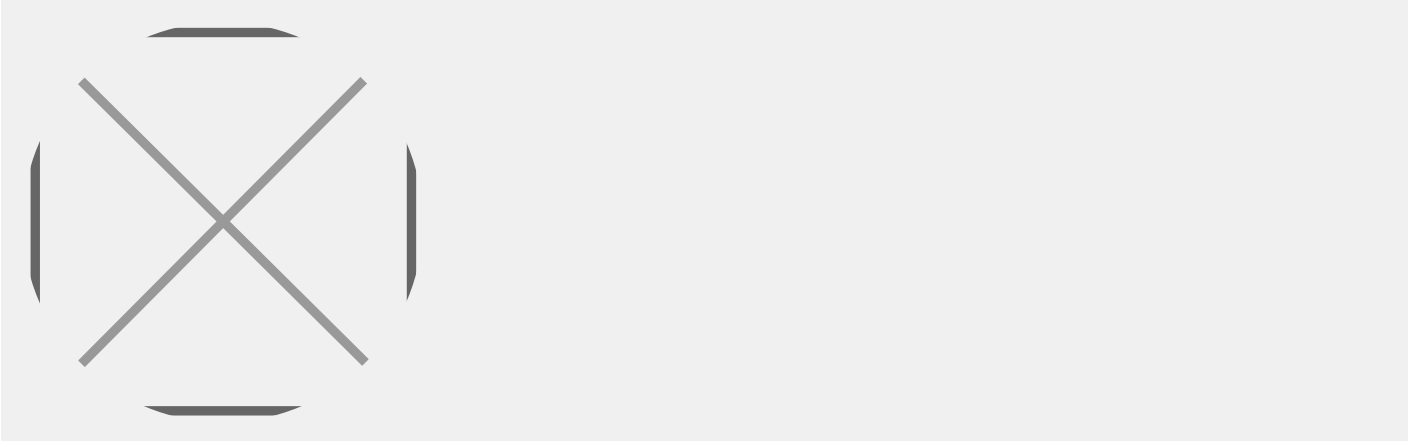
Interview with Bernd Leiter, President, Austria’s Generics Industry Association (OEGV)



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Just like other European countries, Austria is in the search for meaningful savings in healthcare. Austria’s increasingly price sensitive pharma market is seeing the rise of generic medicines gaining market shares over the past few years – 19% 2008 vs. 26% in 2010. But generic penetration in the country is still rather low; how would you explain that?

There are many reasons for this.

In 2005, a new price system was put in place by the Austrian Sick Funds. According to this system, as a generic company, if you want your product to be reimbursed, you have to lower its price by 48% compared to the originator, which is much higher than in most of the other European countries. The second generic has to decrease its price by 15%, and the third generic by 10%. After the third generic comes in, there is total price decrease of over 60%.

In that respect, Austria is perhaps not such an attractive market for generics companies. Most of the major international generics players are present in the market, but they came late. In addition to being a small country, the absence of a free pricing system in Austria had caused this reluctance.

In fact, the originator also has to lower its price to the level of the third generic, three months after this generic has come in. The price system is therefore challenging for both innovators and generics companies.

Nevertheless, I presented a few weeks ago in a press conference a new study that the Austrian Generics Association (OEGV) has carried out, with the support and collaboration from IMS which released data, highlighting the savings which could be made, if the potential of the Generics would

be used. Originators say that original molecules and generic products are marketed at the same price. Yet the heavy competition between all generic companies further decreases the prices of the generics, whereas the originator stays at the same price level, leading to a price difference of around 55% between the patent free originator and the generic drug. This difference represents a total of 256m Euros which could be saved every year if generics would are used instead of patent free originators.

Doctors have been long told that generics and originators have the same price level, and everyone in Austria also believes they have the same price level. It is to fight this prejudice that I presented the study. Today, there are also economic tools for doctors to see which generic drug is the cheapest for every prescription they make. These tools are free, and I believe it is very important that the doctor is still the decision maker as for which drug should be prescribed to each patient.

OEGV was created in 2000 to represent the interests of generics companies in Austria. You joined in January 2010 as President of OEGV. What have been the most important decisions you have taken since then?

Until 2010, we were a small group of generics companies. One of my first actions was to open the generics association to companies who were not previously members, and bring the light to what we have been doing as an association, and what we stand for. Today, 90% of all generics companies in Austria – in volume – are members of OEGV. In less than two years, the association grew from 6 to 14 members. But several small companies do not have a membership yet; I hope this will change.

Innovators are increasingly looking to integrate generics products in their portfolio through acquisitions, in the light of what Valeant has done with a few of Gerot Lannach's products in Austria for instance. To what extent is this re-defining OEGV's role and positioning today?

Whereas PHARMIG has been welcoming companies with various profiles, it is very clear that OEGV is going only for generic drug makers, although we do have very few companies which go on and patent products. I am interested to see how the presence of generic companies within the PHARMIG group will influence their thinking and proceeding in the future.

How would you describe the relationship between the generic industry and the government in Austria?

The Rahmen-Pharmavertrag (eng. Pharma Master Agreement) has been signed one and a half years ago and will last until December 2015. Austria is the only country in Europe where the research-based pharmaceutical companies association, the generic medicines association, the wholesalers, and the Sick Funds, together, signed such a contract.

Every single pharmaceutical company in Austria signed this contract, committing to contribute, over the next five years, to give back 82m Euros to the reimbursement system. It has been agreed that there will not be any price decreases on drugs in Austria, just like it is happening for instance in Portugal or in Greece. Of course, this agreement stays valid if the government does not change over the next three years.

This agreement has the merit of giving a lot of visibility to companies when setting up their strategy for the next few years in the Austrian market.

The role of the association is also to convince patients of the quality of generics drugs. How do you evaluate the current awareness of Austrian patients about the availability and quality of cheaper drugs, and what has OEGV done in order to increase this awareness?

Three years ago, patients in Austria barely knew what generic drugs were. Over the last few years, we have done a lot as OEGV to raise this awareness, and there is today a high acceptance of generic medicines both from the patients and from the doctors. These results have been obtained thanks to a common effort from OEGV, the minister of health and the Sick Funds.

For instance, the head of the drug registration authorities attended my press conference a few weeks back, explaining at the event how safe generics were, and that generics were comparable to originators.

Austria is often in the spotlight for its efforts and expertise in biotechnology. How advanced is Austria in the development of bio-similars?

The research and development of bio-similars is very expensive. Therefore only a few global generics players will be involved in bio-similars, including perhaps five companies in Europe. Nevertheless, the position of the Austrian Sick Funds towards prices of bio-similars is not yet clearly defined. Will they be defined and treated as generic drugs? In this case, Austria will not be such an attractive market for the development of bio-similars.

Where would you like to take OEGV in the next two years?

My personal objective is to raise the awareness of the other stakeholders in the pharmaceutical industry about the existence and actions of an association entirely focused on defending the interests of generics companies in Austria. Today, the minister of health is aware that there are two main associations in the market, i.e. PHARMIG and OEGV; but some doctors or societies are still surprised when they hear about the existence of OEGV. My objective is that everyone in our sector starts realizing that OEGV will be an active and important player in the future.

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