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Access to medicines,
or how equality has become a central issue for pharma businesses

CANDRIAM
A NEW YORK LIFE INVESTMENTS COMPANY

Crisis reveals two-tier access to medicines

The health crisis has caused more than 900,000 deaths in Europe[1]. But it has also illustrated the health sector's tremendous drive for innovation in its search for solutions to the pandemic. Candriam's aim in its investments in the health sector is to identify, amongst those companies capable of discovering and producing the solutions of tomorrow, the most innovative.

The innovative power and speed with which the main vaccine-producing pharmaceutical companies have reacted, and the resulting launch of four products less than a year after the start of the pandemic, is simply astounding. However, with only 6% of the world's population currently vaccinated[2], we are still far from the ambitions announced in May 2020 by Charles Michel, President of the European Council, Ursula von der Leyen, President of the European Commission, and Shinzo Abe, the-then Prime Minister of Japan, who called for the future COVID-19 vaccine to become a global public good. Supply difficulties and delays in delivery by pharmaceutical companies in Europe highlight a key issue for millions of people in low- and middle-income countries: access to medicines.

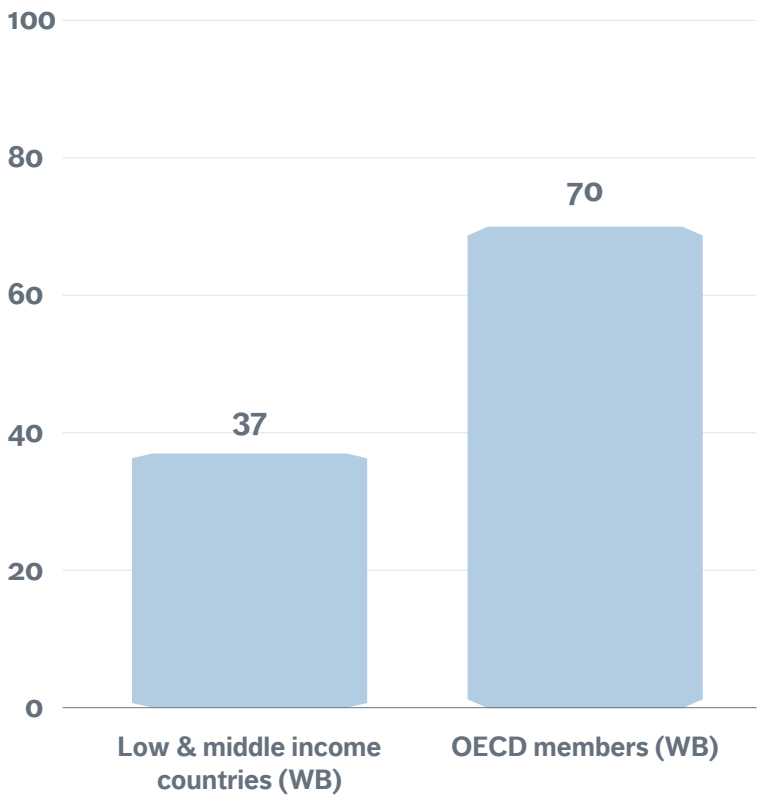
A universal right...

As stated in Article 25 of the Universal Declaration of Human Rights: "Everyone has the right to a standard of living adequate for the health and well-being of himself and of his family, including food, clothing, housing and medical care and necessary social services".[3]

... that continues to be violated

Yet half the world's population lacks access to essential health services. More than 930 million people worldwide spend more than 10% of their budget on healthcare and some 100 million fall below the poverty line each year because of these expenses[4]. **Significant inequalities in healthcare access exist between OECD countries and low- and middle-income countries.** For the latter, access to healthcare is via one of three routes: a private circuit of local pharmacies and clinics with extremely high prices for treatment; an atrophied or non-existent public circuit; and, thirdly, the circuit of NGOs, with their own dispensaries or in collaboration with the local authorities. In addition, health insurance is either non-existent or coverage is extremely limited, making access to treatment difficult and costly.

