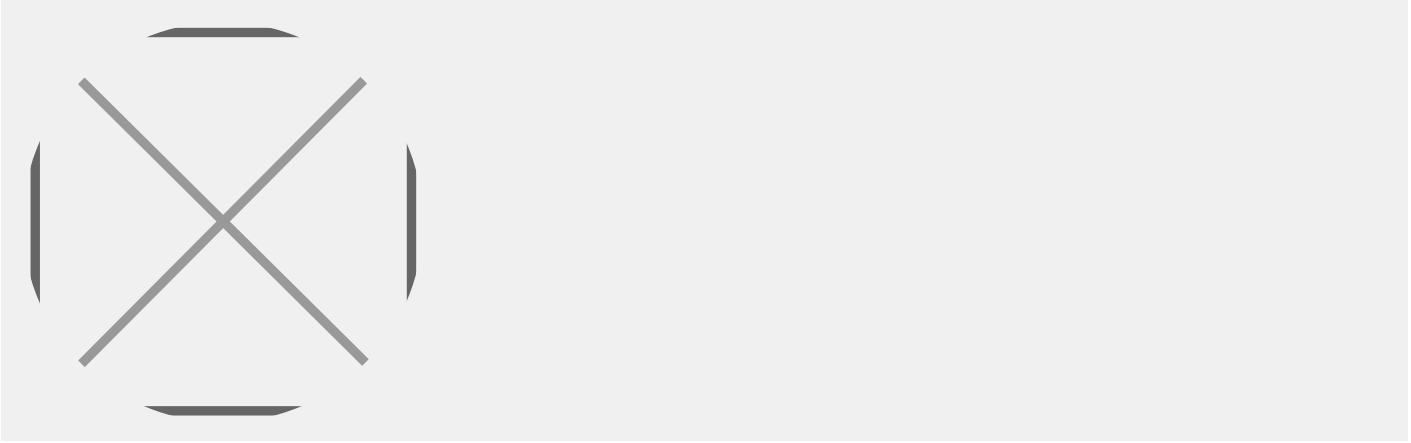
Interview with Alex Chang, CPO Head & Country President, Novartis Taiwan



30.07.2012

Tags: Array, Novartis Taiwan

As a Taiwanese national and Country Head of Novartis Taiwan, what is your opinion on the current state of the pharmaceutical industry in Taiwan, and what are your hopes for the future?

I am of the opinion that it is going to get worse before it gets better. The National Health Insurance is currently running a large deficit and has therefore implemented a lot of cost containment measures including price cuts and control the usage of new drugs. I believe that there will be more price cuts to come in the next few years because the deficit is definitely an issue and it has not yet been decided whether increasing patient premiums is a politically viable move. There are other steps that the BNHI has not taken yet, such as HTA, which will have serious implications on the market access for new drugs.

In Taiwan, market access is generally slow because every new drug must go through product registration, reimbursement, and then various hospital-based tenders. It often takes two or even three years before a product can take off. However, when the new drug reaches peak sales before patent expiry, the off-patent decline happens slowly, and sales of the product sometimes continues to grow.

What is causing that?

The same market access barriers that R&D drugs encounter eventually apply to generic, particularly for the rigorous hospital tender processes. In addition, the quality of generics has been

questionable by physicians and patients, despite cGMP standards having been implemented. The generics industry is fragmented with more than 140 companies sharing a generics market with a value of around 30% of the total.

Putting these together, R&D drugs in Taiwan enjoy a ‘long fatty tail.’ However, the tail is going to become shorter.

You are predicting this will change in the years to come?

The government wants to shorten the tail on off-patent drugs. In order to compensate for this, R&D based companies need to see a quicker off-take of new drugs. This means faster product registration, faster reimbursement and better pricing.

For Novartis, where are the therapeutic areas in Taiwan where you are the most focused and what is your current strategy?

Our focused therapeutic areas in Taiwan are no different from our focus globally: cardiovascular, oncology, CNS, and transplant/immunology. These represent more than 80% of our current business in Taiwan. But in the past two years we also launched new products in expanded fields including hepatitis, osteoporosis, respiratory, and eye care with a focus on AMD.

Taiwan is quite a small market, with low levels of growth compared to the rest of Asia Pacific. How does Novartis Taiwan approach this situation?

Taiwan is not a small market, but it’s not growing as fast as others. Ten years ago Taiwan was the 15th largest pharmaceutical market in the world. Now it is out of top 25. The value growth rate over the last 5 years has been 4%, and over the next 5 years it will continue to be around 4%, likely the lowest in Asia.

This is the case despite Taiwan’s aging population: 10.3% are over 65 and the number is moving up rapidly. The combination of an aging population and new technologies/new drugs will mean that the volume growth for the market should be in the range of 7-9%. But in value it will only be 3-5%, because every one to two years the market will suffer a significant price cut by NHI.

Compared to China and India, manufacturing giants, it doesn’t make any sense to have manufacturing facilities here. How much incentive is there for Novartis to invest in infrastructure in Taiwan?

Until 15 years ago many manufacturers from the US and Europe had facilities in Taiwan. Most companies set up a formulation factory here in order to stop parallel imports, which were allowed at that time. Since the Taiwanese government introduced legislation that only allowed one license per product, many companies shut down their factories. Today, local production doesn’t seem to provide much advantage in cost or market access.

Novartis conducts a lot of clinical trials here. What makes Taiwan so attractive for this activity, out of all the countries where the company has operations?

Over the last few years, the Taiwanese government has become very open minded about establishing Taiwan as a centre of excellence for clinical studies. This has almost become a national movement and the infrastructure for clinical trials has improved tremendously.

Novartis is by far the number one drug company conducting the most clinical studies in Taiwan. We have more than 55 ongoing studies ranging from Phases I to III. Novartis has a strong pipeline of new products and new indications and we want to recruit more patients from Asia. Taiwan is clearly a place with high priority.

It's encouraging to see clinical trials will also help accelerate product registration and gain a higher reimbursement price, according to a new policy by Taiwanese government.

In many countries, Novartis is committed to going that extra step to helping the population at all levels. What steps is Novartis Taiwan taking to show its commitment to the country today?

The Taiwanese government is very keen to develop the biomedical industry as a pivotal industry. In 2007, Novartis signed an R&D MoU with the Ministry of Economic Affairs. It laid out Novartis commitment to helping Taiwan to shape the biomedical R&D environment, and bringing more clinical trials to Taiwan. Throughout the years, we have built up a platform whereby every year scientists from Novartis' global research come to meet with Taiwanese scientists, and discuss one particular topic. Networking between scientists is one of the most important steps to encouraging development.

Another approach is helping train scientists by offering the Novartis Young Scientists Fellowship. We offered to Taiwan's research institutes and universities that have high-potential scientists to send their best to our labs as post-doc.

Another signature event is Novartis Biocamp for the young generation: an annual science plus business camp for around 40 youngsters. They are medical students, PhD in life science and MBA students, getting trained in how to do business and become an entrepreneur in healthcare industry. The best two students will go abroad for International Biocamp. This is an event created by Novartis Taiwan that quickly became a regional and then a global event.

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