

Interview with Morten Vaupel, General Manager, Novo Nordisk Hungary



20.06.2011

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We understand that you have been with Novo Nordisk for quite a while already. In the past decade, you also did not sit still in terms of location, working in different international contexts. Can you give our readers some background on the market environment when you first started heading the Hungarian operations in 2007, and what priorities you set yourself at that time?

When I arrived in Hungary in 2007, the country had just been through the first overhaul of the healthcare system. Just before, a 12% reimbursement tax had been introduced and a medical representative fee of HUF 5million had been implemented.

We therefore somehow knew that Hungary was a market with certain risk. From a company perspective, we felt that Hungary was pushing the cost containment measures taken against the industry.

On the other hand, I also saw a lot of potential for the company to grow here. In the last 4 years, we have been proud to be part of the top 5 or 6 fastest growing Novo Nordisk subsidiaries in Europe. Moreover, we have been among the top 10 fastest growing companies in Hungary, according to IMS data.

Within Novo Nordisk Europe, we also received the Changing Diabetes prize last year, for our activities done with the Hungarian Diabetes Association on promoting the cause of diabetes.

When you say top 5 or 6 in terms of growth compared to other subsidiaries, we can of course link this to WHO estimates saying that 1 out of 10 Hungarians will be to some extent suffering from diabetes by 2014. What role do you see for Novo Nordisk to help tackle the disease in an early stage and contribute to disease prevention?

If we really ask our opinion leaders in Hungary for the number of diabetes sufferers in the country, we receive estimates of around 800,000 people currently affected by diabetes. This is indeed already getting close to the 10% you mention. With such a large amount of people being hit by the disease, diabetes is becoming an intense burden to society.

As a small company, we have a role to play in this situation. Looking at the rough numbers, out of these 800,000 patients, only around 500,000 patients will be diagnosed and treated. Out of those, only 120,000 to 150,000 will only be treated with the last innovative insulin treatment.

You therefore see that the far majority of the treatments is still in oral drugs, which we know are only efficient when combined with lifestyle modifications. After some years, the efficiency of such drugs declines, and control over the disease is lost.

Together with a number of key doctors in Hungary, we recently conducted a study to analyze the state of control of the disease once the switch from oral drugs to insulin is being made. We saw that most of the patients switched to insulin treatment at a HbA1c state of 9, which is above the European guideline of 7.

When we define our role in Hungary, we see two key aspects. First of all, we want to be recognized as the diabetes expert. Second, and beyond the pharmacological perspective alone, this expertise should make us a partner to the authorities whenever they have questions around diabetes.

Approaching and building relations with local authorities is not always easy. How has it been for Novo Nordisk in Hungary?

This depends on which period we are talking about. We have to recognize that our relationship with the Hungarian National Health Insurance Fund (OEP) is on a very practical level. They have the objective to offer the best possible treatment to the population on the one hand, while staying within a certain allocated budget on the other hand. I think we have been able to work at a practical level with them over the past years.

When the new government came in last year, it was clear that the new policymakers were facing a number of significant financial challenges. They took a number of measures that somehow were not beneficial for us as a company. A number of measures such as the increase of the reimbursement tax to 20% and an increase of the medical representative fee to HUF 10 million were taken to curb costs. At the same time, we already work with some of the lowest prices in Europe, creating a painful environment. To maintain a sustainable business, we basically need to

increase our prices.

Novo Nordisk has not only looked at bringing innovative medicine, but also innovative devices such as the NovoPen 4 to the country. What difference do these products make for the Hungarian patients, and how well have they been accepted in the market?

Compared to so many other devices on the market, we are proud to say that ours are by far the best. From that perspective, we are of course pleased to bring these products to Hungary.

We have had different versions of the NovoPen for around 10 years in Hungary already. The latest version, the NovoPen 4, has been introduced 2 years ago and is now the most common device in Hungary. We are very pleased to be able to offer a very stable device with a very high degree of precision. This is an area that has been working well.

Moreover, Novo Nordisk has also been working on its haemophilia portfolio internationally. How significant is this area in Hungary today and how do you see this evolving in the future?

Haemophilia is an area wherein we are today only present with the inhibitor segment. We have a strong presence in this area, and have been able to offer Novo 7 in tendering processes. Novo 7 should be the preferred product and is the best tolerated product for most of the patients. We are building a strong portfolio in haemophilia and aim to enter the “normal factor” segment of haemophilia, beyond inhibitors alone. If we manage to register all these products in the coming years, I see Novo Nordisk as having the strongest portfolio in this area, reflecting our current position in diabetes.

