OVERCOMING CHINA’S AFFORDABILITY GAP: DRAMATIC CHANGE CREATES BIOPHARMA INDUSTRY OPPORTUNITIES

By 2016, an additional 300 to 400 million Chinese patients may be able to afford relatively expensive innovative medicines, thanks to transformative change already underway. For biopharma companies, this would fundamentally alter the strategic importance of China and the way they address market access. QUINTILES’ John J Doyle explains how.

The Chinese market – forecast by IMS Health in 2012 to grow by 15-18% per year through 2016, totaling $165bn by 2016 – has traditionally been dominated by generics, with patented drugs accounting for only around 7% of the market. Innovative, targeted oncology drugs, for example, are currently accessible for only around 2% of patients. Most of the advanced and specialty healthcare technologies and medicines are concentrated in urban areas. Brand-name generics are affordable for the roughly 500 million Chinese residents who are covered by China’s Employee/ Resident Basic Medical Insurance. Only the lowest-priced generics are affordable for the 800 million individuals covered by China’s Rural Cooperative Medical Scheme, many of which are covered under the country’s Essential Drug List.

EXPANDING ACCESS TO HEALTHCARE

Since China launched the most recent installment of healthcare reform in 2009, the government has dramatically expanded access to healthcare through improved local infrastructure and broader public health programs. Regional healthcare schemes now cover more than 96% of citizens; however, the vast majority are covered by the Rural Cooperative Medical Scheme and receive annual benefits worth less than $100. The insecurity in the Chinese healthcare market – illustrated by the five-fold difference in average personal income between the provinces that are rich (Shanghai) and poor (Tibet) – has long been considered a drag on the market’s potential. As the central government grants more autonomy to provincial reimbursement schemes, the wealthier coastal provinces are likely to respond to demand for improved medical care by selectively adding products locally. In 2011, Guangdong province pioneered a pilot scheme offering monthly reimbursement of $2,500 for therapies for EGFR-positive lung cancer patients, making the two leading therapies affordable. Similar programs are being added to new or enhanced baseline parity with the public reimbursement program for Herceptin® in Jiangsu province; utilizing the provincial reimbursement and a patient access program, HER2-positive breast cancer patients can access the leading treatment with 10% co-pay. Nonetheless, challenges remain for biopharma companies aiming to access this market.

AFFORDABILITY GAP: THE BARRIER TO GROWTH AND INNOVATION

Most multinationals see the current affordability gap as the barrier to China becoming an attractive market for relatively expensive innovative therapies in the future. Radical change is currently underway across two dimensions. First, private health insurance has begun to offer a “bridge” to close the affordability gap in key areas such as oncology. Second, provinces now have the flexibility to add products to their Provincial Reimbursement Drug List (PRDL) without getting prior approval from Beijing or having to adhere to the unpredictable National Reimbursement Drug List (NRDL) cycle.

Today, a handful of Chinese insurance firms offer oncology-specific health policies, with several paying on the bulk of the risk via re-insurance. For premiums averaging $300 per year – an affordable sum to many Chinese urban professionals – the potentially catastrophic risk to family savings posed by extended oncology treatment may be mitigated. Several of these programs now have the “preferred access” to China’s top oncology centers, by-passing the typical barriers to serving a leading physician in the overburdened public healthcare system. More than 10 million policies were estimated to have been sold in the last two years since their launch. Growth has been forecast at 20% or more annually.

RADICAL CHANGES REVEAL OPPORTUNITIES FOR MULTINATIONALS

Given these radical changes, Chinese patients are likely to see rapidly expanded access to more expensive innovative therapies (Figure 1). Depending on how companies respond, the number of Chinese who can afford innovative therapies could potentially rise over the next three to five years from 6-7% of the population to 30-40% (with significant variation by indication and cost of therapy). This number is set to grow even more rapidly in the years to come.

The current model for corporate-funded Patient Assistance Programs is expected to be replaced. Instead, improved affordability will likely result from competition among companies for private and public reimbursement, based on clear and compelling clinical outcomes and economic value. Innovative market access schemes based on real-world value demonstration not only enhance efficacy but also improve evidence. The biopharma industry must begin to engage in collaboration with provincial and national HTA bodies to shape the HTA environment. Today, the Chinese Ministry of Health pays “consistently great attention” to HTAs. In 2012, ISPOR presented the country with three HTA frameworks and a evidence-based medicine center. These increasingly powerful bodies could potentially evolve into an evidentiary based health technology assessment process that could improve system access equality, efficiency and effectiveness. Today, only a handful of biopharma companies are entering this space.

.toString()