European Federation of Pharmaceutical Industries and Associations

EFPIA – Active Citizenship Network

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European Parliament

The world's population is getting larger, older and sicker

Population will increase by

1

billion

Additional 50+ year olds

>500

million

Chronic diseases

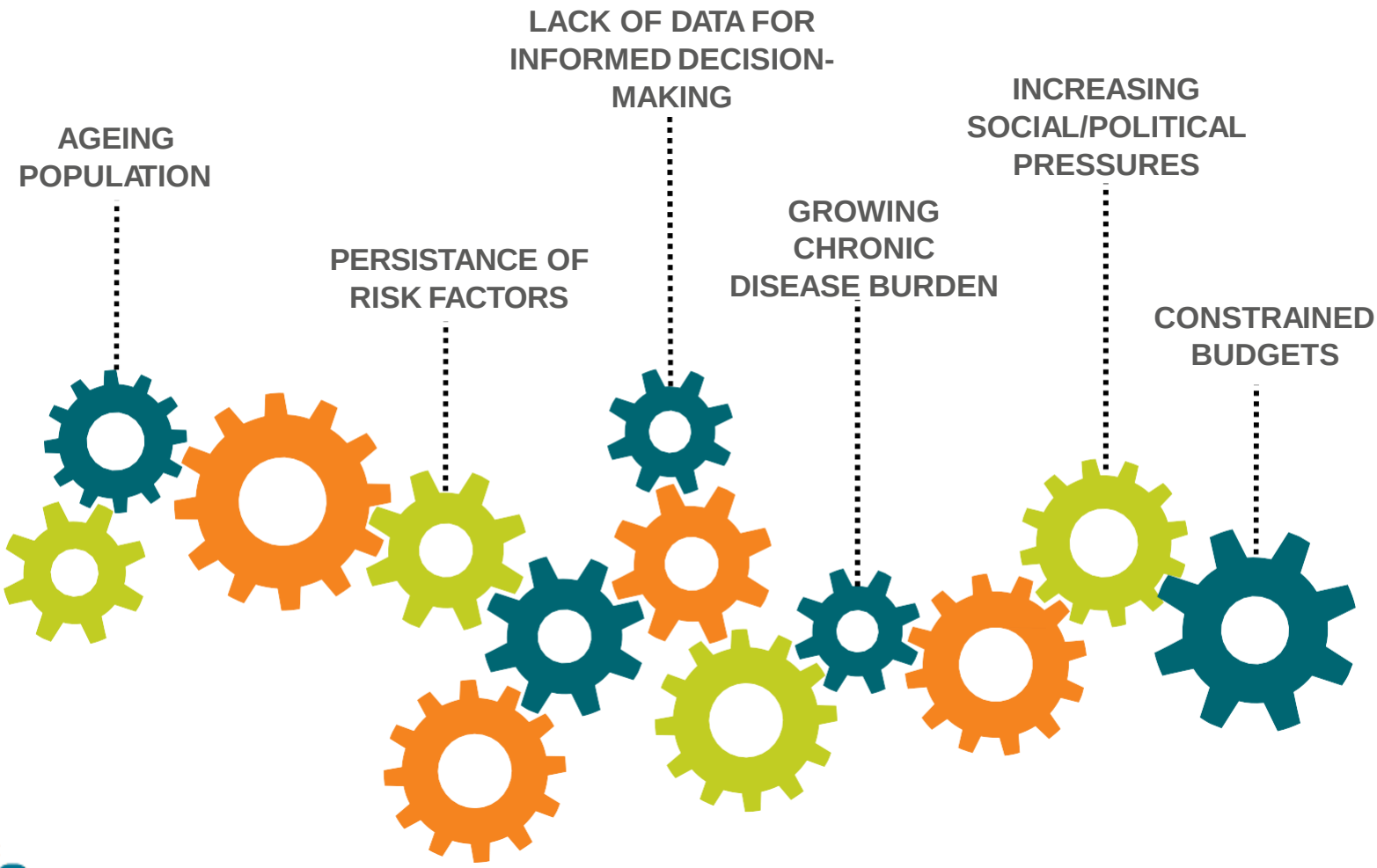
70%

of all illness

2015 - 2025[1]

