

Digest

Of Russia's Medical Device Market

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Expert Opinion

Developments in public procurement in Russia – a threat for foreign manufacturers to be excluded from the market?

By Aleksey Vanin, MDpro



Around 85% of the Russian medical device market is supplied by imports. In 2013 the Russian government developed a strategy which aim is to be able to meet 40% of the local demand for medical devices by 2020. To get this point, the Russian government supports local companies in their R&D activities. Also it implemented restriction on participation of foreign manufacturers in public procurement. This regulation triggered intense public debate. Some experts have argued that this measure might make foreign companies leave the Russian market.

In February 2015 the Russian government implemented restrictions on admission of foreign-made medical devices to public tendering. According to this regulation, the tenders for state and municipal procurements will be closed for foreign manufacturers if at least two bids with medical devices originating from Russia, Belarus, Kazakhstan or Armenia (i.e. the member states of the Eurasian Economic Union) meet the requirements. The list of medical devices, which are subject to restrictions, contains approximately 50 item names, including certain kinds of cardiac monitors, tomography devices, x-ray diagnostic devices, medical clothing, various types of reagents, etc.

It was officially declared that these measures are intended to support local manufacturers of medical devices and encourage foreign producers to locate their production in the country. It should be noted that this initiative had been discussed since 2012 and the approach switched from a total ban to a moderate restriction.

This regulation has caused heated debate among industry professionals. The common position was that the restrictions might deter foreign companies from the Russian market, leaving public medical healthcare facilities without high-tech equipment.

The fact is that the regulation covers only a minor part of the Russian public procurement market. According to MDpro's estimates, it is around 20% of the total value of public procurement market of medical devices. Only half of this money is spent on imported goods.

The analysis of the regulation and current market situation shows that the potential of implemented restrictions is exaggerated. The best possible outcome from this measure is substitution of 2% of imports in the public sector.

The main reason for that is the inability of domestic manufacturers to satisfy market demand for medical devices. Some types of devices included in the list are not even produced by local companies. A good example of such a product is reagents for imported clinical diagnostic systems. Another crucial factor is that most Russian medical devices manufacturers distribute their products only in certain geographic regions – they do not cover the whole country. That is why it does not make much sense for a company from the Urals to take part in the tender for the supply of equipment to Kaliningrad.

To make use of opportunities provided by the regulation Russian companies have to improve their distribution system and increase the volume of production. However, it is a process, which can take months or years to be achieved.

The most reasonable conclusion that can be drawn from these facts is that implemented restrictions will not be able to reshape the Russian med-tech market in the near term. It might help increase the production of medical devices in this country but it will definitely not exclude foreign companies from the market. What might really hurt their businesses is tough economic situation and a devaluation of the ruble. In a time of limited resources within the health care sector, Russian public hospitals and clinics are seeking ways to reduce their costs. Purchasing of cheaper medical devices – from local manufacturers or less known foreign producers – is a good way to do it.

About the author:

Aleksey Vanin is CEO of MDpro, a Russian market research and consulting company providing a wide range of intellectual services in the sphere of medical device market.

Market Statistics (February 2015)

Since most of Russian healthcare facilities are state owned, 75% of all medical devices are sold through a public bidding process. In many medical device segments – minimally invasive surgical devices, resuscitation devices, orthopedic devices, medical imaging devices and general surgery devices – the share of public consumption is approaching 85-90%. The result of it is that the dynamics of public procurement determines the state of the whole market. That is why it is important to track the value of public procurement market on a monthly basis.

The analysis of public procurement uses data on tenders for delivery of medical devices posted on the official procurement website www.zakupki.gov.ru.

Figure 1 shows that the value of public contracts in February 2015 was RUB 19.8 bln., which is a bit higher than March 2014's 18.7 bln. Figure 2 demonstrates that market dynamics in USD is quite different. It reflects the ruble's gradual decline vis-à-vis foreign currencies.

Figure 1. Dynamics of public procurement in 2014-2015 (RUB mln.)

