

Interview with Francis Lynch, General Manager, A Menarini Ireland and President, Irish Pharmaceutical Health Association



17.10.2012

Tags: [market](#), [government](#), [industry](#), [menarini](#), [ireland](#), [pharmaceutical](#), [irish](#), [austerity](#), [affiliate](#), [managers](#), [authorities](#), [innovation](#), [healthcare](#), [ipha](#), [focus](#)

You established Menarini's Irish affiliate in 1999. How have you seen the market evolve over these last 13 years?

The major changes in the market have principally occurred in the last four or five years, rather than the previous ten. Generally speaking, the industry has always had a very strong rapport with government, and the authorities have been quite supportive of our activities. Thanks to this dialogue, and the positive growth of the market, the environment was highly stable for a number of years—until austerity started to bite in 2008. State budgets have now become much tighter, and the government has really looked into how they might control pharmaceutical spending.

Unfortunately, this trend first manifested itself in the non-reimbursement of products, which was obviously very challenging for the industry. However, because of the longstanding relationship between government and IPHA, we have been able to maintain a constructive level of discourse. Recently, IPHA has come to the fore with a new agreement that has offered huge savings—400Mn EUR over the next three years—to the state. This has come at considerable pain to the industry; but it has had the beneficial effect of freeing the environment to allow patients access to new medicines.

How can such significant budgetary cuts offer patients greater access to innovation?

The frame of the agreement will aid the government in meeting its current budgetary targets, while—using estimates put forward both by government and industry regarding pipeline products—predicting what funds will be required in the coming years. It is difficult, of course, to predict which products will come along, because of the risks inherent in R&D; however, we have tried to predict future costs to the full extent of our abilities. We factored, on one hand, the savings that the government needs to achieve in order to help Ireland return to a level of 3% of GDP in terms of borrowing; on the other hand, we calculated what headroom would be needed for innovation.

You mentioned that austerity measures have caused ‘considerable pain’ to the industry; what exactly does that mean?

Firstly, if drug prices are reduced, this will obviously have an effect on our revenues as pharmaceutical players. As a result, quite a number of companies have had to let people go at the sales and marketing level. At the same time, because of the patent cliff—which too is at the foreground of our challenges as an industry—there have been redundancies identified at some of the Irish manufacturing plants. Hence, we have had significant job losses, and companies have had to reconfigure their businesses and slim down their operations. For certain players, recent times have been particularly difficult.

Is there room to find any further efficiencies, or would you say the industry is at its limits?

I suppose that there are always ways to trim, and necessity becomes the mother of invention. With that said, I believe most companies in the market have been running highly efficient operations already, so I doubt there is much ‘fat’ left to cut.

Some pharmaceutical managers have noted that field force reduction is due not only to austerity, but also to a changing operational model in the industry: the business is becoming more about elements like market access, and less about face-to-face doctor visits. Would you agree?

We are witnessing two developments at work. First of all, we are perhaps at the end of the sales force ‘arms race.’ This race was a result of the emergence of the community-based blockbusters. Because these drugs were used within large portions of the population, large sales forces were needed to promote them; today, many of these blockbusters have met the patent cliff, and the products that are coming to replace them—biologics, oncology drugs, etc.—are by definition

marketed to a smaller number of people. Hence, sales forces have diminished for practical reasons.

On the other hand, innovative products entering the market today are very strategically important in terms of healthcare, and governments are making decisions more carefully regarding their reimbursement. Therefore, the need to market drugs at a different level—through medical-scientific advisors, and etc.—has emerged. A different kind of organization, with a different skill set, is required to promote these products.

Do you believe that the Irish government appreciates the value of innovation? Do the authorities base reimbursement decisions only on direct cost, or do they adequately factor potential savings in other portions of the healthcare budget and within the social sphere?

I believe that the government does value innovation, and the latest agreement struck between IPHA and the state is a reflection of this. It is always challenging for the industry to win officials' full appreciation—because their first concern is perhaps inevitably the cash they must spend over a given period. But overall, the Irish government does have the best interests of the population in mind, and they are willing to fund those interests.

And, moreover, you believe the dialogue between industry and government remains positive, is that correct?

