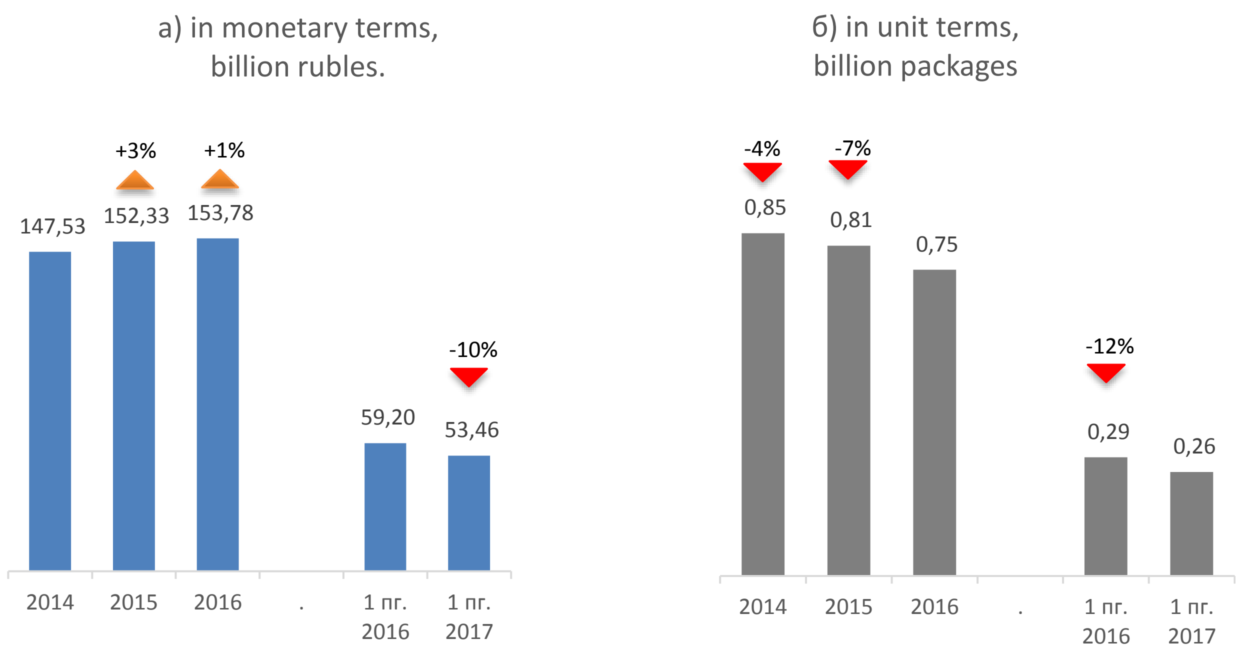
Overview of the hospital segment of the Russian pharmaceutical market in the first half of 2017

Market trends

Based on the results of the first half of 2017, the value of the hospital segment of the pharmaceutical market amounted to 53.5 billion rubles, while its volume reached 0.26 billion packages. Over the past few years there has been a steady decline in the segment in volume and a slow growth in value, which may be close to zero in this year (Figure 1).

Dynamics of shipments in the hospital segment of the Russian pharmaceutical market

