

# Interview with Jose Antonio Alas, President, Eli Lilly do Brasil

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An important topic in Brazil is access to drugs. In recent interviews we have spoken about a third of MS patients being treated, or 10% of hypertensives having their condition under control. With your predecessor Mr. Crupi in 2007 we compared the situation in Brazil to Canada, one of his past assignments, but that was four years ago. How is the situation now?

First of all, this is an “out of pocket” market. If you look at the IMS numbers, R\$31 billion is retail which is primarily “out of pocket” and R\$15 billion is institutional. The institutional segment has both government and private payors, where the government accounts for anything between 60% to 65%. The majority of Brazilian patients pay for their medication. That being said, the government has some outstanding, very specific programs where coverage, I believe, is great. AIDS, for instance. Patients in Brazil have better access to treatment here than in most other countries in the world. Schizophrenia, I cannot compare to Canada, but compared to all other Latin American countries, if I had a schizophrenic son or relative, Brazil is where I would like him or her to be treated. Treatment is great not only from a medication perspective, but from the perspective of the medical team and access to nutritionists, psychiatrists, and therapists. If we compare to my home country, El Salvador, where you basically have almost nothing, then this is a great program. So there are pockets of expertise in areas like schizophrenia, transplants, AIDS, even diabetes, where patients have great access to medication. In the case of diabetes, patients don’t have access to analogues, but if you look at data in terms of efficacy, human insulins are just as

efficacious as analogues albeit not as safe in terms of hypoglycaemic events, and there's no reason why any patient who requires insulin needs to go without it when they have access to insulin for free, in addition to glucometers and strips to test their blood sugar. It's a fairly robust program for specific pockets.

Then there are other pockets, for other types of diseases, where you're really at a loss because the government has no coverage. Bipolar patients have no access to a program like the one for schizophrenia even when some of the medication is the same for both indications. They need an atypical antipsychotic and mood stabilizers, but that patient is really on his or her own, without access to all medication they might need. That's the contrast I think.

It's interesting to see the disparity between strategic and non-strategic areas. Which recommendations would you give in terms of focus?

I can give you my personal perspective as a Brazilian resident: I think the government needs to prioritize first the more basic disease categories. First let's start with clean water and all that good basic stuff like eradication of malaria, although Brazil is at a completely different stage than the rest of Latin America. You don't get dysentery from water here, and Sao Paulo in particular is a much cleaner city, with no endemic diarrhea or diseases related to basic needs. I think the government is targeting some major areas, like diabetes and hypertension, which I think are critical. The main killer in Brazil is AVC (stroke) so I think they're going in the right direction. They are targeting diseases where the patients would be at a complete loss otherwise: schizophrenia, AIDS, diabetes, I feel it's very important to have these treated by the government. I think this strategic approach is the right one. I would like to see better treatment for some types of cancer patients. I think the cap they have on specific types of cancer is very limiting in having access to newer therapies. I also think that a lung cancer patient can now have a survival rate which is much, much greater than they had in the 1970s because of the new therapies. But because of the limit and the APACs that patient will never have access to the newer cancer treatment therapies that could give them a significant survival rate over older therapies.

Mental health and specifically bipolar patients could also benefit from a better treatment regime, and obviously I'm going to be a little bit biased because we have greater expertise as a company in specific therapeutic areas.

The other key thing when it comes to access is inclusion of new technologies, because before I came to Brazil in 2004, I understood that inclusion of new therapies was much faster than they had been over the past 7 years or so. Obviously, there's a cost-related constraint, and I know it's not an easy solution, but there's a way of doing it. Some therapies go generic and you can reduce costs on those and begin including other therapies. First of all, generics are expensive in Brazil. There's

no reason generics should be priced higher than 10% of a reference brand product. Pharmacy discounts are an issue as well. It's a major theme in the government and we're bound to see some changes in the pricing structure, because when you see generics discounted by 80% to 86% that means there's lots of space to benefit patients in those margins. Clearly, with a different generic pricing formula the government could effectively increase access to newer therapies.

What's the importance of Brazil in Eli Lilly's overall portfolio, and what have been some of the most exciting milestones and achievements of recent years?

Brazil is among the top 10 affiliates. In emerging markets we are the largest and have been for some time, though China will soon overtake us. After China, the country that offers the most growth opportunity is Brazil.

Eli Lilly has been very effective in continuing to supply Zyprexa to the government feel especially proud of the team for the performance of Cialis, which is the second-largest brand in the Brazilian ethical retail market. When sildenafil went generic last year, Viagra halved their price. The fact is that we're still selling just as much Cialis as we were before. We feel very good about that. Also excellent is the performance of Cymbalta, which was launched in 2005 and is now growing at 60%, far exceeding the market growth of 28% for anti-depressants. We have also leveraged Farmacia Popular. Eli Lilly was very quick to respond to the government when they knocked on our door to say, "Are you willing to reduce your prices further so we can offer this free to patients?" Eli Lilly was the first to support the government initiative, and we have reaped the benefits of volume growth. We feel very good overall of being able to benefit more patients.

What are your priorities in terms of challenges?

Upcoming IP losses are our major challenge to keep the top line growing. Although I'm excited with what you can do in emerging markets when retail brands go off-patent. Off-patent reference brands are growing 17% in Brazil, so there's clearly an opportunity for growing those brands even when they go off-patent if they're in the retail market. The oncology business is completely different, because the way that market operates in the country makes it very difficult to sustain a brand after it goes off-patent. There's some business, but in the oncology segment, it usually erodes fairly quickly.