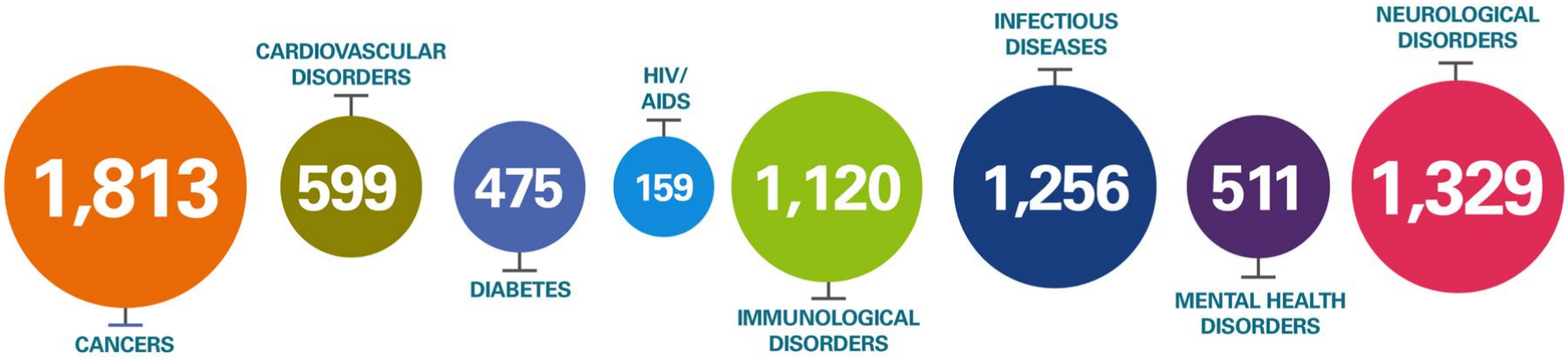
Source: 1. Projections from UN, WHO

Healthcare systems face significant challenges in expanding access to healthcare, while managing finite resources



With over 7000 medicines in development, the exciting new wave of medical innovation will play a key role in

addressing the challenges faced by patients and healthcare systems



Source: Health Advances analysis; Adis R&D Insight Database. March 2015, compiled by PhRMA

Over the next five years many more promising medicines are expected to become available

CAR-T therapies –are T-cells that have been genetically modified to allow the T-cell to recognize and destroy tumor cells

Combination therapies – increasing quality and quantity of life by combining targeted cancer treatments to increase their effectiveness

Gene therapy – helping to replace defective or missing genes in cells through the introduction of DNA for the treatment of genetic diseases

Cell therapy – insertion of living cells into patients to replace or repair damaged tissue, in order to facilitate improved organ or tissue functionality

Antibacterial treatments – neutralize highly pathogenic bacterial surface proteins or secreted toxins and activate the immune system to directly kill the bacteria

Alzheimer's treatments – seek to breakdown or inhibit the formation of protein plaques helping to delay the onset and progression of Alzheimer's disease

Alzheimer's treatments helping to delay the onset and progression of the disease

Scientific breakthrough

Whilst existing Alzheimer's therapies only treat the symptoms of the disease, new treatments have the potential to **delay the onset and / or progression of the disease**

Impact on patients

By delaying the onset or progression of Alzheimer's, **patients are able to live an independent life for longer** and enjoy more time with their friends and family

Impact on health system

New therapies could **delay the need for high levels of care** associated with severe Alzheimer's disease which is estimated to cost healthcare systems ~20 billion EUR across the EU

Impact on societies

Delaying disease onset can lead to **substantial savings in social care** for Alzheimer's patients which is currently estimated to be at €17bn

