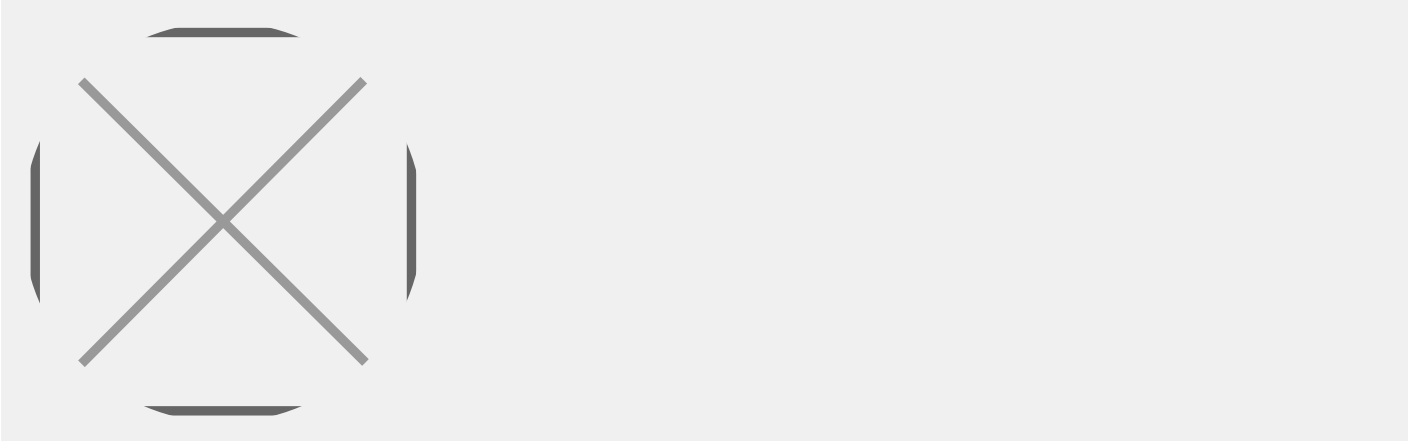
Interview with Ralf Zimmerman, Managing Director, Bayer Ireland



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Tags: Bayer Ireland

Mr. Zimmermann, you came to manage the Irish affiliate of Bayer in 2010, after heading Business Management for Bayer Pharma Headquarters in Berlin. After these two years, what are your impressions of the state and nuances of the Irish market, and what would you say surprised you most about the environment?

In Ireland supply of medicine is governed by an agreement between the state and the industry. This has served Irish patients and physicians well. In Germany this is not the case.

I believe that this willingness to engage has to do with the fact that Ireland is the largest net exporter of medicines in the world, and the industry employs in excess of 25,000 Irish people while paying approximately 4Bn EUR per year in taxes. Pharma has a very positive image, and the state relies quite heavily on the development of the sector in order to meet challenges such as those put forward by the Troika. The government acknowledges the importance of working with the industry. We as an industry recognize and support the need to ensure the sustainability of public healthcare systems and we are committed to play a role.

When I arrived in Ireland in 2010, the Celtic Tiger was gone, and my first difficulty was to position the company in a new way. As Bayer, we are a multidivisional company—as general manager, I am responsible not only for healthcare, but also for crop and material science. In these days of fiscal crisis, having multiple divisions is a great advantage. For us, there has always been some division to pick up the slack if our other businesses struggled.

In Ireland, our bottom line dipped in 2009-10, but today, our latest estimations show that we have already outperformed 2008. We have completely recovered.

Looking more closely at our pharmaceutical business, I find that we are in a good position. We have six medicines set to be launched before 2014. With a strong late-stage pipeline and many product launches ahead, Bayer is in a unique situation in the industry. For Bayer, investing in innovation is a matter of survival. We reinvest most of our earnings in our company, of which about € 3 billion a year in R&D. Currently, we are having 43 clinical development candidates.

Our position at Bayer is quite different from that of our counterparts, who are facing pipeline troubles, and are essentially relying on their existing portfolios—which in many cases face generic competition. Bayer's strategy over the past number of years has been to invest in innovation to ensure sustainability. Bayer is currently seeing positive developments particularly with the new candidates from our clinical Phase III pharmaceutical pipeline.

It is important that the savings generated from a more efficient use of off-patent medicines and generics are reinvested in new drugs.

Your fellow managers in Ireland have told us that the agreement equates to 'short-term pain, long-term gain': current drug prices have been cut, to make way for the drugs to come. This is quite beneficial for companies that have strong pipelines; and quite challenging for those that do not.

This is exactly right. With this agreement, Irish patients will have access to innovative products and this is also important for us as a pharmaceutical company.

Medical innovation is necessary to bring new hope to patients and meet health challenges. Innovative medicine should not be seen as a costs driver but as an investment in health and a driver for economic growth and we must keep in mind that revenues from today's new medicines finance tomorrow's innovative drugs.

During the negotiations leading up the IPHA agreement, there were some notable issues with reimbursement. There was a delay in reimbursement of medicines that had past the HTA process earlier in the year. The new agreement should ensure that this doesn't happen again and that doctors and patients can avail of new life saving medicines promptly.

Overall, how would you compare the efficacy of the Irish healthcare system relative to the German framework—which is often called one of the best in the world?

