

Interview with André Bràzay, President, Sandoz Hungary

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Taking a look at the voices of the pharmaceutical industry in Hungary, we see AIPM and MAYGOSZ as the 2 key associations. And while MAGYOSZ already represents many generic players... you are in charge of a second association for generic players. Can you first explain why the need for this additional association?

This Association exists for close to 10 years, and was created because the concept of generics has never worked properly in Hungary. MAGYOSZ in fact has never admitted that they represent the interests of generics producers. They primarily represent branded conglomerates which defend the interests of domestic Hungarian companies more than those of generic ones.

When the larger international generic players started entering Hungary, they did not feel welcome or well represented in such a locally-oriented association. It was therefore logical to introduce a second association, who would focus on representing the interests of international generic producers. Still today, generic products do not have the same recognition as branded originator products. There have been no real successful campaigns, which promote generics as affordable, high-quality alternatives to reference products. There was and still is a need to voice examples of other countries where quality generic drugs have played a key cost-saving role.

What are the key points achieved through the Association in these 10 years?

The life of the Association has not been easy, as many of the generic companies active in Hungary have been the subject of mergers and acquisitions over the past decade. All in all, the group of

companies has never been stable. To date, we have neither had a sustainable nor very active group of companies to represent the interests of the generics industry – national or multinational.

But in times when the government looks for cost-savings, the Generics Association has always worked diligently to show the importance of having high-quality generic products, supported by a strong program and initiatives. I believe we have been somewhat successful in influencing legislation, and that we have certainly supported the containment of pharmaceutical costs, while ensuring continued quality healthcare. We have been there to make it clear to the government that instead of being part of the problem, we are part of the solution – a mindset that is increasingly being accepted by policymakers.

One of the problems in Hungary is that the government has never considered the full range of actions that would promote increased use of quality generic drugs. The decision-making process at the doctor and pharmacist levels needs to be properly targeted in order for generics to achieve a larger share of the market. The other issue is that the government has opted to introduce sales representative fees, taxes and claw backs to the whole pharmaceutical industry, which significantly decreases profitability and ultimately competition.

Over time, we have managed to improve the claw back mechanism affecting generic players. In the past, this claw back system penalized overall sales growth, both originator and generic equally, based on reimbursement share, often leading to negative growth in the case of generics companies. Generics, however, increase access to quality healthcare and medicines, without leading to increased reimbursement levels. They can also lead to overall reduced spending by increasing patient price sensitivity. Some therapies have very high reimbursement coverage and hence virtually no patient price sensitivity; generic penetration is very difficult as a result. We consistently deliver the message that pharmacists should be incentivized to prescribe more affordable, quality products.

The new Széll Kálmán plan shows government commitment to push for greater use of generic drugs – indicating a new, changing trend. We recently shared with the government a detailed study on the reimbursement of biosimilars, based on different European models. The study was developed in cooperation with Corvinus University and aligned with MAGYOSZ.

What remains to be achieved in the coming years through the Association?

We will continue to work with the government to increase understanding and awareness of the fact that we are part of the solution rather than the problem. We need to help them better understand how we can help them to contain costs, while maintaining high quality healthcare standards in the country. All industry players will also need to work together, rather than attacking one another. We need to have a more balanced attitude as well as a constructive approach to the government, which should be equally reflected in our prices and proposals.

We will also try to align our positions with the European Generics Association's (EGA) guidelines. We now need to make more inroads into providing a common platform for the different Industry Associations in Hungary.

What can be done to improve this collaboration and enhance this dialogue?

We need to recognize that the current battles are not taking us anywhere and that we need to be aligned and coordinate our actions accordingly.

Our members include big international generic players such as Mylan, Actavis, Zentiva and Sandoz. These are big players with a strong presence in the European and North American markets. We also have successful regional and local players amongst our members, who import and represent other international companies.