*More than **10.5 million patients** in Europe live with a form of dementia of which 60% – 80% present as Alzheimer's*

*Social care costs for Alzheimer's in Europe is **estimated to be € 17bn***

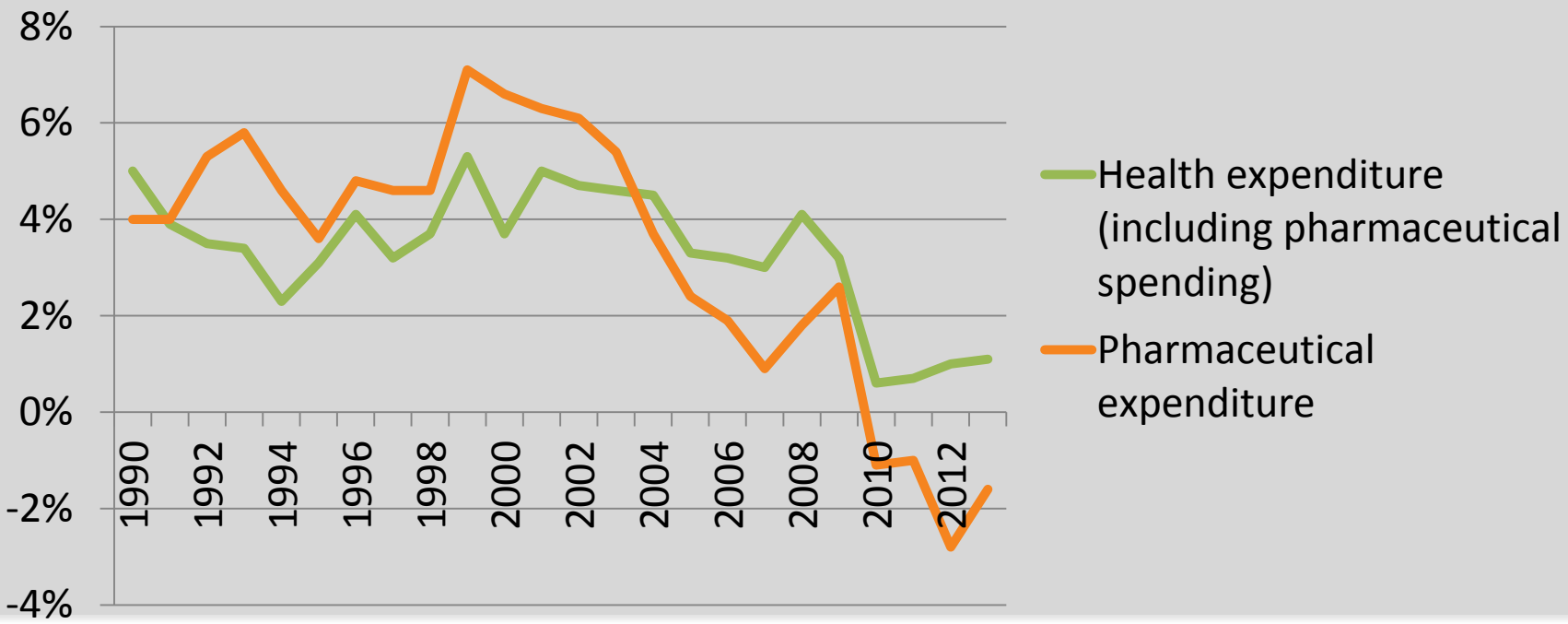
Cell therapy can replace a lifetime of continuous insulin therapy for patient's with type 1 diabetes

Scientific breakthrough	**Living cells are injected** into the patient to treat the causes of their diseases. This may be used to treat common conditions such as Type 1 diabetes
Impact on patients	This will help restore **normal function of the pancreas**, reducing the patient's disease burden and the risk of serious health consequences
Impact on health system	Cell therapy will help **control blood sugar without the need for constant insulin therapy** and help delay the onset of serious long-term health conditions
Impact on societies	Economic productivity could increase due to reduced absenteeism and early retirement. **Welfare expenditure could also decline** if patients no longer require social care