There are a number of areas where Novo Nordisk has acquired decades of expertise. To what extent can you help educate the Hungarian medical community?

We spend a lot of efforts and time on educational activities, and have established diabetes dialogues. These are meetings where we invite a number of physicians to further educate them on the latest developments within diabetes. We have Novo Nurse or Changing Diabetes Nurse trainings, which is mainly about ensuring that nurses are also well educated about patients' needs in diabetes treatments. Nurses have a strong practical experience, but it is important that they are also updated with the latest guidelines, new product information etc. Modern insulin offers so many benefits to the patients compared to many older products, and is something the medical community should be made aware of.

According to you, how much work remains to be done to achieve the desired level of awareness for diabetes in Hungary?

There is still a way to go. In many countries, there is a need for patients, doctors and policymakers to understand the burden diabetes is putting on the healthcare budget. Last year, the Hungarian

Minister of State for Health Miklós Szócska, the Hungarian President's spouse Katalin Makray and Princess Benedikte of Denmark as Patron of the World Diabetes Foundation attended an official ceremony in Budapest, talking about the burden of diabetes to Hungarian society.

It is a reality of diabetes that this disease affects so many people's lives that it actually becomes a political factor. It was our objective of course to make sure that politicians understand this. One of our studies clearly showed that, compared to many other European countries, the control is low while the spending is substantially lower on insulin than on oral medication.

What are now your key priorities remaining at the top of your agenda?

I think sustainability is a very strong point on the agenda. We have to realize that Hungary was frightening close to losing a lot of pharmaceutical companies in the country. The type of measures that were first proposed by the government was going to be unacceptable for a number of companies. Fortunately, with the industry association AIPM we have managed to make these proposals more "workable".

The government has now somehow ruined the trust of international investors in Hungary. There are a number of sectors where investors have been scared away. From a macro-economic perspective, it is needed for the government to conduct reforms, but there are other ways to do this. What is now happening in the pharma industry is that the pharma budget is being cut by one third. This means that we will not see any new innovative drugs coming in.

On the other hand, when you then look at the prices of generic medicines in Hungary, you will find prices that are among the highest in Europe. A study conducted by a third party consultancy agency showed that, hypothetically, if these generic prices would drop to the lowest levels in Europe, HUF 50 to 80 bn could be saved. This is nearly the entire amount that the government is now trying to save on the healthcare budget. Government, however, has chosen a different route which is a pity for the patients at the end of the day. Patients do not mind the prices of generics too much, but they do mind not getting the newest and latest innovative treatments in Hungary, particularly in chronic diseases where you need to take insulin for your entire life, or areas such as cancer where you need to make sure to receive the best treatment in the shortest possible time span. Overall, it is a pity that the government did not choose to take more drastic measures in this area.

From a European perspective, we know that healthcare is one of the biggest spenders in many of countries. If you work in healthcare, you quickly understand that these spending are unlimited. You have to prioritize and compromises need to be made. A sustainable system also needs to accept that patients need to be partly responsible for paying for some of their care. No government in Europe can pay the full healthcare bill. Here in Hungary, government has been trying to not put an additional burden on the patients. Lowering the tax rate to 16 to 20% and still saying to pay the full

healthcare bill does not match. Countries with low tax rates have to start accepting patient co-payments.

We need a pragmatic way to solve these issues. On the other hand, we have to set a lower limit to what we accept as an industry. What we see now is that many of the international companies in Hungary have been downsizing. Such actions often need to be taken in order to make a more sustainable business.

What still keeps you optimistic?

I am optimistic for the fact that we managed to get a dialogue with the government. Tremendous work has been done by AIPM to facilitate not an acceptable but a workable outcome. Now, there will be a year or two where we will be working under these less favourable conditions. We expect these to be removed over the next years.

If you look at the system, there is still money in the generics pile. We have to realize that strong local icons such as Gedeon Richter and EGIS only make around 10% of their turnover in Hungary. They would thus not be affected that much by a decrease in generic prices. On the other hand, it would be helpful for them in the long run that they would be able to adapt their business to a lower income in Hungary, so that they become more competitive abroad. This is of course the more optimistic point of view.

It keeps me optimistic to think that we will come back to normal levels in a few years. I see a lot of people in the healthcare system and the industry, who are really eager and dedicated to try and come up with new solutions. We need to make the best out of the current environment.

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