I do. The government values the industry because, as the title of your report correctly indicates, the pharmaceutical sector is 'punching above its weight' in Ireland, in many respects. The contribution of our companies to healthcare has been immense. For instance, if we look at an area like arthritis, we see that in the 1980s, drug costs were low, but societal cost was huge—people stricken with arthritis could hardly work. Today, the situation is drastically different, because we are able to treat the disease with innovative biologics. The drug cost has increased, but this has been totally offset by the cost savings in the social sphere.

The government appreciates the positive change that the pharmaceutical industry can bring to society. And yet, at the same time, one would have to have sympathy for any government trying to fund that.

A remarkable quality about the Irish pharmaceutical industry is that managers seem to remain quite positive, and take the austerity measures in stride—in a recent report on the Czech Republic, Focus Reports found that the overall feeling about austerity in the market was often quite grim.

I would not necessarily say that we are 'taking it in stride'—however, we should note that the industry has had a long history of dealing with the government as partners. We have had structured agreements—'supply agreements,' as we call them—since 1968. We prefer to collaborate rather than take the authorities to war.

On balance, over the years, the state has gotten good value for money, and a steady supply of medicine. On the other hand, the industry has always been well heard and our concerns have been addressed to the extent possible.

Of course, we often must make concessions, and the state certainly drove a particularly hard bargain with our most recent agreement. Moreover, the health department came to us in 2010 and 2011 to ask for savings outside of our effective agreement. As good partners, we recognized their need, and we made adjustments, particularly in the off-patent space, to meet budgetary demands.

We are not only good partners, but we are also good investors into the country, and I believe the government recognizes that. There is a great understanding between us. I would not by any means suggest things are easy. Nonetheless, Ireland likes to think of itself as a pro-business environment—as a small country, we are very much dependent on inward investment—and so the government listens to business.

Ms. Orlaith Brennan of the IPHA told us that Ireland's healthcare system has undergone as much reform within the last 3-5 years as the UK's NHS has undergone in the last 40 years. What is your opinion about the rate of change, the predictability of the market, and the effect of such rapid evolution on companies?

This is a good question. We have truly had quite a lot of change in recent years—but, at the end of the day, I believe the market is predictable. The last two or three years have been very, very unpredictable, but the entire global economy has been very unpredictable in that timeframe.

We prefer to focus on where we are now. I think that our recent agreement with the authorities brings precisely that—predictability, certainty. This is obviously critical from the point of view of business planning. It is critical from the point of view of local business planning, and also critical from the point of view of inward investment. The government is aware of that, and they endeavor to stabilize the market insofar as their budget allows.

Turning more specifically to Menarini—ultimately, is the Irish market attractive for this company, and what does it take to be successful here as an innovative player?

I believe that the market is indeed attractive. It has become slightly less attractive in the last week, but these are realities we must live with.

What does it take to be successful? As in any market, I believe that firstly, you must be very attuned to what your customer wants. To quote our former chairman Dr. Alleoti, you must also work very, very hard.

Menarini is the small company in Ireland that we are elsewhere in the world. And yet, small size offers a certain advantage; it offers a certain agility. We are quite attuned to the marketplace.

You must also have the right product offering, and thankfully, we have been able to bring products to market that are very relevant to today's needs.

How do you feel that your product portfolio compliments the disease need we see here?

Our largest therapeutic area in Ireland is anti-hypertension. If we take this market as an example, we see that the medical profession has become much more focused on ensuring that diagnosis is followed by proper treatment. Blood pressure is often diagnosed but treated incorrectly; especially in the past, doctors would diagnose the condition, prescribe a tablet, and do very little follow-up. Today, when patients return to their doctors to adjust their prescription, there is a wide range of products and doses available that should be tailored to the needs of the patient. As Menarini, we have what is likely the widest range in the industry within one compound, of single- through triple-therapy combinations. While one size does not fit all, we should have available the right size for the right patient.

We also have highly innovative products for the treatment of diseases like gout and angina. Our portfolio is quite attuned to particular areas, and we do not offer 'me-too's.'

To what extent is Menarini a category leader here?

In market share terms, I cannot say that we are market leaders in our selected therapeutic areas. On the other hand, we are leaders in terms of the education that we offer to the medical community. We are very active, for instance, in sponsoring scientific meetings within the country, to facilitate knowledge exchange among doctors.

