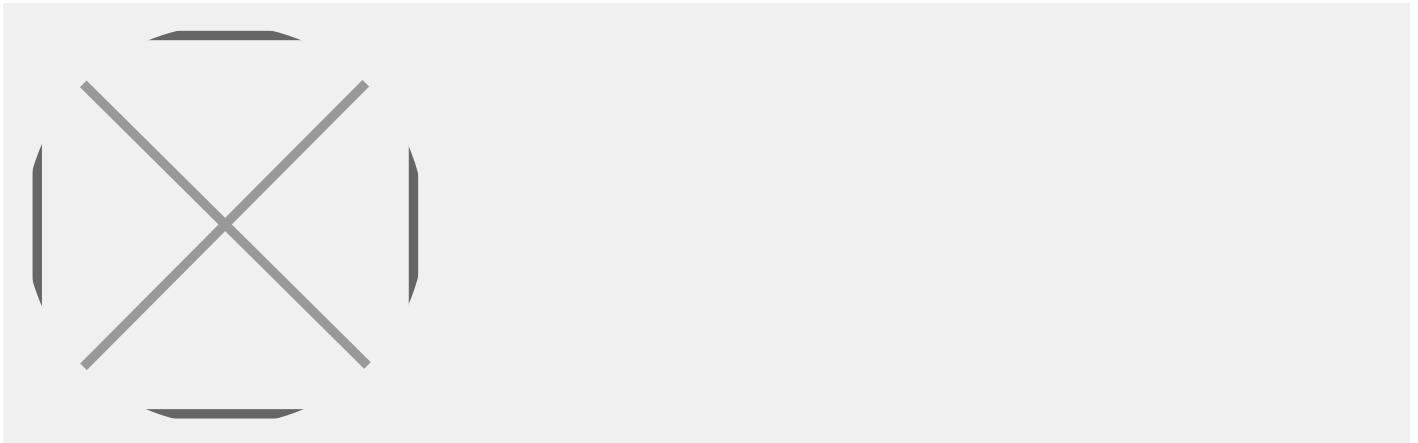


Interview with Steve Warner, Managing Director, Merck Sharp & Dohme (MSD) Romania



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You have only just arrived from Korea to head the Romanian operations at MSD. Just recently, you told in an interview with Medica Academica that MSD Romania enjoys a good reputation within MSD worldwide. Can you first elaborate to our readers what factors underlie this strong reputation?

When I was still in Korea and I first looked into taking this position in Romania, I found that the Romanian team had a sustained record of delivering on their commitments. They are in very strong at implementation. They have shared many best practices in the region, such as sales forces effectiveness, coaching effectiveness, HR programs for employee engagement, corporate social responsibility, and so on. The team has a strong reputation that goes beyond the sales perspective alone.

So far, does the reality meet your expectations?

Yes. I have only been here for roughly 3 months, and we continue moving forward by building on what was already there. We have implemented what will probably be recognized as one of the best employee engagement programs at MSD worldwide under an umbrella called Together for Life. We are also working significantly on creating efficiencies by minimizing the churn and the paperwork. We are also very disciplined about focusing on our key performance indicators.

You do so while arriving in a very unpredictable environment – the clawback, changing regulations, ... – but you still require a local strategy. How did you go about setting these

KPIs?

I believe that you need to control what you can control. Regardless of what is going on externally, we can control our attitudes, our discipline, our focus and our interaction with our customers. We can control what we do for patients, and I personally also do my best by working with our External Affairs Manager and the engaging with key external stakeholders including as many government officials as possible. We try to understand how best we can help while sharing our experience of what we have learned from our operations in other countries. We want to be part of the solution. As things change constantly, I have decided to keep most of my team out of these variable issues. I want them to focus on the customers, the patients and the people of Romania.

Besides these external challenges, we also see many opportunities. The market growth rates are very strong while the population is obviously of a very significant size too. What is going to be driving the growth of MSD here in particular?

We do quite well in providing healthcare solutions to patients in specific therapeutic areas, such as rheumatology, diabetes, and respiratory. We further have a very strong hepatitis portfolio, which is very important as Romania has one of the highest prevalence of Hepatitis C.

How excited are you about what the current pipeline is going to bring to the Romanian market?

I am very excited, but I only wonder when it is going to happen. Many innovative products are currently waiting for an update of the Government's Reimbursement List. I understand that such revision is a challenge, but at the same time the Romanian patients are being put at a disadvantage because they do not have access to the same medications as many patients in other EU countries have. Romanian is ranked among the lowest countries in the EU for health outcomes, one of the lowest healthcare spends as percentage of GDP, one of the most challenging physicians / patients ratios in the EU, and so on. I understand that there are many challenges that the government is facing and Romanian patients, unfortunately, are currently bearing the brunt of it.

