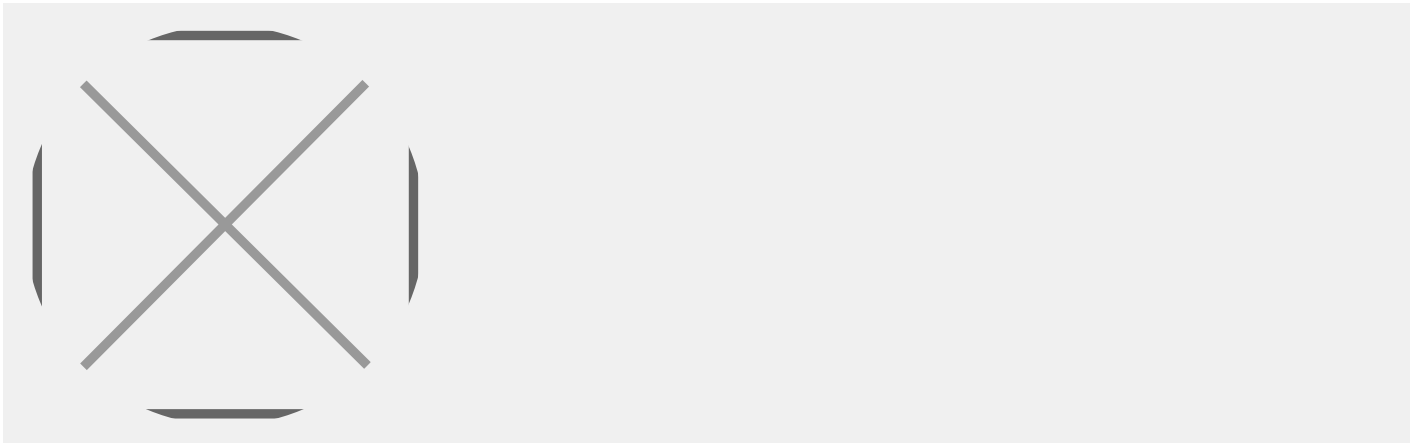


Interview: Barry Fishman, President & CEO, Teva

Canada



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The president & CEO of Canada's largest generics player considers the current market dynamics for generic products, including IP regulation, generic penetration, and the advantages of balancing branded and non-branded products.

What was the strategy behind the integration of Novopharm into Teva?

Novopharm is one of the pioneers in the Canadian generic pharmaceutical industry, founded in 1965 by Leslie Dan, who developed Novopharm into an international company. In 2000, Teva purchased Novopharm, as Teva did not have any Canadian operations; thus, Novopharm became Teva's Canadian presence. Teva added the global edge and utilization of resources outside of Canada to leverage new product launches and other strengths of Teva to benefit the Canadian market. Ten years later, Teva globally acquired Ratiopharm, who had a major presence in Canada. After this merger, Teva became a contender for the largest generic pharmaceutical company in Canada, and over a period of time gained that number one position. The company has changed a lot in the last ten years, and has seen tremendous growth in both generic and branded businesses in Canada.

Could you highlight a couple of milestone achievements in the last ten years?

During the last ten years, we have led the way with the introduction of many significant generic products to the Canadian market. Those that we introduced saved the Canadian healthcare system

billions of dollars. We have become more aggressive with litigation and have increased the number of submissions.

Every local generics player in Canada has been bought out by a larger player, with the exception of Pharmascience and Apotex. Why does this trend of local generic companies being bought out exist, given the country's high manufacturing capacity?

Apotex and Pharmascience are the only significant players that remain independent, locally-owned Canadian companies. The manufacturing capacity of the country is not what it used to be ten years ago. Teva is one of Canada's largest manufacturers of pharmaceuticals. There was a point in time when generics were predominantly a local business, country by country. It is only in the last ten to 15 years that the generic business has become much more globalized.

The price of generics has decreased significantly to 18-25 percent of brand price through changes in legislation. Does this price ceiling hinder generics from competing freely in the market?

The reduction in prices over the last five years has resulted in a couple of changes to the way Teva conducts business. We need to look at every part of our operations for opportunities to streamline, eliminate waste and improve efficiencies. Price is a key factor that we look at before investing in new product development or patent litigation for the Canadian market. Also, most of our Canadian products are unique formulations, since the trade dress of generics in Canada generally are similar to the branded reference product.

CETA has the potential to extend patent protection by three years for branded companies; that extra income would allow for greater re-investments in R&D. As head of a company that makes both branded and generic drugs, what is your perception of CETA? How does Teva adapt?

Because Teva participates in both branded and generics, we look at a balanced view of intellectual property in Canada. On one hand, I believe that Canadian IP regulations are on par with international standards and do not require major modification, with the exception of dual litigation and limitations on damages caused by wrongful delays.

