Interview with Vadim Belevitskiy, General Manager, Lundbeck Russia

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Tags: Lundbeck Russia

Lundbeck is a niche player exclusively focused on the treatment of CNS and mental health disorders. How developed do you find this niche to be in Russia?

The size of this niche is relatively small in Russia, when compared to Western Europe and other developed regions. In Russia, we are still speaking of an emerging market, which remains largely focused on the treatment of basic disease.

CNS and mental health disorders such as depression, schizophrenia, and Parkinson's disease are quite severe pathologies. Social inputs, and assistance from the government, are extremely important in making sure that people are treated in an effective manner. In Russia, unfortunately, we do not have a sufficient framework of social and governmental support.

Further, if we look at the system of federal reimbursement for medicines, less than 10 percent of the population is involved in the program. But most of the people that are suffering from mental diseases are already disabled, or will be in the near future! The range and coverage of the reimbursement system must be broadened.

It is also important to include effective products on the reimbursement list. Unfortunately, due to the Pharma 2020 initiatives, the drugs that are included within the reimbursement program for the treatment of CNS diseases are locally made so of course, they are cheap. But from my point of view, this is a cost issue which often means that the drugs are outdated and not as efficient.

The outcome is troubling. We can take the example of the schizophrenia market. Based on Pharmexpert data, only 55,000 people are able to get modern treatment for schizophrenia in Russia—out of one million people who are suffering here! This is a very illustrative example of our pharmaceutical market.

The rest of those affected by schizophrenia are either not treated at all, or treated by outdated products. Most of these people have no jobs, and are socially dependent on the support of their relatives. Their closest relative is often also not able to work because they have to care for the schizophrenia sufferer. That means that those families can be quite poor, and not able to buy quality medicine at their own cost. All of this begins to explain why as a market the CNS niche is quite small here.

In the past, the attitude in Russia towards patients with severe mental disorders was truly disconcerting. The government tried to isolate them from society and the workforce. To this day, most of the mental clinics are located outside of the city, so often patients are housed quite far away from their families. As I have mentioned, financing is inadequate, and dynamics come together such that sufferers and their families are quite poor. This is the attitude—we are closing our eyes towards these kinds of diseases. The situation in Russia is the absolute converse of the rest of the developed world.

However, we are witnessing progress in the mental care segment. Recently, Ms. Golikova, Minister of Healthcare and Social Development, made a speech at the inter-ministerial conference held here in Moscow. She said that depression should be better recognized as a significant disorder, and we must pay more attention to it because it is one of the biggest reasons for the disability of people who are actually able to contribute to the national economy. Hence it is probable that we can expect steps in the future that will bring us more in harmony with the European approach to the CNS and mental healthcare market.

The government and society must recognize and diagnose mental disease as early as possible. It must be treated with modern drugs. We need to help sufferers to return to work and function as real people.

Surely part of the problem is the stigmatization of mental disorders in Russia, and the fear of ‘unusual’ behavior in what has long been a closed society.

Yes, but I believe that gradually, the situation is changing. Four or five years ago, depression was quite stigmatized. Psychiatry itself, as a division of medicine, was quite stigmatized. Anyway, depression is not exclusively a psychiatric issue. As we can see now, it can be an accompanying effect stemming from any number of other diseases.

The good news is that attitudes are evolving for the better. We can see it in various aspects of our culture, down to something basic like attitudes expressed on television.

But there is work remaining. We have to educate the public, and healthcare professionals. We have started with neurologists, because after psychiatrists, they have the most contact with mental disorders. We have a lot of plans to further expand our education base—for example, to fundamental targets like GPs.

TAre you speaking now about the Lundbeck Institute?

This is indeed one relevant initiative. The Lundbeck Institute is a centrally based organization, which is affiliated with the Lundbeck pharmaceutical company but is not synonymous with it. It is actually an educational, charity-based organization that provides education for doctors worldwide. And this education is based on input and contribution from 300 of the most prominent scientists in the world in the CNS field. The institute is not about products at all. It is about how to place psychiatry higher on society's agenda.

In Russia, we also have a number of more basic educational programs, and we have educated many people over the last ten years.

I hope that the government, as well, will come to be better educated regarding these disorders. I have mentioned financing a few times, and this is an issue not only for psychiatry, but for healthcare more generally. If I am not mistaken, the funds that are allocated toward healthcare come to around 2 percent of GDP. This is extremely low, and the authorities must come to understand that it is not sufficient to make the kind of impact that is necessary.

Healthcare spending amounts to 8-14 percent of GDP in the West.

Exactly. Recent government initiatives that go into effect this year will increase taxation, but the additional revenues will be somehow split between social defense, infrastructure expansion and healthcare support. As reported by officials at the ministerial conference at the end of last year, most of the healthcare funds that do come out of this additional taxation will be allocated to the maintenance or renewal of facilities, rather than funding for treatment.

It is also problematic that at the moment, Russia does not have acceptable standards of treatment for particular diseases. In any advanced country, doctors have a clear structure for treatment standards. This is not the case in Russia.

It is largely believed that if CNS disorders go untreated, the cost burden to society is in fact higher than the cost of treatment itself. Do you think that the government will come to appreciate this fact?

We are speaking of pharmaco-economics. This is a special issue in Russia. We have three schools in this direction and they argue between themselves! This means that we have no solid structure or unified opinion. Now matters are improving, because one of the centers is trying to dominate. I am not particularly concerned with which opinion is dominant—for the moment, it is better to have a voice that will be able to address our needs to the government in a unified way.

