Interview: Evija Buksa – Managing Director Latvia/ General Manager Biopharma, Merck



"Just like with many European economies, Latvia's health system is overburdened and struggling to remain financially sustainable."

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Evija Buksa, general manager at Merck in Latvia, explains the strong history of Merck in the country as well as its key role in participating in the discussions to shape the Latvian healthcare system.

Could you please start by introducing Merck in Latvia and the strategic significance of the local affiliate in relation to the rest of the company's European operations?

Merck is proud to have been one of the first movers into the Baltics after the disintegration of the Soviet Union. We have actually been present in all three states since as far back as the mid-'90s. While it makes a lot of sense to coordinate the region as a hub when it comes to transversal functions such as logistics, our biopharma business nonetheless still maintains full legal affiliates in Latvia, Lithuania and Estonia.

Here in Latvia, we possess a rich and diversified product portfolio covering each of the therapeutic areas in which Merck is active from oncology to neurodegenerative disease and women's health. Aside from our traditional portfolio of general medicines covering segments like diabetes and cardiovascular disorders, we also have a strong biopharma presence in niches such as fertility treatment and in countering neurological diseases such as multiple sclerosis.

Moreover, we are a fully engaged partner in shaping the development of the Latvian life sciences space through our participation in industry associations and via our interactions with patients, the

medical community and policymakers. I am currently active in the industry group for oncology within the SIFFA and BRAL.

Alongside the other members of the BRAL, Merck recognizes the need for additional specific national legislation governing biologics and their usage because biopharmaceuticals possess their own unique characteristics compared to classic, synthetic drugs and can play a decisive part in supporting the improvement of the health status of Latvian patients. We are therefore extremely committed to helping that happen.

What would you say are the star performers within your portfolio in terms of revenue generation, volume and demand?

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Actually we have managed to achieve a very nice spread of product lines here in Latvia. The local portfolio is diversified and well balanced between cardiovascular, neurology and fertility and this has the effect of minimizing our risk exposure. If one particular product isn’t performing so well at a particular moment in time, then we other channels of revenue that can easily compensate.

It is a little difficult to predict trends in demand right now because of the uncertain impact of the recent healthcare financing reforms. What I can say is that expectations are currently running very high and the announcement of an additional 200 million euros cash injection into public healthcare is great news for biopharma and latest generation, innovative therapies for which much of the additional budget allocation is earmarked. Any reduction in co-payments and out-of-pocket expenses for innovative medicine is very welcome. This is a big success because the amount of money the state spends on public health is comparatively very low vis-à-vis other EU member states and previously we had seen no real rise in budget allocation for 5 to 6 years. This moment has thus been eagerly awaited.

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It is too early to say whether women’s health or neurology will be major beneficiaries, though we can certainly expect more public money to be directed towards oncology. My task at Merck is to try and anticipate emerging trends within this unpredictable environment and to maintain a state of preparedness so that the affiliate is able to respond with speed and effectiveness to any new patient needs that might arise.

What is your assessment of other policy reforms relating to therapeutic areas in which Merck is active such as the formulation of a revised national oncology program and

recent state initiatives on fertility?

It feels as if the oncology field in Latvia is going through a bit of a revival. A revised national oncology plan came out last May, and this represents a big step forward. Not only does the new plan provide more funding for innovative oncology products – with prostate, breast and neuro-endocrine cancer treatment drugs now already added to the list of state compensated drugs list – but crucially it also entails increased attentiveness to early diagnostics.

Nowadays, under an approach known as the 'green corridor,' wherever there is suspicion of cases of certain types of cancer, general practitioners are compelled to arrange for patients to undergo further examination and healthcare facilities are obliged to examine any such patient within 10 working days of receiving the request. The main idea is to increase the chances of catching incidence of cancer in its early stages when a patient is more responsive to treatment and when the costs of treatment are substantially lower. So far, this concept of the 'green corridor,' has received much acclaim and it will actually be expanded to apply to the diagnosis of other types of cancer such as melanoma or those affecting the thyroid, gall bladder and so on.

And how about fertility?

The National Health Service should be very proud of their efforts to provide a better standard and level of coverage of women's health. The state fertility program first started back in 2012 and, step-by-step, there has been tangible progress both in reimbursement and in terms of the number of fertility clinics available and the use of electronic tools to manage patients. If, in the beginning, only a third of patients were reimbursed for fertility treatment, nowadays, in half of all cases the state is paying.

