IMS INSTITUTE FOR HEALTHCARE INFORMATICS

# News

**For Immediate Release**

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## IMS Study Forecasts Rebound in Global Spending on Medicines, Reaching Nearly $1.2 Trillion By 2016

### *Spending in Pharmerging Markets to Nearly Double while Health Systems in Developed Countries Benefit from Historically Low Spending Growth*

**PARSIPPANY, NJ, July 12, 2012** – Following several years of slowing growth, the global market for medicines is poised to rebound from an expected low point of 3-4 percent growth in 2012 to 5-7 percent in 2016, according to a new forecast issued by the IMS Institute for Healthcare Informatics.

The report, *The Global Use of Medicines: Outlook through 2016,* found that annual global spending on medicines will rise from $956 billion in 2011 to nearly $1.2 trillion in 2016, representing a compound annual growth rate of 3-6 percent. Growth in annual global spending is forecast to more than double by 2016 to as much as $70 billion, up from a $30 billion pace this year, driven by volume increases in the pharmerging markets and an uptick in spending in developed nations.

Additionally, patent expiries, which will peak in 2012, as well as increased cost-containment actions by payers, will constrain branded medicine spending growth through 2016, at 0-3 percent. Developed markets are expected to

experience their lowest annual growth this year, at less than 1 percent or $3 billion, and then rebound to $18-20 billion in annual growth in the 2014-16 period.

"As health systems around the world grapple with macroeconomic pressures and the demand for expanded access and improved outcomes, medicines will play an even more vital role in patient care over the next five years," says Murray Aitken, executive director, IMS Institute for Healthcare Informatics. "The trillion-dollar spending on medicines we forecast for 2016 represents a rebound in growth that will accentuate the challenges of access and affordability facing those who consume and pay for healthcare around the world."

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

- **Health systems in developed economies will experience slow growth in medicine spending.** Spending on medicines in developed nations will increase by a total of $60-70 billion from 2011 to 2016, following an increase of $104 billion between 2006 and 2011. Despite the highest number of patent expiries in history, spending in the U.S. will grow by $35-45 billion over the next five years, representing an average annual growth rate of 1-4 percent, as newer medicines that address unmet needs are introduced and patient access expands in 2014 due to implementation of the Affordable Care Act. In Europe, growth will be in the -1 to 2 percent range due to significant austerity programs and healthcare cost-containment initiatives. The Japanese market for medicines is forecast to grow 1-4 percent annually through 2016, slightly lower than the rate during the prior five years and reflecting biennial price cuts scheduled for 2012, 2014 and 2016. Overall, patent expiries in developed markets will yield a five-year "patent dividend" of $106 billion, reflecting reduced brand spending of $127 billion offset by $21 billion in higher generics spending.

- **Health systems in pharmerging markets will nearly double their medicine spending in five years.** Annual spending on medicines in the pharmerging markets will increase from $194 billion last year to $345-375 billion by 2016, or $91 in drug spending per capita. The increase will be driven by rising incomes, continued low cost for drugs, and government-sponsored programs designed to increase access to treatments – by limiting patients' exposure to costs and encouraging greater use of medicines. Generics and other products, including over-the-counter medicines, diagnostics and non-therapeutics, will account for approximately 83 percent of the increase.
- **Pharma manufacturers will see minimal growth in their branded products through 2016.** The market for branded medicines will experience flat to 3 percent annual growth through 2016 to $615-645 billion, up from $596 billion in 2011. In the major developed markets, branded medicine growth will be severely constrained at only $10 billion over the five-year period due to patent expiries, increased cost-containment actions by payers and modest spending on newly launched products. The pharmerging markets are expected to contribute $25-30 billion in branded product growth over the same period. Off-invoice discounts and rebates will offset about $5 billion of global branded medicine growth.
- **Manufacturers of small molecule generics will experience accelerating growth.** Global generic spending is expected to increase from $242 billion in 2011 to $400-430 billion by 2016, fueled by volume growth in pharmerging markets and the ongoing transition to generics in developed nations. The impact of patent expiries primarily will be felt in the U.S. In Europe, limited savings from expiring patents are prompting policy shifts to encourage greater use of generics and lower reimbursement for these products.
- **Providers will have more treatment options due to additional new medicines being launched.** Global launches for New Molecular Entities (NMEs) will rebound during the next five years, as 32-37 NMEs are expected to be launched per year through 2016. Between 2011-16,

160-185 NMEs are expected to launch, compared with 142 between 2007-11. Innovative therapies to extend or improve patients' quality of life are anticipated for treatment of Alzheimer's, autoimmune diseases, diabetes, and a number of cancer and orphan diseases. Treatments for global priority diseases, such as malaria, tuberculosis and neglected diseases, are expected to improve, although gaps will remain.

- **Biologics manufacturers will benefit from expanding market opportunity.** Biologics are expected to account for about 17 percent of total global spending on medicines by 2016, as important clinical advances continue to emerge from research. Seven of the top ten global medicines by spending will be a biologic within five years. Adoption of biosimilars as low-cost alternatives to the original biologic medicines will remain limited, as biologics remain protected by patents or market exclusivity in many countries.

The IMS Institute report, *The Global Use of Medicines: Outlook through 2016,* including additional findings and details on methodology, is available at www.theimsinstitute.org.

*Analyses conducted for* The Global Use of Medicines: Outlook through 2016 *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™, Market Prognosis™ 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. Developed markets are defined as the U.S., Japan, Top 5 Europe countries (Germany, France, Italy, Spain, U.K.), Canada and South Korea. Pharmerging countries are defined as those with greater than $1 billion in absolute spending growth over 2012-16 and that have GDP per capita of less than $25,000 at purchasing power parity: China, Brazil, India, Russia, Mexico, Turkey, Poland, Venezuela, Argentina, Indonesia, South Africa, Thailand, Romania, Egypt, Ukraine, Pakistan and Vietnam.*

**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 www.theimsinstitute.org.

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