

'08: FORECAST

A SURVEY OF ONCOLOGISTS PROVIDES INSIGHT INTO THE COMING YEAR

» The View From the Office: How Community Oncologists See 2008

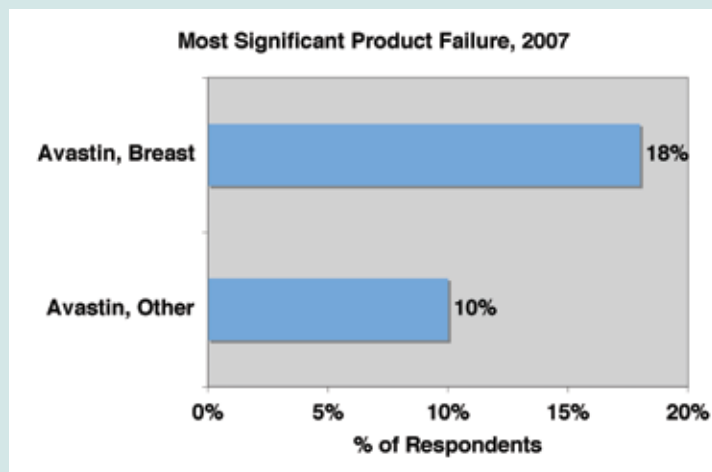
By Peter Carlin and Don Stark of Market Strategies International

While the past few years may have felt like a roller-coaster ride for many community oncologists, the coming year appears to be one that will be marked by their adapting to the changing world of oncology. New companies entering the oncology playing field on a daily basis, breakthrough products re-shaping treatment, growing competition for the physician's attention from each marketplace segment, and the ever-present specter of government regulation all have been influencing community oncologists.

Market Strategies International (MSI) in conjunction with *Oncology Business Review* conducted a survey of 50 community-based oncologists to find out what changes are expected to occur in 2008 that will affect the practice of

oncology. Results from that survey revealed that in 2008:

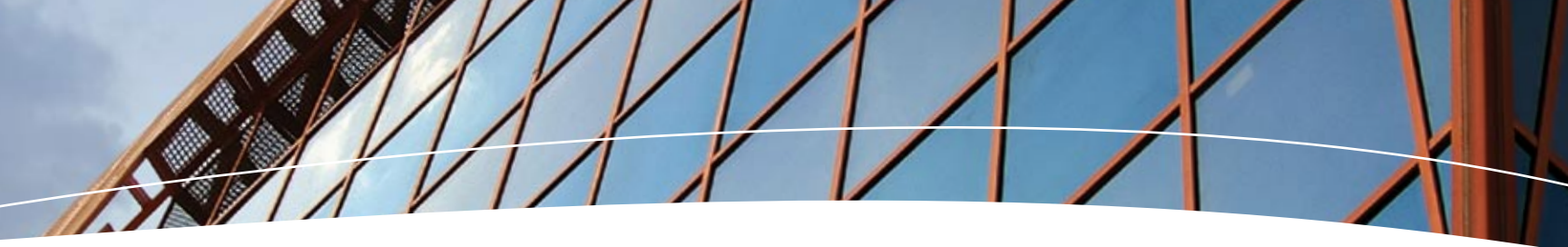
- Avastin® will grow to be an even more important therapy for oncologists—despite the recent ODAC recommendation
- There will be increased interest in Sutent®, Nexavar®, and Torisel®, all of which have been approved for renal cell cancer (RCC), but are also being tested for other indications
- Greater focus on health policy issues that impact oncology practices
- Surprisingly, a somewhat ambivalent attitude about the upcoming Presidential election



