IMS INSTITUTE FOR HEALTHCARE INFORMATICS

News

For Immediate Release

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IMS Institute Forecasts Global Spending on Medicines to Reach Nearly $1.1 Trillion by 2015

Slowing Growth in Developed Markets as Patent Expiries and Policy Changes Take Hold

PARSIPPANY, NJ, May 18, 2011 – The IMS Institute for Healthcare Informatics today reported that global spending for medicines will reach nearly $1.1 trillion by 2015, reflecting a slowing compound annual growth rate of 3-6 percent over the next five years. This compares with 6.2 percent annual growth over the past five years. Lower levels of spending growth for medicines in the U.S., the ongoing impact of patent expiries in developed markets, continuing strong demand in pharmerging markets, and policy-driven changes in several countries are among the key factors that will influence future growth, according to the IMS Institute's new study, *The Global Use of Medicines: Outlook Through 2015.*

"The future level of spending on medicines has striking implications for healthcare systems and policy makers across the developed and emerging economies," said Murray Aitken, executive director, IMS Institute for Healthcare Informatics. "Past patterns of spending offer few clues about the level of expected growth through 2015. There are unprecedented dynamics at play, which are driving rapid shifts in the mix of spending by patients and payers between branded products and generics, and across both developed and pharmerging markets."

In its latest analysis, the IMS Institute identifies the following dynamics:

- **Brands accelerate their decline in share of spending.** While aging populations in developed markets will continue to drive incremental spending on brands, this will be more than offset by the impact of patent expiries. As a result, spending for branded products in developed markets will remain at the same level in 2015 as in 2010. Globally, market share for branded medicines, which fell from 70 percent in 2005 to 64 percent in 2010, is expected to decline further through 2015, to 53 percent. While growth for branded products in the emerging markets will be robust, 80 cents of every dollar spent on medicines in these markets in 2015 will be for generics.
- **Unprecedented level of patent expiries brings "patent dividend" to developed markets.** Expiring patents for branded products will yield $98 billion in net savings to payers in developed countries through 2015, compared with $54 billion in savings realized in the five years to 2010. Patent expiries will save payers $120 billion by 2015, offset by $22 billion of expected generic spending for these medicines. Among developed markets, the U.S. will experience the largest expansion of generic spending, while Japan will continue to have the lowest share despite significant policy incentives to increase generic prescribing and dispensing.
- **Novel therapies address unmet patient needs.** Recent and upcoming launches of new medicines will bring important new treatment options to extend or improve patients' quality of life. These include: oral medications for multiple sclerosis with increased efficacy and patient convenience; two recently launched treatments for arrhythmia that expand therapy options for the first time in decades; treatments for metastatic melanoma that improve survival rates; and the first therapeutic prostate cancer vaccine, a breakthrough advance in personalized medicine.

- **Pharmerging markets approach U.S. levels of spending on medicines.** Over the next five years, the pharmerging markets are expected to nearly double their spending on medicines, to $285-315 billion, compared with $151 billion in 2010. This will be fueled by strong economic growth and governments' commitment to expanded healthcare access. The IMS Institute forecasts that by 2015, the pharmerging markets will become the second largest geographic segment globally in spending on medicines – surpassing Germany, France, Italy, Spain and the U.K. combined, and approaching U.S. levels.
- **Health policy decisions affect spending in the long term.** 2010 policy decisions that will affect spending for medications during the next five years include: the passage of the Affordable Care Act in the U.S., which will expand health insurance coverage to 25-30 million Americans; price controls in China to ensure the sustainability of universal coverage; Japan's first price cut under its new protected innovative products policy; price reductions to generics and off-patent products in Spain and Italy; and mandatory cost-benefit evaluations for new products in Germany. Additionally, rebates and discounts, which are not reflected in IMS audits, are being applied more extensively by public and private payers, particularly in the U.S., France and Germany. The amount of these off-invoice discounts in 2010 is estimated to be $60-65 billion, and will rise to $65-75 billion by 2015.
- **Biosimilars evolve rapidly, but adoption limited.** By 2015, the IMS Institute expects spending on biosimilars to exceed $2 billion annually, or about 1 percent of total global spending on biologics. New biosimilars are expected to enter the U.S. market by 2014, and European markets will see additional biosimilar molecules introduced during this period. This will accelerate spending for biosimilars over the 2010 level of $311 million.

The IMS Institute also identified the leading therapeutic classes in 2015. These include: Oncology, which is expected to remain the leading therapy class but with slowing growth of 5-8 percent as existing targeted therapies already have been widely adopted; diabetes treatments, where spending is forecast to be 4-7 percent, driven by the rising prevalence of the disease and by the uptake of newer oral antidiabetic agents; asthma and COPD treatments, where growth is expected to slow to 2-5 percent; and lipid regulators, where spending will fall to $31 billion in 2015 from $37 billion in 2010.

Said Aitken, “Over the next five years, we’ll not only see total spending exceed $1 trillion, but payers will be managing a significant patent dividend while emerging market governments seek to expand treatment options to more patients. All of this will require that healthcare stakeholders engage in a truly meaningful dialogue as they seek the common goal of increased access, cost reductions and better outcomes.”

To access the IMS Institute report, *The Global Use of Medicines: Outlook Through 2015*, go to http://www.theimsinstitute.org. The study also features additional details related to global country rankings, spending on medicines in the developed and pharmerging markets, and forecast summaries on spending by country.

Analyses conducted for The Global Use of Medicines: Outlook Through 2015 *report are based on IMS audits and include all types of biopharmaceuticals, including biologics, OTC, and traditional medicines distributed and administered through regulated delivery systems such as pharmacies, hospitals, clinics, physician offices, and mail order, where applicable. Spending figures are derived from* IMS Market Prognosis™ *and are reported at ex-manufacturer estimated prices that do not reflect off-invoice discounts and rebates.* IMS MIDAS™, Lifecycle™ R&D Focus, Lifecycle™ New Product Focus, PharmaQuery™ and Therapy Forecaster™ *were also used for assessing worldwide healthcare markets, therapy class and product dynamics and country-level pricing and reimbursement complexities. More detail on information sources is included in the report.*

About the IMS Institute for Healthcare Informatics

The IMS Institute for Healthcare Informatics provides key policy setters and decision makers in the global health sector with unique and transformational insights into healthcare dynamics derived from granular analysis of information. It is a research-driven entity with a worldwide reach that collaborates with external healthcare experts from across academia and the public and private sectors to objectively apply IMS's proprietary global information and analytical assets. More information about the IMS Institute can be found at: http://www.theimsinstitute.org.