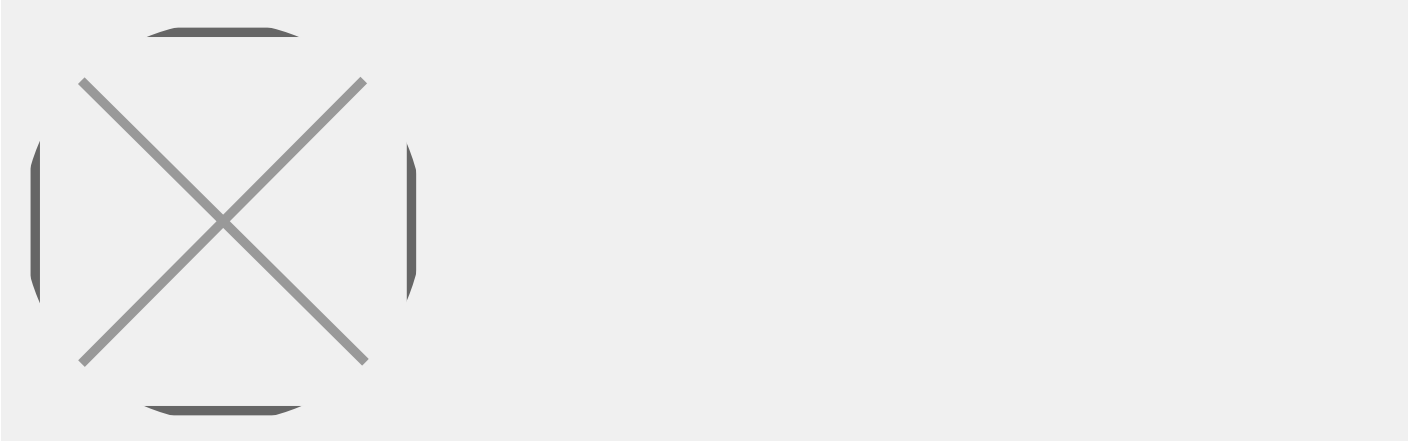
Interview with Kitima Yuthavong, CEO, PREMA Thailand



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Tags: PREMA Thailand

PReMa was established in 2004 after a period of transformation to represent the growing role of its members, research-based companies. To begin with, could you explain us the main milestones and achievements of the organization?

PReMA has been present in Thailand for 42 years. The association only changed and took the name of PReMA in 2004. As the association, our first duty is to discuss the industry issues and the second one is to make sure that we conduct the code of ethical business practice. The ethical business practice has been here with us for 22 years. We are a member of IFPMA. The name PReMA, “r” and “e” stands for research and all our members must have something related to research, either as the owner of new molecules or as the distributor of innovative products or associate members dealing with market research. We also have some member law companies which are specialized in intellectual property.

According to 2011 figures of PReMA, there was only 2 percent growth last year. However, the global projections rank Thailand on the 12th place among the pharmerging countries and expect the pharmaceutical market to be the 8th largest in the Asia Pacific region (BMI statistics). How do you explain this discrepancy?

I was very surprised, when I heard about 8 percent. Our growth has been under 5 percent for many years since 2008-09 because of the government’s heavy cost containment measures. The main theme of our discussion between our partners in the healthcare industry, not just pharmaceutical industry is the healthcare finance. Currently we have 3 different schemes under the universal healthcare coverage. These schemes are competing and working with each other to get the expenditure down which means that the coast containment is very strong. We haven’t seen

numbers of growth more than a few percent. Some of our members are quite pessimistic, they are even predicting minus growth.

How is PReMa working with the industry and taking action in this circumstance?

Firstly, we need to look at the big picture. The health expenditures in Thailand as a percentage of GDP is still less than 5 percent; it is between 3 to 5 percent. In some countries such as the USA, healthcare expenditures can be as high as 18 percent of the GDP or in some other countries; the average healthcare expenditure can be around 8, 9 or 10 percent. Our healthcare expenditure is lower than 5 percent; however, we have a bigger promise than anyone else. We have universal coverage. What we are trying to do is to work with the government. Quantitatively, the government has done well so far. Now we are talking about quality. The next step is to improve quality and the innovative treatments. There is also a need for the governmental funds to be balanced between the aim for cost containment and demands of the patients and the doctors. It is a multifactor; however we are willing to work with the government and indeed, we would like to sit at the same table and discuss the same goal, how to make the system sustainable with reasonable quality and give doctors and patients more options.

What are your predictions in terms of increase in the healthcare expenditures in the close future as the there is an aging and rising population who will eventually have medical needs?

The government aims to freeze the expenditures for the next five years as of last year. I believe, this is against the natural trend as the people are getting older and the technology is getting more advanced.

Thailand has been praised for its achievement in universal coverage and now the revival of the 30 Baht universal healthcare scheme is on the agenda. However it has been described as non-functional and underfunded by the international companies as the essential drug list does not reimburse many of the innovative medicines. As an association representing innovative manufacturers, how do you feel about this situation?