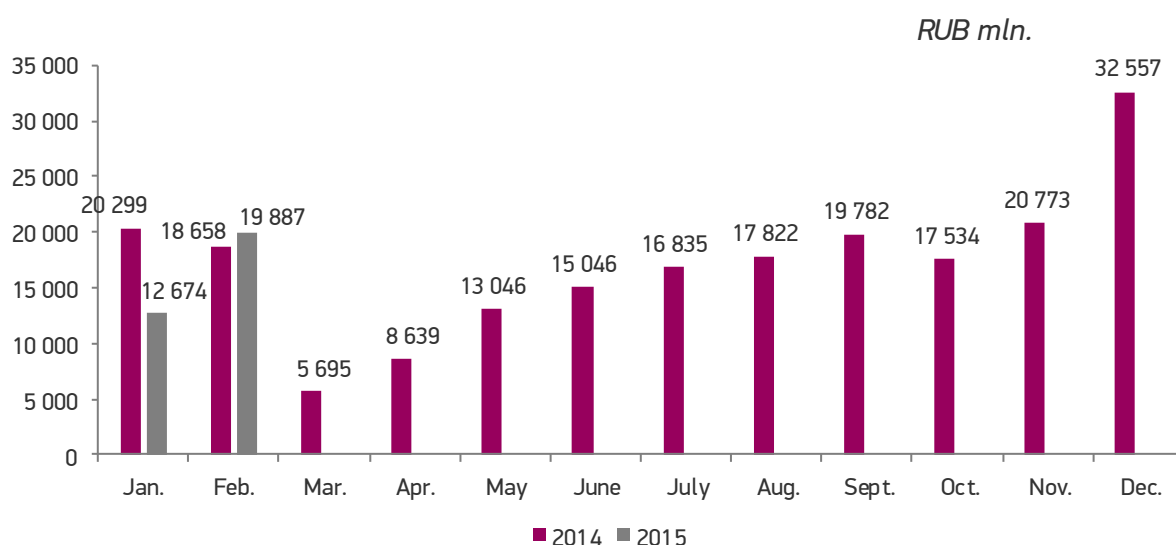
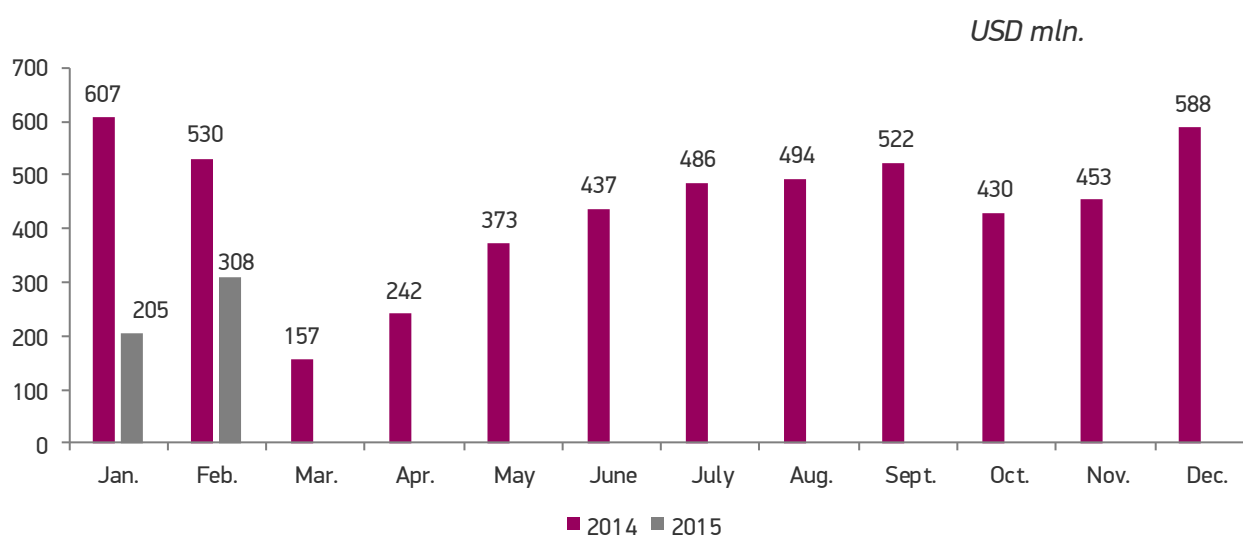


