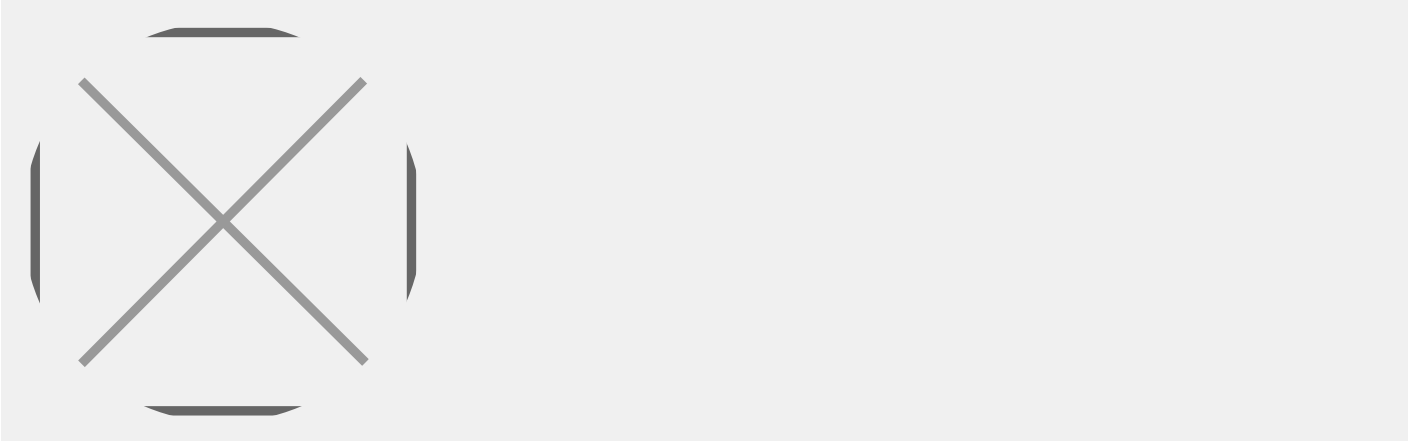
Interview with Samuel Mauricio, Vice President and General Manager, Octapharma Brazil



14.07.2012

Tags: Octapharma Brazil

Mr. Mauricio, you've mentioned that Brazil is a different kind of market for Octapharma, one strongly based on price, and that because of this it's hard to add value. Could you delve a bit deeper and elaborate on this point?

Before delving into the Brazilian market situation, it is important to note that Octapharma, unlike its competitors, is the only privately owned company in the world producing and fractionating plasma proteins. All our competitors, such as Baxter, CSL Behring and Grifols, are public listed companies. Octapharma was founded in 1983 and since 1993 has been actively present in Brazil. The only importance to this fact relates to the ability of Octapharma to customise specific programs for any avid customers on the grounds of an extremely flat decision making program. Octapharma led interesting programs such as the first fractionation of Brazilian plasma in its French plants with the return of final products to Brazil, this project which was effective between 1999-2002 helped Brazil to obtain a significant self-sufficiency quota of the plasma products in need.

Brazil is a huge market that has the third largest haemophiliac population in the world. Moreover, the country economical situation and the scientific preparation of the medical community involved are allowing a far and more sophisticated disease management. This can be seen in the last MOH tenders with increased demanded quantities for most of the blood derivatives. In the present context the national authorities of Brazil consider price as the only driving factor for the acquisition of the products needed. It is my expectation that within the near future other factors can be taken into consideration like the concept already widely used in Europe and the US, related to pharmacoeconomics and pharmacovigilance.

What kind of prices are we talking about in Brazil at the moment?

Compared to Europe, Brazil presents an average selling price of 40% to 50% below the European ASP. Compared to other world markets the difference can be even more than that. Brazil has one of the lowest prices in the world for Factor VIII, Factor IX, and Albumin.
The tenders are truly price driven. The MOH puts out a tender where everyone can participate; it's an international tender. Every company presents a price which is openly displayed to all bidders. By doing so, the MOH encourages other bidders to match the lowest price and so remain in the competition. It is known as a reverse auction. To quantify how price driven this method is, prices quoted at the start of the bid will be negotiated to decrease by 50-70%.

It sounds like a very effective way to determine a company's marginal profit!

It's a challenging situation, because when you participate in a tender the first question they want addressed is around price. Quality is discussed once the price has been set. Winning companies could then be disqualified based on the quality criteria, but the MOH can then choose the next best company in terms of price which would hopefully have a good quality and so still keep prices low.

What does this unusual process mean for Octapharma in Brazil?

