** can help to calculate demand

National Essential Medicines List (NEML) example Antibiotics

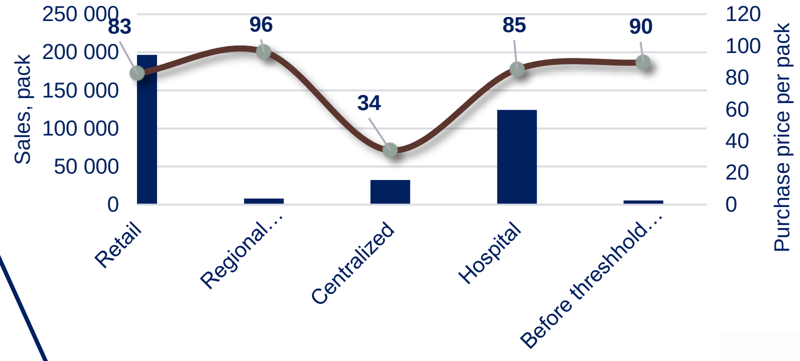
Rank	INNs ranked by DDD MAT June 2018	NEML BASIC	NEML ADDITIONAL
1	LEVOFLOXACIN		1
2	AZITHROMYCIN	1	
3	AMOXICILLIN	1	
4	AMOXICILLIN+CLAVULANATE	1	
5	DOXYCYCLINE	1	
6	CIPROFLOXACIN	1	
7	CLARITHROMYCIN	1	
8	CEFUROXIME		
9	MOXIFLOXACIN		1
10	OFLOXACIN		1
11	CEFIXIME	1	
12	CHLORAMPHENICOL	1	
13	NORFLOXACIN		
14	CEFPODOXIME		
15	LINCOMYCIN		
16	AMPICILLIN	1	
17	TETRACYCLINE		
18	CEFALEXIN	1	
19	GENTAMICIN	1	
20	ERYTHROMYCIN	1	
21	BENZYLPENICILLIN	1	
22	AMIKACIN		1
23	LINEZOLID		1
24	GATIFLOXACIN		
25	MIDECAMYCIN		
26	CEFTRIAXONE	1	
27	JOSAMYCIN		

Marked with red are **not included into NEML,** marked with yellow **are included into NEML additional**

Levofloxacin annual volume in DDD is equal to 96 bln DDD
Mainly parenteral forms (92%)

The state compensate only 10% of all DDD consumed by patients.

LEFLOCIN INFUSION 0.5 % 100 ML 1 YURIA-PHARM, UKR



Source: SMD Retail and State purchases data, recalculated in DDD

National Essential Medicines List (NEML) example Antibiotics

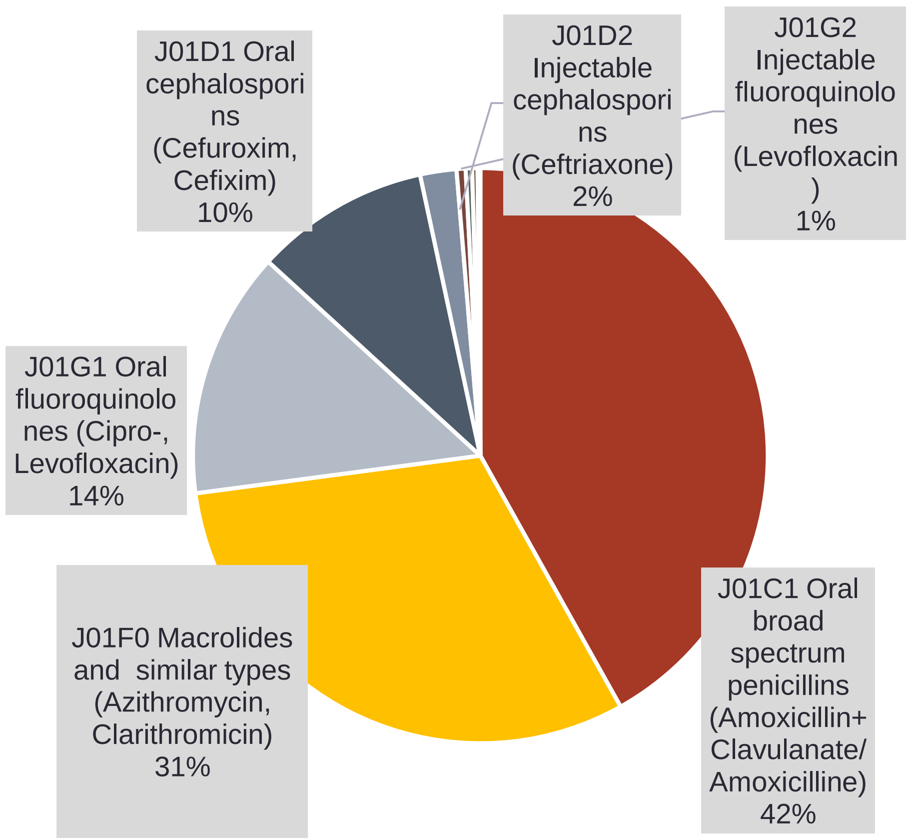
Market

Rank	INNs ranked by DDD MAT June 2018	NEML BASIC	NEML ADDITIONAL
1	LEVOFLOXACIN		1
2	AZITHROMYCIN	1	
3	AMOXICILLIN	1	
4	AMOXICILLIN+CLAVUL.	1	
5	DOXYCYCLINE	1	
6	CIPROFLOXACIN	1	
7	CLARITHROMYCIN	1	

6 out of 7 leading antibiotic INNs that are included into NEML basic are mainly oral forms.
And there sales are driven by out-patient GPs' prescriptions and used for out-patient treatment.
Should they be in NEML basis?

Source: SMD Retail and State purchases data, recalculated in DDD

GPs Prescriptions



Source: SMD Prescription data, May June 2018

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Thank you!

igorlova@smd.net.ua

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