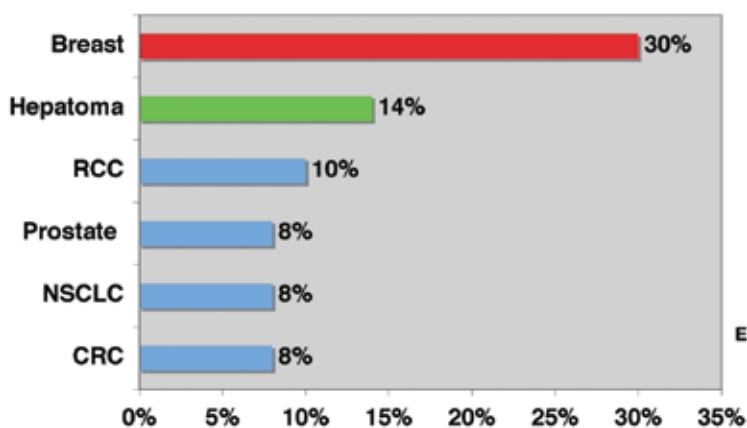
Most Significant Product Failure in 2007

When asked to name the most significant product failure of 2007 (an open-ended question), there was little agreement among oncologists. The products one might have expected to see at the top of the list, Provenge® and satraplatin, were only mentioned, by one or two people. Of the failures mentioned the biggest disappointment was Avastin in breast cancer. (Note: This survey was conducted in early December 2007, around the time of the ODAC Committee meeting that reviewed the Avastin data).

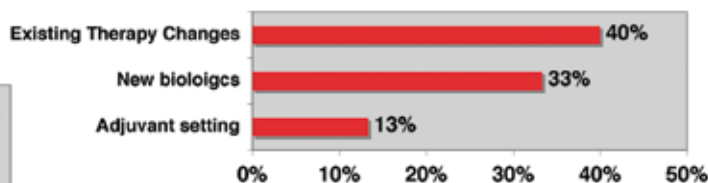
Given the strong sales performance of Avastin in 2007, this may be more a reflection of oncologists' high expectations for Avastin in multiple tumor areas and disappointment in ODAC's recommendation, than disappointment in Avastin.



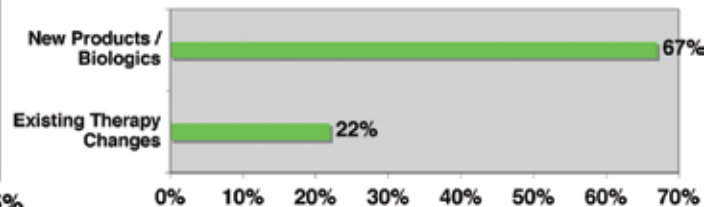
Cancer with Greatest Treatment Change in 2008



Reasons for Change in Breast Cancer



Reasons for Change in Hepatoma



Cancers for Which Big Changes are Expected and Why the Changes are Expected

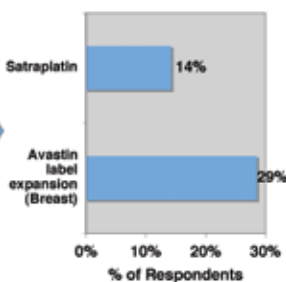
In keeping with oncologists' expectations for Avastin in 2008, almost one-third expect to see the biggest changes to be in breast cancer treatment. While new biologic agents are expected by a number of oncologists, many also anticipate either the expansion or refinement of existing therapies. These responses likely reflect physicians' expectations for Avastin as well as the expanded use of Tykerb® in HER2+ patients.

Unlike breast cancer, however, the majority of physicians anticipate new therapies coming to market in 2008 for the treatment of hepatoma. Those who mentioned the expansion of existing therapies may have had Nexavar in mind.

