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China's Thirst for New Diabetes Drugs Threatens Bayer's Lead 2011-11-20
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By Naomi Kresge

Nov. 21 (Bloomberg) -- There isn't a word for diabetes in traditional Chinese medicine, but Chengzhi Xia knows it when he sees it. And he says he's seeing much more of it these days.

Xia and other healers in affluent central Shanghai describe the disease by one of its symptoms, a raging thirst. Patients often seek relief from the side effects of modern drugs -- products sometimes outdated in the West.

"Western companies should have more innovative products to give Chinese patients more choices," Xia said in an interview in his cubicle at Lei Yun Shang Pharmacy, where apothecaries sift sharp-smelling medicinal herbs alongside modern pills.

He may soon get his wish. As diabetes rates soar in China, drugmakers including Merck & Co., Sanofi and Eli Lilly & Co. are trying to unseat Bayer AG and Novo Nordisk A/S as the biggest providers of diabetes medicines. At stake is a market that may triple to \$2.1 billion in annual sales by 2019 from \$700 million in 2009, says Yifi Liu, an analyst for Datamonitor in Shanghai.

"You should continue to expect double-digit growth in China's diabetes market for many years to come," Kare Schultz, chief operating officer of Novo Nordisk, said in a telephone interview. The Copenhagen-based drugmaker is the country's top seller of insulin, which diabetes patients lack to convert blood sugar into energy.

Beyond insulin, the pill to beat is a 17-year-old Bayer drug called Glucobay, little used in the West but dominant in China. Glucobay sales there surged 22 percent to 1.8 billion renminbi (\$283.4 million) last year, according to Bayer. The medicine, now a generic, only garnered a fraction of that, or \$9.7 million in revenue, in the U.S. in the first nine months of this year, according to data research firm IMS Health.

Eating Carbs

"We're still winning market share" with Glucobay in China, Bayer Chief Executive Officer Marijn Dekkers said at a Nov. 15 dinner with journalists in Shanghai.

The medicine, a so-called starch blocker intended to cut blood sugar after meals, is unpopular in the U.S. because it's not potent enough to justify its side effects, according to Tom Donner, head of the diabetes center at Johns Hopkins University. Up to half of Glucobay patients experience loose bowel movements and many complain of gas, he said in a telephone interview.

Yet it's a logical option for a population with a diet high in carbohydrates like that of China, said Datamonitor's Liu. Combined with Bayer's marketing savvy, that may help explain why the drug is so famous locally it has reached the status of "pharmaceutical myth," according to Liu.

Proud Doctor

Bayer, of Leverkusen, Germany, worked with physicians and health authorities to help draft guidelines for diabetes treatment. The company held round-table talks on diabetes with influential doctors. It also set up Bayer Diabetes Community Center houses, where people can get free drugs and prevention literature and participate in patient activities, all under the auspices of the Bayer brand name, Liu said.

Bayer also kept prices low, making Glucobay an affordable option for a disease with few insurance-reimbursed therapies.

"The loyalty to the brand is very strong," said Liu.

Even Xia, the traditional Shanghai doctor, proudly displays his Bayer glucose meter, an instrument to measure blood-sugar levels that he calls a preventive tool "for the future."

The same pace of social change and urban prosperity that has fuelled China's economy in the past decade has fanned the spread of Type 2 diabetes, the most common form of the disease, as people ate fattier foods and led more sedentary lifestyles.

Long March

Type 2 diabetes linked to obesity affected almost 1 in 10 Chinese adults in 2008, the New England Journal of Medicine said in a study published last year. That would be a higher rate than in the U.S., where the National Institutes of Health estimates 8.3 percent of the population had diabetes in 2010. Another 148 million Chinese are on their way toward developing the disease.

The new generation of drugs that may relieve sufferers and supplant Glucobay has already begun its march into China.

Merck's Januvia went on sale last year, and Novo's Victoza became available in October. Lilly and Amylin Pharmaceuticals Inc.'s Byetta won approval in 2009. All three work in different ways to prompt the pancreas to make insulin, the hormone that diabetics need to break down the sugar that builds up in their blood stream.

Bayer's dominance, while under threat, probably won't evaporate overnight. Next-generation drugs take about five to six years to penetrate the market, delayed by requirements for clinical testing inside China, according to Novo's Schultz. Once the medicine goes on sale, demand tends to pick up only after it's added to insurance reimbursement lists.

Dislodging Glucobay

"The sales are insignificant until we get on the reimbursement," Schultz said. Until then, only the fewer than 10 percent of the population willing to pay out-of-pocket will be able to buy Victoza, he said.

Sanofi introduced its Lantus insulin in 2004. The French drugmaker said local sales had doubled in the third quarter of 2011 after the medicine was included in reimbursement lists in Shanghai last December and Beijing in July.

The first new therapies are likely to be added to insurance payers' lists by 2013, according to Datamonitor's Liu.

By 2016, newer classes of drugs will be the fastest-growing diabetes medicines in China, estimates Vineet Kashyap, an analyst for IMARC Group in New Delhi. Medicines such as Januvia, Victoza and Byetta are likely to hold 17 percent of the market by then, approaching the

one-quarter share estimated for drugs in Glucobay's class of starch blockers, Kashyap said.

Eventually, new drugs may come from within China. At the diabetes institute of Shanghai Jiao Tong University Affiliated 6th People's Hospital, dozens of journal publications hang on the wall next to the office of director Weiping Jia, who led the Shanghai portion of the diabetes study published in the New England Journal of Medicine.

'Dramatic Change'

Ten years ago, Jia's diabetes center saw about 70 patients a day. Now seven times as many travel from across the country for treatment or screening, she says. The center's research has helped define two genetic variations that may play a stronger role in diabetes in Chinese populations than in Caucasians, according to Congrong Wang, one of the institute's doctors.

"In the future, it's possible that if we find a certain genetic background we can use a more individual therapy," Wang said.

Mingzhao Xing, a professor of medicine, endocrinology and metabolism at Johns Hopkins, blames "a dramatic change in people's lives" affecting diets, culture and medical care for the recent flare-up of one of the oldest disease known to man.

"In Chinese medicine 2,000 years ago, people knew urine could be sweet and people would be thirsty -- they knew the signs of diabetes," Xing said. "But it wasn't common."

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