Interview: Roberto Musneci – Managing Partner, SMA (Serban and Musneci Associates) – Romania



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The managing partner of a specialist boutique PR and integrated communications management agency serving the local pharma sector unveils his theory of holistic, industry-wide lobbying and gives some pointers as to the business winds and emergent growth spots in the local market.

Maybe you could start by telling us a little about your longstanding interactions with the pharmaceuticals industry of Central and Eastern Europe?

I started out in 1990, in Italy and UK, rising up to the position of Vice President and General Manager of GlaxoSmithKline Romania Pharma between 2001 and 2003, and subsequently for the period 2003 to 2006 Vice President & Area Director Eastern Europe – South President Europharm Group of Companies, coordinating the activity of the healthcare multinational in 13 countries in the region. I then left the multinationals in 2007 to set up this consultancy company, but to this day still feel very much a part of the industry. Aside from three years working in global positions, the majority of my pharma career has been concentrated in the CEE region.

Given your extensive experience across Central and Eastern Europe, how does the Romanian pharma sector compare to other markets in the region?

The level of unmet needs is still very high in the country. I am positive for the medium term and while there have been a few exceptional years; in general the market has been experiencing low double-digit growth, which by European standards is actually a good level of growth. 2015 could be

one of those exceptional years, however, with a number of changes having a major impact on the industry.

I remain an optimist on the growth of the market. I believe the leapfrog in the treatment of hepatitis C to be a key development and important indicator of the dynamics at work. The market remains small in comparison with the expanding GDP per capita. Nevertheless, the scope deriving from unmet needs presents a real opportunity to grow the industry. The counterweight to this is that the volatility of the system remains a significant issue, rendering it hard to plan strategically.

Why are the main issues coming under the spotlight right now?

Previous reforms of the sector have always been subject to half measures. A short-term approach has been the name of the game in many industries, and particularly in pharmaceuticals. A number of measures have been taken without looking at the combined effect. Looking at the claw back tax, it has a completely different impact on innovators and generics, while the distributors are not directly impacted by the measure. This in itself creates a number of imbalances and distortions.

It is crucial that market data becomes more accessible to the pharma community. Plenty of companies when they received their claw back invoice do not recognise their sales. Moreover, the tax merely distracts from the real issue, which is the chronic underfinancing of the healthcare system. I am a strong advocate of some mechanism of claw back tax because it provides the state with a financial security belt, but it does not justify the level of underfunding in the health sector.

Under any European measure, including the CEE countries, Romania’s healthcare system is in need of further investment. One cannot reach the six percent of GDP on healthcare, a target of both government and opposition parties, in one year, but it require a long-term multiyear plan. If one wants to develop a series of short terms measures to stabilise the system, you have to start with additional resources provided that now a financial security belt is in place.

How do we explain the lack of funding? Why is it historically so low?

Part of it is history. This whole industry has been built up in just 20 years. The market was faced with high expectations, with a medical class that has evolved rapidly and the country as such was not prepared to assign a clear value to building a more developed healthcare system. The priority that health has been assigned historically has been rather low. Looking at the micro problems, corruption is also an issue, but the big picture remains a required cultural leapfrog, considering healthcare for what it is worth, with a long-term strategic view of the development of this sector, improving the population’s quality of life and ultimately the country’s economy. The belated

introduction of the health card will eliminate, in my view, large part of fraud and corruption.

Once the system has been stabilised, you can observe best practices in Europe, in terms of measuring the efficacy of a certain new therapy and taking budgetary decisions on the basis of such data. All major European countries have a Managed Entry Access, specific to each country, developing best practices over a number of years. Identifying alternative complementary financing systems is also crucial. The fact that the penetration of private health insurance is around nine percent is clearly a big missed opportunity. Currently, affluent people go abroad for their treatment or have insurance that provides them with treatment outside of the country.

What is preventing the growth of private clinics in Romania?

The level of deductibility has a major impact. The typical family's private healthcare insurance will be around two to three thousand euros per year a year for a family of four, while in Romania you would have an allocation of EUR 400 per year. There is a need for additional ways of financing healthcare in general as well as in pharmaceuticals. The benefits for the State budged of allowing treatments via private insurers are obvious and immediate.

Why should businesses invest in Romanian healthcare and pharmaceuticals?

I believe investing in Romania will have an impact far beyond the country. Geographical location is a real advantage as well as the geopolitical. The country has a very skilled population, particularly in areas such as IT and pharma. Moreover we have to admit that some progresses have made in creating a stable legal and political framework favouring investments in multiple sectors including healthcare.

SMA consulting is helping incoming multinationals navigate the system. Tell us more about this business?

We provide companies with four different services – public affairs/ strategic communications, public relations, reputation management and business information – but one of the key differences with our company is that we consider each one as an integral part. The company has been increasingly focusing on grassroots lobbying and advocacy, while moving away from the traditional and out-dated model of direct lobbying.

What is the main service you provide to the pharma industry?

We start with strategic advice, looking at our client's problem and how it fits in to their commercial strategy. We look at who are the decision makers, the stakeholders and analyse the systemic

environment. We tend to work more in developing institutional relations, having the best argument for our clients to present their case. Our expertise is in the technical details and not merely in communications.

I want to briefly mention two of our previous projects who bring a difference for our clients and not only. One successful project – The Romanian-Italian Symposium on Psychiatry, addressing the corporate responsibility in the field a mental disorders, was realised in partnership with the Italian Embassy in Bucharest and it was a first national attempt to tackle the idea of deinstitutionalized treatment of psychiatric disorders, creating incentives for further conferences on the topic. A work group was established, tasked with developing a regional and national project.

Another important project was developed on the 6% budgetary allocation for Healthcare. The low budgetary allocation in the healthcare system and the sluggish reform caused blockages in the system, with direct impact on doctors, patients and on the pharma industry. The healthcare needed a bigger budgetary allocation in order to overcome the crisis. Our mission was to put the issue and the solution on the public agenda and on the authorities' table as well. That's how the 6% for Healthcare initiative was born! We developed an advocacy campaign, together with Medical and Patients Associations with the aim to create a citizenship legislative initiative. Over 200,000 signatures were collected in order to support the 6%budgetary allocation. By coordinating media exposure of the initiative according to pre-set media plan, as well as regular meetings with stakeholders and authorities, we succeeded in transferring the need for the health percentage increase on the public agenda, by public pressure. All media channels covered the cause and published/broadcasted relevant materials on the subject. As a result, "6% for Health" became a well-known initiative for the larger public, media, and the authorities.

You operate in a crowded space with law firms building up consultancy arms and where global consultancies are present. How do you get the message out that you have this technical expertise and broad scope?

We do it by virtue of being known in the market, having always played an active role in business dialogue and by being there where the action happens. The global consultancies need to know what is happening locally and we also have international affiliations, namely with APCO Worldwide. We also have relations with other agencies. The company is bound to get more oxygen through reinforcing these sorts of partnerships. We thus occupy a very necessary niche within the market.

In terms of demand, where do you see the growth-spots for developing the consultancy?

Industry wise, we will continue to develop the skills where we acquire specific technical expertise. Geographically speaking, we are clearly targeting companies working in the Balkans area and South Eastern Europe and our intentions moving forward will be to reinforce our strategic partnerships.

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