Cursor: analytical review

OF DRUG PRODUCT COMPETITIVE BIDDING IN RUSSIA BY RESULTS OF 2013

Development of the drug product state purchase sector generates interest of all pharmaceutical market participants and this year particular attention was given to issues related to entry into force of the new Federal Act dated April 5, 2013, No.44-FZ «About Contract System in Commodities, Works and Services Purchase Sphere for Meeting State and Municipal Demands». And despite the fact that the year 2013 was the ending period of the purchases in accordance with the prior act 94-FZ, the growth dynamics of the sector significantly reduced as compared to 2012.

The drug product competitive bidding continues demonstrating stable growth by the number of tenders and by the aggregate volume in money terms. The total number of declared tenders for purchase of finished drug products in 2013 increased by 55% as compared to 2012 and reached 308,419. From them 85% are completed tenders (the winner is declared), 9% of tenders were not completed and in 6% of tenders results were not known by the reason of the protocol unavailability (*Table 1*).

The major reasons by which the tender is acknowledged invalid remain the same: no participants and application rejections. By the end of the year on the eve of entry into force of the new act 44-FZ the number of declared tenders considerably increased, at the same time a significant number of tenders with incorrect information in the very specification and in the declared starting price of the lot was observed, which to a greater degree contributed to the growth of the invalid tender number.

The volume of the state purchase market increased as compared to 2012 and amou-

ТАБЛИЦА 1 Volumes of purchases in 2011–2013

Year	Initial price (RUB mln)	Price of winning bidder (RUB mln)	Saving (RUB mln)	Saving percent
2011	186,698	168,444	18,254	10%
2012	275,580	249,701	25,879	9%
2013	282,755	254,606	28,149	10%

FIGURE 1 Number of tenders in the period 2011—2013

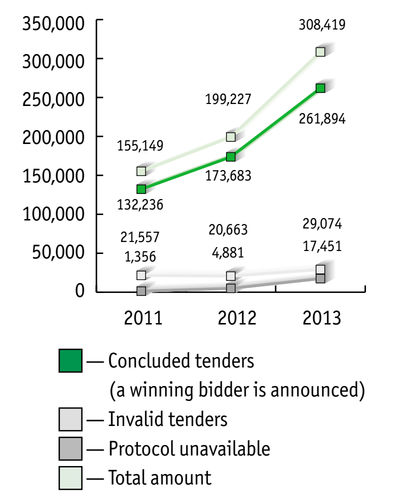
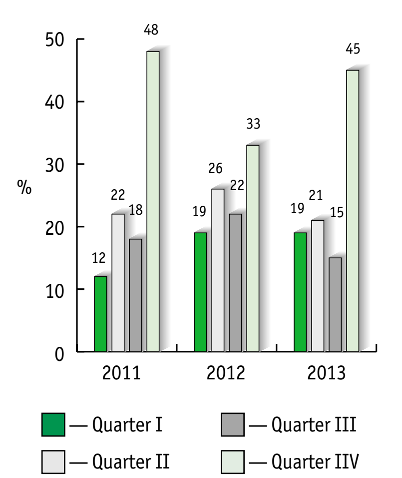


FIGURE 2 Structure of distribution of tender volumes, 2011–2013



***CURSOR** is the leading marketing company in the segment of drug tender purchases conducted by state and commercial customers in the territory of Russia. As of today the Cursor database users are more than 7,800 specialists from leading pharmaceutical companies of distributors and producers. On the basis of the Cursor database the whole cycle of the competitive bidding — from the initial stage (a notification stage) to the final stage — conclusion of the state contract — is monitored. The convenience of on-line access to the Cursor database allows users working with the all updated information and taking timely business solutions. And use of retrospective data gives a possibility to analyze and to forecast development of the necessary pharmaceutical market segment. A team of Cursor analysts performs a wide spectrum of marketing and analytical studies and of various difficulty degree and provides analytical reports for ministries and agencies in the RF healthcare sphere.*

Additional information is available on http://www.cursor-htd.com

TABLE 2 Structure of distribution of tenders by types of placement

Year	Purchases 94-FZ		Purchases 223-FZ		Single supplier	
	by amount	by volume	by amount	by volume	by amount	by volume
2011	99.66%	98.60%			0.34%	1.40%
2012	96.70%	96.92%	0.03%	0.01%	3.27%	3.07%
2013	96.75%	95.97%	0.50%	0.20%	2.75%	3.83%