There are two aspects that we should consider. When we look at the healthcare expenditure in Ireland as a proportion of GDP, we find Ireland within the European average—a bit lower than Germany, and a bit higher than the UK. On the other hand, if we compare the Irish quality of care to German quality, then I would call the Irish system quite poor. As a German, I am used to a

certain standard that one simply cannot find in Ireland.

What is going on here? Well, firstly, we recently learned that 80% of healthcare expenditure in Ireland is dedicated to personal cost. Furthermore, there is legislature that defines headcounts that are almost fixed. There is no flexibility to change! But indeed, change is necessary.

Pharmaceutical expenditure must be considered in the overall context of healthcare, recognizing the benefits medicines bring to the system. The IPHA agreement is in this context a short-term solution. Irish patients were always among the first in Europe to receive new and life-saving medicines. This has always been one of the advantages of the health care system. Healthier people contribute to the economy and enjoy better quality of life.

You mentioned that the price agreement is a short-term solution—but would you say that, after these negotiations, both sides more fully understand each other's needs, laying the groundwork for future cooperation?

Definitely. The Government has acknowledged the critical importance of better access to new cutting-edge drugs for while the industry is acutely aware of the financial situation facing the Government so I think both sides, during the negotiations, have acknowledged the different perspectives while striving to concluding a deal of benefit to patients and the health system.

We as an industry recognize and support the need to ensure sustainability of public healthcare systems. We are committed to play a role in a joint effort, involving all stakeholders.

In general, pharmaceuticals are only a minor part of the whole public healthcare spending. It is fundamental to achieve greater efficiency in the way the whole healthcare system is financed and delivered, i.e. not only in pharmaceutical spending.

You said that in the wake of this agreement, you feel quite comfortable. Nonetheless, what are the key challenges for your healthcare division?

The main topic on our minds is the impending launch of our six new products. For each drug, we must first pass the Health Technology Assessment (HTA) hurdle. Today people can expect to live up to 30 years longer than a century ago. Innovative medicines have not only added years to life and but also life to years, allowing our ageing society to enjoy many more years of health and productivity. Most people do not think about their health until they get sick.

Health is not a priority until it becomes THE number one priority. And when you get sick, you want to make sure that you can access the best treatment available to help to get better. Without innovation most of the therapies we take for granted today would not exist.

While the HTA process is clear, the next stage in the process may not always be. We need more transparent pricing & reimbursement systems that allow for a rapid patient access to innovative treatments as well as a fair reward for innovations. I hope the new HSE/IPHA agreement will deliver this.

Andreas Fibig, head of Bayer's pharma division, told Focus Reports that this company will be a top-10 pharma player by 2015. To what extent are you nearing this goal in Ireland?

This year, in a negatively contracting market, our pharma business will grow around six percent. With the help of our new products, I am confident that we will break into the top ten in Ireland without difficulty.

Why are the 'stars aligning' for Bayer's pipeline now?

In 2004-2005, our future success was not particularly visible. We had the ideas, and the product potential, but not necessarily the business base to finance R&D. For this reason, the acquisition of Schering was the right move. This gave Bayer the opportunity to invest in our future—and voila, here we are!

The merger was perfect; culturally, the two companies aligned very well together. I was involved in the merger discussions from the beginning onwards, and I will never forget the first global meeting in Cologne. It was quite difficult to distinguish who was from which company!

Your Irish-born colleague whom Focus Reports interviewed in China, Mr. Liam Condon, has noted that he sees clear difference between German and Irish approaches to business. He has remarked, "Germans are always very strategic in their thinking," while "the tendency in Ireland is to go for the quick gain and ignore the long-term costs.' He also mentioned that the "Irish are great at soft skills," but don't always focus on ending negotiations with a solid deal. What are your own impressions?

Mr. Condon is exactly right, and for this reason, the German-Irish fit is a good one!

To what extent have you tried to integrate German values into this affiliate?

I believe that it is a mistake to simply force foreign values on Irish staff. We are a German company, and we have particular strategic impulses—but these must come naturally from our people. The secret to success here in Ireland is not to run an Irish affiliate in a German fashion, but to have the right products, the right people, and the right impact.

What are you most proud of achieving in your two and a half years heading Bayer Ireland?

The fact that we survived in this difficult environment. Yesterday, I had a chance to present our case to the CFO of Bayer Ltd. I explained the story of Ireland: that we do not face an economic

crisis, but rather a banking crisis. The economy is performing in a satisfactory fashion, and recovering from recession. In parallel, I showed our growth curve at the affiliate, which closely followed economic conditions: in 2009-2010, due to the recession, we suffered a sales slump. Now, in 2011-2012, we have recovered and returned to growth. As I mentioned, we will overtake our 2008 figures this year.

I am proud that everything went so well, and that now, we are in a position to launch our new medicines and maintain Ireland as an early-launch country. Words must match actions, and I believe we have demonstrated our ability to perform.

What is you final message to our readers?

The Irish environment is difficult—but it is not uniquely difficult. Portugal, Greece, Spain, and Italy all face problems that are perhaps greater. Moreover, even in difficult times, if you have the right strategy, with the right products, there is a way forward!

Health priorities and targets should be part of long-term strategic agendas of authorities so to create a more stable and predictable environment enabling the necessary planning for innovation.

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