

China's Internet Hospitals And New Commercial Models For Pharma



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► By Anju Ghangurde

PHARMA IS LEVERAGING NEW COMMERCIAL MODELS in China as part of strategies to offset centralized procurements-induced market share losses and also for new launches, the co-founder of Indegene, a healthtech solutions provider, tells Scrip. He also shares insights on how companies in Japan are shifting digital gears amid COVID-19.

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Digital services and solutions had perhaps begun impacting certain aspects of pharma's business model even prior to 2020, but the pandemic has turbocharged that process by many a multiple in some large Asian markets, with companies deploying a bevy of approaches to sustain growth in the evolving environment.

Manish Gupta, CEO and co-founder of India-headquartered Indegene, outlined to Scrip how pharma is accelerating and fine-tuning its digitization efforts, while adapting to the evolving and unprecedented changes in markets like China and Japan, where the healthtech solutions provider has growing operations. (See side box below on aspects of digital traction in Japan.)

Last month, global investment firm The Carlyle Group and Brighton Park Capital acquired minority stakes in Indegene for \$200m and the company expects to use the primary inflows to accelerate mergers and acquisitions and global expansion plans.

China, which has been ahead of some Western markets on the digital adoption curve, witnessed substantive



shifts in the healthcare space amid COVID-19, as outpatient visits to Tier 3 (major leading) hospitals in the country shrank by 60%. Many patients went on to tap other avenues such as lower-tier hospitals, retail pharmacies and internet hospitals (including private and digital versions of Tier 3 hospitals). (Also see "Multinationals Start 2021 Empty Handed In China National Reimbursement Race" - Scrip, 6 Jan, 2021.)

"The [Chinese] government already had policies promoting internet hospitals and eight provinces implemented online BMI [basic medical insurance] settlement of internet-based medical expenses. This gave further incentive to digital healthcare delivery and fulfilment in China," Gupta explained. (Also see "China Regulatory Express: Online Rx Sales Proposal To Propel Drug Sales?" - Pink Sheet, 13 Nov, 2020.)

Hospitals in China are classified in a tier system that essentially factors in aspects such as level of medical care, medical education, and ability to undertake medical research/trials, with Tier 3 hospitals at the upper end and seen as more sophisticated with multiple differentiated departments.

More broadly, the Indegene executive noted how there's

been a “big scramble” in pharma to move towards digital across markets and though China may have been slightly higher on the digital adoption curve it wasn’t at a very advanced level. “Every market the needle has moved very significantly from the digital adoption perspective...whether it is eight, 10, 12 times is difficult to quantify, but we expect it to continue for at least some more time to come.”

Nevertheless, Chinese healthcare professionals (HCPs) have generally be rather busy even before COVID-19 struck, especially in Tier 2 and 3 hospitals, with “very limited” time for face-to-face meetings with medical sales representatives resulting in the growing penetration of remote engagement.

“COVID-19 rendered face-to-face meetings with HCPs almost impossible,” Gupta said, adding that this further drove their preferences to remote and digital touch points for engagement.

Telemedicine Channels

Gupta also highlighted the emergence and rapid growth of new commercial models like internet hospitals (telemedicine channels) in China, with several pharma firms using them to “compensate” for market share loss and to launch new products.

Referring to initiatives like China’s centralized procurement policy aimed at driving down the cost of healthcare, Gupta said that companies that missed out on these contracts could end up losing almost 75% of the market for that particular product.

As a result, these firms are realizing that in order to make up for lost revenue they need to “expand the market and get into other areas” and that dimension is forcing companies to think of a new commercial model even from a cost perspective.

China had earlier introduced a mammoth centralized “4+7” drug procurement scheme, initially rolled out in large hospitals in 11 major cities including Beijing, Shanghai and Tianjin.

The executive noted that telemedicine channels like

Hao Dai Fu and physician networking channels such as DXY (similar to WebMD of the US) have been gaining popularity in China, and that pharma and Indegene are actively engaged with both these and other such channels.

“[Chinese tech giants] Tencent, Alibaba and Ping An Good Doctor are all excited by the healthcare opportunity and are trusted custodians of huge volumes of consumer data. Their knowledge of consumers, data on their behaviors, and understanding of healthcare is valuable to improve patient experience in China,” he explained.

Internet Hospitals Offer Natural Growth Avenue

Chinese players such as Tencent, Alibaba, Ping An and JD are also investing in internet hospitals and offer an entirely new channel for pharma in China since about 85% of pharma sales in the country are through the public hospital network today.

“With 900 million active internet users, a high prevalence of chronic diseases and an increasing preference to use digital channels, internet hospitals offer a natural growth avenue to pharma companies in China,” the executive said.

Another interesting dimension is around the reported plans of Tencent to acquire the retail pharmacy business of Hillhouse Capital and its impact on distribution dynamics in China, though Gupta stated that such developments do not necessarily put additional pressure on pharma, but essentially creates more channels for pharma and improves access.

He believes that it is natural for private healthcare and technology companies to bring these retail pharmacies within their portfolio as it enables them to fulfil the prescriptions their internet hospitals write up and serve patients across the value chain.

“Pharma companies see tremendous potential in retail pharmacies, especially for their mature brands. A convergence of internet hospitals and retail pharmacies offers one more growth opportunity in China,” he said.

Pharma Digital Acceleration In Japan

Overall, what has the pandemic meant for pharma in Japan in terms of accelerating digitization and are there any broad examples you could share on the scale of shift/acceleration in the market (Also see “Japan Pharma Climbing Aboard Digital Health Train, But Not Up To Speed?” - Scrip, 12 Dec, 2018.)? Has Indegene been engaged in any way in digitization efforts pertaining to COVID-19 vaccines?

