

Interview: Zsolt Szepesházi - General Manager, Hungary & Adriatics, IMS Health



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The general manager of IMS Health, Zsolt Szepesházi, explains how the current limitations of Hungary's healthcare system have shifted the way that pharmaceutical companies approach the market, placing a much greater emphasis on value demonstration and patient-level data.

You have been General Manager at IMS Health for 8 years. During your tenure, how much has the organization evolved?

There have been very dramatic changes in the pharmaceutical industry, and IMS has to be on top of these changes. We must adapt our service portfolio and change the way we are helping our clients. Currently we are building on three pillars; information, technology and services. There is always something new happening at IMS, and this is how we move towards our mission of providing the right insight to the right decision maker at the right time, using our data assets and our industry expertise, and using technology that enables all this.

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You mentioned you had to make several changes to the service portfolio. Is the structure of the portfolio significantly different today than when you joined IMS?

In 2008 we were working to expand our capabilities, moving from simply selling data to actually being a trusted business partner. Information and data continues to be a significant element of who we are at IMS, but we are also expanding. We now provide expert level understanding of the details of market dynamics. We advise our clients about their business problems overall. For example, recently pharmaceutical companies are looking more at patients, and it is very important to have the right information when dealing with patient level data. We are able to provide this and companies benefit from our insights. The other important element is technology – in today's environment pharma companies have less time and less resources to make the right decisions, and technology is a key enabler here – to give the right insight to the right decision maker at the right time.

In 2011 you mentioned that everyone in the region was struggling in the aftermath of the financial crises. Today, compared to some of your affiliates in the region, how is the Hungarian subsidiary performing?

We have managed to show a continuous growth despite some of the difficulties in the industry. It does not mean that we always managed to meet our goals, but our strategy has been correct. By investing in new directions we are managing to provide more and more services to the clients. That is the main growth driver.

In terms of our client portfolio, we have always been working both with local headquarters and with multinationals. But local headquarters have much different considerations than multinationals, having more strategic decision-making, leading to different types of discussions than with multinationals.

Several years ago the majority of the industry was still grappling with budget limitations and structural reforms. How would you describe the current environment for pharma companies?

The environment has been becoming more stable, however the structural problems in the healthcare industry in general are still there. But from the pharmaceutical side, there have been worse times in the past. It is always a balance between available budgets for the government and their priorities. In the recent years there have been more new innovative products making it to the market, so we see that pharmaceutical companies are a bit more optimistic.

On the generic side, back in 2012 we had special measures generating heavy price pressures in generics. These pressures continue, we have the blind bidding system for most generics. This has been largely successful in pushing down generic prices. We still see some decline in terms of

pricing in certain areas, but generally the system has stabilized. It is always a question of how the government uses the funds that are becoming available from generic savings, and we see different patterns that correspond to the economy of a country. The more advanced countries, where patients have already high level of access to therapies, savings are optimally channeled to finance new innovative molecules. But for countries where there is a deficit in treating large volumes of populations, price decreases open up the opportunity for a larger generic volume growth. In Hungary generic price decreases not only saved some budget for the Health Fund, but also reduced out-of-pocket cost for patients in the affected therapy areas, allowing more patients to be treated overall.

Lastly, the over-the-counter and consumer health sector have always been seen as a reliable area for companies looking for growth. Also for pharmacies – if you own a pharmacy, and you see that many expensive products are moving to the hospital channel, and you have decreasing price of generics, you need to find new sources of business. This is one of the reasons pharmacies are seeking to increase the share of consumer health products.

With regards to innovative companies, do you see growth opportunities moving forward, or will they remain stagnant given the current circumstances?

For innovative companies the key challenge is to fight for the limited drug budget while new innovation is more and more expensive.

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This is a global pressure, but we certainly see it in Hungary, too. In this environment it is becoming more and more important to prove the value of your medicine, and that is where we come back to the value of real world evidence. You have to demonstrate the way your medication is working in real life, especially compared to your competitors. This has created a growing need for the types of intelligence that we provide.

What are some of the major trends that you see in the industry today?

The main trend visible throughout the industry is the increasing focus on demonstrating the value of a new innovative therapy as the payers are becoming more and more selective in granting reimbursements with their tightening budgets.

There are some key differentiators among higher and lower performers in the industry as well. Can companies identify the demand gaps in their global portfolio, and are they promoting the right products? These are very challenging questions, because if you have hundreds of products, you

have to pick the top ones to actually manage on the market.

A related challenge for innovators is the uncertainty of a new product's chances to reach the market, while this alone can make the difference between growing or declining in a given year.

As such, we do not see major newcomers investing in the Hungarian pharmaceutical market, although new companies do appear with very selective specialist products, or as a new small player in the consumer health sector. But these typically do not bring a significant reshuffling of market positions.

It seems uncertainty is perhaps the only constant in the Hungarian market.

The past few years brought an increasingly difficult but relatively stable environment, uncertainty for the future is mainly driven by the constant possibility of unexpected government decisions that may have significant impacts on the industry. The recent news about the integration of OEP (National Health Insurance Fund) to the Ministry of Human Capacities for example may lead to a changed approach to drug financing. It is the strong hope of the industry that such decisions will be made with strong professional – rather than short term political or financial considerations.

Based on current macro and micro-level data, what is your outlook for the industry's development?

I would give Hungary continued single digit growth, between 3-6 percent. Currently I do not see any major changes within the industry; however, there may be some political changes, specifically with regards to the elections in 2018 and OEP's pending integration into the Ministry.

You have had an extensive career in consulting, but prior to that you worked in the pharma industry. What made you change into the advisory side of the industry?

I enjoy diversity. I like the challenge of quickly jumping into different situations at different companies. In the past I have worked for 11 years in consulting and worked with many companies in many industries. IMS similarly provides the diversity of working with many companies, but it has also given the opportunity to be specialized in an industry, and I think this is a very good combination.

There are also many other diversities working in IMS. You deal with different players in the industry, often with a wide variety of culture – manufacturers, wholesalers, pharmacists, regulators, and so on. Also, one day you roll your sleeves up and dive into the databases to resolve a specific issue, and the next day you give a keynote presentation about the global trends in the pharma industry. From outside IMS may look much simpler than it is in reality – we continuously have to

deal with quite complex topics. At the beginning of the interview we said IMS is changing very fast, and actually working for IMS you must really enjoy this dynamics and complexity. And looking forward to the next five years, the rate of change will certainly not slow down, and IMS Health will still be here supporting companies to decrypt that complexity to more effectively address their challenges.

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