Approximately
4 million people
in Europe live with Type 1 diabetes

Since 2010, pharmaceutical expenditure has substantially decreased while healthcare expenditure has remained stable

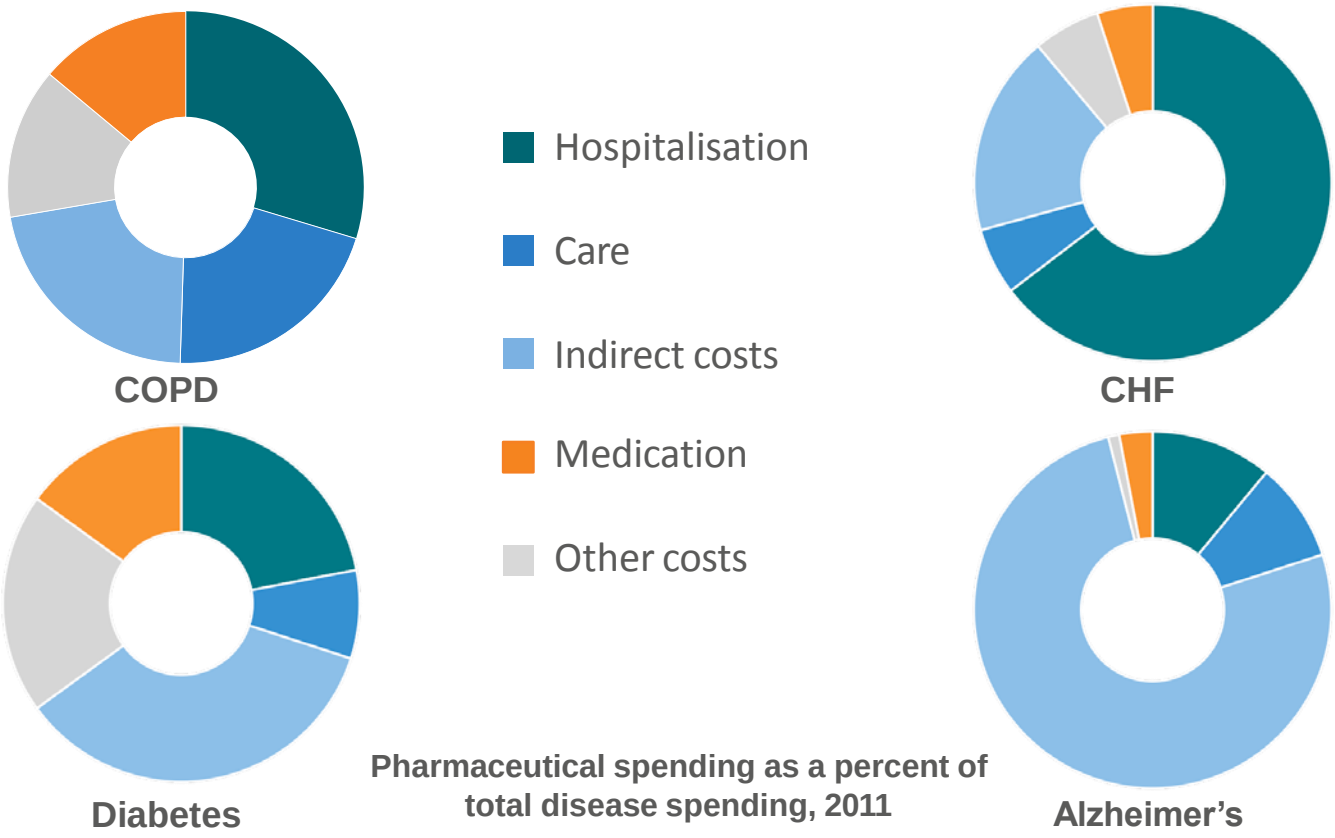
Average annual growth in pharmaceutical and total health expenditure per capita, in real terms, average across OECD countries, 1990 to 2013 (or nearest year)