Manish Gupta: The Japanese pharma market is big and has largely operated through physical touchpoints. However, COVID-19 accelerated digital adoption there too as pharma companies had limited access through the medical sales rep channel. In fact, their rep count is estimated to have reduced from over 75,000 to about 50,000 over the past few years. They have an increasing need to improve their competitiveness since government policies enabled the proportion of generics to grow from 56% of the market in 2015 to 80% in 2020. Indegene has been at the forefront of a digital-first approach to improve Japanese pharma companies’ efficiency and effectiveness. Recently, we helped one of the leading pharma companies secure approval for a phase III trial of its COVID-19 vaccine. Through our technology-led editorial services, we were able to turn around its requests for artwork packaging in just two hours. That’s a productivity gain of 96% over traditional methods. It helped the pharma secure approval in just 3.5 months from the start of phase I/II trials, a process that typically takes 9-12 months.

What are the new commercial models that MNC pharma companies adopted in Japan amid COVID-19 and the digitalization surge?

MG: As Japanese pharma companies launch new products virtually, it offers an opportunity to deliver personalized content and hence experience. We are working with a large pharma company there to repurpose our AI platform called Intelligent Content Brain to deliver content in Japanese. It is plugged into

existing technology ecosystems to convert digital assets into on-demand consumable intelligent data through better content structuring, atomizing and tagging. This makes the content searchable using content analytics and effectiveness to score the quality of content. It enables personalization at scale while complying with unique, local requirements and reducing costs by as much as 25-30%.

Any Japan-specific initiatives that Indegene put in place to leapfrog pharma’s digital prowess and what’s the outlook for the market?

MG: Japan is advancing rapidly on the digital adoption curve, in large parts forced by limited access to physical channels due to COVID-19. We see a tremendous opportunity there, that’s why we started a new office at Marunouchi, Tokyo and scaled the local team quickly as our business there doubled last year. While we have so far supported the growth of our global customers in Japan, we now see demand from Japanese pharma companies as well. We expect our business to grow multi-fold over the next couple of years and are investing in building up a team of local pharma experts. An ageing society, policies to address rising healthcare costs and COVID-19 driven digital acceleration are major tailwinds for our growth in Japan.

Remote Engagements

Gupta also recounted some on-ground efforts around how Indegene could help some large companies in China scale up digital adoption amid COVID-19. In one instance, a large multinational pharma company could improve sales by 12-27% while lowering sales and marketing costs significantly.

Indegene, he said, engaged 730 hospitals through 74,000 high quality touch points and China-specific channels and in the process improved brand recall by 21%.

“We micro-segmented these organizations and created vivid customer journeys to feed our platform, Intelligent Actions Brain [a sophisticated artificial

intelligence/machine learning-driven Next Best Action Recommendation Engine] that eventually gave recommendations for highly personalized HCP engagement, both by way of content and channels,” he explained. (Also see “Content Personalization Scores As Pharma Ups Digital Ante” - Scrip, 19 Nov, 2019.)

In the last three years, Indegene has managed to move 50% of remote reps engagement (across its clients which are mainly multinational firms) to WeChat and within the WeChat environment it is building a “complete HCP experience” from engagement to prescription journeys.

“We are planning to take these models to WhatsApp, Line and other platforms for a global rollout. Each of these engagements are highly scalable and needed even more acutely around the world. They can be transposed elsewhere with the right context,” Gupta explained.

With significant pressure on pharma companies in China to reduce costs against the backdrop centralized procurement and universal insurance programs, Indegene, he noted, could also employ “Intelligent Modular Content” to help many multinational firms save 25-35% in content costs. Similarly, it is also working with companies to digitize their patient engagement journey.

“This will be the next pivotal step in creating a modern, patient-centric enterprise focused on outcomes,” Gupta declared.

Intelligent modular content is essentially an approach for creating and reusing content faster and across multiple systems and channels that makes it more effective and easier to track.

Sales and marketing costs in pharma as a percentage of revenue lie in the mid-20s and Indegene believes that deploying a digital and analytics-driven approach could bring down these costs to about 10%.

Last year a report by Deloitte had underscored that China’s digital transformation brings value to multinational firms beyond addressing their growth ambitions in that market. “Pharma companies can test

their digital commercial engagement models in China – the world’s largest digital transformation sandbox – before scaling them for global success,” the report noted.

China Operations Scale Up

Alongside the action and opportunities in China, Indegene too appears to be scaling up operations in the world’s second-largest pharma market, which it claims has always been a priority alongside others like Japan.

The company’s local team in China has grown to over 100 at its Shanghai Delivery Center and it expects this number to double in the next year.

“This center is a microcosm of Indegene’s global operations and we provide solutions across the product life cycle. We use a combination of medical expertise and fit-for-purpose technology in a China specific solution model to drive commercial and medical outcomes for pharma companies in China,” Gupta said, but he underscored that markets like China and Japan require building “lot of local capabilities” whether it is in areas like delivery or customer interactions.

Set up in 2012, the firm’s China operations also supported institutes in Wuhan during the pandemic. It helped hospital investigators in the city collate data on therapeutic management of COVID-19 patients “at no cost” and also deployed medical writers to develop manuscripts for therapies tried on patients.

“During the outbreak, doctors did not have the time nor focus to inspect and analyze data. That is where we used our medical writing expertise to generate evidence from clinical data along with a systematic review to help Chinese doctors collate, analyze and publish COVID-19 related clinical evidence,” Gupta said.

Indegene has more than 3,000 employees across North America, Europe, China, Japan and India and partners with 18 of the top 20 global biopharma organizations in its area of domain expertise. The company claims to have managed full commercialization of an approximately \$2bn product portfolio, and created over a million medical and commercial content assets.