For now, pharmaco-economics is one of the poorest competencies we have as a nation. That is one of the reasons for the fact that we do not yet have standards for treatments—because they have to be based on pharmaco-economics.

As you mentioned, it is quite likely that lack of treatment is even more costly than treatment, despite the immediate cost of complex drugs. But we need to put treatment high on the government's agenda. The situation is improving, and there are several initiatives on the table. In Russia, however, the problem is often in the follow-up.

But at the least, it is important that the challenges are recognized and that the direction is positive.

That is true. Actually, we are expecting fundamental changes in healthcare funding, tied to pharmaco-economics. I hope this will be done in two to three years, because the need is quite clear.

Lundbeck's vision is to become the world leader in psychiatry and neurology. What is the company's positioning here in Russia?

If we look at figures—although of course, figures are only one indicator—we are one of the best in our product segment, with a vertical, double-digit tendency of growth year over year. Our trajectory is quite promising, and we look forward to registering additional products, as well as increased government funding in our segment.

What promise do you believe you pipeline has for Russian operations?

The situation for Lundbeck in Russia is not very different from Lundbeck in other countries. I would like to emphasize that we are quite consistent in implementing new product strategies here. We expect to receive Lundbeck's new products more or less on the same time schedule as our colleagues—for example, our novel anti-depressants, which are coming in the next two to three years globally. In Russia, we may register them a bit later, due to a different registration procedure—perhaps two or three quarters removed from mature markets. But this timeframe is rather insignificant.

The anti-depressants are expected to become bestsellers, and there some further along our pipeline that are also quite promising. One of the products is related to the treatment of stroke, another to schizophrenia, and the last to Alzheimer's and Parkinson's. Lundbeck is also in the

midst of adopting some products from Ovation. Ovation is an American company that was acquired by Lundbeck two years ago.

In Russia, we base our strategy on the corporate strategy. We are significantly increasing our portfolio in Russia and in terms of new drug launches we expect to receive our corporate products.

Bringing an innovative portfolio to this market is precisely what the government is asking for—especially given, as you said, the proliferation of outdated products in both the CNS segment and in the overall market. Another government initiative is to broaden multinational production in Russia. Does Lundbeck see any opportunity to deepen its local footprint in this sense?

The opportunities are very interesting but until the Pharma 2020 strategy is clearly in place, we believe that it does not make sense to discuss localization. At the moment, the industry needs clarifications on various aspects of this initiative as well as local Pharma producers have to be GMP certified As soon as it is fully implemented—and this will have to be done by the end of 2014—we will certainly consider possible ways to be closer to local market.

We already have experience in localizing one of our brands. We outsourced its production for the Russian market to a local manufacturer—ZiO Zdorovie—and we did it especially for the reimbursement program. Since that time, a lot of changes took place like changing owner of local plant who now our direct competitor, changing priority of reimbursement program, patent on that product has expired, and generic erosion made it unprofitable to continue.

As you await clarifications before considering your own infrastructure, do you see an opportunity for further collaboration with local players in the meanwhile?

We are in contact with one of the largest Russian manufacturers, who are themselves looking for opportunities to increase their portfolio of original brands in order to provide added value to the market. At the moment, we are in an ongoing negotiation process—but we are definitely interested in this partnership, because for us, it could be a market access opportunity. Market access is time-consuming and difficult here in Russia.

We are also discussing co-promotion and co-marketing opportunities with both locals and multinationals. But it takes a lot of time to work out. Out of ten projects, you will be lucky if you crystallize one.

What is your vision for Lundbeck in Russia over the coming years?

Last year was the best year in the history of Lundbeck Russia, and this year we expect things to go even better.

As I have mentioned, our new products will give us a promising future, and our current products are excellently positioned. Lundbeck will definitely evolve further in Russia, as well as in the CIS. (From Moscow, we run the business in CIS countries—except Ukraine and Belorussia.) We are in the process of significant business development. Lundbeck is an original brands trading company, and we will capitalize on our strengths here.

Lundbeck calls specialization its greatest strength. What does it mean to be a specialized player in Russia?

It means working with a niche. It means that people are not paying a lot of attention to your specialization, because they are trying to concentrate on bigger things like cardiology, oncology, diabetics, etc.

But we must keep in mind the tendency: treatment demand for CNS disorders is growing all throughout the world. So that means we have the proper specialization.

At the same time, big pharma is weary of CNS. Some Pharma Giants have discontinued their CNS division. CNS products require around ten times more investment in order to reach commercialization, relative to many other segments—due in large part to the difficulties of running ethical clinical trials. As big pharma companies renounce the CNS field, Lundbeck assumes a position of priority. We are quite ready to pick up the slack.

And you can see a measure of our success in Lundbeck's share price.

How do you incorporate Lundbeck's values into this Russian context?

This undertaking is actually one of the best experiences of my life. The Danish business culture is very close to me, despite the fact that I come from Russia. The Danish are quite straightforward, direct, very open, and extremely polite. I am trying my best to translate that to the Lundbeck Russia team, and to find an approach in advocating these values that will be most relevant to them.

To me, figures are not as important as the spirit within the company. The last four years have been a fantastic journey.

What is your final message to the international readers of Pharmaceutical Executive?

Firstly, I would like to emphasize that Lundbeck is one of the best places to work!

The Russian market is interesting, and fast growing. The Lundbeck business philosophy is driven now by some of the best multinational practices, and this creates a fantastic mix of mature business strategy and Danish spirit, supported by original and brilliant products.

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