Interview with Carol Cheng, , IRPMA (International Research-Based Pharmaceutical Manufacturers Association)

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Please describe the activities of the IRPMA to our readers, and explain the membership advantages of your association.

Today the IRPMA consists of 37 multinational research-based pharmaceutical manufacturers, as well as some local R&D companies. Also, eleven individual members representing distribution and start-up biotech companies registered IRPMA for their preparation of accessing Taiwan market in the future. Led by the General Assembly and Board of Directors, IRPMA functions as a representative of these R&D companies in collaborating with the government, aiming to set up reasonable reimbursement policies and to approach a modernised legal framework to encourage the introduction of new drugs into the market.

With a comprehensive national health insurance system in Taiwan, the pricing and reimbursement policies generate an influential effect on the multinational companies here. On behalf of the industry, the IRPMA negotiates with the government and collaborates with NGOs, endeavouring to find a multi-win solution. In addition, we distribute industry information, monitor industry development, and provide up-to-date data to member companies, so that they are able to compare their in-house data with their peer group’s performance.

Just before the interview, you mentioned that this was a turning point for the Taiwanese pharmaceutical industry. Could you elaborate on that, and explain to our readers why it is a turning point, and how this is affecting your strategy as an association for this year?

As I mentioned, the Bureau of National Health Insurance (BNHI) established in 1995 is accounted for 90% sales of the total pharmaceutical market, and the NHI Act has not been amended since then. The Legislative Yuan and the Department of Health finally proposed the amendment of NHI law in the year of 2010. If passed, we are in hope for more development opportunities to our members.

The market grew during the first several years of the NHI law establishment, but decelerated after the year of 2000, when a global budget system was implemented. Resulted from the capped total budget, the growth rate at below 4% for the pharmaceutical industry is relatively low today compared to Asia-Pacific countries and other emerging markets, which in turn struck our pricing and profit. It is believed that change is crucial as pharmaceutical industries have suffered considerably under current NHI policies. We are urging the government to amend the law, and shape a more reasonable environment. From patients' perspective, this will improve the medication quality and increase the number of advanced drugs available to society.

Obviously, there is an issue with the pricing structure in that at the end of the day, if prices go up someone is going to have to pay for them. As an association representing innovative companies who want to bring their drugs to this market but are restricted by current pricing policies, what is your ideal view of the way that this should evolve?

Over these years, Taiwan has adopted the Japanese price balance system, under which a universal price survey was conducted every two years. Every pharmaceutical company and hospital must submit its price and quantitative data on each transaction record. Based on that collected data, the government calculates average prices as the basis for adjusting NHI reimbursement price in an attempt to bring down prices and close the gap. As hospitals are allowed to negotiate with drug companies, the actual transaction price is often much lower than the listed price.

Taiwan, like many other Asian countries, does not have the SDP system, the Separation of Dispensing & Prescription, and therefore hospitals dominate the bargaining power over drug prices. The fact that current price gap reaches a high percentage at approximately 30% or 40%, offers the government an opportunity to drive prices down with market mechanism, which is a very strong power. When new drugs are launched in the market, they will be benchmarked against existing products, leading to very low prices in the end. In an effort to reform the system, we suggested to

the government that a global budget viewpoint should be introduced since the whole system works under the spirit of it. Once the expenditure is steady, the pharmaceutical expenditure of the following year could be easily predicted, as well as a 5-10 year projection. Only when the actual drug expenditure exceeds the planned budget would they need to initiate a price cut.

As prices are so low in Taiwan today, the BNHI should rely on a global budget control system, instead of using the market mechanism to drive prices down. This means that the pharmaceutical industry is willing to share the financial risk in expenditure finance management.

During the discussions, we got endorsement from government agents and the Minister of DOH. People are worried that low reimbursement prices would make R&D companies hesitate to bring innovative drugs into the market, especially for smaller patient groups. These R&D companies usually have international price control policies, and very low prices in Taiwan could affect that in other markets. Some scholars are also urging the government to think from the perspective of dynamic efficiency, rather than just static. That’s the major point we suggested to the government, and today the IRPMA is working with other medical and pharmaceutical associations to make these proposals.

This is clearly your ideal situation. What implications do you think it would have for your members, if it were indeed a turning point, what potential future do you envision?

The greatest benefit to multinational companies would be a more predictable operating environment under planned budgets, thus, a company can foresee a price reduction if any. A stable and reasonable pricing structure (and by reasonable it indicates no big-scale price cuts) would allow a company to develop a more aggressive plan to introduce their new drugs and to develop their infrastructure here. Last year, the price cut was conducted in October and the amount was15% of the total drug expenditure. It is hard to believe that any market could have suffered from such a large-scale price adjustment. If PVS was implemented constantly, it would be no surprise to see conservative development plans in Taiwan in terms of both multinational and local companies.