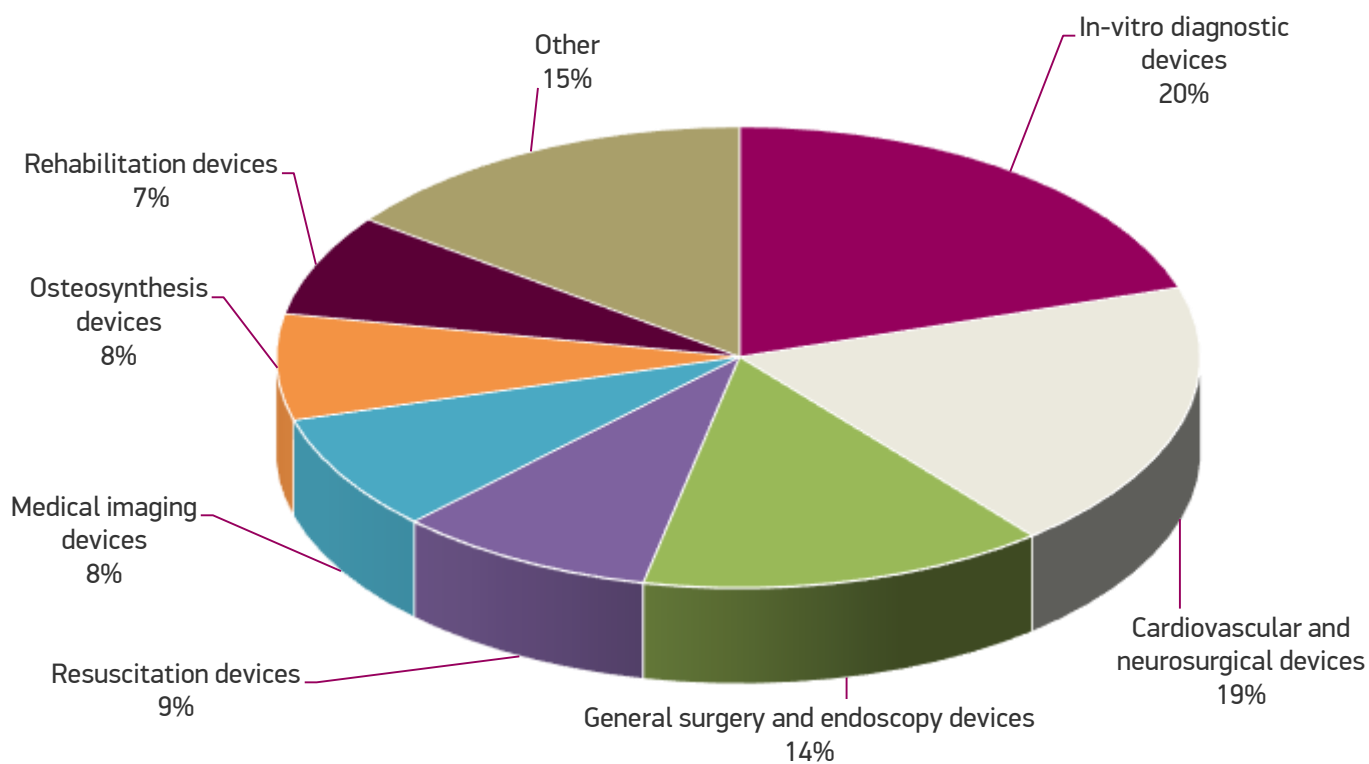
Figure 2. Dynamics of public procurement in 2014-2015 (USD mln.)



Source: MDpro

The largest segments in February 2015 were in-vitro diagnostic devices (20%), cardiovascular and neurosurgical devices (19%), general surgery and endoscopy devices (14%).

Figure 3. The structure of public procurement by segments in February 2015



Source: MDpro

MDpro's Data Collection Methodology

How do we calculate figures for Russian medical device market?

All researchers know that the method of data collection is one of the key factors determining data quality. The majority of international research companies that analyze the global medical device market (and Russia's med-tech market as its part) rely on expert interviews as the main source of information. They ask well-known market experts from different countries about the current and future state of the market. Afterwards they integrate all the data obtained from the experts and calculate necessary market indicators.