OECD (2015), Average annual growth in pharmaceutical and total health expenditure per capita, in real terms, average across OECD countries, 1990 to 2013 (or nearest year), in *Health at a Glance 2015*, OECD Publishing, Paris.
DOI: http://dx.doi.org/10.1787/health_glance-2015-graph8-en

Medication costs represent a small percentage of total disease spending

In Germany, medication spending is a small share of the total cost of many chronic diseases



Pharmaceutical spending as a percent of total disease spending, 2011

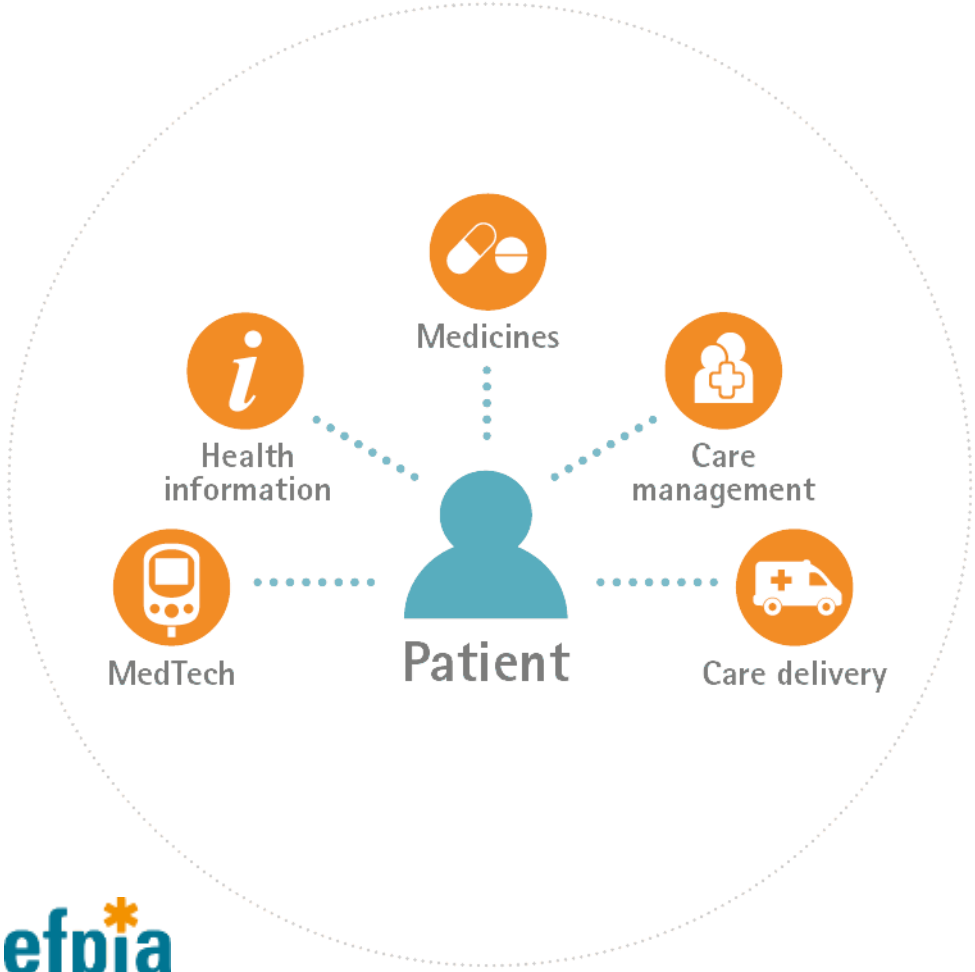
Source: 7. Health Advances analysis; EFPIA 2015 Health & Growth Evidence Compendium analysis of A.T. Kearney analysis 2012, Schwarzkop et al. 2010, and Damm et al. (2012).