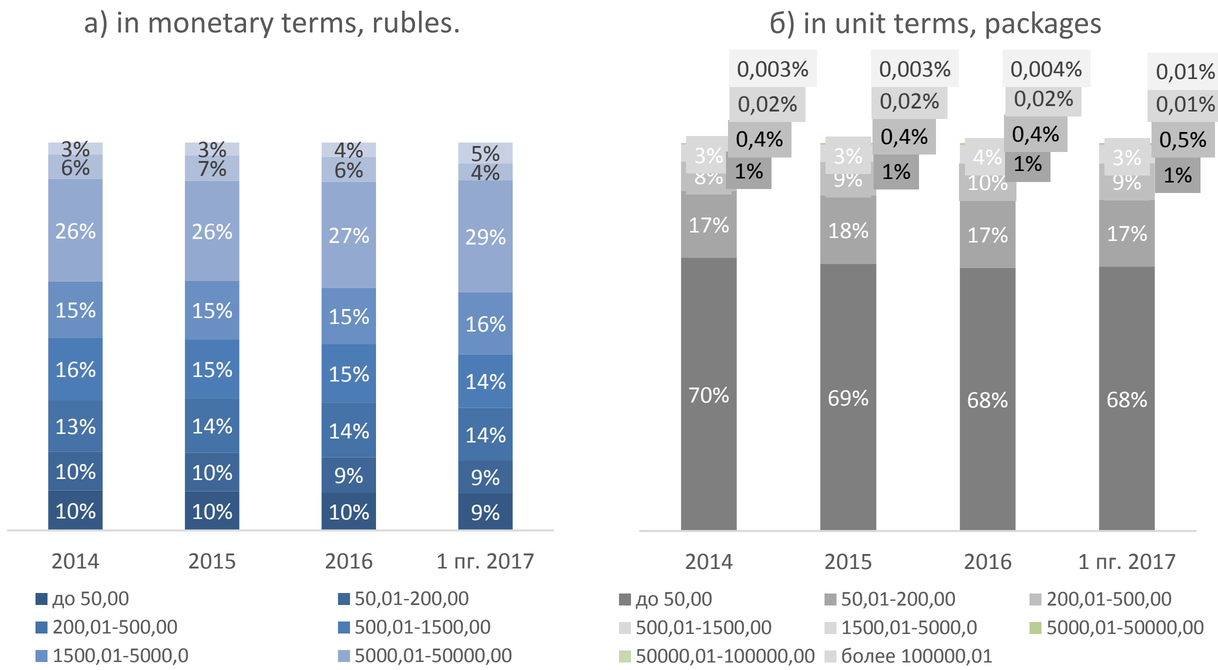


Source: AlphaRM – Audit of the shipments of medicinal products in hospitals in RF

Figure 1

The main resource, due to which the volume of the hospital segment is shrinking, includes the drugs worth less than 50 rubles for a package (Figure 2), including those with INN sodium chloride and dextrose, which are the “top” INN, cumulatively accounting for more than 30% of the market (Figure 3). At the same time, the price segments where a package of drugs purchased by public procurement costs more than 50 thousand rubles are increasing in volume, probably because the program of high-tech care is gradually finding its way into hospitals.

The structure of price segmentation in the hospital segment of the Russian pharmaceutical market



Source: AlphaRM – Audit of the shipments of medicinal products in hospitals in RF Figure 2

Dynamics of TOP-10 INN by volume of shipments in physical terms (pack) in the hospital segment of the Russian pharmaceutical market, 1st pg. 2017/1 st pg. 2016

Source: AlphaRM – Audit of the shipments of medicinal products in hospitals in RF Figure 3

Nearly half of all ATC groups in the hospital segment completed the first half of the year with a range of negative growth results. At the same time, L-antitumor drugs and immunomodulators grew moderately in terms of packages (largely due to the growth of the supplies of the INN cyclophosphamide) and R-drugs for the treatment of respiratory system diseases (the growth was largest in the group of vasoconstrictors for treating runny nose and mucolytics) (Table 1).

ATC groups rating in the hospital segment of the pharmaceutical market of RF, 1st half of 2017

Rating	ATC group		In value, rub. (%) Group's share 1st half 2017	In value, rub. (%) Group's share 1st half 2016	In value, rub. (%) Growth of shipments 1st half 2017/1st half 2016	In volume, packages (%) Group's share 1st half 2017	In volume, packages (%) Group's share 1st half 2016	In volume, packages (%) Growth of shipments 1st half 2017/1st half 2016
1	J	General antiinfectives for systemic use	21.8	21.9	-10	23.6	24.2	-15
2	L	Antineoplastic and immunomodulating agents	21.0	20.0	-5	1.4	1.2	7
3	B	Drugs for blood and blood forming organs	18.8	19.1	-11	35.6	37.7	-17
4	N	Drug for treating nervous system	10.2	10.5	-12	9.9	9.0	-3
5	V	Other drugs	7.5	7.5	-10	3.0	2.5	4
6	A	Drugs influencing the alimentary tract and metabolism	6.5	6.3	-7	7.2	6.8	-7
7	C	Drugs for treating cardiovascular system diseases	3.2	3.5	-17	4.6	4.5	-11
8	R	Drugs for treating respiratory system diseases	2.9	3.0	-11	3.2	2.7	4
9	M	Drugs for treating musculo-skeletal system diseases	2.2	2.4	-15	2.1	2.1	-9
10	D	Dermato-logicals	1.6	1.7	-10	6.8	6.7	-11
11	G	Drugs for treating genito urinary system diseases and sex hormones	1.5	1.4	-2	0.4	0.4	-23
12	H	Systemic hormonal drugs, excluding sex hormones and insulins	1.5	1.4	-5	1.3	1.3	-17
13	S	Drugs for treating sensory organs diseases	1.1	1.4	-25	0.6	0.6	-24
14	P	Antiparasitic products, insecticides and repellents	0.04	0.03	13	0.3	0.2	16
Hospital segment total			100.0	100.0	-10	100.0	100.0	-12

