

2015 life sciences outlook Switzerland

Despite its low population, Switzerland is a leading pharmaceutical market in terms of pharmaceutical headquarters and hence for pharmaceutical management, production and knowledge generation. On the other hand Switzerland is as a pharmaceutical consumer market relatively small in European terms.

Total pharmaceutical sales including over-the-counter (OTC) products are estimated at \$7.3 billion in 2013, down 3.3 percent from 2012 in local-currency. A soft economy is anticipated to result in another drop in pharmaceutical sales in 2014; however growth should resume in 2015, and average 3.9 percent annually (in local-currency) through 2018, totaling \$7.4 billion.¹

Despite the economic and political strength of Switzerland's research-based pharmaceutical industry, overall drug prices and volumes will likely be dampened by government efforts to contain costs through generic substitution and reduced reimbursement rates. The Federal Office of Public Health (BAG) has a list of pharmaceuticals that obligatory health insurers must reimburse. Neither the BAG nor health insurance funds directly control the prices of the pharmaceuticals listed, but cost-effectiveness is a criterion for inclusion on the list. BAG has introduced cost-cutting measures, for example, by removing alternative medicine and certain psychiatric treatments from its list.²

Switzerland's pharmaceutical market =
\$7.3 billion in 2013

Growth rate = 3.9 percent annually (in local
currency) from 2014 to 2018

Growth of the Swiss generics market has accelerated due to the authorities' attempts to contain pharmaceutical spending. According to Interpharma (an association of research-based pharmaceutical companies in Switzerland), generic drugs account for around one-third of the potential generics market (generics plus pharmaceuticals for which patent protection has expired), but account for only 10 percent of the total medicines market, reflecting the strength of the local research-based pharma industry.³ In reaction to the generic pressure, pharmaceutical companies are shifting their focus on end-of-lifecycle strategies, branding and messaging campaigns as well as services and physician engagement.

Besides cost cutting efforts from regulators and pressure from generics, Switzerland proposed a new corporate tax reform (CTR III) in 2014, which may dramatically change the Swiss corporate tax landscape with significant implications for globe pharmaceutical companies based in Switzerland. Pharmaceutical companies will need to review their international tax structures and potentially amend these in light of the reforms.

¹ *Industry Report, Healthcare: Switzerland*, The Economist Intelligence Unit, September 2014

² *Ibid*

³ *Ibid*



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