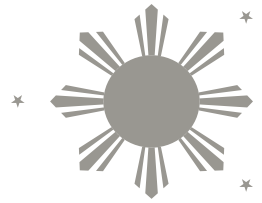




# HEALTHCARE & PHARMACEUTICALS



## I. MARKET OVERVIEW

The Philippine health sector exists in a context of persistent poverty and financial challenges. Poverty incidence among Filipinos in the first semester of 2015 was estimated at 26,3%, with many of the poorest expending out-of-pocket medical care. Output, drugs, and medicines account for 46% of the total medical out-of-pocket expenses of Filipino households. For impoverished populations, the percentage rises to 55% of expenses.

The state has instituted a National Health Insurance Program (NHIP) to help make health care more accessible to Filipinos, but contentious coverage issues as well as lack of facilities are continuing obstacles for the program. Health sector and hospital reform programs instituted by the government have yielded some positive results, but the Philippines is still far from achieving its goal of a sustainable, high quality, and cost-efficient healthcare system that can be accessed by all Filipinos. This deficit is the reason why there are growing opportunities for foreign companies to invest in the health care sector of the country.

The NHIP administered by the Philippine Health Insurance Corporation (PhilHealth) was established in 1995 with the passage of Republic Act No. 7875. PhilHealth's mandate is to provide health insurance coverage to all Filipinos. In 1997, it assumed social insurance functions for government workers from the Government Service Insurance System (GSIS) and a year later, for the private sector workers, which was previously administered by the Social Security System (SSS).

In partnership with Local Government Units (LGUs), PhilHealth has enrolled millions of families who otherwise have no access to health services. To date, all families in the state's National Household Targeting System for Poverty Reduction (NHTS-PR) are covered by PhilHealth.

In 2014, 14,7 million families are being enrolled through full national government subsidy. In November 2015, the Philippines enacted a law removing the indigent clause from the PhilHealth coverage to senior citizens, allowing about 6 million senior citizens to qualify for health benefits by presenting their identification card at a hospital. PhilHealth obtained a budget of €243 million for 2013, €681 million for 2014, and €714 million for 2015.

The Philippines was ranked 8th among the top medical tourism destinations in the world, according to the 2015 list of the International Healthcare Research Center and the Medical Tourism Association. Generating €59 million and €129 million in 2013 and 2014 respectively, the medical tourism sector in the Philippines caters to approximately 80 000 to 250 000 patients annually. 62 hospitals around the country are now internationally accredited.

As an important pillar of its health sector, the country's pharmaceutical industry has consistently grown at an average rate of 5% in recent years. The size of the pharmaceutical industry in 2014 was valued to be at €2,8 billion and is expected to amount to €3,2 billion in 2018.

Very few foreign pharmaceutical firms establish their own manufacturing operations locally. Most foreign drug companies import and distribute finished pharmaceutical products, or import drug ingredients and outsource production to local manufacturers.

There are more than 500 drug traders, 700 drug importers, and 5 000 drug distributors in the Philippines. Three quarters of the top 20 pharmaceutical companies are foreign. Key market players coming from the EU include GlaxoSmithKline, Novartis, Sanofi, and AstraZeneca, among others. GSK conducts its own production in the Philippines, while Novartis set up its Southeast Asia regional headquarters in the country.

## II. MAIN LEGISLATIVE FRAMEWORK

The state implemented Republic Act No. 9502 or the Universally Accessible, Cheaper, and Quality Medicines Act of 2008, which included a Maximum Drug Retail Price (MDRP) scheme. According to the scheme, companies were obligated to reduce their prices by up to 50% on 21 different molecules. Scheme also introduced some systematization to pricing in the country and changes to IPR laws regarding generics. However, given the largely out-of-pocket nature of healthcare spending in the Philippines, it had little impact on improving access to healthcare in the country, particularly for the more marginalized sectors of the population.



CREATING BUSINESS OPPORTUNITIES  
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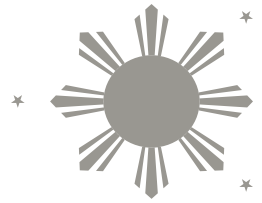


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As a regulatory agency under the Department of Health, the FDA is mandated to ensure the safety, efficacy or quality of health products including drugs, medical devices, biologicals, vaccines, in-vitro diagnostic reagents, radiation-emitting devices or equipment, among others. As such, the FDA is responsible for processing product registrations for imported pharmaceutical products and medical devices.

