Interview with Viggo Birch, Managing Director UK and Vice President Europe, Novo Nordisk UK

04.11.2010

Tags: Novo Nordisk UK

This year’s Q1 results for Novo Nordisk were extremely positive with a 23% increase in profit. While this growth was mostly driven by the US and emerging markets, what does the European region and the UK represent for the company?

The European markets are growing in the order of 3-5% which is lower than the global average for Novo Nordisk but still above our peers in the pharmaceutical industry. In the UK Novo Nordisk has a compounded growth rate of 9% which is way above the European average. The UK is one of the major markets for the company, and probably ranks fifth in terms of revenue for our global operations. Of course things are currently shifting with the growth of emerging markets, such as China, which will eventually take over the importance of markets such as the UK. Certainly one of the reasons for our relative success over the last ten years has been our early investment into emerging markets as compared to other pharmaceutical companies that have only recently began to scramble to enter these countries.

Beyond simply figures and sales, one of the pleasures of interviewing Novo Nordisk around the world is its commitment to the company’s triple bottom line strategy and listening to how that is carried out at a local level. Which milestones do you find to be most demonstrative of your successful implementation of the triple bottom line here in the UK?

This has been one of the founding principles of Novo Nordisk's business model worldwide. Here in the UK we have been able to establish very close relationship with healthcare professionals, the Department of Health and patients. The platform to achieve this has been through educational initiatives. We have been exclusive sponsors of the only two diabetes programs, namely Daphne and Desmond, which are part of the Department of Health's recommendations. Daphne is specific to type 1 diabetes while Desmond focuses on type 2 diabetes. But these types of programs do not have any promotional goals to them. They are purely educational initiatives for healthcare professionals to help manage patients with diabetes.

As the global leader in diabetes care, Novo Nordisk has recognized the need to educate the world about the disease as being essential to its diagnosis and treatment. What is the face of diabetes in the UK and what can still be done to improve diagnosis and awareness?

There is a lot of awareness but I do not think there is enough awareness about diabetes. I do not think the educational level is sufficiently high and this is a huge challenge. Diabetes is exploding everywhere, mostly in emerging markets, but also in Europe. I think the official number for diabetics in the UK is now 2.8 million, and by 2030 this will probably increase to 4.5 million. There are no signs that the trend is changing and this applies to all of Europe and the rest of the world. It is probably one of the most severe pandemics that we are facing on a global scale.

The other challenge is that there are three dimensions to the pandemics. First, we have the human side, which is about the people living with diabetes and the problems they are faced with. They of course have many tools – drugs, treatments – so they can live almost a normal life, but according to the statistics, many of them will generate secondary complications, such as kidney failure, loss of sight, and so forth.

Then we have the financial side. Diabetes and complications of diabetes represent 10% of healthcare costs in the UK system, of which drug costs represent between 4 or 5% of the total – so that's really minor. Therefore, a big factor is education, because thanks to early diagnosis and awareness , we would be able to save a lot of money for the complications of diabetes.

Last, there's the social element that involves general social habits that are health risk factors. The reality is that 95% of newly diagnosed diabetics are type 2 and the risk factors for type 2 diabetes are the same than for most chronic diseases: smoking, weight control and lack of exercise. They are taking on an increasingly social scope, mostly affecting the lower income classes. Diabeties is becoming a heavy burden for society and this is something that needs to be acknowledged and dealt with.

Given this context how would you rate the government's efforts to bring awareness to this pandemic?

I think it's far too underrated, it is difficult to get the awareness. Right now everything is focused on cancer and I understand that, but diabetes is like smoking – you only see the damage 20 years down the road making it harder to raise awareness. Also, politicians and journalists tend to be short-sighted and they are the ones that could make a difference. However, diabetes will become more and more important on the agenda, because, inevitably more politicians will become diabetics, or at perhaps one of their family members will. This will bring the disease into greater public opinion because politicians will experience firsthand the effects of diabetes. In that sense, I'm an optimist.

But coming back to your point I don't think enough is being done. Nevertheless, at least the government has a plan – the National Services Framework for Diabetes. The Department of Health has a clinical director for this program and the NHS also has a diabetes director. Both are trying to drive the program but at this point it is very granulated and it is difficult to get a cohesive approach.

Given the proposals of the new 2011 Healthcare Bill and the shift from the PPRS to the VBP regime, how will you be reconfiguring Novo Nordisk's local operations to adapt to the new regime?