I think, the notion of universal coverage as a success is partially true. Coverage might be widespread; however, it has other weaknesses. The system has caused severe money shortage in the hospitals. Doctors and nurses are fleeing the system. The systems needs to be better balanced. 30 Baht scheme will make people to think twice, whether they need the medicine or not. It will just bring awareness to people not to overuse the system.

What is the criteria for the essential drug list?How much room it allows for the innovative drugs?

The criteria and standard procedures to be enlisted in the essential drug list (EDL) is not quite clear to us. We believe the idea of EDL is used to control the costs. We would like to understand more about these criteria and timelines. Most companies would like to enlist their drugs and patients also want to have more choices.

In 2007, the issuance of the compulsory licences by the military government created strong reaction by the multinationals and Thailand is still on the US watch list for IP protection. How do you assess the current environment and improvements in terms of IP protection?

There has been varying response among out members depending on how directly they are affected. There has definitely been an erosion of trust. Compulsory license is supposed to be used when an epidemic happens or during a natural disaster, which was not the case. According to a government study, the amount of money that can be saved in 5 years is 4 thousand million baht. Divided on a yearly basis, the amount is really tiny, 0.2 percent of the healthcare expenditure. The benefit to the country is not that big, compared to the damage it gives to the reputation. However, looking back compulsory license was basically a political decision for the interim government to check and balance the decision-making. If we had a stable government, these would not have happened. The elected government is trying hard not to let it happen again. Last year they only extended the five year term of compulsory license for some of the drugs for HIV and AIDS. There has been no extension on cancer and heart disease drugs.

The weakness of IP protection is most of the time seen as the reason why many internationals did not establish their R&D centers in Thailand. Although definitely there is a will to develop R&D in the country. How do you see prospects of Thailand in terms of R&D and how would you describe the efforts of international companies in this respect?

We have a network of researchers working with multinationals silently, particularly vaccine researchers. There are also researchers focusing on new drugs. However, the efforts are not full-fledged yet. Right now the research act is under consideration. Currently we have 6.7 researchers per ten thousand people; the aim is to reach 15 researchers per ten thousand people. Budgetwise, R&D amounts to 0.5 percent of the GDP. And the goal is to reach 2 percent by 2015. It is hard to tell if these are just wishes or goals yet. However, it is safe to say that Thailand is a very attractive location for the multinationals to conduct clinical trials. There is no governmental initiatives in place to increase the number of clinical trials, however many multinationals are looking to expand their trials to get faster access to the market.

Counterfeit drugs is a major problem in Thailand. PReMA is taking actions to address the issue. Could you please us the initiatives taken by PReMA?

We are working with the governments and sectors, police and FDA. However the issue of counterfeit came to an impasse at the international level. We are playing an active role to increase

the awareness, trying to explain that this is not only a business issue but it is of danger to patients. No matter how cheap it is, nobody wants counterfeit.

Thailand is also an attractive place for manufacturing given its strategic location as a gateway to ASEAN. In our interview with Mr. Chernporn, he told us that the internationals do not manufacture here, they work with the two international contract manufacturers. Given the fact that Thailand is a sizable market despite the difficulties with the health insurance system and IP related issues. What are the advantages to being in Thailand for MNCs?

With the AEC integration, the market will expand from 60 million to 500 million people. This international might encourage international companies to invest in here. However, the current trend is to outsource. We hope that Thai business people will build facilities at high standards so that the internationals can easily source from the. Currently the situation is quite unstable and neither the Thai factories nor the internationals are sure. We actually look forward to the implementation of international standards and harmonization. Some the standards are already being carried out. For example, regulatory harmonization started last year. For us, what is important for us is to have the same standards for biosimilar guidelines. And of course, the integration will support free and fair competition in the country.

Diversification into generics is a trend seen among multinationals to be able to compete in the emerging markets. 30 Baht, Asean integration and the patent expiry of several best selling drugs are the forces that will drive the growth of generics business. How is this trend of branded generics in Thailand especially given the fact that Thailand is a very cost-sensitive market?

I think the trend is that they have to go into generics. However they might be a need to separate both due to keep the image of innovation.

How would you sum up the advantages of Thailand and the main growth drivers for MNCs?

Thailand is number one in medical tourism. There is a high quality healthcare service and world class private hospitals. Currently we have around 2 million medical tourists visiting Thailand and the numbers are growing very fast. Hospitals are providing good quality and innovative drugs for the best treatment to patients. We should also mention that Thai people are also quality conscious even when they need to pay out of pocket. To conclude, the key success factor is collaboration. PReMA has has been working hard to make sure there is public and private partnerships. To enable this and help create a better environment, PReMa is working together with local manufacturers, doctors and nurses' associations and also Bangkok Metropolitan Municipality.

What would be your final message to the readers of Pharmaceutical Executive?

We believe that we will be more stable and rebound back to our potential. As the association, we are working to create a positive industry image. We are working with patients and healthcare professionals to promote good health before they get sick. We are one of the first organizations .

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