Yet you still need to try to bring the latest medicines to the market. How can you bring the latest innovation on the one hand, while maintaining a sustainable business model on the other hand?

To be honest, it is a double-edged sword. Not having the new reimbursement list also means that we have some products that are currently protected to a certain degree, as competitor drugs cannot be brought to market. Overall, I think it is bad for the market because you need competition in order to create market competition and drive down prices. We have some very good products waiting to be added to the reimbursement list now for the benefit of Romanian patients. In the meantime, we are prepared to launch the new products as soon as the list is updated and are

gaining experience from the launch of these products in other countries.

You already mentioned that there is talking from MSD's side towards the government. Do you feel that this is mutual, and that there is sufficient effort coming from the government to improve the situation?

Not as much as I would hope for. I believe that there is sometimes resistance from the side of the government to engage in dialogue with us when it comes to seeking long-term solutions. As I am quite new to this market, I am not quite sure what is driving this resistance, but I do know that government officials are under intense pressure to manage and control their budgets. I'm sure this creates a sense of urgency that limits the time they have to debate and discuss potential solutions; they have to make very quick decisions instead.

If we take a look at MSD's international positioning, the Group has now grown into the third largest pharma company in the world. Here in Romania, you are still seventh. What is going to enable you to match that international position?

For us, it all comes down to patients having access to medicines. We have several of our products where the patients are on waiting lists, because the county or national reimbursement authorities will not approve so many dossiers due to budget constraints. Clearly with the size of the population and the high disease prevalence, the demand is there. There is not much more we can change about the price, as we already have the lowest prices in Europe by law. It all comes down to improved access for patients.

Getting access to rural areas is especially difficult in Romania. How can MSD penetrate the more challenging countryside?

We do what we can by working with wholesalers that have the broadest reach. Further, we participate in hospital tenders to extend our reach. Unfortunately, because of the system's payment terms are now surpassing 300 days and limiting operational cash flow, the smaller pharmacies can simply not stay in business. This makes it far more difficult for people in these areas to have access to medicines. Even more unfortunate is the fact that the pharma industry sometimes gets the blame for not making its medicines available, while we try to do everything we can to ensure medicines are available when a patient goes to fill a prescription. While I am no local pharmacy business expert by any means, I have been told that many pharmacies have been forced to diversify into OTC, beauty care, consumer goods, etc. in order to generate the needed cash flow to stay afloat.

MSD has already been quite active in tapping into the clinical trial and clinical research potential of Romania, with 200 patients in 10 trials last year alone. From your first perception in this new market, what has been so attractive to conduct clinical trials in

Romania?

Clearly, the number one driver is the access to patients driven by a high level of unmet needs. For example, we have started a Named Patient Programme for one of our new products, VICTRELIS, for the treatment of hepatitis C. On a global basis, around 300 patients have been allocated to this program, Romania alone accounted for 200 of the patients. Everyone was very impressed that we could get 200 patients so quickly, which to a large extent is related to the huge unmet need driven by the extremely high prevalence rate of hepatitis C in Romania. There is a very large pool of patients that need this medicine, which outside of the Named Patient Programme could not have had access.

A second important element of attraction has been the fact that Romania has got a pool of very talented physicians. They have a lot of experience and take their jobs very seriously. I have been extremely impressed with the physicians that I have met already, and have seen how passionate they are about their role in society. Romanian physicians have to do more than what the average physician needs to do in other countries. They go way beyond what they are being compensated for. It is my personal impression that they are in the field because they believe in the job and the role of the physicians in society. Clearly, they are not in it only for the money.

We would love, with all our heart, to invest more in Romania, including bringing in more clinical trials, but with the current unpredictability, it is very hard to make a strong case.

To come back to the fact that these physicians are only not in it for the money, it is a fact that some others were more attracted by the private pharma industry. Do you feel that this has been an advantage in order to get more people with a medical background in your field force?

I think it does have its benefits. My observations from working in other countries is that the discussions become more peer-to-peer as people with a medical background enter the field. However, it may to some extent generate more of a collegial relationship rather than a customer service relationship. I have been very satisfied with the level of knowledge and customer support in MSD Romania, which to a large extent comes down to training, coaching, and leadership.

You also mentioned the employee engagement program as a best practice at the Romanian operations. Can you elaborate on what this entails exactly?