Latvia is actually registering one of the higher increases in the fertility rate across EU member states. According to Eurostat data, the average number of live births per woman in Latvia rose from 1.22 in 2001 to 1.7 by 2016, giving an increase of 0.48 births. Given these demographics and the positive stance of the authorities, we are expecting the local women's health segment to hold considerable growth potential.

When it comes to market access for innovative medicine, how easy is Latvia as a jurisdiction for doing business?

Just like with many European economies, Latvia's health system is overburdened and struggling to remain financially sustainable. The urgency of containing costs makes the task of reimbursing high value, but high price cutting-edge therapies rather tricky. We detect a strong willingness on the

part of the authorities, the regulator and payers to bring in the best in class innovative medicine categories, but the bottleneck is primarily financial. Patient access to the best possible treatments will be limited so long as the public health system remains undercapitalized and the ratio of out-of-pocket payments stays high.

The new financing laws will, of course, go some way to readdressing this imbalance, but we also have to remain realistic. There are many competing claims on the new funding from the need to raise doctors' salaries, to the need to upgrade hospital equipment and to pay for new treatment types. In the long term, market access should improve, but we cannot expect wholesale changes overnight.

To what extent is the onus on private enterprise to do more in identifying practical solutions to the financial sustainability of the Latvian public health system?

Industry most definitely can bring some solutions to the table and that is why companies such as Merck are putting themselves forwards as partners and actively engaging with different stakeholders via the associations. Flexible contracts, performance-related reimbursement and risk sharing are just some of a broad array of mechanisms and tools that can be harnessed to deliver better value to the public health system. We are very sympathetic to the predicament of the authorities and National Health Service and eager to cooperate from our side.

We are already working hard through platforms like the BRAL and SIFFA to come up with a commonly shared definition of 'value.' Right now, the authorities tend to construe value as being all about the impact that a drug or medical device will have on the budget. What we are trying to do is to shift mentalities so that value is instead considered as the overall impact to society. That includes the clinical outcomes of countering a disease, but also additional factors such as whether it brings a patient sufficiently back to health so that he or she can return to the labour force and start being a productive member of society again.

Initiatives like e-health should actually help us in getting this message across because, when it is fully operational, electronic prescriptions will shine the spotlight of transparency upon the specific drugs that are being given to patients and the final health outcomes that they produce. Ultimately the authorities should be able to calculate the performance of respective therapies. In this way, e-health can act as a precursor to the establishment of performance-based contracts.

Yet the roll out of electronic prescribing appears to have generated significant resistance. Why do you think this is?

Resistance to change is human nature. Those who stand to lose from the system always cry the loudest, but that does not mean they represent the majority. Our neighbours in Estonia stand as a shining example of how digitalization can be deployed to great effect to generate real efficiency gains. You only have to look at how they are advancing towards personalized medicine to realize the significant benefits that an electronic health agenda can deliver. When you are a small market, on the periphery you have to be creative and open to trying things out differently and Estonia can be considered a role model in this aspect.

I am confident that e-health will be a big success in Latvia too. The current issues are short-term teething problems that are a natural by-product of implementing a new structure like this. Our understanding is that there were some technical gremlins relating to the fact the system was overloaded and that some of the physicians were struggling to get to grips with the system. However, all of this can be easily surmounted with a bit of time and effort. If you look at the fundamentals, Latvia should lend itself very well to e-health. We are a small country with none of the complexities of healthcare apparatus in much bigger, more complicated markets. We are also comparatively digitally capable. If you compare Internet speeds, we rank number 6^{th} or 7^{th} worldwide and boast an advanced digital infrastructure as well.

What are your main priorities looking forwards for further developing the business?

This is a highly exciting time for Merck as a company. This year, we will be honouring our 350th anniversary and the theme of our celebrations: ‘Always curious – Imagine the next 350 years.’ This strikes right at the heart of what differentiates us from our competitors, namely the fact that we think of the future in terms of generations, not merely 5-year periods.

At the global level, we are committed to shaping the new world of healthcare by leveraging our expertise across multiple disciplines – biopharma, lab materials performance materials such as liquid crystals – to identify out-of-the-box, holistic solutions. Likewise, at the local affiliate level, we will be interacting with the local ecosystem alongside our partners to help craft a better, more sustainable, efficient and effective healthcare environment for Latvian patients.

In terms of managing the local business, we are expecting some forthcoming product launches such as the introduction of a new therapy for multiple sclerosis. Finally, we will be preparing a state of readiness to be able to seize any new opportunities that might arise out of newly approved and soon to be implemented healthcare financing reform.

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