China vows price cuts to cancer drugs

Hit film about smuggling of generics adds to pressure on big pharma

TOM HANCOCK AND WANG XUEQIAO
SHANGHAI

China has vowed to speed up cuts to the cost of cancer drugs in a move that threatens to dent revenues in the country for multinationals such as Eli Lilly, Roche and Novartis.

Officials will “accelerate price cuts” for cancer treatments, the Communist party-run People’s Daily reported over the weekend. The news comes after China slashed the cost of dozens of overseas drugs by as much as 70 per cent after price negotiations last year.

The report coincided with the release of a box office-topping film about patients forced to smuggle cheap generics, adding to pressure on drugmakers in the country.

China is the world’s second-largest medical pharmaceuticals market after the US by sales, which were worth $123bn last year according to London-based L.E.K. Consulting. It is a key growth market for drugs to treat cancer, with more than 4m new cases diagnosed each year.

Drugs already covered by state-insurance could have their prices cut by 10 per cent, with reductions of up to 50 per cent for other medications as a condition of them being added to the state insurance scheme, according to Zhao Heng of Latitude Health, a consultancy.

“Almost all cancer drugs made by multinationals may see price cuts,” he added.

US drugmaker Eli Lilly’s Pemetrexed, along with Letrozole from Switzerland’s Novartis and Roche’s Capecitabine, are among the top 20 selling anti-cancer drugs in China, making them likely targets for the cuts.

Several multinational pharma companies have been invited for talks with government officials over prices this week, according to people familiar with the matter. “It will be an intense negotiation,” said an executive at one European drugmaker.

The People’s Daily cited an official at China’s new state medical insurance administration, which was created in March, to increase the state insurance fund’s influence over health policy.

The report came shortly after the release of Chinese comedy drama Dying to Survive, based on the true story of a Chinese businessman who illegally imported generic cancer drugs from India to sell to impoverished patients, before being detained for smuggling.

The movie, which has been likened to the 2013 film Dallas Buyers Club, has topped China’s box office since its release last week, earning $200m in four days. It is rare for Chinese censors to approve films presenting lawbreaking in a positive light, suggesting that officials intended its release to send a message to the industry.

The film’s plot centres on high prices charged by a foreign drugmaker whose Chinese name bears a close resemblance to that of Novartis, and a medicine whose name sounds similar to its cancer treatment Gleevec.

Officials have encouraged companies to cut prices by threatening a switch to cheaper, local generics in state hospitals, where most medicines are sold in China. But in a positive move for multinationals, they have also accelerated approvals for innovative drugs.

Shares in Chinese generic drugmakers such as Anhui Sunhere Pharma rose as much as 10 per cent yesterday, as the film helped increase awareness of the efficacy of generic drugs, according to analysts at Sina Finance.

In a silver-lining for drugmakers, price cuts could boost sales. For example, Roche cut the price of chemotherapy drug Avastin in China by nearly 70 per cent last year, but achieved about a 25 per cent rise in revenues for the medicine after its addition to state insurance increased sales, according to UBS.