We have also come from a position of having no market share in 1999 to being 28th in the marketplace today (according to the most recent IMS sales rankings). I am proud to say that Menarini has had a very successful venture into Ireland.

What strategy did you take to achieve this positioning?

Firstly, we had a very good sales force from the beginning. We invested heavily in the area of scientific support and educational meetings. For every therapeutic area we entered, we tried to add value by increasing awareness of the disease at the level of the medical professional. In blood pressure management, for example, we supported local communities with 24-hour blood pressure monitoring, which is the gold standard in terms of how diagnosis should be done.

How significant is Ireland—with its rather small population of 4.5 million—to the global Menarini group?

Ireland is not a large market, but I believe it is important for a number of reasons. One reason is that Menarini places heavy emphasis on collaboration with other pharmaceutical players, through in-licensing and other agreements; it is important for any licensor that we are able to cover the whole of Europe. Hence, our local success is important for our own affiliate, but it is also important from the point of view of the group. We must be seen as reliable and consistent partners.

How does Menarini plan to further improve its position in Ireland over the next 3-5 years?

There has been a huge change in the marketplace in terms of access. Access to reimbursement is going to be much more difficult to achieve going forward—a provision regarding access was built into our agreement with government. Any product offerings that the industry brings in the future must be robust in meeting patient demand. We will have to align ourselves in such a way that we can demonstrate this capacity to government.

There are also changes coming in terms of how business is done from an ethical perspective. Compliance rules are set to change over time; we expect a pan-European ramp-up. While this is nothing new, we will have to monitor the situation and evolve alongside the regulation.

We will have to ensure that we have the right skills. Menarini is positioned in the mass market now, and if we enter more niche markets, we will have to prepare ourselves.

The market contracted by 11% in 2011. Has Menarini managed to outgrow the negative trend?

We recently had a very good year, and grew by approximately 17%. To qualify that, we should keep in mind that while some of the negative growth in the market has been due to price adjustments, there have also been a number of major patent losses. Menarini has not had any

'blockbusters' go off patent, and has in fact been fortunate to have products in our portfolio that were introduced to market only three to four years ago. We are today very much benefitting from the strength of our recent pipeline, and we have additional products coming down the line that appear very promising as well.

The ability to get these drugs to the market is very important for the industry. One significant aspect of our latest agreement with government is horizon planning. This is new territory for us, and means that industry will now sit together with the authorities to discuss what is next in the pipe, rather than surprising the state.

To return to an earlier question in our discussion about change: in the old days, companies would bring a product to market, go through a straightforward process to have it reimbursed, and then sell it, with little thought from the government regarding the size of the bill. In the future, our challenge will be to accurately predict what costs the state will incur, because if the drug ultimately costs more than predicted, then the government will take certain measures against the company. I find this to be prudent governance—because it does not make sense for players to simply come along and sell medicines without restrictions.

During Focus Reports' discussion with Micael Dumas, head of Menarini's Netherlands operation, we mentioned that too often in the pharmaceutical industry, managers do not stay with an affiliate long enough to produce a true change in the business. You have remained with this affiliate for 13 years. What has motivated you to stay?

I very much enjoy the challenge of starting a business from the beginning, watching it grow, and watching my team grow alongside it. Bringing my experience to bear has been extremely rewarding.

Menarini has a particular philosophy, and Dr. Alleoti, who was very much the driving force behind this company, always had a strong sense that affiliates should be run locally, by people who understand the local market. He also would always advocate consistency. You will find very few Menarini managers that are not 'home-grown,' so to speak. The large multinationals have a different philosophy, wherein they often move people around—I cannot say what is right and what is wrong, but certainly, in a small market like this, there is a particular way of doing business in terms of relationships and local understanding. Stability has proven us in good stead, particularly given our small staff and thin structure. With a company the size of ours, too much change does not provide any traction.

I would like to think that I will be with the company for another 13 years!

What is your final message to our readers?

I believe that the Irish model of doing business in collaboration with the government has been extremely positive. We have managed, within our own local environment, to strike a deal with the government that will last for three years, and that gives great certainty to both sides—the government and the industry. This a great position to be in. There will be challenges, but with certainty and collaboration, I am very optimistic about the future.

[See more interviews](#)