

SECTOR:
LIFE SCIENCES & HEALTHCARE

SECTOR OVERVIEW:
OCTOBER 2012

Welcome to the UKIBC quarterly report on Life sciences & Health care. The goal of this report is to provide a roundup of the happenings in healthcare, pharmaceutical and biotechnology industries. We provide insights on happenings in the marketplace, collaborations between UK and India, and case studies of companies that have succeeded. For those who are following our sector views, we are cycling through a variety of areas that come under the sub sectors in these industries and providing you with articles that we hope are informative, and which touch on the types of opportunities that we are seeing.

UKIBC Update

In the first week of July, UKIBC and the Association of British Healthcare Industries (ABHI) worked together to hold a seminar on the healthcare opportunities in India. The speakers included our Chair, Rt Hon. Patricia Hewitt, Mr George Kennedy, President of ABHI and Chairman of Eschmann Holdings Ltd, Jo Pisani of PricewaterhouseCoopers LLP, Philippe Auclair, Senior Director, Regulatory Strategy and Advocacy, Abbott Vascular International and Inderjit Sidhu, Director of Strategic Planning of Smith and Nephew. Attended by over 70 people, it was a lively and interesting session that was given excellent feedback by participants. *For details of the event, please see the [report](#) we published.*

In September, we hosted a meeting with Maju Jacob, the Healthcare Specialist for UKTI based in Mumbai when he was on a visit to the UK. This was attended by several of our lifesciences & healthcare members.

MARKET UPDATE

MARKET UPDATE: INDIA

Government Healthcare

The first section of our market update is devoted to some of the key Government of India healthcare initiatives where the plan now is to increase healthcare spend to 1.95% of GDP. An understanding of this helps set the context for the state of India's healthcare and therefore the areas that offer opportunity. In India, health is primarily an out of pocket expenditure and about 40 Million people go below the poverty line every year because they have had to support someone in their family who incurred major health expenditure. The "bottom of the pyramid" in rural India cannot afford healthcare are in tremendous need for more considerable support in the healthcare system.

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Universal Health Coverage (UHC)

In this last quarter, there has been considerable debate and controversy on the Universal Health Coverage (UHC) of the Government of India. To provide a context to what has been happening, we need to start with what UHC was supposed to have been. The Planning Commission of India, under approval by the Prime Minister, constituted the High Level Expert Group (HLEG) on UHC in October 2010. The HLEG was mandated to develop a framework to provide easily accessible and affordable health care to all Indians and to suggest a 10-year strategy going forward. They submitted their report in November 2011. According to the report, Universal Health Coverage is defined as *“Ensuring equitable access for all Indian citizens, resident in any part of the country, regardless of income level, social status, gender, caste or religion, to affordable, accountable, appropriate health services of assured quality(promotive, preventive, curative and rehabilitative) as well as public health services addressing the wider determinants of health delivered to individuals and populations, with the government being the guarantor and enabler, although not necessarily the only provider, of health and related services.”* The full report can be accessed here (<http://uhc-india.org/>). The report covered a number of subjects including access to medicines, vaccines and technology, human resources, health service norms.

However, in the 12th 5-year Plan, the Planning Commission proposed to switch to a “managed healthcare network” model in which public and private hospitals may have to compete with each other for patients. According to the Planning Commission, the government’s primary healthcare function would be limited to essential interventions such as immunization, antenatal care and disease-control programmes, leaving clinical services to the managed-care model. The government’s role will in effect diminish from providing health services to managing the network. This has been rejected by the Ministry of Health as well as many of the members of HLEG who created the original report. According to Dr Srinath Reddy who led the HLEG, “We have to ensure the public sector remains committed to providing quality healthcare without chasing money in any and every manner. We need to develop a model of UHC wherein the private sector will assist the public sector in serving a public purpose rather than privatising the delivery of public sector healthcare,”

This is the basis of the controversy that is causing much of the debate. However, one of the recommendations by the HLEG which is to increase availability of essential medicines through the public health system is being rolled out as can be seen in the next section.

Free medicines

The Indian Health Ministry intends to make available free medicines to all at public health facilities across the country from November 1 2012 . So it has put in place a \$5.4 billion policy to do this, alongside a ban on branded drugs that will potentially cut Big Pharma out of the windfall. In this ambitious project, the Health Ministry intends to earmark a budget annually under the proposed National Health Mission (NHM) for supplementing the states' resources under the scheme. The government will provide free generic medicines to all patients coming to public health facilities - from primary and community health centres to district hospitals and medical colleges. So this project is expected to provide 52% of the population with free drugs by April 2017. (Patients going to private clinics will still pay for their drugs.) While the Centre will supplement the states' efforts, the Health Ministry is mandating that besides creating a list of generic medicines, states should prepare standard treatment guidelines and evolve a system of procurement.

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This is one of the first momentous investments that India has made into healthcare as it begins its significant overhaul the healthcare system in India.

