Interview with Jose Almeida Bastos, Director President, MSD Brasil

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When we were in Australia, we met with the “star scientist” Ian Frazier, who was Australian of the Year in 2009 for his co-discovery of Merck’s Gardasil. Or Singulair, which is the trade name of Montelukast, with the Mont signifying “Montreal” where the product was developed. What will it take to have similar renown for developments made here in Brazil?

First of all, it’s important to note that I’ve only been in Brazil 10 months – and though I know more than 10 months ago, I’m still far from knowing everything! However, even as I see it coming from outside, there are a few key improvements needed.

Most important among these are the basics – the educational system. It’s good, but it needs to be a lot better, and produce many more people in the universities who can perform research. Without going into too much depth, suffice it to say this is one clear point the country must address.

Then, at the university level, we need to improve private-academic partnerships – not PPPs, per se, but the relationships between R&D in industry and universities. It’s important to identify the areas where Brazil is already very strong, not only in health, but in some areas like energy, or aeronautics with Embraer. In health, there are areas where, because of the particularities of the country, there is good research, such as in infectious disease. We must better identify those centres and approach them to create a closer relation between them and industry, to improve the visibility of the work they do and further opportunities for cross-collaboration.

Brazil is growing very well, but of course there is still a way to go in terms of development. The

government is doing lots of good things, but look at the investment in health as a percentage of GDP, at only 8.5% this figure should be higher, and access to health, and hospitals, is still a problem in some areas. There are three or four things which must be done at the same time, and it's not easy to simultaneously improve health access, services, and outcomes, while investing in R&D in the right places, and increasing relations between private and public research.

Regarding that 8.5% of GDP, it's a number pretty much in line with the OECD average, the notable exception being the US which spends about twice as much, with lower than average health outcomes.
Perhaps, but Brazil's health outcomes are not fantastic compared with its neighbours. Infant mortality is not the best. Women's health is not the best, either. There's a way to go. However, the government understands that investment at this point is critical.

Right, with Amendment 29, a recently passed Congressional Amendment for minimum health funding at the municipal, state, and federal levels, will surely be a piece of the puzzle. What other mechanisms would you recommend?

They have to follow what other more developed countries have done – while avoiding their mistakes. The main issue for Brazil, as I see it, is access. This is an out-of-pocket market, with the exception of Farmacia Popular, which is still a small program. If you exclude Sao Paulo and Rio, patients pay everything. And it's not only about access to treatment, but to diagnosis and doctors, which on a per capita basis remains low. My feeling is that the government knows and understands this, and is investing, yielding to pressure from the civil society. When you talk to government officials, the speech is not that they don't know, but that they need to spend wisely and allocate resources in problem areas. Such areas include infectious disease, and the population of remote areas; what does one do with patients living in Amazonia? However, I feel the government is fully engaged, not just in incremental improvements, but in making significant, exponential changes.

You mentioned a moment ago you couldn't clearly recall our interview in Portugal in 2006, so we took the liberty of researching it for you. We spoke of patent expiration for Zocor and Proscar, and the success of your osteoporosis franchise and Inegy. Fast forwarding five years, what have been some of the highlights and achievements since you arrived in Brazil 10 months ago?

MSD in Brazil is focused on growth as the priority. The question is how we want to grow. It's clear that Brazil is a priority for MSD from the very highest level, and this is supported by continued increasing investments. Next year will mark 60 years of MSD in Brazil, older than the great majority of national companies – and it's important to note we have never left. That tells you something

about the company and its commitment to the country. It would have been easy to leave and come back, but we didn't.

MSD has a big presence in the country, counting five plants, nearly 2,000 people, and we are fully committed to keep and increase our investments. We bring production to Brazil, use our plants as production poles to export, and improving our growth, because as of now, MSD is not a high-growth company, but we're heading in the right direction. We need to profit from the opportunity here in Brazil. In the last 7 years, some 40 million people have entered the middle class. To put this in perspective, this is a group of people greater than the size of Canada who have suddenly started to buy things! And there are still many more millions to come. MSD wants to be part of this change in the country. We were here for 60 years and will be here for another 60 years at least.

