Interview: Giorgio Milesi – Area Vice President Developed Markets South, Johnson & Johnson Medical EMEA



It is a critical moment for the healthcare sector in Europe as a whole

23.06.2016

Tags: Pharma, Pharmaceuticals, J&J, Johnson & Johnson, Italy, Healthcare, costs, Expenditure, Giorgio Milesi, EMEA, Southern Europe, Interview, Insight, Exclusive, Executive, Free

Despite the already existing efficiencies in the Italian healthcare system, there is still significant room for improvement. Johnson & Johnson Medical's head for southern Europe discusses a number of opportunities where the company can help to improve healthcare quality while reducing costs holistically.

Given Italy's current healthcare sustainability concerns, what is your outlook on the growth potential for the innovative medical device industry, and what should be the industry's priorities?

It is a critical moment for the healthcare sector in Europe as a whole, as healthcare expenditures, which have been under pressure for more than a decade, have been significantly limited since 2008 crisis. Government interventions in spending have been more substantial in southern Europe compared to the north, and apart from Greece, Italy is actually the only country where the healthcare expenditure has decreased in absolute terms, not just as a percentage of GDP. These constraints have resulted in imposed price reductions, less emphasis being placed on quality, restrictions to top quality products in many cases, and sometimes even reductions in patient access. Italy is among multiple European countries where patients have to wait up to a year for

elective and non-urgent procedures such as hernia surgery.

The current outlook does not feature an immediate resolution of these challenges. According to the figures diffused in April by the Ministry of Economy, GDP growth rates in Italy remain low, and between four and five percent of Italy's GDP currently goes to paying off debt. As such, while the Italian healthcare system is already very efficient, with only nine percent of GDP invested in healthcare between public and private expenditures – two percentage points below France and Germany – increasing the proportion of GDP invested in healthcare will likely not be feasible.

Since the medical device industry is very dependent on one customer, the state, the economic situation has placed strong pressure on our industry to change. Market access has become a primary challenge for all organizations. Today, one of our most important functions is to ensure that policy makers understand the importance of investing in healthcare and the returns and durable benefits said investments bring to a society as a whole. In fact, at Johnson & Johnson Medical we have just created a new regionalized market access structure, such that we have a market access director for each region, or group of smaller regions, who coordinates all of our activities with key institutional stakeholders in the political and healthcare administration sphere.

This is a critical moment: the industry and public jointly communicate the importance of prioritizing investment and spending in healthcare. While Italy has long been ranked among the three or four countries with the longest life expectancy in the world, in 2015, according to the data recently diffused by Italian National Institute of Statistics, the life expectancy of Italians decreased for the first time since the Second World War. This is a shocking and worrying signal regardless of how small the decrease, as life-expectancy follows long term trends. A decrease is the result of decisions and actions taken a decade ago – in fact, this is one of the very first signals of how changes made during and following the 2008 financial crisis have impacted the health of the Italian population.

Considering the unavoidable financial constraints, how is Johnson & Johnson Medical working to help the Italian healthcare system to deliver even better value for money to patients?

[Featured_in]

We have worked on a number of fronts to help improve the quality and efficiency of healthcare in Italy, working with both regional health authorities and hospital management to implement new and more effective healthcare management strategies. We have developed a portfolio of added value services that will help hospitals to reduce inventories or increase efficiency thanks to fast

track surgical pathways.

As regards your internal organization, can you describe your current go to market model and how does this compare to a more traditional approach?

To improve our operational efficiency and productivity we have implemented a new go to market model here in Italy, which has been exported to and adopted in many other Johnson & Johnson Medical affiliates, and it is starting to become the industry norm. Previously, all medical device companies organized their marketing and sales forces around product based business units. As such, multiple product specialists would visit a given surgeon, each promoting a different product line that they might use in their procedures. While these specialists were very knowledgeable about their products because they visited surgeons across many specialties, they were less knowledgeable about specific procedures. This limited their ability to engage with surgeons on certain insights of how a particular product could impact a given procedure.

To reduce the duplication of efforts and transfer the focus of our strategy from our products to the needs of the surgeon, and by extension patient, we reorganized our teams around specialty areas. For instance, we created a group called ‘pelvic surgical care’ which caters to surgeons who work around the pelvis: proctologists, gynecologists, and urologists. This team brings all of the relevant products to these practices, and sales representatives have significant knowledge regarding how these products can be used. As a result the customer is only visited by one representative who serves as a single point of reference providing all of our products relative to their area of expertise. This also encourages the development of strong relationships between customers and our representatives.

How is Johnson & Johnson Medical working to encourage a more efficient use of public resources in Italy?

A tangible and very emblematic example relates to how we have allowed a number of hospitals to almost eliminate the need to keep stock. For hospitals that we have long-term partnerships with, we have provided a system to track the usage of our products in the operating room (OR): the products are marked with RFID tags, sensors detect when they enter the OR, and automatically reorder new stock. As items are replaced as soon as they are used, hospitals only need to keep very little stock on hand. This reduces the need for manual ordering of products and the amount of working capital tied up in inventory. Moreover, the system we provide also tracks the usage of products over time, giving hospitals better records of what is being used in a given procedure and thus, better information with which to optimize resource allocation.

