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Philippines Pharma: All set for continuous growth

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The pharmaceutical industry in the Philippines has been seeing stable growth for the past decade, and it looks set to continue.

Though the market stood at $4.3 billion in 2013, several recent and incoming changes could enable the sector to reach approximately $8 billion by 2020 (Oxford Business Group). The increase is linked to various factors, including the government's intervention in price control, growing acceptance of generic drug variants, increasing population and growth in the annual family expenditure for drugs and medicines.

The Philippines is the 11th most attractive pharmaceutical market in the Asia-Pacific region and the third-largest pharmaceutical market in ASEAN, after Indonesia and Thailand. The country's pharmaceutical industry is projected to grow by 4.5 per cent annually over the next five years reaching P164 billion in 2018 from P146 billion in 2014 representing the value output or production of industry, including research based pharmaceutical and generic companies, according to IMS Consulting for the Pharmaceutical Healthcare Association of the Philippines (PHAP). The Filipino pharmaceuticals is one of the fastest growing industries in the country and has grown year to year. Of the world's Top 20 pharmaceutical companies, over 14 have manufacturing facilities in the Philippines. Business registration in the pharmaceutical industry in the Philippines is a growing and expanding financial opportunity too. The pharmaceutical manufacturing sector ranks is listed in the top 22 per cent of the 240 sectors in the Philippines.

"The Philippines is growing in so many ways; with one of the youngest populations in Asia, rapidly increasing income and the 'middle class', foreign investment and business investment in outsourcing and technology operations, and a large amount of overseas Filipino workers paying contributing large amounts to GDP from across the globe. The shift has been made from infectious disease to non-communicable disease; with diet, alcohol and low exercise causing heart disease and other conditions to grow rapidly. Healthcare products and medicines are in demand in the Philippines, but the cost and availability in an out-of-pocket market means many products are out of geographical and financial reach for many", says Dr Edward Booty, CEO, Allied World Healthcare, the Philippines.

The Philippines has a higher utilization rate of lower-cost generics than other Asia-Pacific countries with comparable GDPs. Generic medicine prescriptions by physicians has also increased by 7 percentage points since 2011 (from 66 per cent in June 2011 to 73 per cent in June 2014) enhancing patient access to medicines.

The government's bulk procurement of pharmaceutical products has also helped bring down prices of medicines to Filipino patients.

Changing manufacturing scenario

Foreign drug companies account for over 75 per cent of the pharmaceutical market. Some of the biggest foreign drug companies in the Philippines are Sanofi, Pfizer and GlaxoSmithKline. It is also seen that there has been a huge growth in generic drugs made by domestic and foreign pharmaceutical companies in the Philippines. The fastest growing companies include Novartis' generic arm Sandoz, Taiwan's Orient Europharma (OEP) and Getz Pharma of Pakistan. In total, there are more than 500 drug traders, 700 drug importers, and 5,000 drug distributors in the Philippines.

Over the years, the MNCs which had manufacturing plants in the country closed down their facilities, and began to import from corporate production centres abroad, or turn to local contract manufacturers. At the moment, only few pharmaceutical multinationals have manufacturing facilities in the Philippines. However, the ones with manufacturing plants find it cost-efficient to produce in the country. GlaxoSmithKline is one example which has sustained its manufacturing in the Philippines.

"The importation of medicines (and other goods) has been traditionally challenging in the Philippines, but a number of reforms are underway to streamline and improve this process. Manufacturing in-country is a request many countries make to improve the number of high quality, local jobs – but a pharma manufacturer cannot fully decentralize their operations as that would remove economies of scale, and thus strategic choices will have to be made for global pharma as to whether the market size, improved government relations, and potential reduction of logistics and taxation costs would make economic sense overall", comments Dr Booty on the changing Filipino scenario.

While many multinationals abandoned the Philippines, the local manufacturing industry became livelier. The number of laboratories declined over the years, as many were not able to cope with technological advancement and increasingly stringent requirements, but the ones that survived are Good Manufacturing Practices (GMP) compliant and at par with the latest technologies.

In the same haste, pharmaceutical companies in the Philippines also undertake various activities in the course of their business operations, which require the use of IPR. As part of their worldwide R&D, originator companies are conducting clinical trials in the Philippines in an increasing number, such that the Philippines is now ranked third in South East Asia, next to Thailand and Singapore in terms of the number of pharmaceutical industry sponsored clinical trials, according to *KPMG Report.*

Government Initiatives

The Philippines government has doubled its efforts in improving the pharmaceutical market. This increased intervention under the universal health care initiative and a growing acceptance of generic drugs has caused a shake-up in the sector. Adding up to the complexity, optimistic growth forecasts indicate a huge potential for the private sector.

