

# CHILE ■ Opportunities and Challenges

Chile is considered to be Latin America's economic powerhouse, but it is a forgotten paradise some say because it is the most politically and economically stable country in Latin America and doesn't generate the headlines of some of its neighbors.

## The Pharmaceutical Landscape

Geographically anchored by the Andes and the ocean, Chile's unique shape and geography play a part in healthcare delivery. When thinking about Chile, it's important to remember its size and geography. Chile's population of 17 million accounts for about one-third of the Spanish-speaking population.

Chile's health indicators, such as life expectancy and infant mortality rates rival those of most developed nations. Chile's pharmaceutical industry, estimated at \$3.12 billion in 2011 and expected to reach \$3.22 billion by 2012, is lucrative but has not always been the most popular among big pharmaceutical companies.

Before 2006, when then President Bachelet began to overhaul the healthcare system with a series of reform policies, Chile was known for producing the least expensive generic drugs in Latin America in violation of international rules regulating IP and bioequivalence studies.

### 2012 Healthcare Expenditure Projections (in US\$)

- » Pharmaceuticals: \$3.22 billion
- » Healthcare: \$19.49 billion
- » Medical devices: \$525 million

Source: Espicom

"Until now, the lack of bioequivalent regulations led to a large generics market, which was in the hands of local companies, but now the government is willing to implement and accelerate the global regulatory norms; and last year created ANAMED — Agencia Nacional del Medicamento — or the National Drug Agency," says Rafael Garcia Pedrosa, emerging markets, Kantar Health. "This new regulatory agency, accountable to the ISP — Instituto de Salud Pública (Public Health Institute) — will discharge an overloaded ISP. In

addition to these changes, because of Chile's economic success over the few last years, a push to modernize the Chilean healthcare system, an increasing demand for innovative treatments, and the country's political stability, we classify Chile as a very attractive market for the pharmaceutical industry."

While efforts are still ongoing, experts say Chile is now poised to offer fresh and attractive opportunities within its own borders and beyond, for local and foreign companies alike.

The Chilean pharmaceutical market is headed by Laboratorio Chile, Recalcine, Andrómaco, Saval, and Bagó.

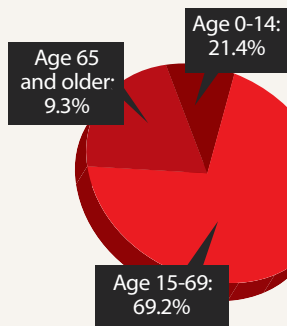
The generics giant Teva acquired Laboratorio Chile. CFR (Corporación Farmacéutica Recalcine) acquired a 50.8% of the Canadian Uman and expanded to the Asian market through the acquisition of an important part of Vietnamese Domesco in November 2011. Bagó is, of course, part of the Argentinean leader Bagó group, while Andrómaco and Saval remain in domestic hand.

"In recent years some domestic companies



**Chile: Demographic Data**

**Population:** 7th most populated country in Central and South America. The average age is 32.8, with a 0.88% population growth rate. Life expectancy at birth is 78 years; Chile is ranked 54th in terms of life expectancy.



have been the target of regional or international corporations; Italfarmaco, the Italian pharmaceutical company, acquired Labomed in 2009 through its Spanish subsidiary," Mr. Pedrosa says. "Volta and Farmaindustria were acquired by Brazilian Eurofarma in 2010; and previously the German Fresenius had acquired Sanderson in 2007."

According to estimates, Chile has a GDP of \$248.59 billion, and a GDP per capita of

\$15,893, which is the highest in Latin America. Among 183 countries assessed by the World Bank in its ease-of-doing-business rankings, Chile ranks 39, Peru 41, Colombia 42, Argentina 113, and Venezuela 177.

According to Espicom's risk/reward rating, Chile ranks seventh out of the 17 countries surveyed, scoring 53.7 out of 100. Espicom expects Chile, which has a favorable rewards profile, to climb up the regional matrix over the coming years as operational risks become addressed. In fourth-quarter 2012, with regard to the country's attractiveness to innovative drug companies, Chile stood above Argentina and Peru and below Mexico and Brazil.

But because Chile only accounts for 3% of the healthcare expenditure in Latin America, it doesn't garner the same attention from as many multinational companies as its larger mega countries neighbors of Brazil and Mexico.

However, there are several multinational companies that do have operations in Chile, including AstraZeneca, Bayer, GlaxoSmith-Kline, Merck, Novartis, Roche, and Sanofi-Pasteur.

"When we look at the market in terms of dollars, although still dominated by generic drugs, niche or biotech producers are more relevant as in the case of Pfizer, MSD, Bayer, Merck AG, GSK, or Roche," Mr. Pedrosa says.

**Chile at a Glance**

**Full name:** Republic of Chile

**Population:** 17 million

**Capital:** Santiago

**Area:** 75,6096 sq km (29,1930 sq miles)

**Major language:** Spanish

**Major religion:** Christianity

**Life expectancy:** 76 years (men); 82 years (women) (UN)

**Monetary unit:** Chilean peso

**Main exports:** Copper, fish, fruit, paper, and pulp chemicals

**GNI per capita:** \$9,400 (World Bank 2008)

**Internet domain:** .cl

**International dialing code:** +56

Source: Taj Pharmaceuticals

**The Healthcare System**

According to Kantar Health, after Argentina, Chile has the second largest relative healthcare expenditure in Latin America, with 8.3% of its GDP dedicated to healthcare, and ranks 52nd in the world. Chile is the most effective country in South America in providing healthcare for its citizens. Combining the public and private sector healthcare coverage is more than 90% of the population.

