

Athanasios Athanasiadis - Head of Health Economics Observatory, Foundation for Economic & Industrial Research (IOBE), Greece



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With extensive experience in the field of health economics, IOBE's Head of the Health Economics Observatory, Thanos Athanasiadis, discusses the background of the organization, the state of the pharmaceutical market in Greece, and the existing challenges and opportunities in the country.

To begin, could you please give an overview of the Foundation for Economic & Industrial Research (IOBE) at large and its main functions? What is the role of the Health Economics Observatory within this organization?

The Foundation for Economic & Industrial Research (IOBE) is a private, non-profit, public-benefit research organization, that was established in 1975. It had a two-ranges objective to promote research on the current challenges that the Greek economy is facing, as well as analyzing the prospect available for different sectors. IOBE is renowned in producing top-quality and high-level source of information and analyses that are exclusive. We serve to offer high value analytical products to policy makers.

As a non-profit organization, we are governed by 60 Board of Directors with a multifaceted background – ranging from academia, finance and public sector professionals. Within this board sits an Executive with directs its activities. As an independent organization, it stands at a unique position in the market in that is helps foster the collaboration amongst different institutions from

academia, policy makers and the business community. We are a proactive organization that aims to provide timely solutions in the context of policy making.

The Health Economics Observatory itself was founded in 1999 with the main mandate to conduct independent research for the health and pharmaceutical sector in Greece. Our main activities are anchored upon the systematic recording, monitoring and evaluation of economic statistical data in the health sector, both for Greece and the global context. We offer an objective, overarching perspective of the narrative of the sector through robust data. The main interest of the Observatory revolves around the political and economic health issues related to pharmaceutical policy, pertaining to the dual nature of pharmaceutical products as both a commercial and a social good.

As an entirely funding-based organization, what is your sponsorship model to garner interest for the different activities of the organization?

In order to maintain our independence, IOBE is never reliant on one source of funding. The organization is always financed by multiple sources, which could include sponsorships or specific funding for individual research projects. The diversity of IOBE's funding sources helps safeguard its independence. Only nine percent of our activities are funded by the public and the rest are through a plethora of organizations with different interests, therefore maintains its reputation as a trustworthy non-partisan source of information.

From the quarterly reports of the 2016, the Greek economy is showing signs of slow but steady progress, despite some slight downturn in 2015. What are the main take-aways of this economic overview, and what do you believe are the main impacts on the pharmaceutical industry?

Despite a return to an economic recession, some sectors of the economy still experienced some moderate growth. The negative state of the economy could be largely attributed to the decline in investment of 13.2 percent in 2015, as opposed to a 9.8 percent growth in investments from the previous year in 2014. Similarly, exports had also declined by -3.7 percent that year, which was the first return to the downturn since 2011 and had a significant impact on economic activities of the country. The level of imports also experienced a similar pattern in declining by 6.9 percent. Some of the positive aspects were attributed to that marginal increase in consumer spending, as well as an upturn in consumer consumption. Unemployment rates stood at 24.9 percent in 2015, driven both by the scarcity of jobs available in the country, as well as the brain drain phenomena.

How has the tense healthcare landscape - as it experiences substantial budget cuts and different austerity measures - shape the reality of the pharmaceutical market in Greece today?

In 2015, the public pharmaceutical expenditure was at 2 billion, which slightly decreased in 2016

by 1.945 billion. This starkly contrast the levels in 2009, standing at 5.2 billion in expenditures. There has been meticulous efforts made to sternly stay within budget as part of the 2014 reforms, as mandated by the European Union, and the trend is expected to stay for the upcoming years in the foreseeable future. Similarly, public expenditure for healthcare stands at 8.7 billion, representing a -45.7 percent decline since 2009. In total, both public and private expenditures in this area have dropped by -37.7 percent in the state of crisis. Total healthcare spending accounts for 8.2 percent of GDP, which is a testament to the fact that there a continued investment in this sector. The total value of the Greek pharmaceutical sales is 5.6 billion, represented by sales of 4.1 billion to pharmacies and retailers and 1.5 billion to hospitals. This statistic shows a stark contrast from the 8.2 billion total value in 2009.

What is the therapeutic profile of Greece? What are some of the diseases that are prevalent in the country?

Based on the statistics for the causes of mortality in the country, 41.5 percent of the diseases are based on the circulatory system. Another category of prevalence is for heart diseases and respiratory systems, partly due to the number of smokers in the country. Moreover, cancer is also a significant therapeutic area, due to similar factors in many industrialized economies wherein chronic diseases are becoming more prevalent.

