

## Pharmaceutical industry expanding partnerships with new entrants in health care space, says Ernst & Young

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

Mumbai, March 15, 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 a part of Ernst & Young’s annual global pharmaceutical report - *Progressions: Building Pharma 3.0*.

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.

“New entrants to the health care industry are clearly committing much more to business model innovation than pharma companies,” remarked **Hitesh Sharma, Partner & National Leader, Life Sciences Practice, 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. Also, the global pharmaceutical companies are increasingly exploring alliances with nontraditional partners as a way to pursue opportunities in emerging markets. Emerging markets, such as India, will play a crucial role in these opportunities of Pharma 3.0.

The opportunities latent in these shifts are attracting a growing flood of non-pharma 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.

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.

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