

## News Release

Bijal Tanna  
Global Media Relations  
+44 20 7951 8837  
[btanna@uk.ey.com](mailto:btanna@uk.ey.com)

Gregory Kelley  
Feinstein Kean Healthcare  
+00 1 404 881 2302  
[gregory.kelley@fkhealth.com](mailto:gregory.kelley@fkhealth.com)

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## **Pharmaceutical industry rapidly expanding partnerships with new entrants in health care space**

### **Investment in “Pharma 3.0” initiatives still trails those of other industries**

New York and London, 15 February 2011 – Pharmaceutical companies are dramatically increasing their investments in new and innovative offerings to meet the demands of a patient-empowered, data-driven, outcomes-focused future in health care. In the last year alone, pharmaceutical company investment in smart phone apps, educational websites, social media platforms, wireless devices and other programs increased 78%, as companies embrace a role that goes far beyond developing and manufacturing products.

While many of these initiatives involve collaborating in new ways with non-pharmaceutical companies, investments by these same non-pharma companies are outpacing those made by pharma companies, challenging industry members to either increase their level of investment or risk diminished relevance. These findings and other insights were released today in *Progressions: Building Pharma 3.0*, Ernst & Young’s annual global pharmaceutical report.

The Progressions report provides a detailed update on the transformation currently underway in the pharmaceutical industry — one in which companies will need to shift from simply producing new medicines to demonstrating improvements in health outcomes and creating innovative new business models, an ecosystem that EY has entitled “Pharma 3.0.” This evolution is being driven both by rapid advancements in health care technology and the coming to a head of health care’s lack of sustainability globally.

The opportunities latent in these shifts are attracting a growing flood of non-traditional players to the health care space. The report estimates that non-pharma players have publicly committed at least US\$20 billion in experiments with Pharma 3.0 related business models, an investment level several multiples larger than the allocations made by the pharmaceutical industry.

“New entrants to the health care industry are clearly committing much more to business model innovation than pharma companies,” remarked Carolyn Buck Luce, Global Pharmaceutical Leader at Ernst & Young. “The companies that succeed in this new health care ecosystem will do so by developing innovative outcomes-focused offerings through structured, systematic and scalable approaches to business model innovation. Just as importantly, pharma companies should demonstrate to new players in the health care space why the unique insights they can provide related to patient outcomes will make them indispensable partners.”

The Progressions report also contains insights from the first-ever detailed database of Pharma 3.0 initiatives launched by pharmaceutical companies during the last five years. Key findings include:

- Pharma 3.0-related initiatives are being driven by investments in mobile health technology, particularly smart phone apps. Between 2006 and 2009, 16% of initiatives were in the mobile health space. In 2010, this category accounted for one out of every two new initiatives.
- These smart phone apps, previously focused primarily on diabetes management tools, expanded rapidly into other disease categories in 2010, with apps emerging in an estimated 14 disease areas. These apps ranged from tools to help patients and consumers track vaccination schedules, manage infusions for treatment of hemophilia, and find cancer clinical trials within 150 miles of their location.
- Oncology-related initiatives surpassed those in diabetes as the most popular Pharma 3.0 investments in 2010, representing 15% of all initiatives. Diabetes and Metabolics tied for the second spot with Immunoscience/Inflammatory diseases, each accounting for 12% of initiatives.
- Pharmaceutical companies are increasingly developing business models that seek to improve patient outcomes using more holistic approaches, including disease management, coordinated care, and an expansion across different stages of care. Several of the world’s largest pharmaceuticals recently announced collaborations with technology and eHealth firms designed to empower patients to manage their conditions more effectively and to more easily and safely share their personal data with health care professionals.

### **Becoming a “Partner of Choice” in Pharma 3.0**

The Progressions report notes that the pharmaceutical companies that will be successful in Pharma 3.0 will be the ones able to combine their unique assets and attributes with those of potential partners through radical collaborations focused on patient outcomes and the consumer experience. However, successful engagement with these new entrants will require companies to demonstrate that they are the partner of choice in this new health care ecosystem, in three key ways:

**Articulating strengths:** Pharmaceutical companies have unparalleled knowledge about the drugs they develop, as well as deep understanding of disease states, regulatory pathways and payer requirements. While these

strengths could provide significant value in the new ecosystem, companies should recognize that these advantages may be short-lived as non-traditional players could prove quick learners.

**Addressing conflicts of interest:** The pharmaceutical industry will need to address head on the perception that it has conflicts of interest that would preclude it from being an unbiased partner in innovative business model collaborations. This will be particularly acute in connection to potential perceptions that pharmaceutical companies would favor their own products over their competitors or promote treatment interventions rather than preventive measures. The industry winners will be those companies that actively demonstrate “end to end” value throughout the system with the patient and payers’ outcomes paramount.

**Taking action to build trust:** The industry has seen its reputation decline in recent years. But much of the activity in Pharma 3.0 will occur in communities such as social media, online networks, and patient and disease groups. These communities have their own rules of engagement — requiring openness, unbiased information, and a foundation of trust. Engaging with stakeholders in these Pharma 3.0 communities in ways that are transparent, unbiased and demonstrative of their intent to improve outcomes will go a long way toward helping rebuild trust.

“Success in Pharma 3.0 will require diverse capabilities — from the ability to mine insights from vast pools of dissimilar health data, to rural distribution networks in emerging markets and wireless communication platforms,” says Patrick Flochel, EMEIA Life Sciences Leader at Ernst & Young. “No single company has everything that it will take. And in today’s resource-strapped business climate, companies will benefit by leveraging investments that other companies have already made, rather than reinventing every wheel. ‘Not invented here’ was once an admission of inadequacy in this industry. In Pharma 3.0, it will be a source of pride. Collaboration — radical collaboration, and lots of it — is the future.”

*ends*

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