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## GeoFocus: Chile

All workers and pensioners are mandated to pay 7% of income for health insurance (the poorest pensioners are exempt from this payment). Workers choosing not to join an IS-APRE (private insurance companies), a growing channel for those patients on private coverage in search for better treatments, are covered by Fonasa. Fonasa also covers those receiving unemployment benefits, uninsured pregnant women, the dependent family of insured workers, those with mental or physical disabilities, and the poor or indigent.

Chile has a unique OTC market, which is about 20% of the retail market.

The U.S. Commercial Service reports that according to local Chilean regulations, around 80% of pharmaceuticals should be sold under medical prescription; however, it is not adequately enforced, and therefore self-medication is a common practice in Chile.

The distribution channel is concentrated in three pharmacy chains that together have 93% of the market share. The OTC concept in Chile is different from the one in the United States. There are some 300 drugs that are considered OTC in Chile, which means that a medical prescription is not needed to buy them, e.g. aspirin, antacid, etc. However, these products are only sold in pharmacies, not in supermarkets aisles as in the United States, and by sales staff behind a counter.

"The OTC market needs to be understood from the perspective that self-prescription is the rule," Mr. Pedrosa says. "Based on some sources, about 70% of medicines are prescribed without a proper prescription. This is mainly caused by the co-payment of the Chilean healthcare system and the low price of branded generics and generics.

"The government is trying to change the OTC drugs legislation to improve access by the lower income population by creating a more competitive framework, and therefore lowering prices," he continues. "But the first

## Key Healthcare Resources in Selected Latin American Countries

	Chile	Argentina	Columbia	Peru	Venezuela
Physicians	17,250	122,623	58,761	27,272	48,000
Physicians per 10,000 pop.	10.9	31.6	13.5	9.2	19.4
Nursing/midwifery personnel per 10,000 pop.	6.3	4.8	5.5	12.0	11.3
Dentistry personnel	6,750	35,592	33,951	3,570	13,680
Dentistry personnel per 10,000 pop.	4.3	9.2	7.8	1.2	5.5
Hospital beds per 10,000 pop.	21	41	10	15	13

All figures are taken from the period from 2000 to 2010, except hospital beds (2000 to 2009)

Source: WHO World Health Statistics 2011 and Kantar Health

attempt to change the OTC legislation was refused by the Congress in April 2012, which voted against the possibility of selling non-prescription drugs in other places than the pharmacies."

## Clinical Trials

According to Kantar Health, Chile and Argentina have become important locations for clinical trials, which are being conducted almost exclusively by multinationals rather than domestic companies. In Chile there are 168 clinical trials being conducted now. The main areas are: breast cancer (nine trials), non-small cell lung cancer (eight trials); rheumatoid arthritis (eight trials); asthma (eight trials); infectious disease (six trials); HIV (five trials); and about 25 other disease categories with four or few trials.

US Commercial Services reports that the demand for new treatments in Chile concentrates mostly around responding to a number of diseases relevant to the population. The

Plan AUGE, enacted in 2005, ensures 80% government-funded healthcare coverage for patients regardless of age, class, and ability to pay having any of the 56 diseases currently deemed most relevant.

According to Kantar Health, the major pathology prevalence are cardiovascular diseases at 25%, respiratory diseases at about 7.5%; and diabetes mellitus at about 5%. And while cancer has less than a 1% pathology incidence it is one of the five main causes of death in Chile in the last five years, followed by circulatory system diseases, endocrine and metabolic diseases, and respiratory diseases, which are decreasing.

Other health data include about 40,000 people with AIDS in Chile, (61st in the world) and the obesity ratio in adults is 21.9% (19th in the world).

Mr. Pedrosa says as Chileans are demanding more innovative approaches to their health problems, pharmaceutical companies and private healthcare providers need to help the public and private institutions improve the access the population has to new treatments.

"For that to be achieved the companies need to understand how to help the institutions have their drugs included in the GES plan — Regime of Explicit Health Guaranties — and improve the physical distribution and buying practices, as CEN-ABAST (Central de Abastecimientos), which is the central buying point, mainly through tenders, for all the national hospitals and other institutions, is undergoing an important modernization to improve its services." **PV**

## Health Expenditure Ratios in Selected Latin American Countries

	Chile	Argentina	Columbia	Peru	Venezuela
Total expenditure on health as % of GDP	8.3	9.5	6.4	4.6	6.0
Government spending on health as % of total health spending	47.4	66.4	84.2	58.6	40.0
Private health spending as % of total health spending	52.6	33.6	15.8	41.4	60.0
Government health spending as % of total government spending	14.6	16.0	17.9	15.3	8.6
External resources for health as % of total health spending	0.0	0.0	0.1	1.0	0.0
Social security health spending as % of government health spending	14.4	59.4	68.0	50.7	30.8
Out-of-pocket spending as % of private health spending	64.6	59.2	50.0	20.4	3.4

Editor's Note: 2009 is latest data available

Source: Kantar Health and WHO



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