Expect Approval of Practice Changing Drugs in 2008



Practice Changing Drugs Expected in 2008



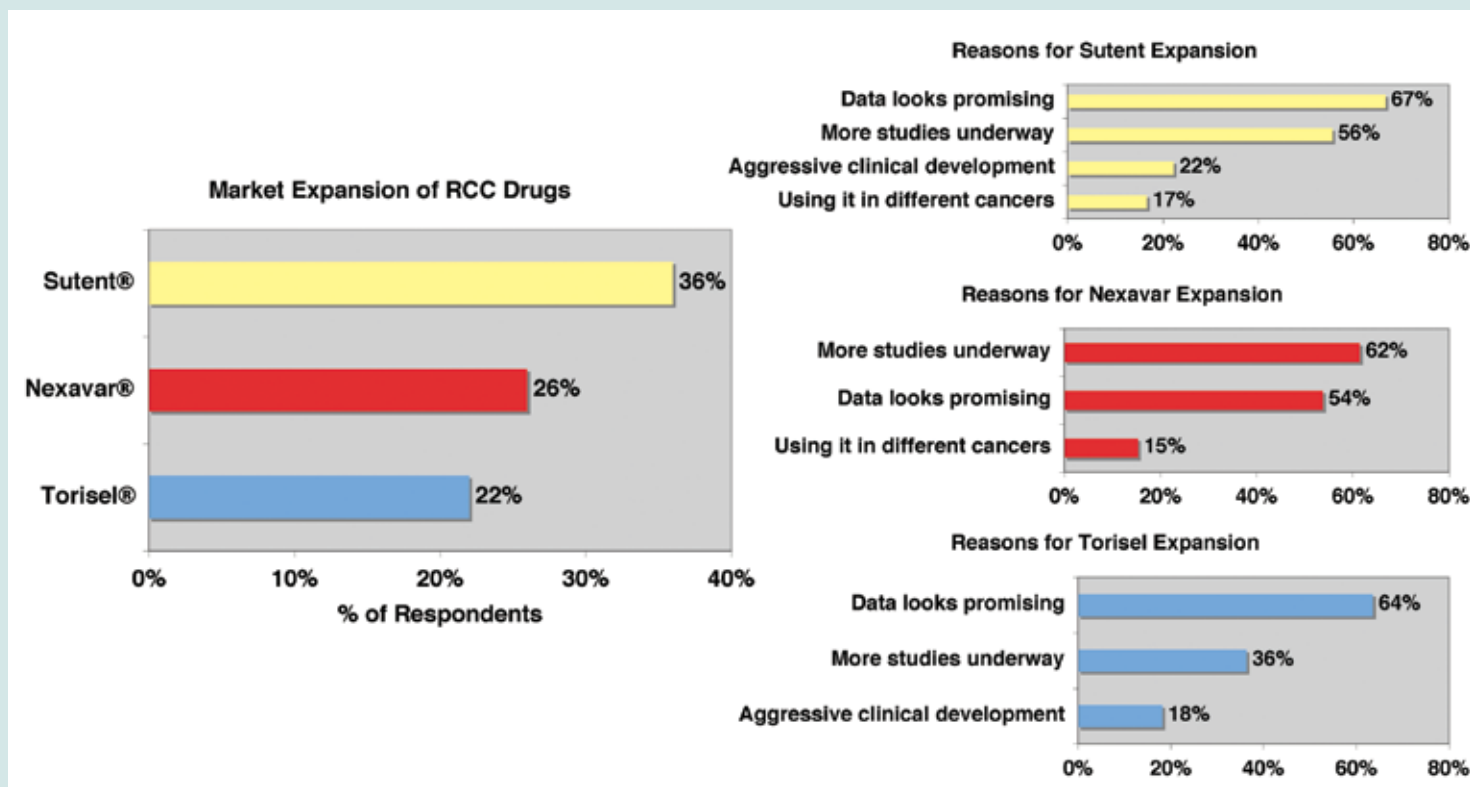
Approval of Potentially Practice Changing Drugs in 2008

While the majority of community oncologists do not expect to see the approval of practice changing drugs in 2008, over 40 percent identified Avastin in breast cancer as the most important drug expansion on the horizon (based on responses to this open-ended question). Many may be expecting the E2100 study of Avastin in metastatic breast cancer to mature and the 11.3 month progression free survival for Avastin plus paclitaxel versus 5.8 months for paclitaxel alone ultimately will translate into a statistically significant overall survival benefit. While oncologists were disappointed in the regulatory action taken with respect to Avastin, they are optimistic regarding its expanded clinical action in breast cancer in 2008. The survey indicates that the new drugs and indications that will be approved in 2008 will not be significant additions to an oncologist's armamentarium.

