Jiří Hanzlík – Country Head, Sandoz Czech Republic

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Sandoz's Jiří Hanzlík, country head for the Czech Republic, evaluates the Czech affiliate's role in contributing to the success of Sandoz globally as well as its position in the country. He delves into the growth of their biosimilars business — its portfolio share increased from eight to 15 percent in the last year — and the function of molecules like rituximab and adalimumab in driving sustainability for the Czech healthcare system. Furthermore, he exposes the challenges Sandoz faces when competing with domestic players and where their strategy lies in order to differentiate themselves.

Jiří, could you give us an introduction to the presence of Sandoz in the Czech Republic?

Something that differentiates Sandoz's Czech affiliate from others is that we cover all main therapeutic areas, playing a crucial role in the Central Nervous System (CNS) business, in neurology and psychiatry. We are the leading company in antibiotics, accounting for 15 percent of the country's market share, and, in addition, we continue to identify opportunities to invest in some more niche markets. The Czech Republic has great potential in medicine, especially in biosimilars, which is why we are strongly focused on increasing the number of patients that our treatments reach.

How have your priorities as Country Head evolved since taking up the position nearly three years ago?

My key priority has been and still is to increase the volume of our medicines in the Czech Republic and to ensure access to medicines for all patients. In the last eight to ten years, we have seen a huge price reduction in the country. The Czech market is not prepared for co-payment: patients are not ready to co-pay for reimbursed drugs, which makes it more difficult to deal with the price pressure and, consequently, affects the business results.

While the level of generic penetration is still the same — it has barely changed in proportion to innovators— the price pressure, especially in generics, comes in strong waves, influenced by the reference pricing. An example that reflects this well is the cardiology drug, Atorvastatin. Eight years ago, it was considerably more expensive than it is today.

What is the split of Sandoz's portfolio and where does the growth come from?

On the one hand, we have our over-the-counter (OTC) pillar, which accounts for approximately 14 percent of our portfolio. Here, the growth is flat at the moment.

On the other hand, the main growth driver in Sandoz Czech Republic is the biosimilars pillar. Last year, it accounted for eight percent of the business; this year, thanks to new launches, we saw an almost 80 percent increase in sales compared to 2018. In addition to the three products that we already had in the portfolio, we launched four biosimilars in the last months: rituximab (marketed as Rixathon), adalimumab, (marketed as Hyrimoz), infliximab (marketed as Zessly) and pegfilgrastim (marketed as Ziextenzo). We expect significant growth in 2020.

The largest part of our business is Rx – prescription drugs, where we cover almost all therapeutic groups. We have seen the biggest growth in the area of Neuropathic pain and Alzheimer disease, while we also grow in the field of antibiotics, where we are the market leader.

What other products are you hoping to bring to the Czech market in the upcoming months?

Our focus, rather than bringing more products to market, is currently on rituximab and adalimumab, since it is essential to be among the first on the market when it comes to biosimilars. While the switch from originator drugs to generic drugs makes sense for insurance funds, it would

not make sense to switch from one biosimilar drug to another. This would not add any value from either a medical or economic point of view.

Our mission is to be first on the market and to drive sustainability form there: to save money for the healthcare system and to increase the access for patients.

How would you assess the future of the Czech affiliate?

I strongly believe in our connection with Novartis, which gives us great confidence in the innovation and quality of our products. Thanks to our current position in the pharma market, presence in key therapeutic areas, great diversification of our portfolio and ability to deliver biosimilar products, I have no worries about the future and growth of the company.

As a company at the forefront of biosimilars in Europe, what is your view on the implementation of biosimilars?

It is a complex landscape to evaluate. From the business, patient and healthcare perspectives, it all makes sense to drive access to biosimilars, and I would certainly like to see more proactivity and faster responses from the system.

At Sandoz, we regularly meet with insurance funds in order to improve the understanding around biosimilars' advantages and advocate to accelerate the process.

What opportunities do you see in the Czech biosimilars environment?

The generics market is a very dynamic one; it is constantly changing, extremely fast-paced and hence, full of opportunities. On the hospital level, we see that national or joint tenders are an upcoming trend.

