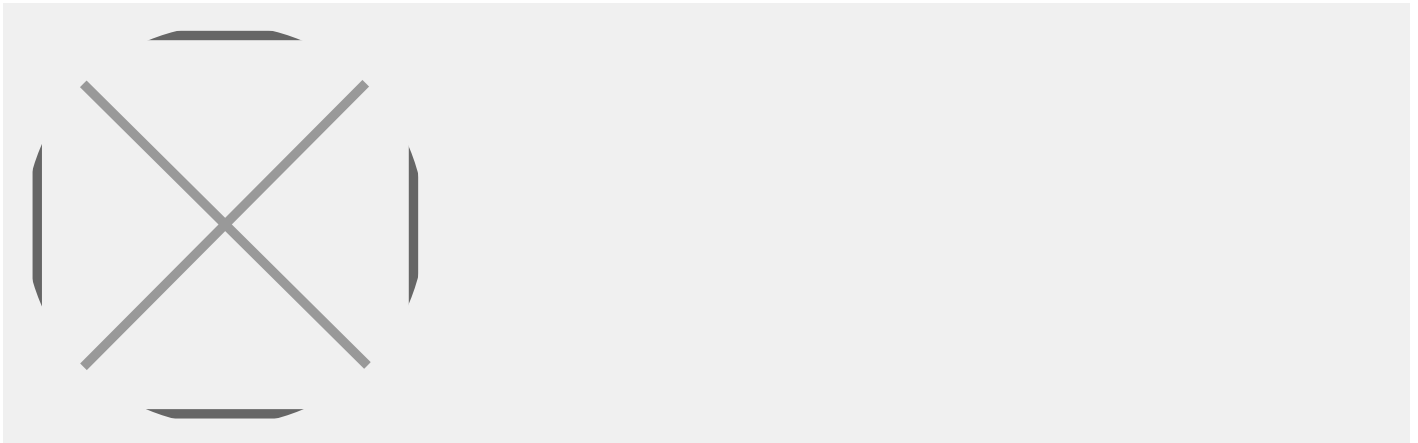


Interview with Beata Hauser, General Manager, Ipsen Czech Republic



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Ms. Hauser, you represent what is perhaps the last major generation of medical doctors in this country that left the medical field to join the pharmaceutical business. What do you find are the greatest differences between the Czech pharma industry you joined in 1993 with Wellcome, and the industry you find yourself in today with Ipsen?

The industry today certainly does not resemble the industry of 20 years ago. At the time, there was hardly any concept of how the 'pharmaceutical industry' typically operates. Coming out of the communist period, there was only a single Czech generic company, and this company was copying drugs without any license. The industry was thought of as a state business, and the concept of private companies bringing patented drugs into a market was very new.

It was a very turbulent time. Most of the people joining this new sector were medical doctors—perhaps because next to relevant education background they spoke English, and this was generally a precondition for joining a multinational organization. However, to be a good doctor is not enough to be a good pharma employee. I saw several people joining the industry that would never make it today. The fact was, at the time, every player was growing—the market itself was growing very substantially. Simply having a representative office was almost enough, as the healthcare industry was eager for new products, and people believed that everything that came from the West was somehow superior. There would have been growth even without inexperienced Czech medical reps.

The vision for development, nonetheless, was there—largely due to the influx of expatriates. Two or three years after the revolution, when MNCs started entering the Czech market, you could find mainly foreign general managers to head their operations. Czech nationals found themselves rather in the middle management or lower roles. This situation has now changed significantly.

At the time, we did not face such extensive regulation as today—just because regulations were lagging behind private industry development and many issues occurred while doing the business. Very soon an association of foreign pharmaceutical companies was established and one of first steps of this association was an introduction of Code of conduct that brought us closer to “European way” to run the business. It was a time of pure marketing and sales activities, sales and expansion dominated strategies of those days. There were not many clinical trials ongoing at that time.

This potential was discovered much later and currently Central and eastern Europe belongs to the most attractive region to run clinical trials for many of multinational companies. Until recently, Czech pharma market was growing almost double digit per annum. As we know, this growth has dropped lately—particularly in the last two-three years.

The ‘90s were an enthusiastic time. We were more welcomed by doctors than we are these days. Society did not regard us with suspicion of being here ‘only to profit’—rather there was a belief that we are here to bring modern and innovative drugs. This perception unfortunately disappeared, and today we face much more challenges to prove contribution that pharma drugs and industry is bringing to the society.

There is, for me, a sense of nostalgia about this time- as probably for many who remember that time. A reality today is that for achieving the same results as previous year you must invest much more energy. Competition is tougher, regulation is tougher; there are limited resources in healthcare... To grow now, you must be better than your competitors—it is not enough as in the ‘90s, when being good was sufficient to succeed.

All those changes impact the way how we operate now. For instance, ten years ago, very few people knew what ‘market access’ means—today it is a must. We see the professionalization in all areas to catch with Western markets.

What was the mandate you were given when you joined Ipsen, and what was your vision for the company’s development?

The business was in decline when I was approached with this job offer. My main task was to stop that and return the operation to growth. When I joined in 2008, the market was growing approximately 10%—Ipsen not. Of course, your success is always measured against market development, and my task was to guide the company to more growth.

My appointment had much to do with changes that were taking place globally within Ipsen since 2005, when the company was changing from typically family business into the company led by managers coming from Big Pharma. It meant a lot of structural but also mentality changes – of course, to the extent possible within the scope and borders that the organization had. The company was hence keen to find GMs that would be on same “wave” with the company vision.

