Interview: Fraser Hall – Country President, AstraZeneca Brazil

"First, our overarching objective is to increase the number of Brazilian patients annually treated with AstraZeneca products from around 3.2 million today to over five million by 2025."

05.12.2017

Tags: Brazil, AstraZeneca, Pharma, Healthcare, Patient Access, Innovation

Fraser Hall, country president of AstraZeneca Brazil, describes the current trends and dynamics shaping the Brazilian pharmaceutical market and documents the promising partnership opportunities he envisions to significantly increase patient access in both the private and public sectors.

You were appointed country president of AstraZeneca Brazil in September 2016 after having held senior executive positions across several European countries. What are some of the specificities of the Brazilian ecosystem that surprised you most and that you would highlight to our international readers?

The first aspect that is worth mentioning relates to the sheer level of complexity that characterizes the overall Brazilian ecosystem. In the same way that the US encompasses varying realities from one state to another, Brazil's Federal structure leads us to interact with a very high number of stakeholders and face a broad variety of challenges and opportunities. This complexity truly cascades down to all sides of the business: for example, Brazil probably holds one of the most intricate tax system in the world.

From a countrywide and purely healthcare focused perspective, 23 percent of the Brazilian population has access to the private healthcare market, which means that around 155 million Brazilians exclusively rely on the country's SUS *[the public health system – Ed.]* and therefore face an affordability gap. The Brazilian situation becomes evermore complex when considering that innovative companies' focus has been shifting from high-volume, low value products to highly sophisticated drugs targeting unmet medical needs. In this context, innovators operating in the country cannot follow the strategy implemented in the world's most mature markets, where the affiliates' focus is essentially centered on launching the latest and most innovative treatments onto the market – at the expenses of more mature products. As a matter of fact, off patent products make up more than 50 percent of our revenues in Brazil.

This point brings me to another key specificity of the Brazilian market, which also distinguishes itself from its European and North American counterparts by its slower pace of generation penetration. In Europe and North America, generic penetration can rise to 80 percent once a product goes off patent, which is not the case here. In this regard, the fact that Brazil essentially stands as a self-pay market can limit the capacity of generics players to quickly drive wholesale sales, while they moreover have to cope with the challenges posed by the country's tremendous size. Overall, our mature products – whose remarkable brand awareness has been honed through significant, long–term investments – continue to deliver very interesting results despite the entry of generics, which highlights the crucial importance of brand reputation and product loyalty in Brazil.

Finally, one should not overlook the importance of the country's economic context when assessing current market dynamics. While many countries came out of the crisis earlier, Brazil's economy stills stands at a stage of fragile recovery *[while Brazil's GDP contracted by 3.8 percent in 2015 and by 3.6 percent in 2016, the OECD recently forecasted 0.7 percent and 1.6 percent grow rates for 2017 and 2018 – Ed.].* Moving forward, the key parameter to watch will be the impact of the 2018 general elections, while the country's recent exit from a two-year period of negative growth despite a troubled political context truly showcases how dissociated economics and politics are from each other in Brazil. In this regard, the country's economy has undoubtedly benefited from the quality of the policies implemented by Finance Minister Henrique Meirelles and from the active role played by the country's Central Bank, while some of the reforms and regulatory updates recently implemented have already started to bear fruit.

What is your assessment of the level of healthcare investment provided by the government?

[Featured_in]

Areas such as vaccines and virology, which are two of Brazil's national priorities, are particularly well covered, but the situation is far less satisfactory in other therapeutic areas. Furthermore, the latest legislation promulgated has tied the growth of public healthcare expenses to the inflation rate. Such a decision does not suggest any upcoming, massive investments in the public health system from the government side, and it seems that professionals and physicians working in the public sector can already feel the crunch.

Moreover, a substantial share of the investment funding the country's public system comes from the state level. In states like Rio de Janeiro *[which has suffered from a severe debt crisis over the past two years – Ed.],* wholesalers are now struggling to get effectively and entirely paid, which highlights how current budget limitations – at all levels – are putting the entire value chain under pressure. As per AstraZeneca Brazil, we are relatively insulated from this increasing strain on public spending: around 90 percent of our sales come from the private healthcare market, although we do also participate in public tenders, which have gained in importance over recent years.

Despite this difficult context, we see that Brazil retains a strategic importance within the global operations of most leading pharmaceutical companies. What is the significance of Brazil for AstraZeneca?

[related_story]

Brazil one of AstraZeneca's B12 countries, which gathers together the 12 most strategic markets in the company's global operations. In the region, there is obviously no other country that displays similar potential to Brazil. Being able to deliver double-digit growth in the world's sixth largest pharmaceutical market truly has a meaningful impact on the global results of the group. Naturally, nurturing the growth of this business requires substantial investments.

However, the country's recent instability, persisting corruption issues, and the complexity of developing our footprint in the country means that our overall structure has remained relatively stable over recent years. On the other hand, a strategic area in which we have significantly increased our investments is clinical research. Recent regulatory updates have prompted us to more deeply leverage Brazil's huge treatment naïve population, while the country moreover displays remarkable ethnic diversity. In the meantime, the process is accelerated by the fact that individual centers are increasingly acknowledging how clinical research stands as an interesting revenue stream for their organizations, especially for some of the country's largest hospitals.

In terms of sales strategy, AstraZeneca Brazil has significant rebates that we offer across different sales channels. We for example heavily discount our products to patients through our well-established *Faz Bem* loyalty program, which benefits more than 600,000 patients. This successful program stands as a powerful tool to effectively reduce the net price paid by patients at the pharmacy level and therefore enables us to increase patient adherence.