If you could tell me what value-based pricing will look like… Value based pricing means that you get a price that reflects the value you are adding, and we should all be subscribing to that. But I realize there is one set of values of us in the industry, one set of values for healthcare professionals, one set of values for patients, and it is hard to find a common denominator. Without a common denominator I'm afraid we won't be able to have a value based pricing. Furthermore, value based pricing only affects new products and my concern is what will happen to the current products which represent the bulk of the products. We can negotiate on value based pricing but we need to get a security around the continuity of current price levels.

On the short term, the new system is focused only on cost unfortunately. The medium term is a different ballgame. The reform contains a lot of good stuff but also some pitfalls, but I hope those will be changed when the bill will be presented later this year or next year. Now, how do we adapt to our surroundings? We know that 40% of the people are being treated have inadequate control of their disease which is one of the main reasons for secondary complications. There needs to be an improvement in the quality of the support and assistance that these people receive, as well as the access to the best and most modern treatments. We have brought innovative products to the

market so why does this still happen? The drugs are only a part of the treatment, a lot depends on compliance. We have to consider either just producing molecules or being part of the entire solution. We have a liability to ensure that people are treated properly with our products but also to educate the population on the effects of the disease and what can be done to prevent and treat it. We need to be a partner to the healthcare system in order to deliver better outcomes to patients and it's a slow process.

We are in a special area because we are the leader in a special chronic disease. However, overall, on the one hand, the pharmaceutical industry is reluctant to move out from producing and moving molecules around, and on the other hand, the healthcare public sector is reluctant to work with private enterprise. Things are moving but it takes changes from our side as an industry and from the healthcare system, and it will only happen if we continue pushing. I am optimistic, but if we don't see ourselves as a corporate citizen and part of society and therefore liable, responsible and accountable, then we might just as well be outside. Our drugs are paid by taxpayers' money, we are part of society so we have to behave as a good citizen, and this is something on which we can't compromise.

My concern for pharma in the UK is that it is diminishing. Some companies are closing down and reducing their operations, with the unfortunate outcome that people are getting fired and plants are closing down. It has been happening slowly, but if we do not change the trend now then it will be too late to bring back the importance of the industry to the country. The UK is up against hugely competitive environments, from the US to the eastern European markets and of course China and greater Asia. If we do not get our act together, then we will lose something truly great here. The research and life sciences in the UK is much bigger than the country justifies and is very well reputed. One of the stimulating factors for this has been the presence of a vibrant pharmaceutical industry that drives product research in collaboration with academia. This needs to continue and the first step to achieve this is to change the mindset of policymakers, because ultimately the NHS should be the driver of the local pharmaceutical industry. As an industry we have been trying to make the case that things need to change, but there is a certain suspicion that the pharmaceutical industry is only concerned with driving their prices, but this is simply not true.

Speaking of being a part of society, Novo Nordisk was awarded the UK Business Award by the UKTI last year for your commitment to CSR activities and building relationships with community organizations. What sorts of CSR initiatives is the company currently undertaking?

Here in the UK, Novo Nordisk does research and sales and marketing. We are not doing manufacturing so we can't implement here what we have done in our main manufacturing plant

which is only fueled by wind energy. We have set up ambitions for our environmental responsibility best measured on our car fleet and we are trying to reduce our CO2 emissions every year.

Our social engagement part takes place in many shapes. We have a social ambition – we would like 65% of all people with diabetes to be in good control of their diabetes, as opposed to the current 60%. It's ambitious in the sense that we don't control the whole supply chain, however, part of the bonus of our sales force in diabetes is paid on the well being of patients and this is measured on blood samples of specific populations. This is great because ultimately we have the same objectives as the doctors and can therefore work together with them to find the best solutions and treatments for patients.

The company has also established the Novo Nordisk UK Research Foundation that provides funding for diabetes research. What was the deciding factor for setting up this fund in the UK and what are some of its recent accomplishments?

It's a small charity that we set up and we are the sole financers. However the trustees on the board are all independent experts. The purpose is to give grants to upcoming specialists in the area of diabetes and this is in partnership with the Medical Research Council. The idea is to stimulate research on diabetes in society but doesn't necessarily have a direct impact on our activities.

More impactful is our clinical research which we conduct in the UK in the order of 20 – 30 million GBP a year. And that's part of our global R&D strategy, and clearly a research that's testing future Novo Nordisk drugs. We have 5 hubs for clinical research and one of them is here in the UK.

What would you like to have accomplished for Novo Nordisk in the UK within the next five years?

I would go further in my ambitions to wish that 70% of people with diabetes were in better control of the disease. This is the least that we can expect from a well-educated society such as the UK. There is no reason why there should be so much money spent on diabetes and still not having it under control when many of its effects can be avoided. The evidence exists to show that real improvements can be made, but it is not happening at the rate that I would wish it to, so this is something I personally would like to see change in the next five years.

See more interviews