Our research experience proves that conducting expert interviews is not the best way of getting medical device market figures. Analysis of data, reflecting real market processes (public procurement, export-import operations, manufacturing of medical devices) is more helpful for achieving this goal. Using this type of data, we rely on real statistics, not somebody's assumptions. It is a strategy used by MDpro for data collection.

How do we deal with public procurement data? Data on public procurement of medical devices is the most valuable source of information about the Russian med-tech market because public procurement accounts for a large proportion of demand in the market (85-90% in some segments).

Russian public procurement rules govern the way in which public bodies purchase goods. All procurements made by every public healthcare center are made in accordance with the procurement standards. Russian Federal Law N 44-FZ "On the contract system in state and municipal procurement of goods, works and services" requires all federal, regional and municipal government customers to publish all information about government tenders, auctions and other purchase procedures on the government official website www.zakupki.gov.ru:

- ✓ The unified information system in the field of procurements (further – the unified information system) – set of information specified in Part 3 of Article 4 of the present Federal Law and contained in databases, the information technologies and technical means providing formation, processing, storage of such information, as well as its provision using the official website of the unified information system in the information and telecommunication network Internet (further – the official website) (Article 3. Basic definitions used in the present Federal Law, N 44-FZ).
- ✓ The results of an individual contract performance stage, information on the goods delivered, works performed or services rendered shall be presented by the customer in the report, which is put on the unified information system and contains the following information: 1) on contract performance (the results of an individual contract performance stage, delivery of goods, works performed or services rendered, including their compliance with the time schedule), meeting of contract performance milestones and deadlines; 2) on improper performance of a contract (with an indication of committed violations) or nonperformance of a contract and sanctions, which are imposed in connection with the breach of a contract or its non-performance; 3) on change or termination of a contract during its performance (Article 94. Features of contract performance, N 44-FZ).

For further information, please read the full text of the Law: http://en.fas.gov.ru/netcat_files/File/44-FZ%20eng.pdf

According to N 44-FZ, in Russia free and gratuitous access to the information on the contract system in the field of procurements is provided. The official website contains information on every procurement deal made by all Russian public institutions (they are published according to a contract date). Since information on the website is not classified, it is impossible to select only data regarding medical devices procurements. You have a list of all kinds of contracts.

Contract information includes data on a buyer, a seller, names of purchased items, number of purchased items and their price, the total contract value. It is obligatory for a buyer to keep all information about a tender updated. There is a section called "Journal of events" («Журнал событий»), which contains information about all stages of procurement process. It makes it easy to understand if a contract was completed or not. Another section "Documents" («Документы») includes attachments of contract completion documents.

Example of a document, including all information about a contract for the supply of a ventilator ChiroLog SV produced by Chirana: <http://www.zakupki.gov.ru/epz/contract/printForm/view.html?printFormId=23848929>

To see the whole information about this contract, published on the website, please click the following link: <http://www.zakupki.gov.ru/epz/contract/contractCard/common-info.html?reestrNumber=0308300014013000001>

Since information on the website is not classified, it is our job to select all contacts regarding medical devices purchasing. Firstly, data are collected and processed automatically with the help of specially developed computer algorithms. We have a large key words dictionary, which helps us identify all necessary contracts. Secondly, gathered data are checked and broken down by segment of medical device market. Segmentation of medical devices purchased under analyzed contracts is based on MDpro's taxonomy of medical devices.

If something is not clear, our analysts look through official documents published on the website to identify necessary facts about the contracts. What we finally have is a complete list of all contracts for the whole public procurement market of medical devices and its 300 segment/subsegments under analysis.

We do not use any sampling-based method – information about each public procurement contract is collected and analyzed.

To calculate the size of public procurement market (incl. segment breakdown) we add all relevant total contact values together.

It is worth noting, that the result of our work with public procurement data is not only market statistics but also our database, which has no equivalents on the Russian market. It serves as a source of accurate and up-to-date information about more than 300 types of medical devices, delivery volumes, prices and competitive landscape. It allows us to get information about the Russian medical device market in different breakdowns. For example, we can reveal characteristics of medical devices public consumption in different regions.