Biosimilars are a big opportunity especially for Czech patients. Patients' access to expensive biologics is limited in many therapeutic areas. Once a biosimilar enters the Czech market, we see increasing consumption of the drug because of decreased cost, meaning that more patients receive modern treatment. This is demonstrated by the usage of filgrastim, which supports treatment of oncology patients. The volume of filgrastim has been more than doubled from 2010 since biosimilars entered the market. The situation is different in the market for adalimumab where

biosimilars have quite a low penetration (up to 10 percent) after more than a year in the Czech market despite a waiting list for the biologic. It is obvious that the opportunity offered by biosimilars is not fully utilized. This situation could be improved if state healthcare authorities and payers were to give more public support to biosimilars

Sandoz has a leading biosimilar portfolio and pipeline in immunology, oncology and endocrinology. We market seven biosimilars in the Czech Republic in aforementioned areas with a mission to increase patients' access to biological treatment. We are continuously increasing stakeholders' awareness of biosimilars, shaping the environment towards better access and broader use.

What metric models do other European affiliates follow?

Looking to the West, the markets are focused on the commercial model. Looking to the East, they are on the Share of Voice model. The Czech Republic, meanwhile, uses a different model depending on the therapeutic area and the specific product. We make use of the insurance companies and placing the products on their positive list and have developed a hospital tender model – something unique to the country.

What are the main changes in the Czech health environment you are expecting to witness and be part of in 2020?

In 2019, we expected a few changes in the legislation and more broadly in the Czech health care environment that ought to have been realized as the result of a debate at the Ministry of Health the preceding year. However, most of them have not been implemented yet, and therefore we assume that only some of them will.

The pricing and reimbursement procedures in Czech Republic are one of the most regulated among the EU countries. If authorities simplified procedures, they would have the opportunity to concentrate on more important activities like regulation of very expensive products or availability of medicines. We have already seen positive signals in this direction and hope that some of the revisions and some further regulation instruments are going to be simplified.

Reimbursement is set based on the lowest price in EU. This rule may be fair but based on the current practice, authorities are considering countries where prices are well below the commonly adjusted prices in other countries and valid just for a limited period, thus tender prices. Due to this

reason, authorities exempted Greece from the reference basket a few years ago, and now we are negotiating through the association to remove some other countries. By doing this, we can expect more products on the market and hence more competition, less parallel export, and higher medicines availability for patients.

One of the very important regulation instruments is the Price Decree, which sets, among other things, the main rules of price regulation, and will be valid as from January 1st, 2020. It is very positive that, unlike in the past, we have the opportunity to make some remarks on the proposal. Our proposal aims to make the system easier and transparent. We expect a positive approach by the Ministry of Health in this respect.

How do you differentiate yourself from the local players?

Historically, local manufacturers have always been in a strong position on the domestic markets, but I must admit that we are very satisfied with our share and growth in the Czech market and believe in further improvement. The reason for optimism lies in the positive trend we see in our biosimilars portfolio aforementioned, planned entry into other key therapeutic groups, and our excellent and long-term cooperation with key subjects of the health system.

I consider the quality and availability of our products to be crucial for us. In this sense, there is absolutely no division between Sandoz and Novartis. It is vital for the patient to have access to high-quality medicine, whether it is a generic or an originator drug. This is something we would never compromise on.

How do you continue to motivate yourself and your team in the country?

I have worked in the pharmaceutical industry for over fifteen year, particularly in the generics business, and find it an incredibly dynamic ecosystem. What has kept me here for all this time is the potential I see in advancing medicine in the Czech Republic.

When it comes to our people, the visit of our global leadership team earlier this year was a fantastic example of cooperation between Sandoz, Novartis and Novartis Oncology. This cooperation and the fact that the whole commercial division works under the same roof and on the same floor here in the Czech Republic brings a lot of opportunities. It is extremely enriching for everyone to share their views with peers from other divisions.

We are currently putting efforts into becoming an even more flexible employer. Not only can our staff work from different areas of the office, but we also encourage them to work alongside different teams and to move to different countries at certain stages of their careers. This is one of the ways in which we try to stimulate their creativity and boost their ambitions within Sandoz.

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