Figure 1:
Capacity and responsiveness of healthcare systems



Source : Candriam

The capacity and responsiveness of healthcare systems is one of the factors taken into account in ***Candriam's ESG model****. These aspects are assessed using a number of indicators, including the capacity and responsiveness of healthcare systems, data on reproductive and child health, immunisation and preventive care, and public and private health expenditure.*

While most of the barriers are systemic, Big Pharma has a duty to step up its efforts to provide more equitable access to treatment and healthcare for people in these countries. Since 2011, Candriam has been working with the Access to Medicine Foundation (ATMF), which works to ensure that pharmaceutical companies integrate these issues into their strategy and business. Harnessing ATMF's research, **we dialogue with the companies concerned with a view to improving practices**. What are the barriers to access to medicines? How can we, as investors, encourage companies to implement best practices?

Overview of barriers to access to medicines

Medical research, profits and intellectual property rights

Since the WTO TRIPS agreements[5], **intellectual property** has been considered a vital factor in the stimulation of private medical innovation. The income from patents on medical treatments justifies the resources used in the search for effective treatments. This has a clear impact both on the diseases addressed by research and on access to treatment in low- and middle-income countries, with the lion's share of private **pharmaceutical research** being focused on treatments for the most **profitable** diseases. In high-income countries, the treatments primarily concern diseases – including cancer, orphan diseases and gene therapy – that are reimbursed by social security systems or purchased at high prices by many patients. Meanwhile, private research continues to neglect infectious diseases, such as HIV/AIDS, tuberculosis and malaria, and orphan tropical diseases, present mainly in low- and middle-income countries, as well as treatments that are likely to be little used, such as last-resort antibiotics. While access to some innovative drugs, such as those developed by Gilead for HIV and hepatitis C, has been facilitated in developing countries (through the granting of voluntary licences to generic drugmakers for low-cost production and pricing), ten of the 16 growing infectious diseases studied by ATMF are not currently the subject of any research programme by the 20 major pharmaceutical companies monitored by ATMF[6].

Intellectual property rights raise the question not only of the speed with which new treatments are registered with the relevant health authorities, but, more importantly, the price and availability of treatments in low-income countries. Through regular dialogue with pharmaceutical companies and genuine shareholder commitment, Candriam supports the implementation of a strategy of differential pricing or public-private partnerships – which should become common practice – for these countries,. Similarly, where a company does not consider it strategic to sell its treatment in a region concerned by the disease, we encourage it to implement voluntary licences with competing generic drugmakers or to work on developing local production capacity in partnership with public authorities and international donors.

Strengthening local health systems

Beyond regulatory and differential pricing strategies, private actors can work to develop and strengthen the health systems in low- and middle-income countries. In recent years, many partnership projects have been implemented concerning technological aspects, including diagnosis tools, logistics circuits, technology transfers and the development of local production capacities, as well as human aspects, such as the training of health professionals. These projects show the way and are arguments for feasibility in our discussions with pharmaceutical groups, which are beginning to see the benefits of these partnerships in the field in terms of collaboration with the authorities and care for patients previously excluded from the health system.

A central concern of Big Pharma...

At Candriam, we integrate the issue of healthcare access into our responsible investment analysis models. We note that the subject is increasingly being taken into account by major pharma firms, although the trend needs to gain greater traction.

In our analysis of how businesses contribute to key sustainable development issues, we value companies that produce medicines considered essential by the WHO, such as treatments for tropical infectious diseases. Our analysis universe includes the pharmaceutical companies included in the Access to Medicine Index (ATMI) . We pay particular attention to developments in companies' research pipelines and treatment portfolios.

Access to healthcare is also one of the structuring pillars of our stakeholder analysis for this sector. We assess governance, product safety, anti-corruption and employee management. We are seeing a growing strategic consideration of access to healthcare in most of the companies monitored by ATMI[8].

The Access to Medicine Foundation, founded in 2008, advocates for more responsible practices by the world's largest pharmaceutical companies.

Every two years, the Foundation assesses the efforts of these companies to facilitate the development of new treatments essential for people in low-income countries and the deployment of strategies to facilitate access to existing or developing medicines in these geographical areas. The fight is on two fronts: research and development, and access mechanisms (cost and delivery of products).

... from the R&D stage

One of the major advances noted is the systematic development of access plans at the R&D stage for new treatments. Today, eight of the 20 companies in the index[9] have systematised the development of **access targets** for new products in their R&D pipeline, and more and more companies are seeking to better understand the impacts of their access programmes.