The screenshot below shows how our database of medical devices procurement is organized (not all columns of the database are reflected):

The names of the columns are the following:

- ✓ 1st column – contract registration code
- ✓ 2nd column – contract date
- ✓ 3rd column – buyer (public healthcare institutions that purchased medical devices under analyzed contracts)
- ✓ 4th column – purchased item (names of purchased medical devices)
- ✓ 5th column – price (RUB)
- ✓ 6th column – number of purchased items
- ✓ 7th column – MDpro's subsegment code
- ✓ 8th column – Mdpro's subsegment name

Как быстро проставлять сегмент: Right Click – проставить сегмент Ctrl + Right Click – подтверждает компьютерную сегментацию

Скрывать отсегментированные строки (выключено)

Поиск...

Сегмент	Наименование сегмента
1106	МИ для микробиологии
1107	Вспомогательное оборудование для КДЛ
1108	Прочие МИ для in-vitro диагностики

ПРОСТАВИТЬ выбранный сегмент во ВСЕХ отфильтрованных данных

ПОДТВЕРДИТЬ компьютерную сегментацию во ВСЕХ отфильтрованных данных

ПРОСТАВИТЬ выбранный сегмент ТОЛЬКО ГДЕ НЕ ПРОСТАВЛЕН сегмент

ПОДТВЕРДИТЬ компьютерную сегментацию ТОЛЬКО ГДЕ НЕ ПРОСТАВЛЕН сегмент

Количество записей на странице / Номер страницы: 300 / 16

Поиск...

Контракт	Дата подписания	Заказчик	Продукты			Прошлая сегментация	
			Наименование	Цена	Количество	Код	Наименование
218	0318300009214000689	27.10.2014	муниципальное бюджетное учреждение "К 24.42.24.159	124,79	36,00	1907	Шовный материал
219	0318300481814000011	27.10.2014	Муниципальное бюджетное учреждение зд Иглы 30G (0.3)*25mm 100 шт в уп	200,00	50,00	1910	Расходные материалы для хирургии
220	0318300481814000011	27.10.2014	Муниципальное бюджетное учреждение зд Иглы 27G (0.4)*30mm 100 шт в уп	200,00	50,00	1910	Расходные материалы для хирургии
221	0335300002214000053	16.10.2014	Государственное бюджетное учреждение Столик манипуляционный	4 062,67	5,00	2606	Мебель медицинская
222	0335100015614000207	27.10.2014	федеральное государственное бюджетное двухканальный наружный электрокардиостимулятор Reocor D	276 584,22	2,00	1402	Имплантаты для ССХ
223	0335300035814000075	27.10.2014	Государственное бюджетное учреждение : Кабель для биполярных пинцетов для аппарата Vallylab E0018 для аппарата Vallylab	3 860,00	3,00	1904	Инструменты для электрохирургии и
224	0335100015614000205	27.10.2014	федеральное государственное бюджетное Атравматический микропинцет с прямыми браншами	39 389,00	5,00	1902	Инструменты для общей хирургии
225	0335100015614000205	27.10.2014	федеральное государственное бюджетное Сосудистые микроножницы с изогнутыми на 45 градусов остроконечными браншами	60 814,00	5,00	1902	Инструменты для общей хирургии
226	0335100015614000205	27.10.2014	федеральное государственное бюджетное Сосудистые микроножницы с изогнутыми на 125 градусов остроконечными браншами	65 758,00	5,00	1902	Инструменты для общей хирургии
227	0335100015614000205	27.10.2014	федеральное государственное бюджетное Сосудистый микропинцет	53 810,00	1,00	1902	Инструменты для общей хирургии
228	0335100014914000133	24.10.2014	Калининградский клинический комплекс Фё марля	4,00	8 750,00	1908	Перевязочные и кровеостанавливаю
229	03122000018114000135	31.10.2014	Государственное бюджетное учреждение : Расходные материалы для аутоотрансфузии	92 160,00	1,00	1401	Инструменты и оборудование для СС
230	0312100004714000090	29.10.2014	федеральное казенное учреждение здравс Иглодержатель общей хирургической (160mm)	221,55	4,00	1902	Инструменты для общей хирургии
231	0312100004714000090	29.10.2014	федеральное казенное учреждение здравс Расширитель трахеотомический	630,00	4,00	1902	Инструменты для общей хирургии
232	0312100004714000090	29.10.2014	федеральное казенное учреждение здравс Шовный материал с антибактериальным покрытием в стерильной упаковке в комплекте с иглой	504,00	4,00	1907	Шовный материал
233	0312100004714000090	29.10.2014	федеральное казенное учреждение здравс Лейкопластырь, катушка 3*500см	23,54	100,00	1908	Перевязочные и кровеостанавливаю
234	0312100004714000090	29.10.2014	федеральное казенное учреждение здравс Лейкопластырь, катушка 1*500см	8,41	100,00	1908	Перевязочные и кровеостанавливаю
235	0312100004714000090	29.10.2014	федеральное казенное учреждение здравс Пинцет хирургический (метал)	77,70	4,00	1902	Инструменты для общей хирургии
236	0312100004714000090	29.10.2014	федеральное казенное учреждение здравс Роторасширитель	866,25	4,00	1902	Инструменты для общей хирургии
237	0112200000714000292	27.10.2014	Министерство здравоохранения Республики мобильная эндовидеосистема Tele Pack, вариант исполнения TELE PACK LED (производитель M	346 835,00	1,00	1903	Аппараты для электрохирургии и энд
238	0312100004714000088	27.10.2014	федеральное казенное учреждение здравс Электрокоагулятор	157 866,25	1,00	1903	Аппараты для электрохирургии и энд
239	0312000000114000106	30.09.2014	Государственное бюджетное учреждение : диализатор капиллярный	1 282,56	2 999,00	1604	МИ для диализа
240	0312000000114000106	30.09.2014	Государственное бюджетное учреждение : диализатор	1 270,91	1,00	1604	МИ для диализа
241	0312000000114000106	30.09.2014	Государственное бюджетное учреждение : диализатор	1 288,90	3 500,00	1604	МИ для диализа
242	0312300018114000051	12.08.2014	Государственное бюджетное учреждение : Вата медицинская	8 302,60	1,00	1908	Перевязочные и кровеостанавливаю

