FOCUS
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Global Cancer Drug Spending Reached US$100 Billion in 2014

Earlier diagnosis, longer treatment duration and increased effectiveness of drug therapies are contributing to rising levels of spending on medicines for cancer care. According to a new report released by the IMS Institute for Healthcare Informatics, total global spending on oncology medicines – including therapeutic treatments and supportive care – reached the US$100 billion threshold in 2014, even as the share of total medicine spending of oncologics increased only modestly.

Growth in global spending on cancer drugs – measured using ex-manufacturer prices and not reflecting off-invoice discounts, rebates or patient access programs – increased at a compound annual growth rate (CAGR) of 6.5% on a constant-dollar basis during the past five years. Oncology spending remains concentrated among the U.S. and five largest European countries, which together account for 66% of the total market, while the rising prevalence of cancer and greater patient access to treatments in pharmerging nations continues to grow and now accounts for 13% of the market.

Targeted therapies have dramatically increased their share of the total global oncology spend, rising 14.6% CAGR during the past five years with steady increases across all regions. At the same time, payers and national health systems have intensified their scrutiny of the value of these medicines relative to their incremental benefits over existing treatments, with cost effectiveness assessments frequently resulting in limited patient access to these drugs. Access and reimbursement issues are likely to become more complicated in coming years as individual and combination oncology medicines address multiple cancer types and patient populations with varying dosage and clinical value. "The increased prevalence of most cancers, earlier treatment initiation, new medicines and improved outcomes are all contributing to the greater demand for oncology therapeutics around the world," said Murray Aitken, IMS Health senior vice president and executive director of the IMS Institute for Healthcare Informatics. "Innovative therapeutic classes, combination therapies and the use of biomarkers will change the landscape over the next several years, holding out the promise of substantial improvements in survival with lower toxicity for cancer patients."

The report found that the global oncology market continues to experience steady growth. The global market for oncology drugs, including those used in supportive care, increased 10.3% in 2014 and reached US$100 billion, up from US$75 billion five years earlier. The compound annual growth rate in spending over the past five years has been 6.5% globally on a constant exchange rate basis. Growth in the U.S. has risen more slowly at 5.3% CAGR, reaching US$42.4 billion in 2014. Oncology drug spending has risen slightly as a percentage of total drug spending over the past five years in all regions, most notably in the EU5 countries where oncology now represents 14.7% of total drug spending, up from 13.3% in 2010. Within the U.S., the increase has been more modest, rising

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In Brief . . .

- **McKesson** reported a 19% increase in revenue, to US$44.9 billion, for its 4th quarter ended March 31st and revenues of US$179 billion (+30%) for the full year. International distribution and services revenue, including the Celesio business reached US$5.9 billion for the quarter and US$26.4 billion for the year (+3% and +5 %, respectively).
- Pharmaceutical wholesaler and healthcare service provider **PHOENIX group** (Germany) plans to acquire **Novodata**, a leading Hungarian pharmacy software developer for an undisclosed sum. The move, if approved by regulators, is in line with the company's objective of being the best integrated healthcare provider, wherever it is active.
- Japanese wholesaler **Toho Holdings** announced that *Hiroyuki Kono* will be named as its next chairman, filling a vacancy in the post which has existed since 2013 when then chairman *Takaaki Matsutani* stepped down to become a senior advisor. In line with this, Mr Kono will resign as president of Toho Pharmaceutical effective on June 12, and will be succeeded

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The Rise of Retail Healthcare Clinics and Telehealth in the US

(Source: An article prepared by Antoinette Alexander and published by Drug Store News)

Retail health clinics are now a part of the U.S. healthcare landscape with the potential to become a much more powerful enabler of a "culture of health," according to a recent report by Manatt Health, the health care division of Manatt, Phelps & Phillips.

The report, titled "Building a Culture of Health: The Value Proposition of Retail Clinics," examines the potential value proposition of retail clinics. It was guided by an advisory committee, and informed by published research and interviews with 20 retail clinic experts and stakeholders. According to the paper, prepared for the Robert Wood Johnson Foundation, the number of retail clinic sites increased in the US by almost 900% between 2006 and 2014, from 200 to 1,800, and the number of visits increased sevenfold from approximately 1.5 million to 10.5 million in 2012, representing upwards of 2% of primary care encounters in the United States.

"Demand for convenient access to care for low-acuity, time-sensitive conditions or routine preventive services has been fueling clinic growth. The vast majority of clinic users reported that the primary purpose of their most recent clinic visit was the diagnosis and treatment of a new illness or symptom, followed by vaccinations and prescription renewals," the report stated. The report also noted that telehealth [distant healthcare services] has the potential to reduce cost and improve both access to care for rural and underserved communities and support treatment of patients with acute and chronic conditions at retail clinics and beyond as live telehealth consulting services can be used to extend

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to 11.3% from 10.7% over the same period. Targeted therapies now account for nearly 50% of total spending and have been growing at 14.6% CAGR since 2009.