Source: AlphaRM – Audit of the shipments of medicinal products in hospitals in RF Table 1

Ratings

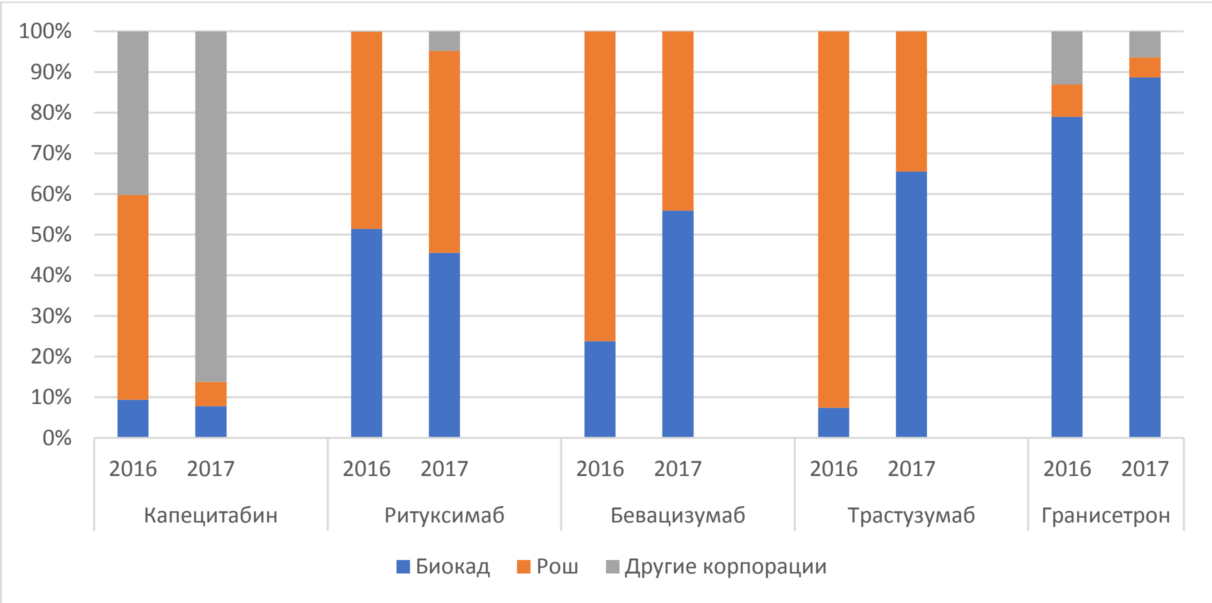
Among TOP-10 corporations, *Biocad* is leading in terms of the value of the increase in shipments, while *Roche* is the leader in the decline (Table 2). *Biocad* confidently outweighs *Roche* over such INN as trastuzumab, rituximab, bevacizumab, granisetron, capecitabine, making it inexorably lose positions in the ranking. With different success rates, *Allegran, Jodas Expo, Reddi's, Laboratory Tutor, Nativa, R-Pharm, Pharmasynthez, Pharm-Synthez, Fresenius* and *Abbott* have participated in the shipments for these INNs, in the first half of 2017, but the undoubted leadership belongs to the competing companies *Roche* and *Biocad* (Figure 4).

TOP-10 corporations by the volume of shipments in monetary terms (rubles) in the hospital segment of the Russian pharmaceutical market, 1st pg. 2017

Rating		Corporation	Share in shipments (%)		Growth in shipments (%)
1st half 2017	1st half 2016		1st half 2017	1st half 2016	1st half 2017 / 1st half 2016
1	1	Abbott	20,2	18,1	- 12
2	5	Biocad	4,5	4,5	38
3	3	Novartis	4,1	2,6	- 18
4	8	Pfizer	3,1	3,4	16
5	2	Sanofi	2,7	2,1	- 35
6	7	Bayer	2,7	3,6	1
7	6	MSD	2,4	2,1	- 11
8	9	AstraZeneca	2,3	2,3	- 14
9	4	Roche	1,9	2,0	- 54
10	18	Takeda	1,7	3,4	20

Source: AlphaRM – Audit of the shipments of medicinal products in hospitals in RF Table 2

Dynamics of shipments of INN, by which the "Rosh" and "Biocad" corporations competed in the 1st pg. 2017 in the hospital segment of the Russian pharmaceutical market, in monetary terms (RUB).