The same report also states that pharmaceutical production remains as one of the fastest growing area in manufacturing. Despite having gone through a 30% decline from 2005-2013, this sub-sector is still experiencing significant growth. What are the main factors that contributes to this paradox?

Greece boasts over 20 production sites, and over a hundred pharmaceutical companies that are either multinational or local and they belong to either the SFEE (Hellenic Association of Pharmaceutical Companies) or PEF (Panhellenic Union of Pharmaceutical Industry), or both. Most of the production capabilities in Greece are for generic products, although there is one strong multinational innovator which has manufacturing presence here, namely, Boehringer Ingelheim. The prime competitive advantage in this sector is the export capabilities that allows for a strong potential for differentiation. Though Greece still imports more than it exports, standing at 2.8 billion and 1 billion respectively, the economy is much more export oriented. Currently, Greece exports to about 141 countries, both in the European Union and internationally.

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In light of the austerity measures, the pharmaceutical and healthcare industries have been strongly encouraged to have a larger generic presence in the market. What are the main challenges regarding generic penetration in the Greek pharmaceutical market?

Though the rationale behind this austerity measure is sound, the practicality of it seem futile when

framed in the perspective that generic use has already been strong, even though some patients are just unaware that they have already been taking generic products. Therefore, the issue really rests on shifting the perceptions regarding generic products and their efficacy. Some physicians and patients still have the misconception that generics are not up to par with the innovators, even though many of them contain similar, if not, the same, active ingredients. It is in the Greek characteristic to create a relationship with the products they use, and the same loyalty very much applies to pharmaceutical products. Building a trusted brand is of prime importance, thus this is where the focus should be regarding increasing generic usage.

How does the “Made in Greece” brand resonate, both domestically and internationally?

The Greek brand is trusted, not only in terms of meeting quality standards, but also in creating innovations that are pragmatic. For example, many of the ingenuity boasted by manufacturers here are in making products more user-friendly and effective, as opposed to the chemical-level innovation boasted by other research hubs in Europe.

Given the crisis condition that the country has been experiencing in the last years, how are the multinational pharmaceutical company navigating the bureaucratic challenges in the Greek market?

The multinationals experience a plethora of challenges, ranging from concerns about bureaucracy to regulations, as they are mostly concerned about bringing new and innovative medicines into the market. Clinical trials are a paradoxically challenging area for this market in that although there is a wealth of experts and a strong scientific community, they are countered by an unstable legislative structure, coupled by the lack of communication between academia and the market. This is an area that requires a strong cooperation amongst the government, the pharmaceutical industry, as well as the patients. Thus, many companies have oftentimes opted for similar economies like Romania, Hungary or Belgium where the hindrance are lower. Nonetheless, this is an area of growth that we identify in the pharmaceutical sector. Theoretically it is a fairly easy economic sector to develop in Greece where there is already so much talent and capabilities available, but we need to be conscientious in how was can mitigate these challenges.

How would you describe the relationship of the EOPYY (the National Organization for the Provision of Health Services) with the different pharmaceutical and medical organization, especially in regards to their role as a negotiator of the price of pharmaceuticals?

For Greece, the negotiations typically happen very seldom, given that it uses the external Reference Pricing (ERP) system. The implementation of ERP pertains to all on-patent medicines sold in the country, directly affecting reimbursement. According to the legislation, the prices of on-patent medicines are set as the average of the three lowest ex-factory prices in the EU-28. The

positive list is the list that the government pays for and the negative ones are for the out of pocket list. It has been a system that has been utilized for years and one that will stay in Greece, and therefore the issue is to learn how to make it more robust.

In sum, how do you perceive the state of healthcare and the pharmaceutical sector for the upcoming three to five years?

The pharmaceutical sector is seen to be one of the pillars to drive the Greek economy out of the crisis. It has a dual value as both a consumer good and a social good and therefore must be approached in its paradox nature. Though as a consumer good, the level of expenditure theoretically must be reduced at a time of need - though dependent on the specificities of the pharmaceutical policy of a certain state - contradictorily, it becomes of utmost importance as a social good at a time of dire need. Structural reforms and policy frameworks must be anchored on this duality and regulators must be cognizant of this need. I believe that the road to recovery is ahead, though it may be a far journey at this moment and it strongly necessitates a level of openness to global markets.

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