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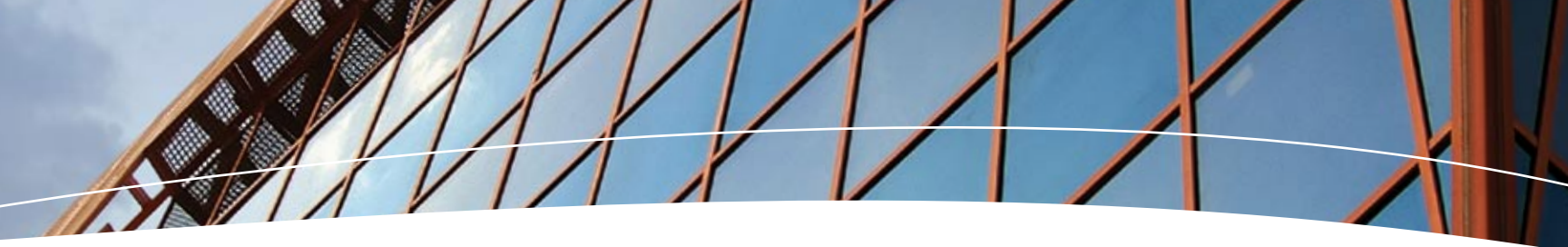
Market Expansion of Renal Cell Cancer Drugs

In less than two years, three new drugs have been approved for RCC—a market that has not seen a new drug since Proleukin® was approved in the 1980s. These new approvals, and the considerable number of additional studies being undertaken for these products in different tumor types, suggest these drugs could produce major advances in the treatment of cancer beyond renal cell. We asked the community oncologists which of the three RCC products will have the greatest impact in cancers outside renal cell. The results suggest a tight race between the three, with perhaps, Sutent slightly ahead. However all three pharma companies are generating data that are appealing to the community oncologists. This will be a good race to watch and it's only just beginning.

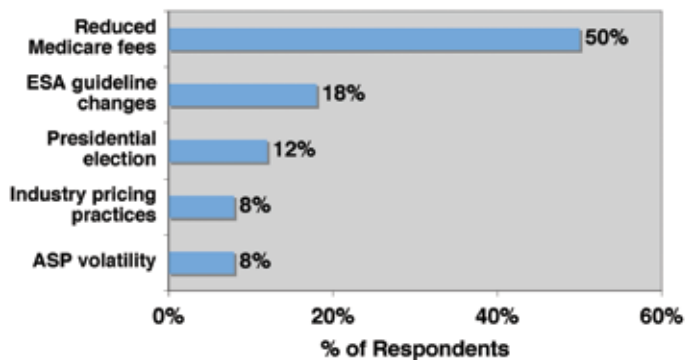
MARKET STRATEGIES INTERNATIONAL

About The Contributors Of This Survey

Market Strategies International is a full-service market research and consulting firm with extensive experience in the communications, energy, financial services, healthcare, and technology sectors. Market Strategies employs more than 250 senior consultants, researchers, statisticians, and project managers and specializes in the areas of customer satisfaction and loyalty, market opportunity assessment, market segmentation, message and communications testing, usability evaluation, and brand assessment and management. Founded in 1989, Market Strategies is headquartered in Livonia, MI, with regional offices in: Portland, OR; Atlanta, GA; New Providence, NJ; Little Rock, AK; Hong Kong, PRC. Please visit www.marketstrategies.com for more information.