Do you think more companies should follow suit and dabble in both branded and generics?

I think that Teva is a pioneer in integrating a brand business with a generic business. We believe that it provides Teva with a competitive advantage; it allows us to have a balanced view of many

issues when talking to government and other payers within the healthcare system – and the patient is our top priority.

63.2 percent of total retail prescriptions were filled by generics, yet only comprise 20 percent of total expenditure on prescription sales. How can generics companies and specifically Teva promote the use of generics to save on costs?

We believe that there is an upside potential. That figure of 63 percent is too low and should become closer to the US level of approximately 80 percent. The Canadian generic industry, and other key stakeholders are working to ensure appropriate levels of generic utilization. Both public and private payers encourage the use of generics when they are available, to ensure that health care dollars are allocated effectively. We have to get our message of “same quality, better price” to encourage higher levels of generic usage in the Canadian health care system. Teva Canada does rigorous scientific testing before submitting products to Health Canada. Health Canada does a very disciplined and rigorous review of our file before they approve products for entry into the Canadian market. I believe that the public and the payers need to be very clear that bioequivalent generics offer the same therapeutic effect at a significantly lower price.

Teva offers more than 300 generic medications to Canadian patients. How do you market such a large portfolio?

With our broad line of products Teva offers customers the convenience of one-stop shopping. We are committed to growing our product line through aggressive patent challenges and industry leading first-to-market product launches.

What are the advantages associated with balancing branded and generics?

The advantage of balancing branded and generics is that we use the same infrastructure and support teams. Where it makes sense, we leverage economies of scale in our various business segments – brand prescription pharmaceuticals, OTC products, and a leading portfolio of generic products. We operate separate sales and marketing teams for each business segment to ensure a strong level of customer focus.

Teva Canada has three centers of excellence – solid dose, penicillin and packaging – that are integral to the manufacturing capacity of Teva worldwide. What international markets do these facilities primarily serve?

Teva has well over a thousand people in Canada who focus on manufacturing, packaging and quality operations. Those people primarily service the Canadian market, but also send products to

Europe, Israel and the US. One of Teva's centers of excellence is our penicillin-based product facility in Markham. It is unique because of its size, and is Teva's only North American antibiotic facility as well as the largest antibiotic facility in North America. All of our penicillin-based products that are sold in the US by Teva are made here.

Do you see the Trans-Pacific Partnership affecting Teva Canada's ability to export?

I hope not. Teva hopes to still retain the ability to manufacture. I believe that it is very difficult to justify keeping a pharmaceutical manufacturing plant in Canada only servicing the Canadian market. Because the market is so global, it would be highly beneficial to have a center of excellence that focuses on multiple geographies.

One of Teva's flagship products, Copaxone, faces a potential one-year patent loss based on a US appeals court claim, which recently invalidated the patent. This could theoretically create problems for Teva Canada, as one of Teva Canada Innovation's responsibilities. How do you see the affiliate adapting to the potential patent loss?

There is uncertainty around the expected launch date of any generic competitor to Copaxone in Canada. We continue to hold a leadership position in the area of multiple sclerosis, in light of many new competitor entries. We are proud of Copaxone's contribution to patient care and our proven track record of success.

What is the strategic importance of Teva Canada in relation to the global Teva organization?

Teva Canada has an outstanding leadership team. I think that Canada is known throughout the Teva global world as a country that has many best-in-class processes. Some examples include our product selection process, which has been adopted by other countries around the world, and we have had it in place here for almost ten years.

Novopharm was a real Canadian success story. Even with its acquisition by Teva, do you see a need to continue the Canadian heritage of the company, as seen through the vision of Leslie Dan?

Being Canadian, I certainly hope that the Teva reputation in Canada will remain a leader in the Canadian health care industry. We will do everything possible to ensure that Teva Canada remains a valuable partner for all of our customers including pharmacies, patients and physicians today, and long into the future.

Teva is ranked the number one generic company worldwide, and second behind Apotex in Canada. What will it take to get to the number one spot in Canada again?

Teva Canada needs to be the best in the industry at coming out with new generic entries before everyone else. I believe that we can regain our leadership position in the Canadian generic market by demonstrating a few new product launch successes.

What is your strategic vision for the next five years?

In five years, Teva Canada will have a larger and more diversified specialty medicines business. Right now the affiliate primarily focuses on MS and Parkinson's. In the future we hope to expand our product line to significantly diversify our range of products in oncology, respiratory, women's health and other therapeutic areas.

You have been at Teva for ten years. What keeps you motivated to come here every day?

Every day is different. There is always a challenge. When I come to work in the morning, I do not know what will hit my desk, which motivates me. I am passionate about change and progress. Teva Canada has a great leadership team, and we play off of each other. Everyone has complementary strengths, and together we are a lot stronger than each of us as individuals.

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