According to Deloitte, Brazil has the second largest private health insurance market by population in the world behind the United States. What partnership opportunities have you identified in the private market to increase patient access to innovative therapies?

AstraZeneca holds an absolutely remarkable pipeline of innovative products – notably in the oncology area – and ensuring the successful launch and fast uptake of these products is one of our key priorities moving forward – especially in the private sector. Given the current market dynamics shaping Brazil's Health Maintenance Organization (HMO) system, this objective however emerges as a tricky endeavor.

In Brazil, the vast majority of health plans are contracted by employers, which are typically looking for the best deals possible and therefore regularly switch contractors. As a matter of fact, the average contract length between a company and a HMO in Brazil is around three years, which nurtures two negative dynamics: first, the patient is somewhat disenfranchised from the relationship with his healthcare providers, which generates wasteful spending. For example, in Brazil, over 40 percent of the medical tests conducted are never accessed. Second, HMOs struggle to track long-term patient records and outcomes, which does not contribute to driving costs down either.

When combining the impact of these two dynamics with the fact that healthcare cost in Brazil has been increasing on average by 18 percent a year, it is easy to understand why HMOs are pushing back against the inclusion of new, innovative treatments. We however identify a group of "early adopter" HMOs covering around 15 percent of the 50 millions Brazilians part of the private market, which are more open to reimbursing new treatments and use this specificity as a key differentiator vis a vis their competitors.

Overall, ensuring and broadening access to our innovative products in this sector will require designing new pricing mechanisms as well as sharpening the demonstration of value of our products in the eyes of HMOs. In this regard, one of the issues we face relates to scarcity and shortcoming of epidemiological data available in Brazil, which actually leads us to produce substantial epidemiological research years before launching any new product. Another room for improvements concerns targeted therapies: around 80 percent of our R&D pipeline will come with a companion diagnostic – a model that has not yet been embraced by both the government and private insurances. As a result, the pharmaceutical industry in Brazil has so far been financing most of the diagnostic costs in Brazil, which stands as another challenge to address in our relationship with HMOs, even though in some cases the diagnostic tests coverage is included in the list of mandatory procedures by ANS (agency that regulates private market in Brazil).

In the grand scheme of things, it will be critical to continuously fostering a sound dialogue with these players and identifying the strategic partners that hold the shared vision to move toward a closer, more partnership-based relationship in the upcoming years.

What about the public sector? Do you plan to launch specific initiatives to increase patient access?

Moving forward, our approach to Brazil's public sector will essentially rely on two main pillars. The first one relates to the development of CSR programs, and we are for example working on setting up a Healthy Lung Initiative in Brazil based on the successful model paved by AstraZeneca's Healthy Heart Africa. Our plan for the Brazilian program is to combine lung cancer treatments with respiratory products and a diagnostic capacity into a free, public health program. Furthermore, in November 2017, AstraZeneca supported the opening of the first nebulization room in a public hospital of the Sao Paulo state, as part of an initiative where we donate modern nebulization facilities within public hospitals. Leveraging the upcoming opening of this first nebulization room, we now plan to expand the scope of this impactful initiative with over 100 hospitals during the next two years.

Beside CSR programs, we are also consider opportunities to engage in 'Productive Development Partnerships' (PDPs), a development path that has been actively promoted by the government over the past few years, while the Ministry just released a list of 85 compounds for which they will be interested in setting up technology transfers *[PDPs usually entail exclusive, five-year supply contracts under which the Brazilian Ministry of Health agrees to only buy a given product from a single contracted supplier for a fixed sum of ten percent below a reference price. When the contract expires, pharmaceutical companies must transfer the production knowhow to public laboratories – Ed.].* Developing technology transfers would naturally imply to give away proprietary information, which is always a touchy topic for innovative companies, but we definitely see PDPs as interesting options to more largely collaborate with the public sector.

Overall, these two axes of our public sector approach – infrastructure Programs and potentially PDPs – truly showcase AstraZeneca's strong and long-term commitment to the Brazilian ecosystem.

Under your tenure, how do you want to position AstraZeneca within the Brazilian healthcare ecosystem?

First, our overarching objective is to increase the number of Brazilian patients annually treated with AstraZeneca products from around 3.2 million today to over five million by 2025. When it comes to our position in the country’s healthcare landscape, we want to be recognized as a reference company and a reliable partner by both the government and private health insurers.

Finally, we want our affiliate to become a talent hub within our organization, while – given the size of the country – we should see more Brazilians holding senior executive positions among the global pharmaceutical industry.

In this regard, I regret that Brazil has recently been suffering from a poor image globally, as the political, social, and economic turmoil have been making global headlines and overshadowing the positive things happening in the country. As a company, we definitely see improving the lives of the 150 million Brazilians that exclusively rely on the country’s public system as a priority. However, just as importantly, we want to develop talents that will allow Brazil to take the place it deserves on the global stage – whether it is among AstraZeneca specifically or the medical community at large.

What would be your piece of advice to a new general manager about to take over as the head of a Brazilian affiliate?

First, take to the time explore and learn the multiple realities that this vast country holds, and do not content yourself with only Sao Paulo and Rio de Janeiro, which are truly apart from the rest of the country. My second advice is to get close to the people; it might sound like a cliché about Latin American countries, but personal relationships are extremely important here. Finally, find ways to make a lasting impact in the country: we are truly privileged to work in an industry that changes lives, and Brazilians truly welcome foreigners that are eager to improve their country’s healthcare paradigm– so do not miss this great opportunity!

See more interviews