TABLE 3 Top ten customers from the single supplier

Ran-king	Customer from the single supplier	Customer region	Volumes of tenders (RUB mln)	Share in the total volume of tenders with SS
1	Ministry of Health of the RF	Moscow	2 693	24.85%
2	Moscow Healthcare Department	Moscow	1 275	11.77%
3	Autonomous Public Health Care Institution Republican Clinical Oncological Helath Center of Republic of Tatarstan	Republic of Tatarstan	569	5.25%
4	Autonomous Public Health Care Institution Nizhnekamsk Central Regional Multiprofile Hospital	Republic of Tatarstan	447	4.13%
5	Autonomous Public Health Care Institution Municipal Clinical Hospital No.7 of Kazan	Republic of Tatarstan	245	2.26%
6	Autonomous Public Health Care Institution Republican Clinical Hospital of the Ministry of Health of Republic of Tatarstan	Republic of Tatarstan	224	2.07%
7	Autonomous Public Health Care Institutio Kamsk Children Medical Center	Republic of Tatarstan	177	1.63%
8	Autonomous Public Health Care Institution of Republic of Tatarstan Hospital of Emergency Medical Services	Republic of Tatarstan	161	1.49%
9	Autonomous Public Health Care Institution Municipal Hospital No.5	Republic of Tatarstan	157	1.45%
10	Autonomous Public Health Care Institution Children Republican Clinical Hospital of the Ministry of Health of Republic of Tatarstan	Republic of Tatarstan	154	1.42%

nted to 282,755 mln rubles at the declared price and the winner price — RUB 254,606 mln. And saving of state funds remains on the same level that in previous years — 10% (*Fig. 1*). But the market growth dynamics considerably reduced — only 2 against 48% in 2012. Nevertheless, it's necessary to note that the tender volume will still be growing at the expense of published contracts in 2012 that are posted on the web-site www.zakupki.gov.ru in 2014 and subsequent years.

What concerns quarterly distribution of tender volumes, the situation is not changed from year to year: Quarter I accounts for the least share and a sharp growth of tender volumes is observed in Quarter IV (RUB 114 bln) (*Fig. 2*). But as compared to 2012 a significant step up of tender volumes at the end of 2012 was caused by the rush around the new act 44-FZ that was enacted from January 01, 2014.

When analyzing tenders it's necessary to

FIGURE 3 Lot structure

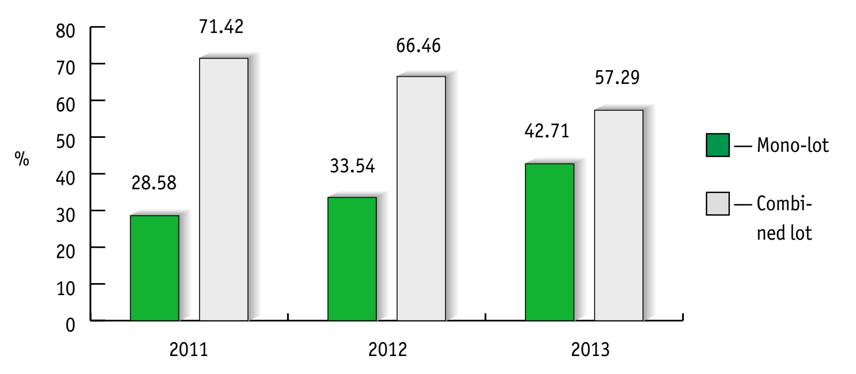


TABLE 4 Distribution of tenders by the number of bidders

Year	Share in tenders with 1 bidder		Share in tenders with several bidders	
	In the cost volume	In the total number of concluded tenders	In the cost volume	In the total number of concluded tenders
2011	61%	46%	39%	54%
2012	57%	32%	43%	68%
2013	58%	35%	42%	65%

TABLE 5 Top twenty winning bidders in 2013

Ranking	Winning bidder	Volume of supplies, RUB mln	Share in the volume of supplies	Change to 2021
1	R-Pharm CJSC	31 898	12.53%	1%
2	Pharmstandart OJSC	17 678	6.94%	5%
3	Pharmimex OJSC	12 337	4.85%	8%
4	Irvin 2 LLC	8 752	3.44%	-19%
5	EUROSERVICE Company CJSC	8 060	3.17%	26%
6	BIOTECH LLC	5 827	2.29%	2%
7	Lancet CJSC	5 009	1.97%	27%
8	Tattechmedpharm SUE	4 027	1.58%	6,802%
9	Intermedservice Company CJSC	3 972	1.56%	12%
10	Pharmstore Company CJSC	3 823	1.50%	8%
11	Pharmatcia OJSC	3 723	1.46%	4%
12	Imperia-Pharma CJSC	3 712	1.46%	-15%
13	BSS LLC	3 337	1.31%	7%
14	ROSTA CJSC	3 320	1.30%	30%
15	SUE CC Kubanpharmatsia	3 075	1.21%	12%
16	MEDIPAL-ONCO LLC	3 068	1.21%	32%
17	Scientific and Production Company Katren CJSC	2 681	1.05%	60%
18	Teva LLC	2 551	1.00%	
19	Pharmacevt CJSC	2 427	0.95%	41%
20	Oriola LLC	1 773	0.70%	46%
21	Trade and industrial company Severo-Zapad CJSC	1 744	0.69%	15%
22	CV PROTECH CJSC	1 696	0.67%	27%
23	State Company of Krasnodar Kray Gubernskiye Apteki	1 578	0.62%	-33%
24	PHARMSKD LLC	1 541	0.61%	-6%
25	Cosmopharm LLC	1 522	0.60%	190%