We have to increase our profile and then together with the other associations, we have to work towards a common platform to support the improvement of healthcare in Hungary. We have to prepare common and solid proposals to support the decision makers. We need to understand each other's interest but mainly act as an industry for benefit of the patient.

Dr. Nagy of AIPM was rather positive about the future of the industry, saying he had strong confidence in the new government. How do you see this?

Many different interests need to be balanced in the country, from economic policy, healthcare policy, crisis management and politics. This country has many talented people. The Health authorities also have talented and competent people, but it is very difficult for them to push through their ideas when economic and crisis management policies work on a completely different agenda.

I do not see this situation changing soon, as Hungary has not yet found its "vocation" within Europe. It is not clear what is going to be the future driver of the Hungarian economy, which I do not see recovering quickly. Today, we are almost as dependent on the German economy as Hungary was on the former Soviet Union 25 years ago. We are still an exporter of services and goods to a very limited number of countries, with a high dependency on one. Internal consumption is dropping, saving rates are low, and household debt in foreign currency is a very serious issue.

In the last 20 years, one of Hungary's focus points should have been on human resources. Instead, it has systematically reduced investment in both the education and healthcare sectors. In the past, Hungary "produced" 16 Noble Prize winners, but I do not see this in the future anymore. The fact that Hungarians no longer receive the highest standard of education is a long-term concern for the country.

In regards to the pharmaceutical industry, Hungary has lost much of its attraction for foreign investment. While globally the industry continues to grow, there is an increasing trend of

consolidation, which in turn has also led to a shortage in production capacity in some areas. You have to be very bold to invest; facilities can suddenly run at minimal capacity because you lost the last tender. There are high barriers to entry; the required investment is high as well as the expertise required. Generic companies need to be just as good as innovative companies in producing quality products. This requires know-how and lots of resources. And one will only risk investing in a country when the rules are clear and predictable.

One of our member companies is investing in a packaging site in Hungary, though this is a rare exception. There is still no clear long term view on how the industry will develop. The main element of the government's cost containment plan is to increase taxes in the short term. Additionally, policymakers have shown increasing preferences for a tender system, which in my view is a system that squeezes companies out of the market over the longer term, thereby decreasing competition as well as the country's investment potential.

You are also the country head of Sandoz. Excuse us for asking so boldly, but will we for example see Sandoz disappearing from the Hungarian market?

We have no plans to withdraw from the market and Sandoz competes in markets far more complicated than Hungary. For example, Sandoz is present in the North African markets, the Middle East, the former Soviet Union countries, and so on, which are also very challenging in their own way. However, we also need to constantly fight with our peers for resources. The current burdens we have in Hungary, including the claw back mechanism, taxes and field force fees, significantly decrease our profitability and ability to secure greater investment into the country. We simply need to find the right business model that fits this environment so that we can truly be the main provider of high quality, affordable generic medicines, helping secure long-term access to healthcare for people around the world.

In terms of marketing and sales, what do you see as a competitive advantage for generic players such as Sandoz in the market?

It is generally very difficult to differentiate yourself in the market today, not only for generic players, but also for innovators. However, at Sandoz, we are different and we differentiate ourselves through our people, products, customer services and great company culture.

Few companies have a portfolio as wide as Sandoz, who is not only the second largest generics company worldwide, but also a global leader in differentiated products. Sandoz is the pioneer and worldwide leader in biosimilars, the number one company in generic injectables, as well as a top five company in the generic respiratory field. We are also the clear market leader in Central and Eastern Europe, the number one player in anti-infectives, as well as a strong competitor in OTC. We also aim to be key partners to healthcare professionals, pharmacies, and hospitals to enable them to supply high quality services with our products to patients in need. We are making

improvements in this area in Hungary, but there is still a lot of space to grow.

What is your final message on the Hungarian pharmaceutical industry?

Hungary is a tough and challenging market, and we will all need to work together to find a sustainable solution, one in which generics play an integral role. Generics are simply an easy solution to providing affordable, high-quality healthcare.

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