Why the focus on outcomes?

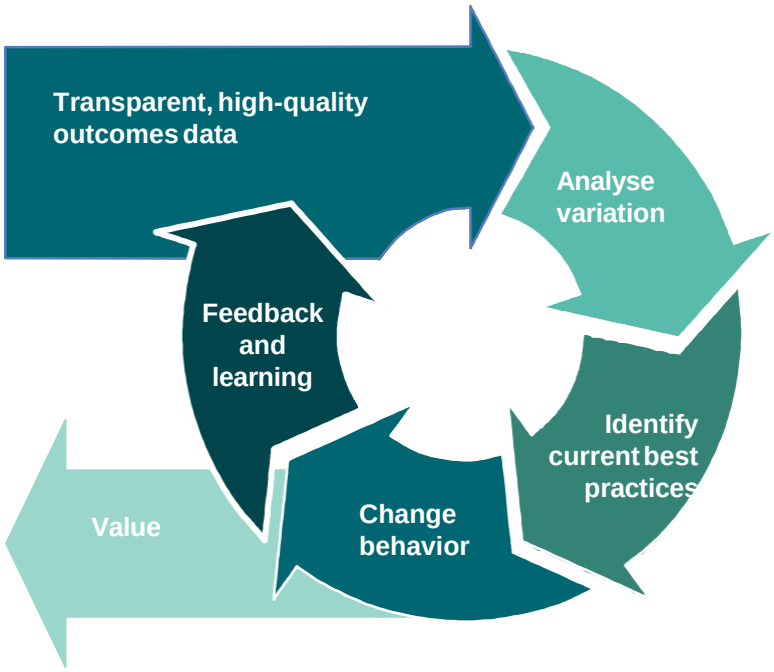
EFPIA believes an outcomes-based system will do a better job of stimulating and rewarding real innovation – the innovation that benefits patients most, and supports health system sustainability

Delivering better outcomes for patients

The objective of outcomes-focused healthcare systems are to deliver better patient outcomes at the same or lower cost...



…relying on quality outcomes data as the starting point for improving the care cycle



Barriers to an outcomes-based healthcare system

Technical barriers

Outcomes-based healthcare relies on delivering value, measured as health outcomes divided by cost. It is based on the ability to capture, analyse and utilise outcomes (and financial) data, with standardised definitions of outcomes at the core. Today, the measurement of outcomes is not common practice. Many providers and healthcare systems do not know which outcomes they achieve in which disease area.

Structural barriers

The most significant structural barrier is the fragmentation of healthcare systems. Individual organisation within a healthcare system often have different definitions of outcomes, different incentives and targets, and alternative preferred care pathways.

Financial barriers

Instead of rewarding the long-term improvement of a patient's health, fiscal incentives tend to reward process related measures like adherence to clinical guidance, the number of times a doctor talk to his or her patients about prevention and healthy lifestyles, the number of patients of a certain category that are referred to a specialist or prescribed a certain medication.

Political barriers

System-wide, transformational change is challenging, it quires strong political commitment over a number of years to make it happen. Implementing some outcome-based decisions such as closing hospitals or the transferring of care to the community can invoke string reactions from local stakeholders who are attached to particular services. The concept of outcomes-based healthcare is intellectually attractive but its implementation can include some difficult, sometimes politically unpopular decisions.

The way forward – how can healthcare systems prepare?

To provide rapid, effective, fair, equitable and sustainable patient access to new medicines, healthcare systems can prepare in five areas:

Adapting regulatory pathways

Developing new ways of valuing and rewarding innovation

Creating new financing models

Evolving the way services are delivered to reflect new approaches to treatment

Enabling real world data to be captured and used to address evidence gaps

Addressing these considerations means that all stakeholders will realise the important benefits of innovation now and in the future

A diverse set of stakeholders would benefit from enabling access to innovation now and in the future: