Interview: Mark Lachovsky – President, Accel Pharma, Canada



"Political change continues to be a significant issue facing the generics sector and our business model."

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Mark Lachovsky, founder and president of Accel Pharma, a Canadian generics company with a unique business model, discusses the inspiring story of how he started and grew the company through challenging times, the important role Accel plays in providing affordable generics drugs to the Canadian population, and his international partnership strategy.

Mark, as the founder and president of Accel Pharma, could you first introduce the company to our international audience?

Accel Pharma is a Canadian generic company focused on in-licensing first-to-market and multisource products specifically for the Canadian market – with an extremely unique business model. Prior to establishing Accel Pharma in 2009, I worked in the pharmaceutical industry for over two decades, on both branded and generic sides, which gave me a comprehensive understanding of market dynamics within the Canadian industry. About a decade ago, I saw an opportunity to develop a company with a radically different focus on the generics sector.

The generics sector in Canada is driven by pharmacies, who make the decision – either at head office or store level – on the particular brand of generic to be used. But the actual payers, are the provincial public drug plans as well as private insurance companies. As a result, we decided to focus directly on the payers, both public and private. We first approached provincial drug plans and offered them discounts on the current prices they were paying in exchange for exclusivity on their

formularies for Accel branded generic products.

This was a complete twist on the conventional generics model. For me, it represented an opportunity to bring more generics to market while offering additional cost savings to public and private payers. It was also an exciting opportunity for me to start my own business. I am also very grateful to everyone that supports the Accel Pharma business, because it is their focus and dedication that really help to make the company work.

How was this innovative business model initially received by the entire sector?

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Quite frankly, the beginning was rather difficult as people in the industry were against what we were doing. No one likes it when you upset the status quo, after all. Instead of deterring me, however, this actually kept – and continues to keep – me going. After all, we are not doing something negative towards the industry. On the contrary, we provide cost savings for the population and offer quality generics for patients. The fact that we do it differently – effectively and efficiently – is perhaps not appreciated by others in the industry. It is commonly believed that the current model of supplying generics in Canada is not sustainable so many have welcomed our unique approach as the market moves into the unknown future.

As the political landscape continues to shift in each province, governments continue to look at ways to bring down costs in the health sector in order to reduce the continuously growing healthcare budgets. While drug expenditures remain a relatively small portion, the governments look at generics as a way to reduce costs. Accel offers a unique means of bringing additional savings to these public plans, which are then extended out to private plans as well.

As a small local company, how do you source your portfolio of products?

Like many Canadian companies, we operate on an in-licensing strategy. Some companies do a combination of in-licensing and in-house manufacturing, although manufacturing in Canada has decreased significantly over the past decades, as is the trend in advanced industrial countries. We rely on established developers and manufacturers with experience and expertise in supplying generics.

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Our focus is on two areas: first-to-market and multi-source generics. We just recently launched our second first-to-market generic and have a few other products in our pipeline that we hope will be

first to market as well. We also continue to focus on bringing additional multi-source generics to market.

Accel Pharma follows a non-traditional business model with a strong focus on using outside contractors to support internal functions. This allows the company to minimize overhead and management issues, thereby focusing 100 percent on bringing the products to market efficiently.

When it comes to in-licensing, what is Accel's international partnership strategy?

We currently source products from companies in Europe and India. India of course is well-known as a major exporter of generic products.

What I like about Europe is that there are still many small family companies, which have a different culture than larger multinational companies. They tend to be smaller and more flexible. In terms of company culture, they probably align better with us.

The key for us is to find what I call the hidden gems, which are first-to-market generics. We need to do things differently and do things in a smarter way because we are competing against very large companies. The same applies to these smaller European companies, who are often aiming to develop a product that no one else will have.

In terms of what attracts partners to us, we have a different business model that has been proven to be effective. We have a proven track record. Some companies have chosen to enter the market on their own without fully understanding the complexity of the market, and subsequently faced significant challenges. We are here to act as a reliable partner within the Canadian market.

We have built some great relationships over the years. The key is to deliver on what we say we will do, and to be responsive to our partners' needs and requests.

Given Accel Pharma's successful development in the past few years despite – or because of – its innovative model, what is the key challenge for the company now?

Political change continues to be a significant issue facing the generics sector and our business model. Changes to policy, pricing and process will continue to affect how generic manufacturers get product into patients' hands.

Continued changes at the provincial level as well as national changes, including the threat of a national Pharmacare strategy, will continue to unfold in the coming years.

Accel must successfully navigate these changes while focusing on our strategy of bringing first-to-market and multi-source generics to the market. As a nimble company, we can move and react quickly as changes unfold.

Generics prices have definitely come down in the past decade – and in some cases, by a lot – and will continue to do so. The challenge will be to target the appropriate products that will allow for profitability as the prices come down.

More generally, across the past few decades, the Canadian generics industry has seen quite some consolidation of players as well as the influx of competitors from lower-cost countries like India. How has this changed the playing field?

There is no doubt that there has been consolidation on both the manufacturer and distribution side – wholesalers and pharmacies. As prices continue to decrease, each part of the supply chain is looking to protect its profitability. As governments look for cost savings, they must also be mindful of the challenges companies face. It is in the interest of the government to maintain a healthy generic sector in order to continue to encourage companies to bring generics into Canada.

Policy at all levels must be put in place to encourage generic launches in Canada. With prices coming down and the cost of bringing products to market increasing, the risk is that generic companies will shy away from Canada, resulting in less competition and increased possibility of drug shortages.

To compound this, Canada also has a very tough regulatory environment. Health Canada is very demanding and often requests elements that are not required by the FDA or EMA. We have personal experience of this through our own portfolio. This is another disincentive.

On a final note, how would you like to brand Accel Pharma to your potential and current partners?

We are efficient and effective. As a small company, there are no politics or distractions. We are 100 percent focused on bringing new products to market with our partners.

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