

Competitiveness of the Thai Healthcare Industry

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In the last decade, Thailand established the objective of becoming a regional player in the pharmaceutical industry. In 2004, the Thai government adopted a five-year plan to develop the country's capacity to become a regional center of excellence. To date, the government has only partially achieved this objective. Thailand continues to lag behind its competitors in certain areas, notably with regard to the implementation of policies relating to pharmaceutical products.

MEDICAL TOURISM PROMOTION

In an effort to stimulate the economy and achieve the goal of becoming Southeast Asia's Medical Hub, the Thai government created the Medical Tourism Promotion Project, designed to bring Thailand's high-quality hospitals and affordable medical care to the attention of prospective patients in developed countries. These promotional efforts have proven successful, with more than 1.4 million foreigners visiting the country for treatment in 2008, according to The Report: Thailand 2009, an analysis of Thailand's economy published by Oxford Business Group.

The U.S.\$2 billion in aggregate revenue generated by medical tourism in the same year yielded profits of U.S.\$850 million for health professionals. Thailand's annual income from health tourism could reach U.S.\$3 billion by 2012 if the country maintains efforts to develop as a medical destination, according to the Thailand Development Research Institute. Bumrungrad Hospital, Southeast Asia's largest private medical

center, treats more than 400,000 foreigners every year. The principal factor attracting foreign patients to Thai private hospitals is their high performance, realized with the same equipment found in Western countries but at a significantly lower cost.

POLICIES FOR THE DEVELOPMENT OF THE HEALTHCARE INDUSTRY

Baht 30 Scheme

The potential for growth in Thailand's healthcare system is also based on the large market of resident patients. Due to Thailand's growing and aging population, there is a huge market for pharmaceutical products. The demand for healthcare services increased with the introduction of the Baht 30 scheme in October 2001. Under this scheme, even uninsured patients may visit any government hospital and pay only a small fee per visit, with the remaining cost of the treatment borne by the state.

Pro-Biotechnology and Research & Development

Thailand's National Biotechnology Policy Framework (NBPF), published in 2004, is a seven-year plan to achieve excellence in six areas where biotechnological innovation has practical application. To help boost research and development (R&D) and increase its commercial viability, the government is also actively seeking strategic partners to invest in life sciences and development projects. According to the NBPF, private investment in the biotechnology sector is expected to reach Baht 5 billion

(U.S.\$147 million), which would generate THB 30 billion (U.S.\$882 million) in revenue and create 100 new companies in the bio-business. Also, in an effort by the government to strengthen Thailand's competitiveness, the Board of Investment is facilitating the process by which new companies establish laboratories and pursue R&D.

NLED List

The implementation of the National List of Essential Drugs (NLED) enables companies to boost sales volume as soon as one of their drugs appears on the list. Hospitals are strongly recommended to purchase drugs from the NLED, as the medicines on this list are selected by the government and their price is fixed. Since a key principle behind the NLED is to offer medicine at a low price, most of the products are local generics.

LACK OF POLICIES REGARDING CLINICAL TRIALS

According to Clinicaltrials.gov, a service of the U.S. National Institutes of Health, as of August 21, 2009, Thailand was hosting the most clinical trials conducted in Southeast Asia, with 559 clinical trials, followed by Singapore (553) and the Philippines (323). Thailand's leading position is largely due to the lack of uniform legislation regulating clinical trials. Since there is no central regulation, companies feel more comfortable conducting clinical trials in Thailand.

The large number of clinical trials has speeded up the transfer of technology into the country and boosted the domestic healthcare sector. However, the absence of uniform laws and a centralized trial approval authority like the national FDA raises IP issues, in particular test data protection. In Thailand a variety of different authorities are involved in the process of clinical trial approval, including the Ethical Review Committee for Research in Human Subjects of the Ministry of Public Health (MOPH); the Department of Medical Services of the



Some of the helpful staff at Bumrungrad Hospital.

MOPH; and the Drug Control Division of the Thai FDA. A bill to centralize the clinical trial approval process with the Food and Drug Administration is currently under review at the Thai Council of State.

INFRASTRUCTURE NOT ALWAYS COMPLIANT WITH INTERNATIONAL STANDARDS

Thailand's pharmaceutical production is limited to "formulation" type facilities, which means that most of the active ingredients for pharmaceutical products are imported. Only a handful of companies and the Government Pharmaceutical Organization are able to produce medicine for consumption. A significant part of the local industry has not yet been granted the Good Manufacturing Practice (GMP) certificate, although the Thai FDA offers GMP training programs to local manufacturers. In the absence of the local production of medicines, transfer of technology cannot occur, and companies must look at other countries for ingredients to manufacture their products.

PRO-GENERIC POLICIES

The Thai government seems to be set on an approach favoring generic

companies, rather than promoting originator companies. For example, the registration process for a generic drug is much faster than the registration for original drugs due to bioequivalence studies and minimum data protection.

Innovator companies also cannot rely on patent linkages, which is a means of determining whether a drug might infringe on a registered patent prior to the granting of marketing approval. Grants of patents for pharmaceutical products can take up to 10 years, compared to a range of six to eight years for other kinds of products. Many healthcare companies are concerned about the government's pro-generics policies, which slow their products' accession to the market and force them to conduct the majority of their business in other ASEAN countries such as Singapore or Malaysia.

NEED TO IMPROVE STANDARDS

There can be no doubt that Thailand's healthcare industry has developed substantially since 1962, when the country had only one private hospital. Although there are problems that must be overcome, Thailand can definitely be considered a player in the region, especially in terms

of medical tourism. To achieve its goal of becoming Southeast Asia's Medical Hub, however, Thailand's government at the very least must raise its laws to international standards and show an effort to counter its image as a haven for counterfeiters.

By joining the ASEAN process to harmonize its members' pharmaceutical regulations, the country is now on the right track toward attaining the international legitimacy necessary for the expansion of its healthcare sector. Thailand will benefit greatly from achieving the three objectives of the

ASEAN harmonization project, namely to (i) provide a more transparent regulatory process, (ii) standardize regulation requirements for all ASEAN countries, and (iii) remove the requirements of many countries to conduct duplicate studies prior to product registration with the national FDA. In the years ahead, Thailand must also take the further step of spending a larger percentage of its Gross Domestic Product on healthcare in order to become a world-class competitor.

Even though government policies have been implemented to expand Thailand's healthcare industry, the Thailand Pharmaceuticals & Healthcare Report Q2 2009 ranks Thailand 10th in 15 key markets surveyed in the Asia-Pacific region. This ranking puts Thailand behind Japan, South Korea, Australia, Malaysia, and India, among others. The Thai government's failure to implement necessary healthcare industry regulations is the reason generally provided to explain this ranking. ■

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