Interview: Doug Sommerville – Senior VP and General Manager, Teva Canada



"Teva has had some really successful challenges to brand companies' patented medicines where we were able to bring products to market early, thus saving millions of taxpayer dollars."

13.11.2017

Tags: Canada, Teva, Generics, Pharma, Manufacturing

Doug Sommerville, senior vice-president and general manager of Teva Canada, discusses Teva Canada's enviable top five positioning within the global organization, the strength of Teva's generics portfolio within Canada, and the critical importance of Canada possessing a local pharma manufacturing industry.

Teva recently announced a new global CEO, Kåre Schultz. What do you foresee to be the impact of this appointment on Teva globally – and the Canadian affiliate?

While we are not fully certain which direction he will want to take, minimizing our debt will be a priority. The US generics market has seen some tremendous pressure on pricing and Teva, as the indisputable generics leader in that market, has been affected. This has definitely been a major challenge for the company. At the same time, Teva also has a branded business, in which we need to protect our product pipeline and continue to bring new products to market in a timely manner.

Teva Canada is a healthy company within the Teva network. We are a top five generic company for Teva globally, with one of the largest market shares within the global Teva network. We believe we are certainly recognized as an important affiliate at the global level.

This success can be partially attributed to the fact that we did not enter the Canadian market as a new entrant. We entered through our purchase of Novopharm in 2000, which was an extremely well-established Canadian generic company. Subsequent acquisitions with significant players like

Ratiopharm in 2010 and Actavis in 2016 also contributed to our growth, as did significant organic growth throughout the years.

Canada is known for having a very difficult market access environment. What role does Teva play – as market leader – in advocating for improvements to be made?

[Featured_in]

Canada is certainly not the easiest jurisdiction in which to do business. Falling reimbursement pricing and the cost of market access make it a challenge. Despite being a very small country in terms of population size, we face a lot of restrictions on what we can and cannot do in terms of market access, pricing and reimbursement, and each province controls their own formulary. Compare this to the European Union, which has harmonized market access across the entire continent!

This is a struggle faced by everyone in the industry, but particularly in the generics space, where it makes even more sense for payers to simply list products on their public formularies once Health Canada has given approval. This would allow them to take advantage of lower generics prices from day one!

We typically work closely with the Canadian Generic Pharmaceutical Association (CGPA) – to advocate for better market access. Many people also do not understand how expensive market access is in Canada. There has been dialogue between industry and government for a number of years now. We recently concluded a pricing agreement with the province of Québec. While difficult to conclude, and the details of which are confidential, this does provide market predictability at sustainable pricing levels for a five year period. As Chair of CGPA, I supported this deal as being necessary to prevent Quebec becoming a tender market. We are currently in discussions with the pan-Canadian Pharmaceutical Alliance (pCPA), which negotiates reimbursement pricing on behalf of the other provinces.

The fact is that governments can continually push for lower prices, but they also need to ensure that production and manufacturing remains viable in Canada, that the generics industry stays healthy, and that the innovation and development of new products can continue. While our pricing is internationally competitive, we need to ensure it does not go so low as to hinder investment with companies deciding not to continue investing in the Canadian market either capital for manufacturing operations – or new product introductions.

In the short term, price concessions may lower healthcare spending, but in the longer term, it could lead to the serious challenges for the sustainability of a local generic pharma industry. Governments continually pressure for lower prices, but there comes a point where industry cannot be pushed any further because it will negatively affect our ability to develop, litigate and launch new products. We are getting very close to that point. If we reach that point, the damage will be done to Canadian-based companies that have invested in significant infrastructure and presence here, not to the smaller import companies with operations that can operate with little investment in Canada. That will not be a very healthy environment.

As General Manager of Teva Canada, I have to compete with investment dollars with my counterparts across the global Teva network. I need to show a healthy and viable business in order to do this.

How important is it that Canada has a local pharma manufacturing industry?

[related_story]

It is absolutely critical. Firstly, looking at the figures alone, generics penetration in Canada is at 70 percent, which is low compared to the US, where it is between 88 to 90 percent. That 18-20 point difference is worth billions of dollars. There is a lot of room for more savings in the healthcare system through increased generic penetration.

Teva has had some really successful challenges to brand companies' patented medicines where we were able to bring products to market early, thus saving millions of taxpayer dollars. Throughout our company's history in Canada, we can reference billions of dollars saved through our litigation of patents and subsequent launch of generics.

Globally, product shortages are rampant. For any company facing a potential global product shortage, they will inevitably allocate products to healthy markets. However, with local production, it is much easier to control what stays within the country, so it is really a question of security of supply. This is what I tell every government official I speak with. The industry is so global today that products are very easily shipped to different countries. But if a product is manufactured locally in Ontario, the chances are much better that they will be dispensed in Canada.

This is even before we discuss the economic impact of our operations. We hire hundreds and hundreds of high-level, skilled workers, which are all very good jobs to keep in Canada.

How has Teva managed to keep manufacturing in Canada cost-competitive?

We have spent a lot of time on operational excellence (OPEX); while our labor market may not be as competitive as Eastern European or Asian countries, we have implemented OPEX processes to ensure that our facility is as effective as it can be for a North American production site. It is one of the most cost-efficient sites within Teva's North American network.

Teva has one of the richest pipelines within the industry. How much of Teva's portfolio is represented in Canada?

Teva Canada is one of the leaders when it comes to product launches. We will basically launch every product we believe to be important to Canada and we are very aggressive in patent litigation. We have a branded side so we do believe in patent protection when applied correctly. IP protection is critical for the overall industry but it has to be legitimate and reasonable.

New products are always a growth driver for us. As a company, we always want to make sure that we bring out new products in a timely fashion, either through litigating to bring them to market early or preparing to launch the product the moment the originator patent expires.

In addition, as market reimbursement prices decrease, we also have to look at our portfolio closely as well as manage our customers more carefully.

Globally, Teva also has a biosimilars program with products in submission. These have not yet been launched in Canada; in general, the biosimilars market in Canada is still in early stages, and not quite progressing as fast as some of us would like to see, but we certainly expect to become a significant player here in the future. As the governments become more comfortable with biosimilars and more products are launched, we expect to see the overall environment improve.

As the leading generics player in Canada with a significant manufacturing footprint, what accounts for Teva's success in Canada?

Having a great portfolio and pipeline of products is critical. We pay a lot of attention to our product mix and we are not shy in discontinuing products that are no longer viable. Simultaneously, we continuously bring in new products that are somewhat unique and add to the viability of our Canadian business. For instance, we have been successful in launching a few products where we are alone in the market place. Without a great portfolio of products, it is arguably much tougher to build a successful generics business in Canada.

With Teva Canada already the generics market leader in Canada, what are your priorities for the future?

Where we sit in the marketplace is somewhat irrelevant. What we focus on is bring value to patients and shareholders. I emphasize this to my people; whether we are number one or two – this does not drive our strategy, because market share does not pay any bills. Our goal globally is to be a top three player in the major markets we are present in, and we are well and above that, so I am just focusing on managing a sustainable business in a challenging environment.

Having been in the industry for over 25 years now, what is your personal motivation for staying in this business?

This business is never without a challenge – but that is what makes it so interesting. There is something new to do or learn every day. Within the industry, we often joke that once in a while, it would be nice to have things stabilize, but they never do. The pharma business is certainly not a stagnant one! But the people – like myself – that have stayed in the industry for a long time, are here because we enjoy the challenge.

See more interviews