Talking about the various initiatives taken by the Philippines government in the pharmaceutical sector, Dr Booty says, "The Philippines government grew their 'Health for All' programme over the past few years, with various programmes to improve digital services, deploy medical workers to rural areas, create integrated 'Service Delivery Networks' and combat a number of other health challenges. The pharma sector has seen a number of innovations, ranging from ePharmacy ordering, to local health data innovations, to cross-pharma access programs in lower-income communities. Novartis and Allied World Healthcare are pioneering community healthcare access models and financing schemes, helping connect communities to essential healthcare support."

Some of the initiatives taken by the Filipino government are:

- BnB Project- The Philippine government established Botika ng Barangay with the aim of increasing the accessibility to health care products to people in rural areas where prices are 50 – 70 per cent cheaper compared to leading brands. Botika ng Barangay refers to a drug outlet managed by a legitimate community organization (CO or non-government organization (NGO) and/or the Local Government unit (LGU), with a trained operator and a supervising pharmacist. This provides primary, non-prescription generic drugs listed in the Philippine National Drug Formulary (PNDF) and selected prescription drugs are sold/made available.
- Republic Act A 9502: Cheaper Medicine Act- The Philippine Government in 2007 created RA 9502 with the intention to achieve better health outcomes for Filipinos by assuring that quality medicines are accessible and affordable to as many Filipinos especially the poor.

The law and its implementing Rules and Regulation intend to make medicines more accessible and affordable to Filipinos by enforcing provision that improve market competition, availability, contain costs, improve health care provider and consumers behaviour, and when instances so require, even regulate prices.

Demanding Generics

The Philippines is a prescription-driven market, where patients put utmost trust in their physicians—the doctors' non-endorsement of generics, derived from a limited promotional effort by the generics players, hampered the sector's development.

In line with the government decision to amend the National Health Insurance Act, making it mandatory for all Filipinos to be covered through PhilHealth (the national insurance body) reform has also affected the pharmaceutical industry with a heightened overall demand for drugs. Generic drugs in particular received a considerable boost from PhilHealth, as patients and hospitals have become focused on maximising the value of the government allocation of funds for each particular treatment. While doctors previously shied away from prescribing generic drugs in favour of branded drugs, new laws have made it mandatory to offer generic drugs in public hospitals. While a preference for the branded drugs remains, the cost savings of the generic variants and improving quality means that the sector will likely see a shift towards their usage.

In addition, a benefit extension in 2014 under Philippine Health Insurance Corporation (PhilHealth) to cover catastrophic diseases has increased demand for new drugs, both branded and genetic. Transparency has improved with drug reference pricing now available for public viewing on the Department of Health website, a result of better coordination between PhilHealth and the National Centre for Pharmaceutical Access and Management.

Through RA 9502 (The Cheaper Medicines Act), there has been an increase in drug outlets devoted in selling generic medicines. This approach has also helped expand the availability and affordability of medicines to all socio-economic groups.

Looking forward

The entire pharmaceutical industry in the Philippines is now waiting to see how the market will further evolve. Because of the economic and population growth, the Philippines market is one of the most attractive in ASEAN. The competitive dynamics has transformed the sector, and further growth will soon follow as the government seeks to achieve universal healthcare.

In view of the latest regulatory changes, Dr Booty says, "Most notably, the Philippines government is currently in the process of approving their Universal Healthcare policy that will see a basic level of healthcare available for all Filipinos in the future, as well as efforts to digitize previous paper pharmacy records to improve ability to do data analysis. Many regulations are being reviewed and are evolving over time. Larger corporates internationally are becoming involved in the market (such as Fullerton Healthcare, and the World Bank's International Finance Corporation deploying capital in the Philippines). Large conglomerates within the country are also pivoting towards healthcare, such as Ayala Group forming Ayala Health; and Globe Telecom pushing KonsultaMD (a telephone-based health support channel)."

In summary, the pharmaceutical sector is a vibrant fast-growing industry that contributes significantly to the Philippine economy not only in terms of value-added but more importantly in terms of generating much needed employment. The industry players are diverse; they consist of few giant establishments and numerous small producers/traders. Formulating policies therefore must take into consideration how each player may be affected by policy issuances.

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Growth drivers in the Philippines pharmaceutical industry

- Heavy protection for patents and trademarks under the Intellectual Property Code of the Philippines
- Strategic location to invest with business
- Focus on generic drugs for better access to all
- Increase in importation, averaging at 11.34 % from 2005 to 2010
- Increase in population
- Growth in the annual family expenditure for drugs and medicine
- Total family expenditures for drugs and medicines continue to grow annually
- Steady increase of government and private hospitals, as well as medical practitioners