We have several, 7 or 8, programs in place including many that fall under our CSR umbrella – Together for Life. Some of the new programs are quite simple. For example, flexible working hours; during the summer time, when the kids are out of school, we ask our employees to come to work an hour earlier from Monday through Thursday. Then, they are able to leave work at lunchtime on Friday to spend a longer weekend with loved ones. Additional benefits of this program include an

improved commute as traffic is less congested earlier in the morning that in turn has a favorable impact on the environment. Speaking about the environment, we also have initiatives related to improving the environment such as “Environmental Day”, where we spent a day out of work cleaning and restoring local parks.

On the medical side, we have several free testing programs including testing for diabetes, hepatitis, asthma, HIV, etc. For example, with our diabetes program, that includes free HbA1c testing; in just one day in Sibiu we tested roughly 2,000 patients for free. For a few patients, their levels were so critical that they were sent to the hospital immediately after getting the testing results. As the employees participate in this, they get a lot of self satisfaction from contributing their free time to the community.

I really want to make such programs part of the culture of our organization here. When I first got here, I set down the vision called “from team to family”. I want MSD Romania to be a place where people enjoy working here and look forward to coming to work. I am now in talks with HR management to implement smoking cessation programs, and other health improvement programs focused on the team and their families. Wherever we can we will involve the family members of our staff as well.

But if we speak about retaining and attracting talent, the industry is still very competitive. How do you see this at MSD Romania?

The turnover rate at MSD Romania has been very low this year; significantly below the industry average. I believe that the employee engagement programs are making MSD Romania a better place to work. In addition to the engagement programs, each colleague’s personal professional development is a focus as well. We do our best to ensure that their coaching and training needs are met. As such, we are sure to provide constant training for our managers, and further make sure that the employees –based on their developmental needs– have the right training and reinforcement. We prefer to focus on their strengths and leverage strengths by participating in different areas and work groups.

Going forward, you have already publicly announced that you want to make MSD the best pharma company in Romania. But what does this mean for you, and what criteria do you base yourself on?

I believe the best way is to break this down into different stakeholder buckets. “Best” is indeed different for everybody.

When I think about how customers see us, we aim to be the best at bringing value to them. This can be in terms of supporting their educational needs and their needs to find ways to better treat patients.

When we look at patients, and their families, we aim to be the best at understanding the diagnosis and treatment gaps patients are facing; then, working with health care professionals and government to support filling those gaps, like we are doing with our Together For Life campaign. Understanding where the gaps are is crucial for us. Health literacy in Romania is extraordinarily low, and is an area where we aim to bring value. In the future, I would like to see patient groups being formed and become much stronger here. They are still very weak and virtually nonexistent in many disease areas.

When we talk about payers, in particular the government and the health insurance house, we really need to help them understand that we can play a role in helping to solve issues. We can work with them to identify the systems' inefficiencies and brainstorm with them solutions that best benefit Romanian patients. One thing I have already been stressing is the fact that the National C2 list has significant inefficiencies that cannot be fixed with an across the board 15% price reduction; such a reaction is only a short-term 'fix' to budget problems that will have a negative impact on patient's access to medicines. Also, it doesn't address the underlying inefficiencies in the system.

Last but not least is the importance of the employees. I want to live up to the vision of "Team to family", and make this the best place in the industry to work.

I will be very pleased when we achieve my vision of being the "best".

On a more personal note, you have been managing operations in different cultures, and coming from Asia, the context is clearly different. Have you been adapting your management style accordingly?

I think you have to. Flexibility is key when moving around like I have. There are many differences in the emotional connections you need to create, in the way you need to manage implementation and so on. Romanians have a Latin background, so I have also found the emotional side to be quite important here. At the same time, there is also the recognition that if you work hard, have integrity, and are dedicated to each other, you can move up in the organization quite quickly.

What is your final message on where you want to take the company here in 3 to 5 years, as well as the company's commitment to Romania?

Our commitment to the physicians is the fact that we will always be there and will always work with them. We will always do all we can to support them in an ethical manner that benefits patients. I hope that patients will also understand that, as a company, we are doing the best we can to work with physicians and government to make our medicines available at an affordable price. I hope they can understand that we will continue to provide value-added services under our Together For Life umbrella, such as the aforementioned testing, to help patient groups, improve health literacy, and more. I want to continue open dialogue and work with the government to help forge a better

future for Romanian patients.

There was a recent survey that asked Romanians what their biggest concerns were. It turned out to be healthcare in the first place, and education second. I think that if we all understand that we have the same goal in mind, we can all work together to improve health outcomes in Romania. I truly believe that if we all understand that, and if we work together, we can change Romania for the better.

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