Healthcare Policy Issue With Biggest Impact in 2008



Biggest Healthcare Policy Issue in 2008

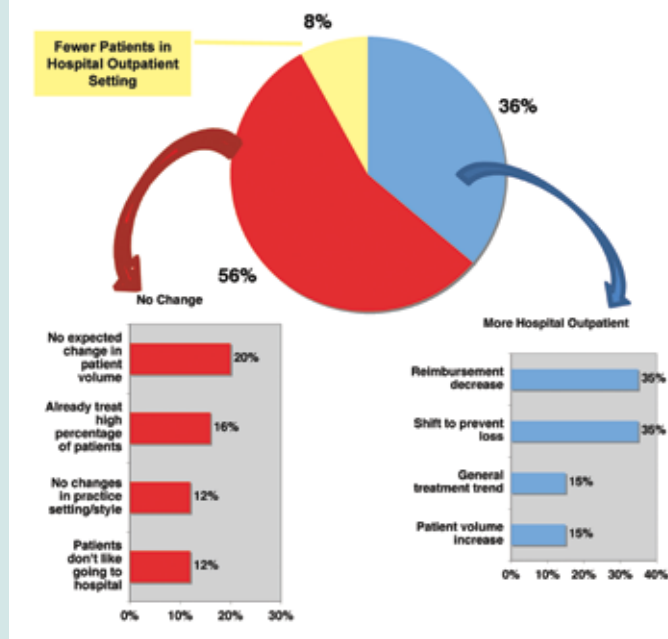
The transformation of healthcare that has been taking place over the past few years has had a significant impact on the management of oncology practices and, more importantly, how they treat patients with cancer. These healthcare policy issues will continue to have a major impact in oncology care in 2008.

Half of the community oncologists surveyed believe that the proposed reduction in Medicare fees for oncologists will have the greatest impact on their practice in 2008. Clearly this policy change has a direct impact on the revenue generated by an oncology practice, especially a practice that has a disproportionate share of Medicare patients. (On average, about half of our study's community oncologist's patient population is covered by Medicare).

The second most important healthcare issue is the recent change in the FDA and CMS guidelines for erythropoiesis stimulating agents (ESAs). As one physician noted, "It is going to change the way Medicare pays for treatments...not based upon efficacy as decided by doctors, but based upon costs as decided by bureaucrats. In the end it will be both good and bad, but I fear it will have a serious negative impact on the care of patients."

Somewhat surprising is the fact that the 2008 Presidential election was only third on the list of important healthcare issues, with only 12 percent of respondents selecting this response. The surprise is based, as one respondent stated, on the fact that "the next President can affect Medicare reimbursements."

Expected Use of Outpatient Clinics in 2008



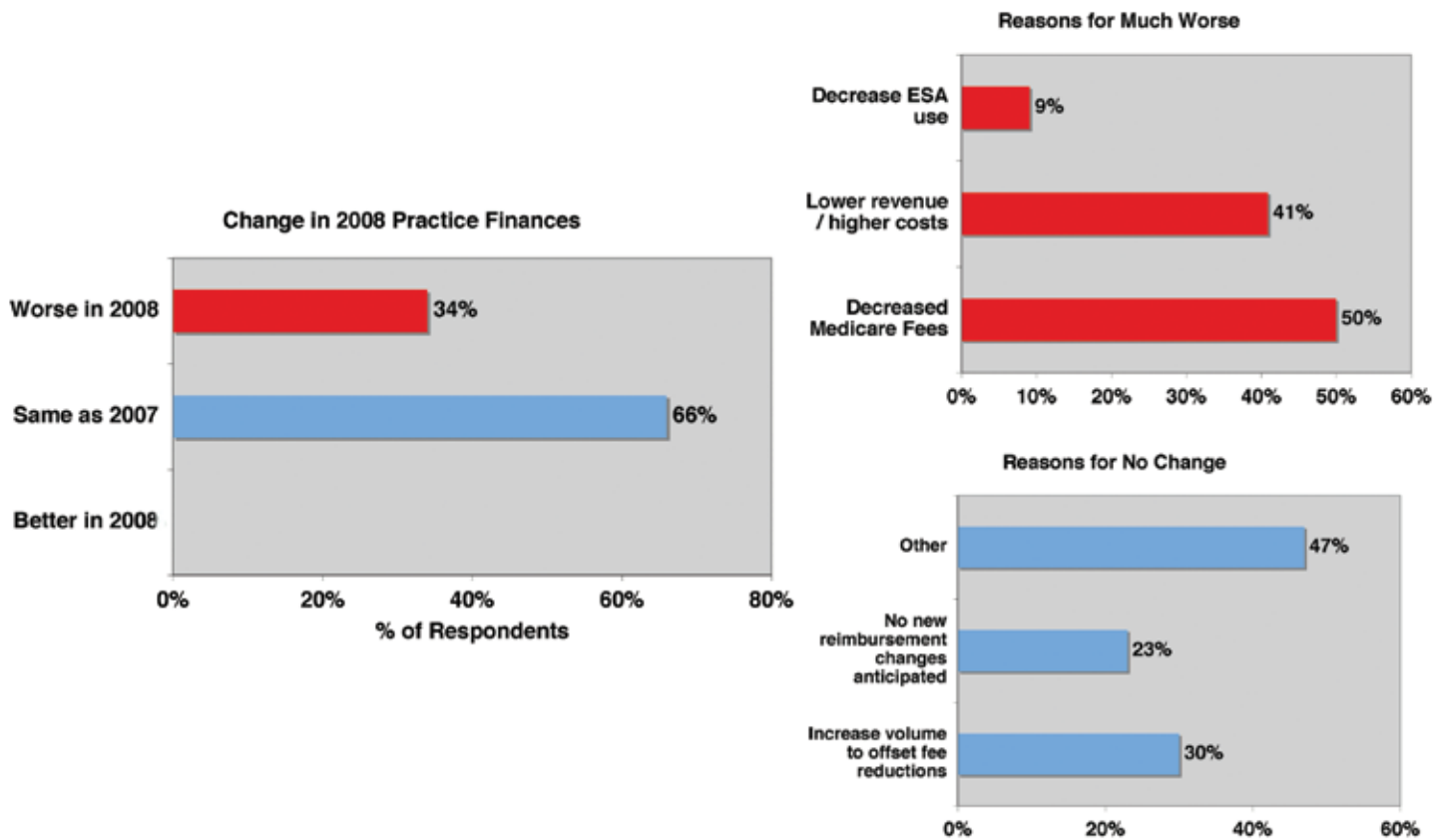
Use of Outpatient Clinics for Cancer Care