Overall, these processes can generate far more savings for hospitals than those that can be achieved through price negotiations for products. The price of medical devices accounts for only five or six percent of healthcare cost. Even if you were to slash medical devices prices by 20 percent, you would only achieve a 1 percent saving in healthcare costs. Far greater efficiencies can be achieved tackling the remaining 94 percent of spending.

A broader, less tangible area where we are working to reduce waste is by advocating for the concentration of procedures within larger facilities. In fact, I recently met the Minister of Health and we discussed also about this issue. At present, we have hundreds of hospitals carrying out just a handful of procedures of a given type per year. Clinical Evidences have shown that there are significant improvements in efficacy and safety of such procedures when carried out at a specialist facility where at least 60 of said procedures are carried out per year. It is statistically safer and more efficient when expertise and healthcare services are concentrated in centers of excellence. For patients there are benefits in terms of recovery time, less adverse consequences, and shorter hospital stays, which are naturally also better for healthcare budgets. From a policy maker point of view, we have seen some good progress in terms of reorganization of the hospital system. For example, the region of Lazio has now established a directive that will not accredit hospitals that do not carry out at least a certain number of colon procedures per year.

In terms of surgical practices or approaches, what role can innovative products and techniques play in reducing global healthcare costs?

In terms of reducing surgery-related costs, one of the biggest areas for Italy to improve is in the use of laparoscopic techniques and minimally invasive surgery. If we take colon cancer surgeries as an example, laparoscopy is used in about 30 percent of cases, while literature and examples in Northern Europe show nearly 60 percent of cases can be handled laparoscopically. While the procedure cost is higher due to the cost of the equipment needed, holistically significant cost savings can be achieved relative to open-surgical techniques. This is due to faster recovery times, lower probability of infection, and thus lower average costs of antibiotics and analgesics, as minimally invasive procedures are also less painful. This is one area where we are doing our best to help authorities see the overall benefits of investing slightly more upfront in innovative equipment.

More generally, we currently have two areas of focus where we feel we can make a significant impact: atrial fibrillation and obesity. Atrial fibrillation is one of the cardiovascular pathologies that has the greatest impact on healthcare expenditures; not only can it be fatal for the patient, but for patients who survive the cost of care for the rest of their lives can be massive, not to mention the social cost to families. Over the years, Johnson & Johnson Medical has perfected a portfolio of

surgical solutions and today, surgical procedures using our products can be carried out in relative safety and cure atrial fibrillation in 90 percent of cases. Once again, the increased cost upfront is worth it, since the savings that can be achieved via early treatment are massive.

Our other focus area obesity is associated with many co-morbidities, shorter life expectancy, and high healthcare costs associated with these co-morbidities through hospital stays, pharmaceutical treatments and interference with the patient's ability to work. Johnson & Johnson Medical is the leader in this market segment. On the prevention side, we have invested significantly on public information campaigns regarding obesity as a disease, healthy dietary practices and the benefits of physical activity. This is particularly important because while Italy has the lowest rate of adult obesity in Europe, we also have the highest rate of childhood obesity, which we consider to be a sign of an emerging healthcare crisis. Beyond prevention, we are working with regional healthcare authorities to develop centers of excellence for surgical intervention in obesity. However, treatment of obese patients neither begins nor ends with surgery; they must be supported by a group of specialists including nutritionists, psychologists, and physical therapists.

As you work with healthcare stakeholders to encourage and implement such changes, how important is the Johnson & Johnson Medical reputation and brand? What does the Johnson & Johnson Medical brand mean in Italy?

[related_story]

Johnson & Johnson Medical is the largest and most comprehensive healthcare company in the world. This year we are celebrating 130 years of 'Caring for the world, one person at a time™', helping people live longer and healthier lives with a better quality of life. We have been present in Italy since 1969 and Italy is a key market for Johnson & Johnson Medical. While the healthcare market is the fourth largest in Europe, we are the third largest subsidiary, which is a sign of the strong heritage and brand our company enjoys in Italy.

In our interactions with healthcare stakeholders, I would say that our biggest asset is not just the quality of our products, which are of course the very best – constantly improved to remain among the most innovative offerings. Our greatest asset is the trust patients and healthcare professionals place in us and our products, and the reliability we are known for. This is both a privilege and a responsibility, and the actions of just one individual in our organization of 128 000 people could jeopardize the trust the public has placed in us.

As such, we never stop working and investing to uphold this trust and to continue to be reliable, and in this our Credo is our north star. In line with the guiding principles in our Credo, one of our

highest priorities is to invest in people, including our employees, healthcare professionals, and the general public. As such, we strive to help our employees succeed and advance through professional development, support them through investments such as onsite day-care for infants and toddlers, and doing our best to be a genuinely great place to work. For healthcare professionals, we are recognized as the company that invests the most in the professional education of healthcare professionals, and this investment is just one of the many ways in which we strive to contribute to the communities in which we work.

See more interviews