Source: AlphaRM – Audit of the shipments of medicinal products in hospitals in RF Figure 4

The permanent brand leader of the segment Sodium chloride had a decrease in shipments in the first half of 2017 and reduced its share to 3.9% in rubles and 24.1% in packages (Table 3). In the TOP-10, the take-off of Berticad from *Biocad*, as a result of the fight for the INN trastuzumab (Figure 4) is noteworthy, and the success of another brand of this company, the Taxacad, whose shipping leadership is challenged by 12 more corporations competing with *Biocad*.

TOP-10 brands by volume of shipments in the hospital segment of the pharmaceutical market of RF, 1st half of 2017

a) by value, rubles

Rating		Brand	Share in shipments (%)		Growth in shipments (%)
1st half 2017	1st half 2016		1st half 2017	1st half 2016	1st half 2017 / 1st half 2016
1	1	Sodium chloride	3.9	4.2	- 15
2	4	Ceftriaxon	1.2	1.3	- 12
3	5	Curosurf	1.0	1.2	- 20
4	168	Herticad	1.0	0.1	590
5	11	Meropenem	0.9	0.7	12
6	17	Taxacad	0.9	0.6	37
7	10	Actilyse	0.9	0.8	- 1
8	6	Sevoran	0.8	0.9	- 13
9	12	Glucose	0.7	0.7	- 13
10	7	Ultravist	0.7	0.8	- 26

b) by volume, packages

Rating		Brand	Share in shipments (%)		Growth in shipments (%)
1st half 2017	1st half 2016		1st half 2017	1st half 2016	1st half 2017 / 1st half 2016
1	1	Sodium chloride	24.1	26.0	- 19
2	2	Ceftriaxon	5.9	6.3	- 18
3	3	Glucose	4.1	4.3	- 15
4	5	Ethyl alcohol	3.0	3.0	- 13
5	4	Cephotaxim	3.0	3.3	- 19
6	8	Metronidazol	1.6	1.1	20
7	6	Cephazolin	1.4	1.7	- 29
8	9	Ciprofloxacin	1.3	1.1	7
9	11	Chlorhexidin	1.3	1.1	11
10	10	Ringer	1.1	1.1	- 7

Source: AlphaRM – Audit of the shipments of medicinal products in hospitals in RF Table 3

In the first half of 2017, 29% of the total value of shipments in the hospital segment was financed from the funds of the Obligatory Health Insurance Fund, 19% from the own funds of the institutions, 13% from the regional budget and 10% from the federal budget. R-*Pharm* was the key supplier by supplies value, with a 4.8% share of the contracts signed (Table 4). In the TOP 10 customers, mainly coordinators of centralized public procurements are represented, among them, the RF Ministry of Defense, which ranks first in the rating and carries out centralized procurement for military hospitals (Table 5).

TOP-10 state procurement suppliers in value (rubles) in the hospital segment of the pharmaceutical market of RF, 1st half of 2017

Rating	Supplier	Share of signed contracts (%)
1	R-Pharm	4.77
2	Lancet	3.76
3	Euroservice	3.66
4	Pharmriva	2.59
5	Pharmstore Company	2.59
6	Cordis Line	2.58
7	Albatros	2.04
8	Spacepharm	1.75
9	Pharminpuls	1.46
10	Medipal-Onco	1.46

Source: AlphaRM – Monitoring of State procurements. Contracts. Table 4

TOP-10 state procurement customers in value (rubles) in the hospital segment of the pharmaceutical market of RF, 1st half of 2017

Rating	Customer	Share of signed contracts (%)
1	Ministry of Defense of RF	2.41
2	St.Petersburg publicly funded Institution City Clinical Oncology Center	2.09
3	ГУОТ of Samara Region	1.95
4	Public Health Department ЯНАО	1.73
5	St.Petersburg publicly funded Institution Oncology Center	1.64
6	Public institution of Khanty-Mansi Authonomous Region Center for drug monitoring	1.61
7	Federal publicly funded institution National clinical research center for children hematology, oncology and immunology named after Dmitry Rogachev, Ministry of Health of the RF	1.47
8	Department for regulating contract system of the Krasnodar Territory	1.34
9	Regional publicly funded institution of Tula region Center for Procurements	1.23
10	Regional publicly funded institution Sakhalin Agency of Projects of Development	1.18

Source: AlphaRM – Monitoring of State procurements. Contracts. Table 5

Summary

The hospital segment of the pharmaceutical market actively reduces the natural consumption of certain drugs from low price segments, while gradually increasing the supply of expensive drugs with a package price exceeding 50 thousand rubles. The offensive of Russian manufacturers on strategically important expensive INN continues, while foreign manufacturers are losing ground.