Over the past few years, with the changes in Medicare reimbursement policy making it less financially attractive for oncologists to treat patients in their offices or clinics, there has been a great deal of speculation that this will lead to a shift of patients to the hospital outpatient clinic. Although there are anecdotal reports of some increase in hospital outpatient treatment of patients with cancer, there has not been a major shift in the location of most cancer therapy. This trend will likely continue in 2008, but with a slight shift of patients from office/clinic treatment to outpatient treatment. About one-third said they will shift more patients to the outpatient clinic for financial reasons.

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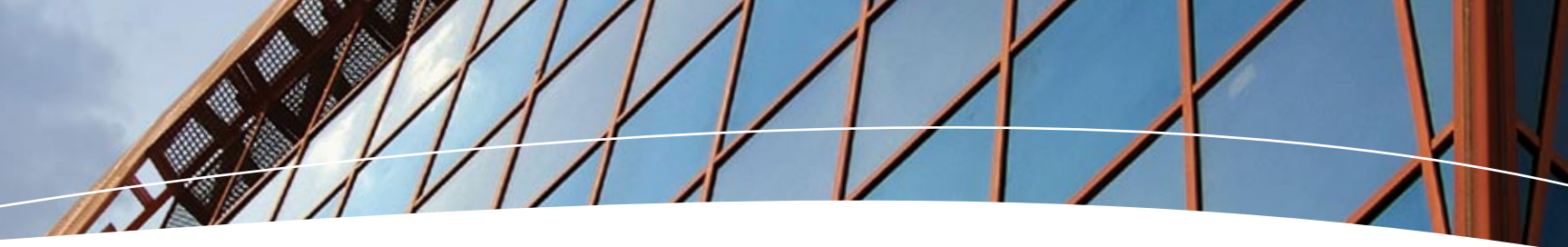
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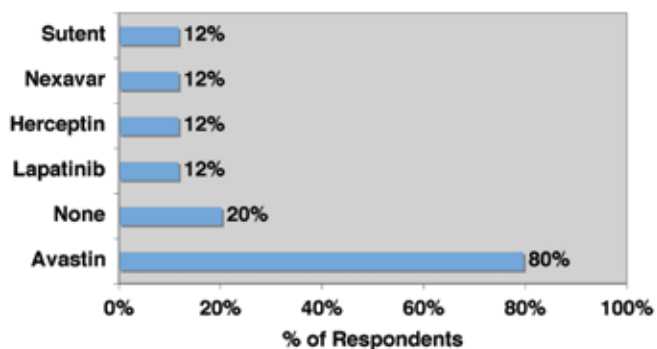