The strong pipeline of medicines in clinical development include new "immuno-oncologics" that hold out the promise of improved survival with lower toxicity for some patients, as well as combination therapies that can address multiple pathways in a tumor, potentially leading to substantial increases in survival. Patient access, however, to cancer drugs varies across all markets. The availability of new oncology medicines varies widely across the major developed countries, with patients in Japan, Spain and South Korea having access in 2014 to fewer than half of the new cancer drugs launched globally in the prior five years. In pharmerging markets, availability of newer targeted therapies remains low but is increasing. Even among wealthy countries, new drugs may not be reimbursed and, as a result, will only reach a very small number of patients. Average therapy treatment costs per month have increased 39% in the U.S. over the past ten years in inflation-adjusted terms. Over the same period, patient response rates have improved by 42% and treatment duration has increased 45%, reflecting improved survival rates.

Within the U.S., patient out-of-pocket costs have risen sharply for intravenous cancer drugs, increasing 71% from 2012 to 2013, reflecting changes in plan designs and increased outpatient facility costs.

The study – *Developments in Cancer Treatments, Market Dynamics, Patient Access and Value: Global Oncology Trend Report* – is a comprehensive review on the current and future clinical landscape, marketplace dynamics for oncology-related pharmaceuticals, and patient access to medicines and their value. The full version of the report, including a detailed description of the methodology, is available at www.theimsinstitute.org.

U.S. Generic Prices on the Rise

(Source: an article prepared by Richard Monks and published by Drug Store News)

The dramatic increase in the price of generic drugs in the U.S. last year is expected to continue for the rest of 2015 and even into next year, according to those who closely monitor the market.

Financial analysts and other industry watchers stress that the rate of inflation and the number of price hikes will likely be slightly below the nearly 400 increases in 2014 that resulted in overall costs rising more than 6%.

A Morgan Stanley report released in January put the generic inflation rate at between 5% and 6% for the next 12 months to 18 months. The same issues that led to last year's spike in prices — increased demand, short-term market exclusivity for some new single-source generics and higher manufacturing and raw materials costs — have not gone away, industry watchers said. In addition, increased regulatory obstacles, consolidation and the increasing complexity of generic drug production also are expected to drive up prices going forward.

Some said they expect the ongoing generics inflation could lead retail pharmacies to rethink the way they market these products. A report earlier this year by The Lockton Benefit Group, a provider of employee benefits to companies around the world, predicted that some of the highest-priced generics will begin to disappear from community pharmacies' low-cost drug lists.

"Some PBMs are even recommending moving certain generics into a higher co-pay tier," the report said. While the spike in the price of generics has provided many pharmacies with higher top-line growth, it also has driven down bottom-line profitability and led consumers and plan payers to shy away from some generics.

"Overall increases in the amounts we pay to procure generic drugs ... could have a significant adverse effect on our profitability," a spokesman for Walgreens Boots Alliance said. "In addition, our gross profit margins would be adversely affected by continued generic inflation to the extent we are not able to offset such cost increases." Like other community pharmacies across the U.S., Walgreens said it is hoping to combat the price hikes through changes in its procurement procedures and revamped contracts with suppliers and payers.

Rise of Retail (cont.) . . .

the scope of patient consultation, diagnosis and treatment services.

Researchers noted, however, that there are several hurdles to overcome such as scope-of-practice rules that constrain services in many states and a lack of government reimbursement. Researchers also noted, for example, that Medicare [the US insurance program for the elderly] only covers reimbursement for telehealth in limited settings, and never in retail clinics.

"Retail clinics are businesses operating on thin margins, and like any other low-margin business, they must pay close attention to reimbursement for the services they provide and the direct and indirect revenue they generate for the retailer. And while retailers, health systems and payers recognize the impact of social determinants on health outcomes, most have not yet embraced initiatives that help improve population access to in-store offerings and public programs that address their non-clinical needs. These are weighty challenges; if retail clinics overcome them, they have the potential to become a much more powerful enabler of a Culture of Health," the report stated.

In Brief (cont.). . .

by *Hiromi Edahiro*, board member and deputy head of the Administrative Division.

- **IMS Health** has acquired **Dataline Software**, a UK-based leader in big data analytics for healthcare, to extend its technology-enabled Real-World Evidence (RWE) platform and accelerate delivery of integrated clinical and cost-of-care insights for assessing value and performance.
- In what is being called as a groundbreaking event, the **World Health Organization** added some of the newest drugs for cancer, hepatitis C and TB to its *Essential Medicines List* (EML). While the decision is a welcome one, as it will help to improve access worldwide to products with clear clinical benefits, it comes with a caveat that pharmaceutical companies will have to heed: some of these drugs are very expensive, and one way or another their prices will have to come down.
- Global beauty sales, currently at nearly US$400 billion market, is on the verge of explosive growth from emerging markets, according to a new report but the industry may be in flux as consolidation and technology disrupt channels of distribution.

(Sources: Drug Store News, IMS Health, Pharma Japan, Pharma Times, PHOENIX Group and Scrip)