Interview: Jan Oliver Huber – Secretary General, Association of the Austrian Pharmaceutical Industry (PHARMIG)



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Dr. Jan Oliver Huber, secretary general of the Association of

the Pharmaceutical Industry in Austria, or PHARMIG, which represents 120 member companies and 95 percent of the medicinal product market in Austria, discusses the changing dynamics of the Austrian healthcare sector and its price referencing system. He also gives his insight into the potential of Austria as a clinical trials hub and what the EMA coming to Vienna will mean for the local healthcare ecosystem.

Last time we met in 2012, the Austrian pharmaceutical industry was growing, despite facing some of the habitual challenges linked to mature markets. What have been the main events or changes during these last five years?

Austria has experienced relatively low growth at an average of two percent annually over the past five years. This is within the reimbursement market which makes up 75 percent of the market share, and is due to a large number of expiring patents and cost containment measures. In 2014 and 2015 we have seen higher growth of spending at 5.4 and 5.2 percent respectively, mainly due to the introduction of innovative medicines with an associated higher cost. At this point the sick funds, and many politicians, were foolhardy enough to start the fight against the industry in terms of pricing.

As part of the system, we as an industry have a responsibility to maintain our excellent solidary health system. Therefore, we put in place the so called “Pharma Master Agreement” in 2008. It is unique in Europe: to mitigate this situation of rising spending on drugs, the pharmaceutical industry obligated itself to pay a solidarity contribution to the sick funds to ensure Austrian patients can continue to receive world-class healthcare. Since the beginning of this agreement in 2008 more than 300 million EUR (358 million USD) has been paid to strengthen the sick funds in their performance to patients. This clearly shows our contribution to our health system, besides our precious and effective products.

We must work together and acknowledge that the price of a medicine reflects its impact for patients, economy and the society, especially when the therapy leads to a cure for a life changing condition. The aim of our industry is to invest in finding new treatments and cures to the diseases we face. The government must understand that pharmaceutical companies are commercial organisations and we must generate profits to reinvest in R&D and ensure patients receive rapid access to innovative medicines.

What more needs to be done to ensure appropriate and mutually beneficial price setting?

As an industry, we have to take a step back and review our business model. We have to collectively find answers to the question of how health outcomes can be reflected in our pricing. The European Commission is collaborating on this issue, exploring new methods of price setting for specialty medicines to improve their access onto the market.

In Austria, we have a very special situation, due to our unique “Pharma Master Agreement”, which was renewed in 2016. As a consequence, the retail industry in 2016 paid a lump sum clawback of EUR 125 (147 million USD) to the reimbursement authorities to cover the extra spending over the previous few years.

What we witnessed, is instead of honouring this contribution, the reimbursement authorities insisted that the retail industry was the contributing factor to overspending and the retail industry needs to be further regulated; contrary to 2016 results which indicate expenditure only increased by 2.5 percent. Furthermore, reports show drugs costs are very reasonable in Austria, with the maximum drug cost being the European average taken from 28 countries spread across the entire continent. This average pricing will be reviewed more often in the future; 18 months after the drug is placed on the reimbursement list, 24 months after that, and then every subsequent 18 months.

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These constant price reviews will drive the price down further. This will make it difficult for the Austrian healthcare system to maintain its first wave status for drug launches. Nevertheless, as present Austria is doing relatively well compared to most nations and is one of the top-ranked countries in relation to patient health according to the European Federation of Pharmaceutical Industries and Associations (EFPIA). Saying that, there is the possibility that companies turn to other nations for drug launches, especially if Austria continues to become less attractive due to market access laws.

Pharmaceutical companies are not only in competition between themselves, but also with other industries. If we as an industry reduce our level of profits, investors will focus on other sectors, such as oil and gas or IT. Therefore, we have to maintain a certain level of revenue, and ensure the pharmaceutical market is considered a blue-chip investment.

Do you believe Austria has the potential to become a regional hub for clinical trials?

We have had significant investments in clinical trials, in 2016 alone, with some 5000 patients taking part in Austrian trials. In 2016, around 40 percent, or 35 million EUR (42 million USD) of all payments of the industry went to R&D healthcare institutions and professionals; a significantly higher share than other EU countries. One of the driving factors is the large number of oncology trials and our hospitals are very strong in this area. This has resulted in Austria being a top five nation in regard to five-year cancer survival rates and in the three most common types of cancer Austria is the best in Europe: lung cancer, prostate cancer, and renal cell carcinoma.

This clinical trial model used for oncology is a process we can replicate in other therapeutic areas. It is not a matter of just spending more. As in terms of the percentage of total healthcare expenditure spent on oncology treatments in Austria, the number is around the same as it was 20 years ago, but the outcomes, survival rates, and numbers of patients we treat today are much higher. This demonstrates the overriding fact that promoting innovation is very important in overall patient health, and it must be replicated across the board in all therapeutic areas.

What government incentives are in place to attract more multinational companies to bring their operations to Austria?

Thankfully, the government is increasing the investment of incentive schemes from 12 to 14 percent this year, which is highly appreciated by the industry. We must ensure that there is a friendly and comfortable market environment in place for large and small companies, such as fair prices for drugs within the reimbursement system. In addition, it should be in everyone’s best interest to attract more R&D sites, in-turn luring many highly-qualified, university-educated

experts. Also, we would like to see an influx of more production facilities.

How can Austria improve its production capabilities?

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The Austrian pharmaceutical industry already manufactures a surplus: we export more than we import. It’s very positive! What I do notice is a growing trend within the global market for better quality products. Outsourcing production of generics to less regulated nations is not the solution. Austria has the capacity to manufacture the industry´s need of these high-quality products, and follow in the footsteps of Switzerland´s production situation.

With Brexit necessitating the relocation of the EMA, what makes Vienna such an attractive location?

A well-functioning EMA is vital for Europe and I am sure that Vienna has everything required to host such an important association. The Austrian pharmaceutical industry helps boost the national life-science industry, with very strong links between the universities of Vienna and the AKH (Vienna General Hospital), one of the biggest hospitals in Europe. This displays our overriding objective of creating a healthcare environment that promotes innovation, one of the pillars of the EMA. On top of that, Vienna has an excellent infrastructure, world class universities and is ranked as one of the world´s most liveable cities. Vienna would be the perfect partner for the EMA.

Thus far PHARMIG have lobbied with the government to pursue the EMA, by supplying facts about the overall performance of the Austrian pharmaceutical industry. It is not only about the abundant number of jobs at the EMA, but equally the industry working as their partner. We believe a Vienna based EMA would strengthen the regulatory compliance of the pharmaceutical industry in Austria, attract more research institutes and be the catalyst for real change within the Austrian healthcare ecosystem.

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