GSK announced in May 2010 that it would be launching a joint venture with the Taipei Veterans Hospital for research and development. It is excellent news that GSK is bringing more R&D operations to Taiwan, as in the past it has a history of conducting R&D here. As we mentioned, there are other multinational companies that are also looking to do it. But it’s not everyone that’s looking to do R&D here, and there aren’t many multinational companies manufacturing here. So what do you think the potential of Taiwan is for the MNCs that you represent?

I would admit that some of the R&D companies make conservative investment plans in Taiwan due to the huge impact from price cut. Yet R&D activities are still active to some extent, and one of the reasons is that the quality level of healthcare professionals here is high. Among Asian countries, Taiwan still enjoys a very good reputation at the R&D headquarters of multinational companies. However, the issue is that Taiwan market itself has experienced very limited growth for years and is now in desperate needs for more aggressive investment to take place. If we make the local market more promising and stable, I believe the investment would come back to the country.

If the local market is not strong enough to support the MNCs here, it would be difficult for them to convince their headquarters to release significant budget for R&D. Although regular R&D still exists in Taiwan, yet Taiwan has to prove its potential in order to encourage aggressive investment. ECFA might be a promising solution to the current status. In the past, Taiwan and China have been two separate markets under their own individual management systems. If Taiwan signs ECFA with Mainland China, company strategies could be changed accordingly. It is probable that Taiwan and China markets would combine into one.

A lot of smaller companies use Taiwan as a gateway to China, but your members are present not just in Taiwan, but in a much larger way in Mainland China. What potential do you see for Taiwan to act as a gateway to China?

The content of ECFA remains unclear up to this point, but what the IRPMA is aiming for is cooperation in clinical trials. From the viewpoint of the global headquarters of our member companies, these two markets are completely separate with different healthcare systems, cultures and styles. In the past, cross-strait transportation was restricted. Two countries had interacted in the way that Taiwan management teams supported their counterparts in the Chinese market, and Taiwan was treated as a training ground for their GMs before they are assigned to China. When Taiwan experience is transferred to China, it dilutes the focus and the investment in Taiwan due to the strong suction power of China. Under ECFA, there could be a chance for multinational companies to consider new ways of utilizing Taiwan as a platform to China.

Taiwan has a higher number of clinical trials currently ongoing than China. How can Taiwan capitalize on this, and how will new agreements with China affect the situation?

To increase the number of clinical trials in Taiwan will be very difficult in future, simply because of the size of the population. The high number was attributed from its good quality with good recruitment speed, strong talent and reputation. In some therapeutic areas Taiwan possess Investigational Principles with global reputations, such as hepatitis and specific cancer treatments.

Therefore, MNCs would choose Taiwan as a centre when conducting global trials in Asia. Under ECFA there might be a possibility of joint efforts for more integrated Taiwan-China clinical trials, and Taiwan could export its strength in clinical trials to a new, expanded market.

It sounds like there are some challenges ahead but also some good prospects for the future. What do you think the general outlook of your members is for working in Taiwan?

Although Taiwan is not an enormous market, it is quite sizeable and politically stable; especially as the country now enjoys a tranquil relationship with China after the KMT became the ruling party. Besides, incomes here are relatively high compared to the rest of Asia. With global economy bouncing back, multinational corporations observe positive signals, instead of considering leaving Taiwan for the time being.

What would you like your final message to be about Taiwan and your association?

Accessibility is one of the major achievements of Taiwan’s healthcare system. For instance, I can make an appointment at any time to see a specialist, or simply walk into a clinic to see a doctor within 10 or 20 minutes of waiting. There is no doorkeeper like the UK system, under which is a much higher level of co-payment.

The national health system is a unique one and is probably the most important social security network in the country. Currently, 99% of the population is enrolled in the program, and 90% of medical facilities is contracted by the NHI system. Taiwan’s healthcare achievement has won global attention and is proud to share NHI model to the world. Still, the whole healthcare system, including the NHI takes up only 6.1% of GDP, which is a very limited resource spent on medical services. With very strong bargaining power of BNHI, the price in terms of drug prices and medical services is very low.

Taiwan is a mature and stable market but we will continuously pursue opportunities in terms of the healthcare system and industrial development. With anticipation, we will try to locate key elements to make those changes through ECFA and the NHI law amendment. As an association, it is the IRPMA’s responsibility to search for a transparent, predictable and reasonable business environment for our member companies.

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