How do we deal with other information sources? To get figures for the whole market (not only for the public sector), we also use customs statistics on export-import operations and data about local manufacturing of medical devices.

The Russian med-tech market – both public and private sectors – strongly depends on imports of medical devices. It explains the importance of imports statistics analysis. It is particularly necessary for investigation of the segments dominated by private consumption (i.e. dental medical devices).

MDpro has licensed access to the database of customs transactions. Dealing with it is similar to working with the public procurement website: we select import and export declarations regarding medical devices, break them down by segments, clarify necessary details.

As well as the public procurement database, MDpro has the exports and imports database, regularly updated by our specialists.

To get information about local manufacturing of medical devices we order an independent survey of Russian manufacturers of medical devices. Surveys of this kind, conducted for MDpro by an independent market research company on an annual basis, helps us get information about value/ volume and nomenclature of domestically produced medical devices. We obtain this information in a half a year breakdown.

Finally having all kinds of necessary data – public procurement data, import-export trade statistics, information about local manufacturing of medical devices – we count total consumption figures for each of the segments under analysis and the whole medical device market: value, volume, prices (average, the highest, the lowest), companies shares, etc.

Summing it up

Three main sources of information that we use to gather information about the Russian med-tech market are the following:

- ✓ **The public procurement of medical devices database** – the database on public (government and municipal) procurement of medical devices and expendables for medical facilities.
- ✓ **The exports and imports database** – the database of customs transactions for medical devices and expendables.
- ✓ **The results of surveys of Russian medical devices manufacturers** – figures on local manufacturing of medical devices.

The main advantage of MDpro's data collection methodology is that we rely on primary information sources, reflecting real market processes. The figures that we finally get is mainly the result of our analytical work with real contracts. It guarantees that our data are accurate and precise.

Other sources of information used by MDpro are official health care statistics, publications of international marketing agencies, companies' official reports and industry news. Information of this kind is required for understanding market trends and being able to look behind the figures.

For more information about the Russian medical device market, please visit our website at www.md-pro.ru or email us at info@md-pro.ru