The FDA also enforces the following relevant measures:

- ★ R.A. 9502 or the Universally Accessible, Cheaper, and Quality Medicine Act of 2008;
- ★ R.A. 6675 or the Generics Act of 1988;
- ★ R.A. 5921 or the Pharmacy Law;
- ★ R.A. 8203 or the Special Law on Counterfeit Drug;
- ★ R.A. 9165 or the Comprehensive Dangerous Drugs Act;
- ★ R.A. 9257 or the Expanded Senior Citizens Act of 2003; and
- ★ R.A. 10354 or the Responsible Parenthood and Reproductive Health Bill of 2012, among others.

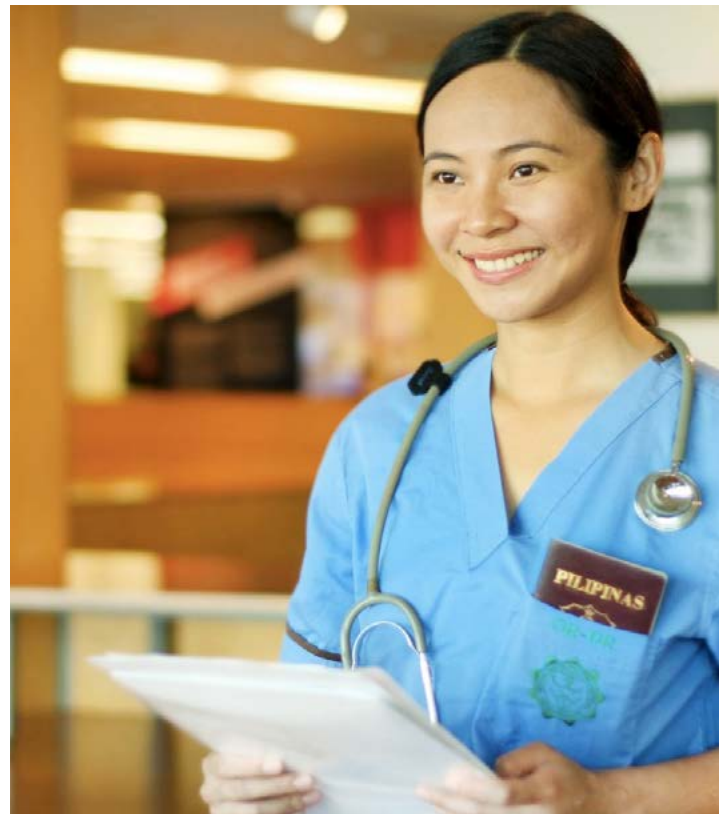
### III. MAJOR OPPORTUNITIES FOR EU BUSINESSES

The Philippines aims to be as competitive as its neighboring countries in offering medical treatments for foreign customers by raising the level of equipment and services.

- ★ Stem-cell therapy has become one of the high demand procedures in the Philippines. The government is considering measures as to how to boost this procedure in hopes of the country being an international center for stem-cell research and therapy.
- ★ Spa and wellness facilities have experienced significant growth in the country with revenue of roughly around €93,36 million in 2011, an 80% revenue growth from €46,68 in 2006.
- ★ Another area of growth comes from retirement facilities. While the retirement industry is already established in the Philippines, there are specific

areas of improvements, especially for those who wish to retire in more rural areas.

- ★ The increasing construction of new hospitals will pave the way for foreign companies to increase their import of modern equipment services needed for medical treatments.
- ★ In addition, given the consistent growth of the Philippine drug market, there are many areas providing market opportunities for the pharmaceutical industry.
- ★ Pharmaceutical product registration is a growing and expanding financial opportunity.
- ★ Manufacturing pharmaceutical products locally is listed among the top 22% of the 240 sectors in the Philippines.
- ★ Pharmaceutical patents and trademarks are securely protected through the Intellectual Property Code of the Philippines.



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