

# Stability and Growth Attract Pharma to CHILE

Chile is becoming more attractive to global pharmaceutical companies as the market continues to show strong growth.

**O**ne of the most stable and prosperous countries in South America, Chile has embraced democracy since the dictator General Augusto Pinochet was removed from power in the 1980s.

With a population of 17 million people, Chile leads Latin America in rankings in many categories, including human development, per capita income, and competitiveness as well as sustainability and democratic development. Chile is a founding member of the United Nations, the Union of South American Nations, and the Community of Latin American and Caribbean States.

According to Bloomberg, the Latin American market is poised to grow from about \$73 billion in medication sales at present to \$124 billion in 2018.

Given its strong healthcare system and modern technologies in larger cities such as Santiago, Chile is certainly poised to grow with the market, and global healthcare companies continue to invest there, says Ash Kuchel, global group president, Publicis Healthcare.

## The Pharma Market

According to Mariel Peitiado, senior director of clinical operations for Argentina and head of CSM for Chile, Quintiles, the Chilean pharmaceutical market grew by 7.5% to 8% during the 2008 to 2012 timeframe at the retail level.

While drug coverage varies by insurance system, the use of generics is mandatory, and a large number of generic drugs are marketed.

Ms. Peitiado says the market share of biologics is increasing, and is forecast to increase to 20% of the market by 2017, a 2% increase over 2012. Increased sales of biosimilars are predicted, with the market share projected to rise from the current level of 0.4% to 5% in the next few years.

According to Espicom, in the fourth quarter of 2012 America's pharmaceutical risk/reward ratings (RRRs) matrix, Chile ranks in seventh place out of the 17 countries surveyed, scoring a total of 53.7 out of 100. Analysts at Espicom expect Chile, which has a favorable rewards profile, to climb up the regional matrix over the coming years as operational risks become addressed. Additionally, with regard to the country's attractiveness to innovative drug companies, Chile stands above Argentina and Peru and below Mexico and Brazil.

Pharmaceutical laboratories in the country are grouped in two main associations: CIF (Chilean Pharmaceutical Chamber), which includes leading international pharmaceutical research and biotechnology companies, and ASILFA (Industrial Association of Pharmaceutical Labs), which includes both generics and branded generics manufacturers.

Large pharmaceutical companies are showing a growing interest in the Chilean market. In May, Abbott Laboratories entered into an agreement to purchase Chile's largest generic pharmaceutical company, CFR Pharmaceuticals, in a \$2.9 billion deal.

The agreement established Abbott among the top 10 pharmaceutical companies in Latin

## Chile at a Glance

<b>Total population (2012)</b> .....	17,465,000
<b>Gross national income per capita (PPP international \$ 2012)</b> .....	\$21,310
<b>Life expectancy at birth m/f (years, 2012)</b> .....	77/83
<b>Probability of dying under 5 (per 1,000 live births, 2012)</b> .....	9
<b>Probability of dying between 15 and 60 years m/f (per 1,000 population, 2012)</b> .....	110/56
<b>Total expenditure on health per capita (Intl \$ 2012)</b> .....	\$1,606
<b>Total expenditure on health as % of GDP (2012)</b> .....	7.2

Source: Global Health Observatory

America. CFR currently markets more than 1,000 products and has demonstrated its ability to develop and bring new products to the market quickly.

One of the challenges the market faces generally, however, is a lack of investment in R&D at a government level. In 2012, Chile spent just 0.35% of its GDP on R&D, the lowest level for all countries in the Organisation for Economic Co-operation and Development (OECD). According to an article in the journal *Nature*, science and research

is not well-coordinated at a government level and policies remain unclear. An effort by outgoing Chilean President Sebastián Piñera to move things forward with a pledge to create a science and innovation ministry has been put on hold by the current government.

Another challenge that the government has been working hard to overcome is corruption. Mr. Kuchel says the Chilean government has begun to put more programs and protocols in place to reinvent the country's health-care and public health space over the past two decades.

"In January, after the country's top three pharmacies were found to be fixing the prices of medications and whistle blowers revealed doctor kickback schemes, a bill was signed that would help reform the market and promote trust," he says. "As part of the bill, pharmacies are required to stock more common medications like aspirin on the shelves versus behind a counter, and doctors must also suggest lower-cost or generic medications when appropriate."

