Healthcare in Russia: Trends and Prospects
Import substitution and Innovative development of Russian Pharmaceutical Industry

Alexander Bykov, Market Access, Servier, Russia
ISPOR, Paris, October 27, 2009

Strategic imperatives till 2020:
Improve Healthcare Services and Develop Domestic Industry

Goals
- Improve life expectancy, provide access to medicating insurance to 100% population of Russia
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Expected outcomes
- Ministry of Health and Social Development
- Ministry of Industry and Trade
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Ministry of Health and Social Development
- Improve access to treatment
- Elevated quality of medical services
- Established proactive healthcare system, oriented on prophylaxis and early detection of diseases and outpatient therapy
- Changed role for the private medical services and insurance

Pharma2020 Concept
- New medicines trade balance: elevate the market share of domestic generic and original products
- Favorite domestic production of medicines
- Stimulate innovative local pharmaceutical industry
- Increase investments in technology and R&D

Pharma 2020

Key objectives of the Strategy for Pharmaceutical Industry Development in Russia until 2020

- To improve the nation’s health indicators and reduce working-age population mortality
- To implement innovation-based modernization of the national pharmaceutical industry in order to provide the population with advanced highly effective medicines

Russian Healthcare Priorities

The key objective of the Russian healthcare system is to provide the population with advanced highly effective medicines

“However, another thing is evident too: Our industry today is just not ready to meet this. The industry is still largely oriented to the non-diversified outdated product range, and makes import ‘generics’ from the substances purchased abroad.”

RF President, Dmitriy Medvedev, Economy Modernization and Technological Development Commission Meeting at Pokrov, 31 August 2009

National Healthcare Priorities

- Priorities of the ‘Zdorovye’ (‘Health’) National Project remain unchanged, and funding of the project will not be reduced.
- The key objective of the Russian healthcare system is to provide the population with medicines.

“I think we made fairly effective steps in the recent time to put everything here in order, albeit the crisis had an adverse impact, because we ensure only some 30% of Russian pharmaceuticals on the market, and 70% of pharmaceuticals are imported.”

RF President, Dmitriy Medvedev, Interview to Mass Media, May 2009

Concept of the Strategy for Development of Domestic Pharmaceutical Industry for the Period through 2020 (Pharma’2020)

- The concept pillar – transition to an innovation model of the pharmaceutical industry development.
- Objectives:
  - at least 50% of total pharmaceutical output should be domestic products in value terms by 2020.
  - At least 80% of products must be under patent protection.
- Provision is made for preferences for Russian pharmaceutical manufacturers.
- Experts and market players are unsure about achieving these objectives – enormous investments are required under the aegis the Government.
**Pharma 2020**

- **Stage I**
  - Localization of hi-tech production and development of drugs in Russia (2009-2012)

- **Stage II**
  - Development of the domestic pharmaceutical industry in the Russian market  
  - Substitution of imports by locally produced generics  
  - Purchasing of licenses  
  - Ensuring independent functioning of the national pharma industry

- **Stage III**
  - Development of the domestic pharmaceutical industry in foreign market (expansion)  
  - Development of innovative drugs analogues to patented drugs  
  - Development of innovative drugs to be patented

**Investment Projects: Examples**

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<th>Model</th>
<th>Example</th>
<th>Investment Cost</th>
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<td>Investment in manufacturing facilities in the Russian Federation</td>
<td>Pharmaceutical plant of Servier (France) in Podolsk District of Moscow Region.</td>
<td>Investment volume in this project equal 85 Mio Euro</td>
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<td>“Risk-share” model of investment in R&amp;D</td>
<td>R&amp;D project of CDRI by order of Solvay on the basis of IIHR (Moscow Region, Khimki).</td>
<td>Over $10 Mio</td>
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<td>Purchase of local manufacturers</td>
<td>STADA purchased NIZHPHARM and MakizPharma companies.</td>
<td>About $200 Mio</td>
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<td>Entrance to IPO</td>
<td>IPO of Pharmstandard on London and Russian exchange.</td>
<td>$880 Mio (40% of authorized capital)</td>
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**From Import Substitution to Innovative Modernization of Industry**

“Nowadays it is extremely important for us to encourage business circles to invest in innovative development, modernization of industries and advanced technologies.”

“We very often can hear import substitution thesis in various versions (...) I do not think that import substitution is an end in itself.”

“It is necessary to establish new centers of expertise... to seek new solutions for any of problems, increasing competitiveness of the entire economy.”

*Vladmir Putin, Speech at the Enlarged Meeting of the Board of the Russian Federation Chamber of Trade Industry, 27 May 2009*

**SERVIER in the Russian Federation**

A real trust in the future
Servier’s contribution to Modernization

 Import Substitution for Innovative Essential Pharmaceuticals: 8 original pharmaceuticals are being rapidly localized since 2009, and it is planned to launch another 7 innovative pharmaceuticals.

 Innovation: Servier is the first R&D pharmaceutical company to set up a full-cycle pharmaceutical manufacturing complex that meets GMP standards, and Servier is still the only such company that has done this.

 Know-how Transfer: Servier is a partner of the Russian Federation authorities in the field of provision of medicines and pharmaceutical industry monetization.

Investment Partnership

“...we see and will continue to see those investors, who trusted to us and started to participate in the project in Russia, as strategic partners, and we will provide adequate support to such projects, for these projects are working towards the future of the Russian pharmaceutical industry.”

Viktor Khristenko, Minister of Industry and Trade of Russia, Moscow, April 2009

Modernization of Russian Pharmaceutical Industry

“It is proper time for Servier, one of European pharmaceutical business leaders, to launch manufacture in Russia. Servier’s investment activity in Russia is a good example for all foreign investors, and Serdix is a brilliant example to follow for Russian pharmaceutical companies.”

Nikolay Yurgel, Head of Roszdravnadzor, Moscow, 18 February 2009

“Today we understand the importance of Serdix for both Russia’s healthcare and patients who obtained access to the company’s original products, while the local status of this pharmaceutical manufacturing complex reduces notably the possible impact of currency market fluctuations”

Vladimir Semenov, Minister of Health of Moscow Region, Moscow, 18 February 2009

Main deliverables

 Servier is active in promoting pharmacoeconomic principles in the Russian healthcare practical activities
  - Conferences, seminars, workshops, ISPOR Congress, research activities

 Active participation in the industry associations:
  - ARPM, AIPM, AEB, SPFO, etc.
  - Editorial Board on developing recommendations for implementation of GMP into the Russian pharmaceutical industry

 Servier strategic Partner of the ‘Russia – France’ Year
  - Round Table ‘Prospects for Pharmaceutical Industry Development within Collaborative Efforts’, March 2010, France, Paris
  - Round Table ‘A New Era of Russian Pharmaceutical Industry: Modernization Landmarks’, September 2010, Russia, Sophyino, Servier/Serdix

Health/Pharma 2020 concept

Opportunities for R&D industry

 Opportunities where we can immediately contribute to partnership with Health/Pharma 2020 owners:
  - Sharing best practice at drug insurance programs design in EU countries
  - Bringing expertise to treatment standards concept development and implementation

 “Wild cards” to monitor and shape, if possible
  - Mechanism and amount of drug insurance program funding
  - Pricing approach

 Threats for innovative industry
  - Growth of insurance coverage from 10% to 100% of country population is provided by moderate increase at HC investments from 3.5% to 5.3% GDP; therefore:
  - Price pressure
  - Protectionist policy with cheap drugs as a base for coverage