Companies can hardly invest in educational programs, supportive programs and message dissemination because the margins are so slim. Moreover, the unbalanced ratio between quantities and low price impose important strategic analysis from company management in allocation programs. This could be very challenging in the future. Moreover, it means that it's extremely difficult to implement a medium-term project to work. It is very difficult to predict what we will sell from one year to the next, at least in the haemophilia market. It's our assessment that if Brazil continues with this level of consumption, they must discuss added-value proposals in addition to price. They should also consider multi years plan to negotiate for a larger period of time in a way that suppliers can guarantee the necessary raw material. And of course Hemobrás – a factory planned together with LFB to produce an amount of 150m IU – is not enough. Other alternative plans have to be considered to secure the supply.
The country still requires other scientific projects that will put further pressure on quantities required. Indeed the treatment of inhibitors formation affecting haemophiliac patients will require a total new vision.
Brazil has one of the biggest populations of patients with Factor VIII inhibitors, and those patients will require special and dedicated attention from the authorities. Octapharma suggested the implementation of a program that is specifically customised to handle this kind of problem. It is a program scientifically coordinated by the Frankfurt University, carried out by Dr. Kreuz and Dr. Escuriola, who developed a number of scientific tools to allow the customisation of inhibitors treatment improving the likelihood of a better outcome for those patients. This program has been

applied in Europe, Russia, and Poland with significant results.
Octapharma's scientific approach is to provide this tool to the Brazilian authorities to be considered as an integrated part of ITI management.

Do you have any recent success stories where you've managed to profitably supply the government through this complex tender process?

In the last two years Octapharma had a unique situation related with the issues around octagam®. This product was out of the market for ten months for reasons related to new discovered facts in the fractionation industry. Octapharma managed to identify the root cause and to establish measures that for ourselves and for the industry will represent further safety measures for gammaglobulins in general. This fact generated an unbalanced context that imposed a more aggressive commercial philosophy to overcome the crisis period and due to that we were the biggest supplier of this market for 2011 as we plan to supply 350 Mio. IU of FVIII. Let's see now that octagam® is back and Octapharma has resumed normal fractionation activity how it will impact availability of FVIII in our commercial activities.

What's the incentive on the MOH side to be more flexible on price? And why is Octapharma the partner of choice?

The ratio of price versus availability has to be considered in a multifactor context:
1. Octapharma offers the advantage of plasma derivative products versus recombinant products. The viral safety of these products guarantees an unquestionable value.
2. In what concerns inhibitors formation, there is enough information currently accumulated to conclude the advantages of plasma derivative products versus recombinant products.
3. In what concerns price, recombinant products available in the world market currently have a price 5 to 6 times higher than plasma derivative ones.
For these reasons, the decision to choose plasma derivative products seems to be the most adequate. This fact imposes a medium term platform to guarantee the supply. Therefore our suggestion to the MOH is that an analysis and implementation of pan-annual programs take place looking at guaranteeing this supply. This should be completely transparent and in discussion with all suppliers.
Octapharma doesn't want to be the partner of choice, but a decisive partner in this issue. If Brazil understand – which should be easy as it knows the costs of fractionators – and look at the supply of hemoderivatives and its costs per liter of plasma fractionated, Octapharma will certainly be an important supplier to this market.
Moreover, to follow a rational and transparent approach in all sectors, the Brazilian authorities have to intervene in a decisive manner in what concerns the price determination by CMED, in a way that the current distortions can be eliminated.

You mentioned that it's difficult, but could you try to predict what it will be like for Octapharma here in the next 5 to 10 years?

In my opinion the next 5 to 10 years will take Brazil closer, as a BRIC power, to medical and sanitary levels seen in occidental democracies.
This will mean an important growth in the utilization of immunoglobulin as a decisive product in important pathologies requiring attention. It will be easier to forecast growth for more developed countries which will mean the use of 60-80kg of immunoglobulin per million inhabitants. At the same time this will be an issue regarding the supply but an opportunity regarding the balance of needs and therefore a better probability of continued supply.
Octapharma will continue to develop educational programs looking to identify patients and promote their treatment in state of the art institutions. In what concerns the coagulation factors, international indices have been practically achieved and the next steps are to introduce pharmacovigilance and protocols for the elimination of inhibitors already mentioned.

On a personal level, what are the biggest challenges you've found managing the Brazil business?

From a personal perspective the big challenges that were presented have to do with the adaptability of international topics to the Brazilian situation.
The country is a continent with significant regional symmetries and a gigantic dimension.
Moreover it has a scientific community which is particularly demanding and knowledgeable of the situation of its sector. Therefore adapting this reality and transforming into opportunities it's my main challenge.

What is your final message to Pharmaceutical Executive readers?

Be committed to all your projects. I'm really committed to Brazil and I truly believe in Brazil and the way Brazilians do things. Sometimes we foreigners try to impose our perspective, but instead we must understand the way they do things. Brazil is an excellent country to invest, and grow personally and professionally. It is a country where you have to ask the smart questions and await the answers, rather than thinking you know the smart answers.
You have to think of Brazil as a demanding developing market with the same needs and demands of the vast continent of Europe.
What Brazil wants at the end of the day is to be challenged with questions. And they will find a way – a Brazilian way – to answer your questions. But don't relax! This is a country where you can't relax.

See more interviews