National Rural Health Mission

One of the other major thrusts of the Government of India is the *National Rural Health Mission*, which relates health to determinants of good health, eg, nutrition, sanitation, hygiene and safe drinking water. It also aims to mainstream the Indian systems of medicine to facilitate health care. According to the NRHM Mission, they will increase public expenditure on health to: reduce regional imbalance in health infrastructure; pool resources; integrate organizational structures; optimise health manpower; decentralise management of health programmes; increase community participation and ownership of assets; induct management and financial personnel into the district health system; and operationalise community health centers into functional hospitals that meet Indian Public Health Standards. The mission has a special focus on 18 states - Arunachal Pradesh, Assam, Bihar, Chhattisgarh, Himachal Pradesh, Jharkhand, Jammu and Kashmir, Manipur, Mizoram, Meghalaya, Madhya Pradesh, Nagaland, Orissa, Rajasthan, Sikkim, Tripura, Uttarkhand and Uttar Pradesh. Whilst initially planned for a 7-year period between 2005-2012, the results have made significant improvements to healthcare indicators. So this is intended to be carried out for another five years till 2017.

Pharmaceuticals

In the light of the Indian Government initiatives above, there is an impact on the pharmaceutical sector. One is that the market for generics in India will get another boost. The second is that the Indian Government is to create applications to make the public aware of the cheaper alternates. Finally, it shouldn't be surprising that Indian pharma companies are therefore becoming some of the world's fastest growing in the sector.

Generics

The gulf between the cost of branded drugs and generic alternatives is often vast. Therefore the question of affordability is a major issue for people in poverty. In 2010, 90% of drug sales in India were from generics. India produces 80 percent of the AntiRetroVirals (ARVs) purchased with donor funds globally. The government initiatives will result in a further boost to the manufacture and sales of generics in India.

Indian pharma companies - world's fastest growing companies

Fuelled by the domestic demand for generics, three out of the top 10 fastest-growing generic companies globally are now from India (Glenmark Pharma, Dr Reddys and Sun Pharma). This is also an indication of their manufacturing processes, innovation and marketing muscle at a global scale. Pharma companies are taking advantage of the blockbuster drugs which are losing patent protection, and have already raked in millions of dollars by introducing their generic versions. As an example, Ranbaxy achieved huge revenues from sales of generic Lipitor and Dr Reddy's launched generic versions of blockbuster drugs Zyprexa and Plavix.

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Raising public awareness on cheaper drugs

The Indian government (Department of Pharmaceuticals) is planning to introduce a short messaging service (SMS) to inform patients of providing information about affordable alternatives to medicines prescribed by doctors. The details are still being worked out, but the intent is to raise awareness among patients of cheaper options.

MARKET UPDATE: UK

Healthcare UK

Healthcare UK is a newly formed unit designed to bring about a step change in the exploitation of UK expertise in public and commercial healthcare sectors with countries across the world. This is jointly sponsored by UK Trade & Investment and the Department of Health. This unit acts as a matchmaking agency, using UKTI's overseas network of trade teams, to help governments and others who want to work in partnership with NHS bodies and other healthcare providers in the UK. The unit is expected to be quite small with only around eight people and the official launch date has been given as first half of 2013.

According to Health Minister, Lord Howe, "Originally, the focus was on how can the NHS sell its intellectual property and its systems overseas and also develop philanthropic benefits abroad, but this focus has now widened - the opportunity runs much wider than the NHS". Officials hope that the NHS brand would get a slice of the growing private health sector in India, where many British patients travel for affordable health services.

MARKET OPPORTUNITIES

In the last quarter, some of the specific market opportunities in India that we have become aware of include:

1. Sourcing instruments for cardiothoracic surgery
2. Distributors in India who are keen on distributing cardiac disposables
3. Distributors in India who would like to distribute and support medical equipment from the UK
4. Healthcare at Home providers to providing primary care , post hospitalisation care and end of life care through technological expertise
5. CRO organisations who can start services in India
6. The government of West Bengal is looking to construct 32 multi speciality hospitals. They are looking for partners in creating these hospitals which will be awarded through competitive bidding.

If any of these opportunities are of interest, please contact Priya.kurien@ukibc.com for more details.

From the happenings in the market, some of the other opportunities include setting up of primary healthcare services across the country. These can be either focused on urban centres or focused on the rural and bottom of the pyramid

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population to provide affordable healthcare options. Affordable medical devices that can support rural healthcare are also opportunities to be tapped.

CASE STUDY - OMEGA DIAGNOSTICS

Located in Scotland Omega Diagnostics Group is an AIM-listed public company on the London Stock Exchange. Formed in September 2006 when Omega Diagnostics Limited completed a “reverse acquisition” of an AIM-listed cash shell company called Quintessentially English PLC, the Group now provides high quality In vitro Diagnostic (IVD) products for use in hospitals, blood banks, clinics and laboratories in over 100 countries and specialises in the areas of allergy, food intolerance, autoimmune disease and infectious disease.

As part of its plans to tap the potential market in India, Omega Diagnostics established a subsidiary in India in 2011. According to Omega Diagnostics "India in particular has been one of the largest global markets for the group for many years and as such, having the right channels to market in place ahead of launching allergy tests is key. Having a direct presence will enable us to retain control over the supply chain of allergy products to end-users but will also act as a resource that can provide distribution to other companies' products that could provide near-term benefits."