You mention access being a crucial point. In 2009 you were interviewed by the Portuguese newspaper Diario de Negocios in Lisbon, where you spoke about government amendments to shift margins from the innovative, research-based industry to the retail pharmacy side. You criticized the pricing problem there – is it as much of an issue in Brazil? In other interviews, we've spoken to CEOs who have slashed prices dramatically, and said that it's less of a concern in a market like Brazil because increased volumes compensate for lower prices.

First of all, MSD has a very clear pricing strategy for emerging countries like Brazil. Second, we have to acknowledge that of course, all emerging countries are very important, but the only one that is a Western-style society is Brazil. As such, the society operates under familiar values, and MSD knows how to play in Brazil; we understand, we talk the same language.

With regard to pricing, if access is a problem, and you have 200 million population, what MSD would like is that 80% of the people could buy our drugs. We can we achieve this in different ways, because we are not yet there. In fact, we are in the reverse situation – MSD is only reaching 20% of the population. How can we improve this, together with the government? It has to do with pricing, innovation, and access, but our vision as a company is to make our products available to 80% of the population. Price is very important, but we need to acknowledge that the needs of a country like Brazil are different than Western Europe, because the population is different. For that reason, we can play a much bigger role than we do today. MSD is big everywhere, but we can be much, much bigger in Brazil than we are today. And if we strive for 80% of the patients, we're going in the right direction.

We spoke with your counterpart at Roche, Adriano Treve, who had also come from Portugal to Brazil. He spoke of the differences in the attention one receives from headquarters, and the difficulty to approve clinical trials – whereas in Brazil he had to be selective, and had people

knocking down his door for opportunities. What are some of your most personally exciting or pet projects?

MSD is participating on the governmental project of Farmacia Popular, and my dream is that Farmacia Popular will be transformed into the beginning of a reimbursement system. Because in fact, that's what it is. In the program, people get 20% of the products for free, sometimes with a low co-pay. But it's a very small amount of products. The question is this: how can we help the government of Brazil transform Farmacia Popular into a kind of reimbursement system that improves every year, that includes more, new, and innovative products? I think it's a very challenging project, but a very nice one.

Further, there are a few diseases in particular need of tackling. Hepatitis B, and especially Hepatitis C, the number of patients infected is huge, and they're moving to cirrhosis and carcinoma. Another critical one is HIV. Women's health and infant health are also big priorities, in addition to infectious diseases like Dengue Fever, for which MSD is working with the Brazilian government to find a vaccine.

Overall, however, my number one priority is growth, and MSD in Brazil needs to grow much more than it is today. That's what drives me, first of all. Secondly is the desire to be the first global company in Brazil. To achieve these goals, we will be launching new products in diabetes and cardiovascular that are already in the pipeline, and will bring some extremely good innovations to the market in the near future, in addition to targeting the branded generics market.

If we returned in five or 10 years, where would you want us to see MSD in Brazil?

I will stick to the 80% figure, and therefore, expect to see many more patients treated with our products and vaccines. I would like to look back at the sheer number of people who have benefitted. The second is to recognize the contribution that the company, over all these years, has made to the country. I don't think that you can be in Brazil without being fully committed to the country. You are here, also, of course, to make money. But you are not here only to make money, and if you do the right things, money will follow. This commitment to the country means research, being close to the customers, patients, government, and helping them to solve issues.

Although Brazil is not the biggest emerging market, I really believe that, while everyone knows, not everyone deeply understands how important Brazil is for the future of our companies. Not only on a company's business level, but everything within the country as well: a mass of scientists, a mass of people with cutting edge research and technology. Brazil is a proud country, which is good from a psychological point of view, compared with a more depressed mindset in places like Portugal, for instance! Brazilians enjoy life, and this is good. The opportunities of the country, in every different area, is huge. If, over the next 10 to 20 years, we can see this promise materialize, we will see

Brazil realize its potential as a critical country for the industry.

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