

6. HEALTHCARE

Sources: *“Partnership for Successfully Competing in the Global Economy”* (www.chamber.ua/competitiveness), *State Statistics Committee of Ukraine, World Economic Forum, State Pharmacological Center of Ukraine, MORION, Proxima Research*

Most of Ukraine’s healthcare system is state-owned and financed from the state and local budgets. The share that private clinics hold is growing but is yet insignificant (about 2-3% in the whole country and about 10% in large cities). The exception is the dentistry sector, where the share of private clinics (60%) exceeds the share of state-owned ones. However, the private sector cannot yet significantly influence the current overall situation in Ukraine’s healthcare sector.

Lack of reform in the healthcare system has led to its current state as the sector is characterized by poor management, lack of state financing, unfair distribution of resources, outdated medical equipment, low salaries, widespread bribery, and a low level of service quality, especially in rural areas.

At this point there is neither compulsory medical insurance nor reimbursement for medicines and medical devices in Ukraine, which results in a significant share of out-of-pocket financing in the healthcare system (up to 80%).

Obviously, given this situation, most of the experts the American Chamber of Commerce surveyed in February 2010 assessed the changes in the sector’s general situation as negative (66.7%). The rest of the respondents (33.3%) reported no changes.

Current negative demographic trends make the situation even more complicated. According to the World Economic Forum’s “Global Competitiveness Report 2009-2010,” Ukraine is ranked 92 out of 133 countries for the life expectancy indicator. In addition, Ukraine is among the countries with the most rapid natural population decline in Europe. According to State Statistics Committee data, Ukraine’s population is declining on average by 300,000 people annually; this has been the trend for

the last several years. In 2009 the surplus of deaths over births was 1.4 times. So-called “over-mortality” is yet another negative demographic trend: the mortality of men aged 25-44 exceeds that of women of the same age group by four times.

In order to address these problems, ensuring high quality, accessible and affordable medical services for all must become a priority goal for Ukraine’s government.

The government recently took some steps towards reforming healthcare. In February 2010 the Cabinet of Ministers approved the Resolution “On Certain Measures to Improve the Healthcare System.” The resolution 1) introduced institutional differentiation for the initial, second and third level of medical care provision; 2) improved financing of the healthcare sector; 3) instituted mandatory medical insurance; 4) established specialized hospitals. Before these measures are introduced at the national level, they will be piloted in Dnipropetrovsk and Vinnytsia oblasts.

These initiatives are critical for addressing current healthcare system problems. According to the results of the expert survey the Chamber conducted, the legal environment in the healthcare sector either changed for the worse over the past 11 months (from April 2009 through February 2010) or remained the same (44.4% and 44.4% of the respondents, respectively). Only 11.1% of the experts stated that there have been positive changes in the legal environment.

The Ukrainian medicine market is generally saturated. According to data of the State Pharmacological Center of Ukraine, there are 11,422 medicines registered on the Ukrainian market. Some 29.1% of them (or 3,321) are produced in Ukraine and 70.9% (or 8101) are produced abroad. Nearly 6,000 businesses that run over

20,000 drugstores sell medicines in Ukraine through wholesale and retail networks.

According to data from the MORION and Proxima Research companies, about a quarter of the Ukrainian medicine market belongs to Ukrainian pharmaceutical producers (24.8%). Among foreign producers the most active are producers from Germany (17.8%) and India (8.1%).

Table 1. Volume of sales of medicines through drugstores, 2007

Countries	% of market
Ukraine	24.8
Germany	17,8
India	8,1
France	6,4
Great Britain	4,6
Switzerland	4,2
Slovenia	4,2
USA	3,5
Hungary	3,4
Austria	3,3
TOTAL	100

Source: Pharmstandard analytical systems (MORION) and PharmXplorer (Proxima Research)

Almost all medicines produced in Ukraine are generic, while innovative medicines must be imported into Ukraine. However, intellectual property law in Ukraine, which is a WTO member and a party to the TRIPS agreement and a number of IPR-related international treaties, incorporates most internationally accepted rules and mechanisms of protection. Nevertheless, law enforcement and judicial protection of intellectual property rights remains insufficient, mostly owing to a lack of expertise on the part of law enforcement bodies and judges.

Overall, according to MORION and Proxima Research data, the Ukrainian medicine market totaled 16.7 billion hryvnias in 2009 (1.1 billion packages were sold), which is 27.5% more in money terms and 8.1% more in real terms than in 2008. In addition to the annual growth

in medicine consumption that the last several years saw, the flu outbreak at the end of 2009 and inflation, which drove up medicine prices, were responsible for last year's rise.

The Berlin-Chemie/Menarini Group and Farmak were the leaders in sales in 2009.

Table 2. Top 30 companies in sales of medicine through drugstores in 2009 (in money terms)

Company	Rank
Berlin-Chemie/Menarini Group	1
Farmak	2
Sanofi-Aventis	3
Darnitsa	4
Nycomed	5
Arterium Corporation	6
Sandoz	7
KRKA	8
Servier	9
Gedeon Richter	10
Borschagovsky Pharmaceutical Plant	11
Bayer Consumer Care	12
GlaxoSmithKline	13
Zdorovje	14
Actavis Group	15
Boehringer Ingelheim	16
PRO-Farma	17
Bittner	18
Heel	19
Stada-Nizhfarm	20
Ratiopharm	21
Solvay Pharmaceuticals	22
Ranbaxy	23
Bionorica	24
Kyiv Vitamin Plant	25
Mili Healthcare	26
Zentiva	27
GlaxoSmithKline Consumer Healthcare	28
Interchem	29
Pliva	30

Source: Pharmstandard analytical systems (MORION) and PharmXplorer (Proxima Research)

Most of the healthcare sector experts (66.7%) stated that the regulatory environment for the sector did not change from April 2009 through February 2010. Some 22.2% assessed the changes in the regulatory environment as negative. Only 11.1% stated that the changes in the regulatory environment were positive.

The Ukrainian healthcare market (especially the market for medicines) is rapidly growing and is, therefore, attractive for investment. This is primarily due to the size of the market and the relatively low market entrance barriers. The majority of the experts (77.8%) plan to keep the same level of investment in the sector in 2010 as there was in 2009. Only 11.1% of the respondents expect to increase their investment in 2010; the same share (11.1%) stated that they plan to reduce their investment in 2010 as compared to 2009.

According to 44.4% of the experts, the competitiveness of the Ukrainian healthcare

sector weakened between April 2009 and February 2010 as compared to neighboring countries. The same share (44.4%) stated that competitiveness remained the same over the studied period. Only 11.1% of the experts reported a rise in the competitiveness of the Ukrainian healthcare sector over the past year.

Multi-centered clinical trials grew rapidly over the course of the several previous years in terms of the number of annually approved trials. They involved clinical sites and enrolled clinical trial subjects. Ukrainian legislation on clinical trials is in line with the ICH Guidelines, including the Good Clinical Practice requirements. Although clinical trials constitute an important driver of R&D activity and provide free access to innovative medicines for patients, conducting them in Ukraine is fraught with enormously complicated customs procedures, and importation of investigational medical products is not VAT exempted.