Paul Henry Huibers – President, Lilly Korea



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Paul Henry Huibers, president of Lilly Korea discusses Lilly's strong double-digit growth following a challenging period of restructuring. Huibers offers his opinion on the pricing difficulties within the Korean market, emphasizing the importance of volume over price. He also concludes that Korea should focus on establishing itself as a leader in the field of stem cell research and gene therapy, rather than playing catch up in the biologics market.

How has the business model for affiliates been evolving changed during your time as a country manager?

The business model for the pharmaceutical industry as a whole is under continuous pressure. There is pricing pressure all over the world and this means that to survive, a company must drive volume by innovating and delivering better and improved treatments that represent significant value for the payers. This calls for continuously transforming and finding ways to improve productivity. In the old days, we used to just add people whenever we launched new products. Now there is much more scrutiny on headcount and trying to do things differently, not just adding people.

Additionally, the doctor's expectations have also changed. The way a doctor has access to information and how they want to interact with a pharma company has evolved. It is no longer about having an army of sales reps, but rather complementing the presence of the sales reps with a host of other potential touch-points. This has been a significant change over the last five to ten

years, the marketing team now has to develop a comprehensive multi-channel engagement strategy.

How is Lilly performing in Korea?

Korea is part of the rest of the world business unit which excludes only the US, Japan, Canada, and China. Outside of the main five European countries, Korea is one of the top countries in size and currently the fastest growing.

All businesses encounter cyclical booms and busts. Having been here over seven years, I have experienced both. Between 2013 and 2015, Lilly lost a number of patents for our main drugs, with significant impact on our top line. This culminated in two consecutive years of restructuring and streamlining. Since 2016, Lilly, with its fresh and more efficient team, has brought a host of new brands to market through a focus on innovation. This has enabled Lilly to grow at double-digit rates over the last few years.

How do you expect the new Mooncare reforms to affect Lilly in Korea?

One of the main objectives of Mooncare is to reduce the out of pocket payments. While this will certainly benefit the patients, there is a concern of how this will be funded over the long run. There is some fear among the industry players that this funding need may trigger a new rounds of price cuts for drugs. However, we strongly believe that the drug component of the total budget is actually one of the most efficient ones because in many cases it keeps the patients from ending up in costly hospital visits and procedures. This is why we always advocate for a more holistic view of the healthcare system and not just singling out the drug component.

Pharmaceutical pricing in Korea is 70 percent of the OECD average. How much of a hindrance are the low prices?

The system here is very different and we have to understand that. From the Korean perspective as the buyers in the market, they are doing a commendable job, negotiating the lowest prices in the world. However, it does not incentivise local companies. Consider Japan over the years. Their local industry developed with very prices as it became attractive to invest. This ecosystem has allowed Japan to develop multiple players that compete on the world stage. That is not the case here; the

largest Korean pharma company sells $1 billion with R&D spending at perhaps 10-15 percent of that revenue. This makes it very difficult for a Korean company to reach a globally competitive position.

Another challenge in Korea is receiving drug reimbursement. Nevertheless, once it is reimbursed, Korea is a very good market from a volume perspective, because all Korean patients are covered under the national insurance system, meaning there is no limitation from an access perspective. Whereas Switzerland would be considered a low volume high price market, Korea could be characterized as a low-price high-volume market. Given the importance of reimbursement, the pricing reimbursement access capabilities need to be very strong so that negotiations with the government can be successful.

How is Lilly responding to plans by Chinese regulators to use Korea for its reference pricing?

Initially, it was believed that the changes in China would not be applied for at least five years, so as a company, Lilly was willing to take some risk and introduce products to Korea in the meantime. Unfortunately, the measures we anticipated to arrive in 5 years have already started to be implemented. For example, China also stated that they would introduce an official reference programme, and Korea is on the list.

This is a big challenge for the industry. No company will accept a low price in Korea if it affects the Chinese market. This is damaging not only to the business but most importantly to the patients who may not receive access to products that won’t be introduced to Korea. Perhaps after the Chinese launch and there are no more pricing concerns and a product can be entered into Korea, but this will be severely delayed compared to the timelines of today and could make Korea the last country in the world where a product is launched.

How are the risk-sharing agreements helping to improve the current situation?

Risk sharing has become a valuable tool in the Korean market. It allows pharma companies to have a public price at a certain level and to enter a negotiation with the government on the level of rebate to be paid back to the government.

However, risk sharing is still limited in scope, given that it only covers oncology and rare disease. Consequently, we have requested an expansion of the programme. The other limiting factor is that it is only in place for the first drug in a class. The second follower, even if just a month behind, is not entitled to a risk-sharing agreement. The industry is working with the government to allow agreements for the first two or three in class rather than reserving it for the first in class product.

What are the main collaboration agreements that Lilly engages in locally?

There are two components to this: research and commercial. In Korea there are two distinct segments: the hospitals, and the clinics. Clinics are abundant in Korea, but are very small, operated by only a handful of staff. Most multinationals only have a footprint which can cover the general hospitals. Conversely, the local companies have huge numbers of sales representatives to also cover the clinics, making them ideal for partnering. Hence, Korea may be the country where Lilly has the most partnership agreements. For almost every product present, Lilly has a local partner. This is really a win-win situation, as we gain access to the clinics and the local companies can bring innovative products to this segment.

R&D partnerships are far more opportunistic, it is not a local necessity. If a bio-venture has a promising lead, there is potential for lots of MNCs to be interested. But of course, there are interesting leads being developed all over the world, so it is extremely competitive.

How would you evaluate Korea’s potential to fulfil the government’s aim of truly embracing the 4th industrial revolution?

In Korea the focus of this revolution is on new treatments such as gene therapy and stem-cell therapy. In the past, pharma was mainly chemical. Now biologic is a significant component of the business and of the current R&D budgets. Then, of course, the next steps include AI, gene therapy, stem-cell and beyond. I believe Korea certainly has the infrastructure, skills and university quality to embrace this new exciting and dynamic phase and become a major player.

With biologics it is more difficult for Korea to lead: they only have a few key local players and lack the infrastructure, the financing, and the skills. There are already a number of large key pharma companies involved in this sector, so the barriers to entry are very high. There needs to be a critical mass to play a role in this sector, which Korea lacks. In my opinion, Korea should focus more on the new phase above since that is currently evolving and like I mentioned Korea is in a much

better position to compete.

How has your experience working and living in multiple countries across Europe, South America and now Asia aided you in your career?

I believe the most important asset I have gained is the ability to adapt to different cultures. Health care system in Korea is very different, especially compared to where I was previously working in South America. In the more countries lived in, the more cultures that become familiar, and the cultural frame of reference is no longer simply the one that someone grows up with and it becomes easier to accept that there are alternative ways of working that are not necessarily better or worse, just different.

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