

Interview: Nadia Cortesi - Commercial Director, ResMed Italy



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Having led a successful turnaround of the affiliate in just eight months, Nadia Cortesi of ResMed explains how she has achieved double digit growth, while facing sustained external challenges, including low awareness among consumers and healthcare authorities of the potential complications that sleep pathologies can cause.

Can you please introduce yourself and ResMed's footprint in Italy?

When I joined ResMed four years ago the company was going through a tough time, not having grown in the three previous years. Thus, I had twelve months to understand the barriers to growth and implement a plan to turn the affiliate around. After examining the internal and external environment and diagnosing challenges in both, we implemented several changes to our internal structure, reassigning roles and responsibilities amongst our team. Just eight months after we made these changes the affiliate returned to growth, which is quite impressive.

We were able to move quickly because ResMed's board gives affiliates autonomy in terms of internal organization and business model. Naturally, we have a global strategy, but managers have the independence to adapt this strategy to local needs as every country has different dynamics. As a result, our growth trajectory over the last three years is unsurpassed: we grew by double digits

last year, comparing to an average market growth rate between three and six percent.

Two factors enabled this remarkable success; products and people. ResMed is a very strong brand in the medical device sector, and we are a company that has technology and engineering in our DNA. Our products are highly innovative, featuring patented technologies developed by our first rate engineering department, no sacrifices are made in terms of quality and the reliability of our products is undisputed; and this is our reputation amongst patients and physicians, who know that ResMed products can be trusted. Nevertheless, people really make the difference in our business, and as such we strive to attract and hire the best talent, investing in our staff and offering them a great career path.

Overall, we have only few people in our Italian organization. This is due to the nature of our business model - we sell through distributors. These healthcare providers represent ResMed on the Italian territory but they also support the physicians, hospital and patients with the respective services. This business model helps us to create efficiencies in terms of costs, resources and investments. To conclude, the fact that we grew by double digits last year was remarkable, not just for us in Italy but for the rest of the company as well. The next challenge for us is to sustain this growth rate in a worsening external context.

What are some of the most pressing challenges in the external environment?

The macro-economic context was quite poor four years ago, and precipitated major cuts to the national healthcare budget. This was not unique to Italy, but it put a lot of pressure on our organization. Our customers were under pressure to improve spending efficiency, and naturally the first and easiest way to create such efficiencies is by seeking price reductions.

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We experienced huge price erosion at this point in time, mainly based on the fact that the reimbursement levels in our segment decreased dramatically, between 20 to 40 percent in 2015. As a result we were faced with some tough choices.

As a medical device company we did not want to destroy the market - on the contrary, we wanted to protect it! However, we also wanted to make sure that patients still have access to innovative medical technology. This balance is still quite difficult to achieve because we manufacture our products in countries like Singapore, the U.S. and Australia, having deliberately chosen not to produce in low-cost countries. Thus, our prices can result to be higher than others but we have deliberately chosen not to give in on quality.

As a result, we actively negotiate prices with market stakeholders to allow patients to still have access to our products and receive the best therapies. Naturally, this has an impact on our internal KPIs. The main challenge we are facing today is to stay on the market with high quality products, at a fair price, but also making sure that the company stays profitable.

How are you demonstrating the value of investing in premium quality products to the healthcare authorities?

We are supporting our marketing strategy with hard evidence, including clinical trials and studies that demonstrate that patients can have a better quality of life by using our high quality products. We help the public administration to understand that they need to think for the long-term, which they are not doing at the moment. It is somewhat easier to convince the authorities to invest in our products for chronic patients who depend on our products in their day-to-day life. It is more challenging to demonstrate the value of our products for non-chronic patients because the authorities do not see an immediate benefit. Therefore, we have carried out long term clinical trials and health economics studies that demonstrated that patients treated with high performance devices exhibit lower rates of re-hospitalization and less prevalence of correlated diseases. Follow-up treatment for patients who are treated for acute episodes has increasingly become the subject of our discussions with the health authorities because the right follow-up can save immense costs.