When I arrived, my main focus were people that worked for the organization. That is a key! I take it as a given that I have good products in my portfolio —otherwise, the company would not exist. But my experience always proved that a difference brings enthusiastic people and their professionalism.

From top management to middle, I tried to share my vision of how the company should operate. We had to implement a lot new processes and procedures. Unfortunately, for some colleagues the changes and their speed were too much to cope with and have left the company. Today, most of the company consists of employees that joined after 2008.

For me, having people that think similarly, and have common goal is extremely important. Beyond people, it was simply a matter of measuring performance and understanding where we need to fill in the gaps—classic analytical work focusing on your biggest product or biggest troubles.

Since 2008 we returned to growth and last 2 years we have significantly overgrew the market (Ipsen achieved a double digit growth while pharma market grew between 1-2%). Last year, we belonged to the top three fastest growing companies in the market.

How sustainable is this trajectory?

This year, we already experience a slowdown. A main negative impact comes from price and reimbursement cuts. Our portfolio is a mix of primary care products with highly specialized ones. And specialty products are those that suffer the most due to ongoing price revisions. So despite our growth comes predominantly from specialty care segment, it is hard to compensate by a volume growth a loss caused by prices decline. On the top, declining purchasing power of population and growing co-payment negatively impact OTC and primary care segments. Well, our growth expected in this year will be rather low single digit growth.

What I see as big issue is a new methodology for setting selling prices and reimbursement level. New legislation sets prices as an average of three lowest ones in EU and a reimbursement at a level of lowest European price. The impact is seen already – several launches of new products were postponed or even are not considered anymore. Unfortunately, an access to modern and innovative products is getting harder and Czech patients will probably not be among the lucky ones in EU that can enjoy fast and broad access to modern treatment in the close future.

The economic crisis hits also a healthcare system that went for some years untouched. Since last year a gap between financial resources for healthcare and its needs is getting bigger and bigger. At the same time medical doctors are asking for a salary increase what will bring additional burden to the system. The only way out is to find inefficiencies within system to keep healthcare system financially sustainable.

Drugs belong to the most regulated segment of the healthcare system. Despite of dramatic price cuts that happened recently we are still a target for saving. To address inefficiencies, the biggest task will be probably to re-structure a hospital segment including its financing. You can imagine how difficult and politically sensitive it is and we already witness a strong reaction to efforts of Ministry of Health to decrease an amount of acute beds within hospitals.

In the future I do not expect a big growth in spending in healthcare, but I do hope that drugs will not be regarded only as a cost when looking for savings. Thanks to modern drugs, we live not only longer but also in better quality of life. We have to carefully consider the balance between saving money and endangering the health status of the population. I hope that our authorities are aware of a fact that healthy population is a pre-requisite for a wealthy state.

European governments share their experience from ongoing healthcare reforms in member states and I believe they will learn also from mistakes. Where the lowest prices were introduced an expansion of parallel export started and patients in those countries are often experiencing a shortage of the drugs. A concrete example is Slovakia where new Minister of Health being aware of the problem is considering a change of methodology to set prices of drugs (leaving a current system of the second lowest EU price).

From our conversations with other members of the industry, we understand that while the Czech healthcare budget is not increasing, it has also not been slashed, as we have seen in neighboring countries like Hungary. Furthermore, Mr. Dvořák, executive director of the innovator association AIFP, expects positive outcomes from the increased implementation of health technology assessment (HTA)—enabling a more efficient allotment of the budget. In theory, Mr. Dvořák has said, this should direct money to where it is truly needed, and it is up to the industry to communicate their added value to government stakeholders. What is Ipsen doing along these lines?

As a midsize company, we are probably less heard than Big Pharma.

However, we want to contribute to the efforts of the association in driving the conversation in this country and to shape environment in a way that all parties -Ministry, patients, industry – benefit.

Internally, our main strategy is to propose what we call 'value-based partnering'. We want to do more than just to sell products. We have many projects together with hospitals and professional societies. We would like to contribute to the system—as it is a best way to build credibility and trust.

The whole industry must do more to build a trust as without that we will never be regarded as a true partner in discussion. Fortunately, the situation is getting better and our image is improving. AIFP has a dedicated working group in an area of Transparency and compliance and in last 3 years we have launched several projects that brought a lot of transparency to an interaction between healthcare professionals and pharma industry. I believe such activities are a prerequisite for being invited to a table with key stakeholders. We at the AIFP have worked tirelessly to ensure that our member companies are going even beyond what Law requires, and our Ethical Code puts high standards on our member companies. We would like to find a right balance between expectation of our mother companies, state and patients.

Ipsen's motto, 'innovation for patient care,' reflects the fact that the patient is at the center of any business discussion. How does your way of operating in the Czech Republic proliferate this ethos?

Ipsen in the Czech republic invests a lot of time and financial resources in patient educational programs. I found this culture within the company when I joined Ipsen, and it was something that I gladly maintained—being a former medical doctor, this is something close to my heart.

Where would you like to take Ipsen Czech Republic over the next five years?

We would like to maintain the image of highly professional company that we have built over the last years. All of our competitors are big pharmaceutical companies. And yet, I see that we are not regarded as small by our clients. Our projects and patients programs are qualified as the top quality ones bringing added values to medicals doctors, patients and lately also to nurses.

On the top, I would be very happy to keep professional and motivated team of colleagues. Why? I am convinced that this is a key recipe for being successful in a current world.

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