However, these structural advances should not obscure the historical delay in the accessibility of a large number of existing treatments. Only 26% of the medicines studied by ATMI are subject to an access strategy in low-income countries. Despite an increase in the number of projects developed to strengthen local health systems or pharmaceutical production tools (all 20 companies analysed by the index are now involved in such projects), these initiatives are still concentrated in emerging countries (known as "pharmerging" countries) such as China, India and Brazil. Many countries remain "ignored", and most of these projects remain small-scale.

"...healthcare access (...) is increasingly being taken into account by major pharma firms..."

We dialogue with the companies we invest in to encourage them to:

- integrate these issues into executive compensation;
- boost their research efforts, alone or in collaboration with other actors, on emerging diseases or those for which no scientific treatment exists;
- communicate on their anti-corruption efforts more transparently;
- measure the impact of their access initiatives, whether through the adoption of differential pricing, donation strategies to control or eradicate certain diseases, or initiatives to strengthen health systems.

The COVID-19 crisis has shown how quickly vaccines or treatments can be developed once a global health priority is identified and research is supported by government authorities. The G20 ACT-Accelerator initiative, aimed at accelerating the development, production and equitable access to personal protective equipment, tests, treatments and vaccines developed against COVID-19, could serve as a model to boost the international community's efforts relating to the UN Sustainable Development Goals by 2030, in particular Goal 3[10] and the objective of universal health coverage. At their level, pharmaceutical companies can make an important contribution by increasing international collaboration and accelerating the roll-out of access strategies developed in recent years. Our discussions with these companies show us how much they have evolved on these subjects over the last ten years. While there is no denying the increased importance of the race for profitability, **we should also recognise the real efforts of the industry to forge a position and structure initiatives that allow more equitable access to treatment for certain populations**. Identifying the companies that will best adapt to this changing environment and safeguarding their freedom to operate an ability to innovate, while increasing the number of people obtaining health coverage, is a key objective of our analysis.

Notes & References

[1] Data as of 20/03, source: https://www.coronavirus-statistiques.com/stats-continent/coronavirus-nombre-de-cas-europe/
[2] Cumulative data based on the number of vaccine doses injected as at 24 March 2021. https://ourworldindata.org/covid-vaccinations
[3] https://www.liguedh.be/la-declaration-universelle-des-droits-de-lhomme/
[4] Tracking Universal Health Coverage: 2017 Global Monitoring Report, WHO and World Bank. https://www.who.int/healthinfo/universal_health_coverage/report/2017/en/
[5] https://www.wto.org/french/tratop_f/trips_f/trips_f.htm
[6] Aryan haemorrhagic fevers, Crimean-Congo haemorrhagic fever, Middle East Respiratory Syndrome Coronavirus (MERS-CoV), Nipah, other bunyaviral diseases, other filoviral diseases, other henipaviral diseases, Rift Valley fever, Severe Acute Respiratory Syndrome (SARS), Severe fever with thrombocytopenia syndrome (SFTS). The six diseases addressed by research programmes are: Chikungunya, Ebola, emergent non-polio enteroviruses, Marburg, other highly pathogenic coronaviral diseases (including COVID-19) and Zika.
[7] The ATMI is published every two years by the Access to Medicine Foundation. https://accesstomedicinefoundation.org/publications/2021-access-to-medicine-index
[8] In 2021, the ATMI included the following companies: AbbVie Inc, Astellas Pharma Inc., AstraZeneca plc, Bayer AG, Boehringer Ingelheim GmbH, Bristol Myers Squibb, Daiichi Sankyo Co. Ltd, Eisai Co. Ltd, Eli Lilly & Co., Gilead Sciences Inc., GlaxoSmithKline plc, Johnson & Johnson, Merck & Co Inc., Merck KGaA, Novartis AG, Novo Nordisk A/S, Pfizer Inc., Roche Holding AG, Sanofi and Takeda Pharmaceutical Co. Ltd.
[9] AstraZeneca plc, GlaxoSmithKline plc, Johnson & Johnson, Merck KGaA, Novartis AG, Pfizer Inc., Sanofi and Takeda Pharmaceutical Co. Ltd.
[10] SDG 3 - Ensure healthy lives and promote well-being for all at all ages. https://www.un.org/sustainabledevelopment/fr/health/

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