Expectations for Practice Finances in 2008

From a financial perspective, two-thirds of community oncologists do not expect 2008 to be any worse than 2007 for their practice since they expect to either increase their patient load to offset any anticipated lost revenue, or anticipate no additional changes in the reimbursement environment. This suggests that these respondents may have fewer Medicare patients than the other respondents, thus, are less likely to be impacted by the Medicare reductions. For the one-third of community oncologists who expect 2008 to be worse than 2007, financially, decreased Medicare fees and decreased revenue overall are the biggest culprits.



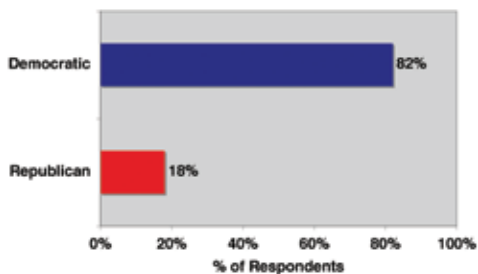
Marketed Drug with Greatest Impact on Treatment in 2008



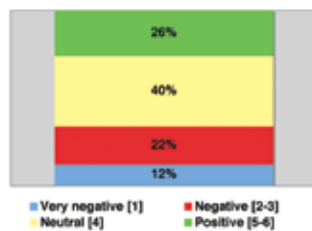
Drugs that Will Have the Greatest Impact on Cancer Treatment in 2008 (Note: Multiple Mentions)

The coming year is shaping up to be a year when biologically-targeted therapies, rather than hormones or cytotoxics, are expected to provide the greatest improvement of cancer care. This is reflected in oncologists' predictions for the currently marketed drug likely to have the greatest impact on the treatment of cancer in 2008. Avastin was mentioned by 8 out of 10 physicians with frequent mentions for HER2+ targeted drugs (i.e., Herceptin® and Tykerb) and tyrosine kinase inhibitors approved for RCC (i.e., Nexavar and Sutent).

Expected Outcome Of 2008 Election



Expected Impact of 2008 Election on Oncology Practice



Impact of the 2008 Presidential Election

The third most important healthcare policy issue to impact the practice of oncology in 2008 is the US Presidential election. Over 80 percent of the community oncologists anticipate a Democratic victory in November. Nearly half (40%) believe that the outcome of the election will have little impact on their practice, while the bulk of the remainder think it will have a negative impact. In fact, 12 percent of respondents think the election outcome will have a very negative impact on their practice while none of the respondents thought it would have a very positive impact. Overall, community oncologists think that a Democratic victory in November will have a slightly negative impact on their practice in the future.

Summary

This year is shaping up to be the year of Avastin in breast cancer. An all out battle between the three recently approved renal cell carcinoma drugs for supremacy as therapeutics that are useful in a broad array of tumor types is also expected. The proposed Medicare fee reduction is the biggest healthcare policy issue on the minds of community oncologists.

Community oncologists are not planning to shift patients to the outpatient hospital clinic setting to offset financial losses. One would suspect that this is likely due to the fact that the practice has the sunk cost of staff

in their own clinics that any additional patient volume, regardless of how profitable, will help cover those sunk costs. Somewhat surprisingly, the 2008 Presidential election is a relative non-issue in the minds of community oncologists. Most expect a Democratic victory, which they expect will have only a minor negative impact on their practice.

Acknowledgement

The authors would like to acknowledge MSI's Ellen Gordon, PhD and Shannon Clancy who helped tremendously in the preparation of this article. **PC MS**