TABLE 6 Top ten customers

Ranking	Tender customer	Amount by tenders, mln rubles	Share in volume of tenders
1	Ministry of Health of the RF	44 232	15.64%
2	Moscow Healthcare Department	16 615	5.88%
3	SUE CC Kubanpharmatsia	8 336	2.95%
4	Ministry of Health of the Moscow region	6 032	2.13%
5	Healthcare Committee (Saint-Petersburg)	4 066	1.44%
6	Ministry of Health of the Sverdlovsk region	3 874	1.37%
7	SUE Medical Equipment and Pharmacy of Tatarstan	3 472	1.23%
8	Ministry of Health of the Krasnodar Kray	3 312	1.17%
9	State Public Institution Material and Technical Support of the Ministry of Health of the Republic of Bashkortostan	3 032	1.07%
10	Ministry of Health of the Chelyabinsk region	2 227	0.79%

point out three types of placement: purchases of drug products placed in accordance with act 94-FZ: tenders placed by customers that are regulated by FZ-223 and contracts with the single supplier (without declaration of tender). Despite the fact that Act FZ-223 is effective for the second year and gives customers a possibility to use various types of purchase, their share in the total volume of tenders remains insignificant. And the situation with a single supplier tenders is ambiguous: if in a quantitative sense their share reduced (due to the fact that similar contracts are placed with a great delay and tenders for 2013 will be published in 2014), the share in the total volume of tenders quite opposite is increased with respect to 2012 (*Table 2*).

In the ranking of customers who concluded a contract with a single supplier like in the previous year the Ministry of Health of the RF and Moscow Healthcare Department held their leading ranks. Other positions demonstrate cardinal changes: in 2013 representatives of the Republic of Tatarstan actively used this form of tender and deserved the remaining ranking positions (*Table 3*).

It's necessary to note the trend to increase of the share of mono-lots with respect to lots in specifications of which more than one position is specified (*Figure 3*).

The analysis of trades with one and several bidders allows detecting the following trend: tenders with more than one bidders hold the lead by the number of completed tenders whereas in the structure of volumes of purchase tenders with a single bidder take the greatest share (*Table 4*). And this is indicative that as a rule a single bidder participates in large tenders.

And the situation with suppliers didn't show cardinal changes. R-Pharm CJSC remains the large player among the state purchase market participants holding the leading position (12.53%) is followed far behind by other participants. The top five companies remain the same: as in the previous year R-Pharm is followed by Pharmstandart, Pharmimex, Irvin 2 and EUROSERVICE Company. But if the majority of the ranking participants showed growth (to a lesser or greater extent) relating to the previous year results the amount of contracts of Irvin 2 LLC in 2013 reduced by 19% (*Table 5*).

TABLE 7 Structure of purchase volumes by federal districts

Federal district of the RF	Price of the winning bidder (RUB mln)	Share, %	Change to 2012
Central FD	104 782	41.2%	-24%
Privolzhsky FD	37 873	14.9%	38%
Southern FD	25 040	9.8%	21%
Siberian FD	23 349	9.2%	25%
South-Western FD	23 547	9.2%	65%
Uralsky FD	21 339	8.4%	53%
Far Eastern FD	9 388	3.7%	14%
North-Caucasian FD	9 235	3.6%	10%
Baikonur	54	0.0%	16%
Total	254 606	100.0%	2%

TABLE 8 Distribution of volumes of tenders by FD

Federal district of the RF	Initial price (RUB mln)	Price of the winning bidder (RUB mln)	Saving (RUB mln)	Saving percent
Central FD	113 881	104 782	9 099	8%
Privolzhsky FD	42 046	37 873	4 172	10%
Southern FD	27 892	25 040	2 852	10%
Siberian FD	27 354	23 349	4 006	15%
South-Western FD	26 590	23 547	3 044	11%
Uralsky FD	23 604	21 339	2 265	10%
Far Eastern FD	11 094	9 388	1 705	15%
North-Caucasian FD	10 235	9 235	1 001	10%
Baikonur	58	54	4	7%
Total	282 755	254 606	28 148	10%

What concerns customers Ministry of Health of the RF with the share 15.64% followed by Moscow Healthcare Department (5.88%) remain the indisputable leaders. Then ministries of health of other regions are placed by a finger's breadth from each other (*Table 6*).