### Clinical and Regulatory Climate

In terms of clinical research, Chile presents a positive environment for companies, Ms. Peitiado says.

"With evolving and updated regulations, this market offers the potential to conduct more clinical trials, with competitive regulatory timelines," she says. "The country has qualified investigators with a strong interest in clinical trials at sites in areas with large populations, along with hospitals that are willing to run clinical trials in their facilities. The high quality of Chilean clinical trials has been confirmed by the results of many local Ministry of Health, Food and Drug Administration, and European Medicines Agency inspections."

Those with experience working in Chile say the country's clinical trial start-up processes are among the most efficient in the region.

Ms. Peitiado notes that Chile has a good regulatory environment for registering new drugs, particularly those that have received FDA, EMA, or other country of reference approval.

"New legislation aims to encourage generic drug use in Chile, and this will be an important step to improving the quality of medicines on the market," she says. "The bioequivalence regulations will increase sales of high-quality generics. However, if not adequately enforced, low-quality medicines could proliferate in the market, posing a challenge."

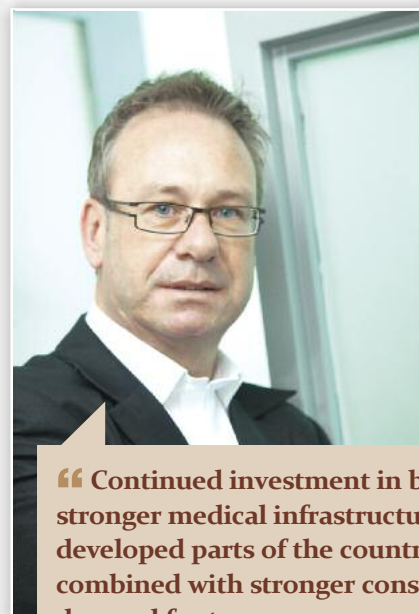
### Healthcare Environment

The two main healthcare systems in Chile



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**MARIEL PEITIADO / Quintiles**



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**ASH KUCHEL**  
Publicis Healthcare

are the National Fund of Health (Fondo Nacional de Salud or Fonasa), which covers 75% of the population, and the private insurance companies, Ms. Peitiado says.

"Fonasa covers employees, who pay 7% of their gross income for coverage for themselves and their dependents; Fonasa also covers people who for any reason do not have an income," she says. "There is also the option of private insurance, for which costs vary, but account for at least 7% of gross income, and coverage is also variable. In both systems, the patient's co-pay for medical care depends on coverage elections."

Ms. Peitiado says under both types of coverage an employee's salary is paid during medical leave. Other plans — Auge (Acceso Universal con Garantías Explícitas) or Ges (Garantías Explícitas en Salud) — cover high mortality pathological conditions.

"These aim to offer medical coverage near the patient's home, offering timely treatment after the initial diagnosis, and with technical requirements for assuring quality, and that co-payments do not exceed 20% of the cost or one month of the family's annual income," she says.

Mr. Kuchel says the decision about whether to opt for Fonasa or private coverage is largely based on income level, with higher-income consumers generally opting for private (ISAPRE) service, which can provide better services and shorter waiting times for appointments and procedures.

Access to medicine depends on the patient's health insurance or ability to pay, with private insurance schemes including specific provisions for biologics, Ms. Peitiado says.

Mr. Kuchel adds that like many emerging

markets, medical care varies city by city and there are still some more remote areas that do not even have a clinic or easy access to a pharmacy.

"Continued investment in building a stronger medical infrastructure in less-developed parts of the country, combined with stronger consumer demand for transparency in the space, make Chile an interesting market to watch," he says.

Because of the mandate for doctors to recommend cheaper generic medications, there is growing attention to prevention and treatment for chronic conditions, such as diabetes and hypertension, Mr. Kuchel adds. Chile also has a growing middle class and aging population.

"Top-selling therapeutics include female contraceptives, non-narcotic pain medications, and anti-depressants," he says. "Top OTC-selling products include sunblock and pain medications."

As with other emerging markets, the vastly different levels of medical care, economic development, and infrastructure across the country make brand preference and consumer education and programming trickier, he says.

"I counsel brands to invest in smaller, targeted campaigns founded on deep research into the infrastructure and more importantly, regional preferences, of the people in different areas," Mr. Kuchel adds. "The different choices of insurance also drive brand uptake and growth, with consumers literally being able to handpick their preference and level of care." **PV**