ResMed is one of the global leaders in telemedicine, monitoring one million patients worldwide. How many patients are benefitting from telemedicine solutions in Italy?

Telemedicine, a key differentiator in tender processes, is not yet used widely in Italy due to the expense. Everyone knows that innovation can bring significant added value to patients and healthcare systems and ResMed has innovated a lot and offers a significant added-value to patients and payers in the medium to long term, but the question is who is going to pay for all this innovation today? Hospitals and patients are very interested in getting access to telemedicine, and conceptually people know it will likely reduce costs holistically in the long run, but payers are not very open to making the necessary investment today.

Therefore, we are conducting studies in conjunction with our headquarters to demonstrate conclusively and precisely the benefit our telemedicine solutions can bring to healthcare providers, hospitals and patients. We are collecting more hard evidence to convince the public administration of the value of telemedicine.

We believe that the public system in its current form will eventually collapse if significant changes are not made. In discussions with the Minister of Health and other political stakeholders, scientific

associations and other companies in the industries it became very clear that the current model is not sustainable for a long time. Thus, we believe the Italian healthcare sector will evolve and private financing will become increasingly important, in terms of both out-of-pocket expenditures and private insurance. We believe that telemedicine will play a big role in this privately financed market. As such, we will need to adapt our go to market model to better address the market as new stakeholders gain importance.

Globally, 80 percent of people with sleep disorders are not diagnosed. How would you assess the level of diagnosis and physicians' awareness towards sleep apnea in Italy?

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The awareness of sleep apnea is alarmingly low. 70 to 80 percent of people are not diagnosed, which means there is a huge opportunity that is currently not being seized in terms of improving the quality of life for these patients. Only 120 000 people are treated among a population of 60 million,. If we compare Italy with countries showing same population (France for example) it is clear people diagnosed and treated do represent a small % of the existing potential. One reason behind this low rate of diagnosis may be that we struggle with capacity of the existing sleep centers (not only because of the low number of sleep centers in Italy but mainly because of lack of resources). This means that for patients seeking a diagnostic test, a polysomnography, they have to wait in some cases even eight months. We need to change and simplify the way tests are administered giving access through for example mobile solutions.

It is our task to increase the awareness but we cannot do it only as ResMed; it requires a cooperative effort involving all stakeholders. A key challenge is that patient associations, who could play an important role, have to be empowered; they could accelerate some decisions having the pathology recognized. We are leading this effort, and have started interacting with select companies, sharing a plan of awareness with support of the scientific societies. We are making steady progress; until recently, the Ministry of Health has not seen sleep apnea as a priority, but as companies dealing in that segment have been able to increasingly demonstrate the cost resulting from not treating sleep-disorders effectively, they starting to consider it a much higher priority.

Considering the challenges of raising awareness and working with public stakeholders, is the current distribution model sustainable for the future?

It will probably require a mixed approach. We need to protect the current model because our distributors have been the main contributors of success for us; they have built the market and created ResMed brand awareness. If the private segment will grow the way we project it to, the

best approach for ResMed in Italy is to find a way to generate and to increase our presence in the private segment through our healthcare providers. We need to support them with a model that allows them to protect their margin. The most important thing is to support them with services, such as telemedicine and mobile apps together with innovative platforms.

What is your vision for ResMed by 2020?

Our vision for 2020 is to reach 20 million people. We want to continue leading the sleep disordered breathing segment and drive respiratory care, expand our presence with a more diversified portfolio and enter into new markets. Personally, I would like ResMed Italy to continue showing sustainable growth in the next 5 years. In order to do that we need to make strategic choices and have the courage to lead the change, . For people working in the ResMed Italy organization, who are the driver of our success, I have the aspiration they can continue to develop professionally by reinforcing their skills and competences in order to be successful in a changing and more and more challenging environment.

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