A big success story in Brazil has been Cialis, which after the US is the top global market for the brand. With Viagra now off-patent and a host of generics competing, how has the brand fared?

Eli Lilly has managed to sustain the Cialis brand since 2003, and we've been very successful facing generic sildenafil, because we've differentiated not on price but the brand benefits. We went ahead

and launched Cialis once-a-day at the same time that Viagra lost patent and reduced its price. For the doctor and the patient there are many products that do the same thing in the same basket, and there's Cialis which offers continuous treatment or 36 hour of treatment. This is huge because it gives patients and partners the freedom to choose the moment that is right for them without the pressure of time, it virtually gives men the opportunity to be like it was before they had ED. Differentiating your brands through positioning rather than price and the benefits it offers patients are completely different strategies.

With Cialis, we've put a strong pharmacy sales force, and research the market every year to understand the dynamic and patient flow whether through prescription or pharmacy.

Understanding the market dynamic is critical for the brand's success.

Eli Lilly also has a very strong PRA team with the government division who has been very effective in leveraging opportunities like Farmacia Popular . Another thing that has been critical to the success this year has been how Eli Lilly has structured itself in business units. We're now part of emerging markets, and they have done some very bold things at the corporate level that were not there before. They brought pricing onto the marketing side and not the finance side, even when we remain a very financially-oriented company and look at the profit line. We have a very different set of eyes on how we approach price as another lever on how to brand, and that has given us some flexibility to tap into the C Class in Brazil. What's really driving growth is a growing C Class which now accounts for 52% of the population. Looking a bit deeper into who is the C Class, we see it's the taxi driver, the government employee, skill labor and what's driving the growth is The fact that they are now formally employed and having access to a private healthcare plan which gives them access to a doctor if not medication. The medication needs to be priced properly so the patient can pay, because the private health plans don't cover it. Overall, the fact that Eli Lilly has created an emerging market unit, and is looking at emerging markets differently than developed markets, has been critical for the success of the Brazilian affiliate.

Listening to you describe the organization with so many moving parts - what influence does your engineering background from the US Naval Academy have on your day-to-day management?

I don't know if it does! It's a tough question. What really brings wealth to an organization is diversity and a pool of different minds who see the market from different angles. I'm very careful in ensuring we have a very balanced management team. The management team is 50% female, including our Sales Director. We have three physicians in our management team, two oncologists and a psychiatrist and having different backgrounds enriches the way we understand our patient needs and how we serve them.

What are some of the most important commitments Eli Lilly has made to R&D here in Brazil?

Eli Lilly has made huge investments in clinical research, particularly in oncology, with more than 100 centres operating throughout Latin America, with at least 60 of them here in Brazil. That's consistent with 50% of the pipeline in oncology. Even within the realm of compliance - because there's a firewall between clinical research and the business - there are some great opportunities to talk with investigators and partner with clinical operations to really understand where the market is going and how the physicians are evolving in treating diseases. Obviously, we leverage all that investment, and the fact that we have a production site gives us a tremendous level of flexibility. We have been able to sustain Zyprexa sales because we manufacture Zyprexa here. If the government decides to buy twice as much now as what they bought last month, we can react at a speed that not even national companies can match. We have a great level of expertise supplying Zyprexa to all 26 states over the past 10 years. We know when and how to put the product and that know-how has been very differential. Having the production site, as I said, is essential, and means we can launch a new presentation of Cialis in a matter of months. We can ask, "Why don't we add a new presentation for 8s or 12s?" It gives a level of flexibility that no other Eli Lilly affiliate has.

Where do you want to bring the business in five to 10 years, and how are you going to get there?

I will be happy when Eli Lilly is growing at least with the Brazilian market and hopefully faster than the market in segments where we have greater expertise. Especially in diabetes - I think we have everything it takes to be leaders, not only with our own portfolio but also with the recent partnership with Boehringer Ingelheim. We are getting ready to launch Trayenta a DPP-4, and I'm very excited to see Eli Lilly leading in the market. I started as a diabetes sales rep, so I have a passion for diabetes and I want to see us win. I come from El Salvador, where 80-90% of all the insulin in the country is from Eli Lilly, and diabetes is an area I would like to see growing faster than the market. In neuroscience we've been a powerhouse, with Prozac, Cymbalta, and Zyprexa which has been and still is now the number one anti-psychotic with more than 60% market share in the treatment of schizophrenia. Obviously that's a franchise we need to protect. The entry of generics atypical anti-psychotics will clearly expand that market to the benefit of patients, and I want to make sure we're leveraging that opportunity with our brands. I think we could do more even with a product like Prozac. I see what other companies are doing with their mature products and clearly see the potential to leverage everything we have, because I would love to see our affiliate growing at least 15% yearly, at the pace of what I expect the reference market will grow in the next few years.

You've started your career in El Salvador, worked throughout Central America, then Peru, the US, then Brazil. What's the next step?

You know, I love what I do. I love managing affiliates. This is really what inspires me and makes me come to work every day, to see the affiliate grow, and as long as you're growing you should stay where you are. I've been in this job for two years, and a reasonable amount of time for a GM to make a significant contribution is at least five years. So I'm not thinking about that next step yet! I'm thinking about those next three years, and where Eli Lilly will be in Brazil in 2015.

What's your final message to Pharmaceutical Executive readers?

It's all about the patient. If you're passionate about the patient, you will find ways to serve - not only the Class A but the Class C and all patients - and you get creative and find a way. Think about the patient, and you'll get there.

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