The structure of competitive bidding with breakdown by regions doesn't change from year to year. Central Federal District remain the leading federal region by the volume of purchases accounting for 41% from the total volume of concluded contracts (RUB 105 bln), this volume reduced by 24% compared to the previous year, which can be explained by transfer of tenders from the federal to the regional level. It's followed by Privolzhsky Federal District, the share of which amounts to 15% and growth relating to the previous year is 38% (*Table 7*).

The price dynamics by federal districts of the RF shows that the maximum reduction of price was observed in Siberian Federal District where saving made 15% from the initial price. At the average federal districts kept this level at 10—11% (*Table 8*).

It's necessary to say separately about the situation with purchases of the Ministry of Health of the RF within the program 7

TABLE 9 Volumes of purchases within 7 Nosologies program

INN	Initial price (RUB mln)	Price of the winning bidder (RUB mln)	Saving percent	Change to 2012
Rituximab	8 917	8 917	0.0%	5.7%
Bortezomib	7 164	7 164	0.0%	-15.0%
Intergeron beta-1a	4 201	4 196	0.1%	63.8%
Glatiramer acetate	3 000	2 717	9.4%	-69.8%
Eptacog alpha	2 600	2 600	0.0%	76.3%
Imatinib	2 083	134	93.6%	-97.9%
Octogog alpha	1 771	1 759	0.7%	34.9%
Imiglucerase	1 334	1 387	-4.0%	28.7%
Dornase alpha	1 214	1 214	0.0%	-7.1%
Blood coagulation factor VIII	1 118	1 118	0.0%	-83.2%
Blood coagulation factor IX	857	861	-0.4%	-27.2%
Interferon beta-1b	852	852	0.0%	-48.2%
Tacrolimus	582	503	13.5%	-33.5%
Mycophenolic acid	301	297	1.4%	-39.1%
Fludarabin	221	203	8.4%	-44.1%
Somatropin	191	191	0.0%	-16.1%
Cyclosporin	145	144	0.4%	-25.3%
Mycophenolate mofetil	132	125	5.0%	-40.1%
Total	36 685	34 383	6.3%	-33.6%

TABLE 10 Winning bidders within 7 Nosologies program

Winning bidder	Initial price (RUB mln)	Price of the winning bidder (RUB mln)	Saving percent	Share, %
Pharmstandart OJSC	13 143	13 143	0.0%	38.2%
Irvin 2 LLC	7 730	7 727	0.0%	22.5%
BIOTECH LLC	5 973	3 962	33.7%	11.5%
Pharmimex OJSC	3 273	3 330	-1.7%	9.7%
Teva LLC	2 828	2 546	10.0%	7.4%
MEDIPAL-ONCO LLC	1 771	1 759	0.7%	5.1%
R-Pharm CJSC	676	656	3.0%	1.9%
ROSTA CJSC	370	345	6.7%	1.0%
Oriola LLC	333	333	0.0%	1.0%
BIOKAD LLC	298	298	0.0%	0.9%
MFPDK BIOTECH CJSC	171	171	0.0%	0.5%
Yarkaya Zvezda LLC	47	47	0.0%	0.1%
Koral-Med CJSC	42	42	0.0%	0.1%
Intermedpharm CJSC	18	13	25.5%	0.0%
MAKPHARMA LLC	11	11	1.5%	0.0%
Total	36 685	34 383	6.3%	100.0%

Nosologies. If in 2012 RUB 51,800 mln were spend for purchase of preparations for treatment of high-cost diseases, which by 158% increased the 2011 value, in 2013 unfortunately the amount of contracts reduced by 34% and reached 34,383 mln rubles (*Table 9*). Pharmstandart OJSC and Irvin 2 LLC (*Table 10*) remain leaders accounting for more than 60% of the volume of supplies within the 7 Nosologies Program. These players remain the only suppliers of top drugs Rituximab and Bortezomib.

In conclusion of the final review we would like to express hope that with entry into force of the new 44-FZ the contract system in the market of state drug product purchases will become more transparent and available for all pharmaceutical market participants.

ALTERNATIVE VIEW