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Miroslav Palát, president of CzechMed, the medical device association in the Czech Republic, and Jiří Pavlíček, who combines the responsibility of Chairman of the association and CEO of the medtech distributor Aspironix, share the challenges that medtech companies are facing in the country and the strategic direction that CzechMed aims to lead the industry toward.

Jiri, you have been present in the Czech medtech landscape for over two decades now, working for MNCs such as Johnson & Johnson (J&J). What made you pursue this entrepreneurial decision, establishing Aspironix in 2011?

Jiří Pavlíček (JP): My answer is very simple: I saw the opportunity to deliver quality products around the region.

I used to work at J&J before and it is a fantastic company. In around 2008, the then chairman was encouraging to boost the number of acquisitions and the growth of the company, pushing to create more of the value-driven business model. The concern was raised that customers would not be able to pay the price that innovative companies like J&J were asking for.

The idea behind Aspironix was also to build a true “Czech company”, truly committed to the country, in contrast to MNCs where ex-pats represent a very large percentage of the employees. Aspironix’s mission is to serve local customers, adapt to their needs, respect their budgets and provide them with the quality products they deserve. I built the company with a very American mindset and wanted to “think big” for the company. However, these ambitious words are not so popular in Europe or the Czech Republic as they are across the ocean, so I tweaked it to “Aspire for More”. This is how we got to the name “Aspironix”! To differentiate yourself you need to provide more value, which is one of the pillars of Aspironix’s value. Ultimately, we are here to help surgeons and nurses in their work and for patients to recover faster.

Could you please start by introducing Aspironix’s footprint and service offering?

JP: Aspironix is focused on two mains areas. First, is the commercial distribution of medical devices in selected therapeutic areas, for which we operate through our own offices in the Czech Republic, Slovakia and Poland, and through collaborators in Hungary, Belorussia and the Balkans. Second, we offer advisory services through our senior leaders’ expertise and a team of analysts. For example, we do specific business case advisory such as building up a business. We did this for Veolia, a French conglomerate and one of their 1 600 companies called ELGA LabWater which provides water purification systems for healthcare infrastructure and clinical laboratories. We built a business case using our local knowledge and expertise for the company’s implementation in the Czech and Slovakian markets. It was approved by the board and they loved it so much that they entrusted us to also build their local team.

What were the main pillars or priorities that you put in place when you founded Aspironix?

JP: Our four pillars are commitment, responsibility, respect, and transparency. We represent global leading brands and distribute their products across the territory, so we spend a lot of time understanding each other, and getting to know perfectly their products, processes, software, team, and values. Indeed, sales of medical devices require in-depth knowledge, as both practitioners and patients strongly rely on the brand and the quality it stands for.

Our unique winning proposition is to truly know our customers. This is our major focus as out of around 70 employees, more than 90 percent of them are salespeople and the average has more

than ten years of experience in the medical devices. Ultimately, we want all our customers and partners to feel like home when they visit the office. I am a strong believer in creating value by being transparent with our partners and this is something our customers often praise us for. Because of this close relationship we have installed between Aspironix and our partners, we are often asked to provide a more and more extensive geographical coverage for them. I am happy to be entrusted by our collaborators to the point that they want Aspironix to be their only distributor across the region.

Medical devices are an integral part of contemporary medicine. Yet, in 2018, medical technologies accounted for less than seven percent of total healthcare spending in the Czech Republic. In your position as President of CzechMed, how do you continue to communicate to the key stakeholders the added value medtech devices can bring?

Miroslav Palát (MP): There is a story behind each number. If you go to the countries with the highest healthcare spending per capita, you might get a number between five or six percent. Taking the example of the United States, even though the healthcare spending is high, it does not mean that the medical devices sector also gets a considerable part of this budget.

Regardless, if it is out-patient care or ambulatory care if you take away the medicines and prescriptions, what is left to provide care is medical devices. They cover a huge spectrum of conditions, from diagnosis to treatment. Stakeholders are aware that medical devices complement medicines and we are in constant discussion with the government, regulators, and payers to communicate what medical technologies are capable of and what they bring to the healthcare system.

We see that the Czech Republic is one of the most over-regulated markets in Europe, with increasing difficulty in market access and reimbursement procedures. How would you asses the market access landscape for medical devices?

MP: Well the first word that comes to my mind is complicated, as the medical devices sector is regulated at many levels. The entry to the market has a pan European component, as it first depends largely on European directives and regulations. Then the assessment of each product within the country is regulated by our local law on medical devices before entering the Czech market. Now if you want your product to be reimbursed by the healthcare system, which is a

precondition for business success, you must convince the Insurance companies.

Over the years, we see that insurance companies have too strong a decision-making power in allocating reimbursement levels for individual products. Of course, businesses need to adapt, nevertheless, we have considered discussing among executives of the industry through CzechMed that we would rather see simpler rules handed by government and the reimbursement level fixed by law.

After nearly six years, we managed to shift the competences of the insurance companies more towards the government, which applies for prescription-based medical devices. Soon, we aim to organize a similar decision-making process for hospital devices. This would be a great move toward predictability and transparency of how reimbursement of devices is obtained and a great asset for the members of the Czech medtech industry.

What are some of the projects or initiatives that CzechMed is currently introducing to the country that you would like to highlight?

MP: The CzechMed association is currently focusing on two different strategic directions: First, establishing reimbursement organization more toward the government, state, and law, and second, establishing value-based procurement.

JP: The medical device landscape is also way more fragmented than the pharmaceutical market, as at a global level about ten players are dominating around 90 percent of global the market. Therefore, the perception of medical devices is inherently complicated and that is why it is crucial to increase the market's predictability to favour understanding and profitability. Miroslav is also sitting at the board of the Confederation of the Industry of the Czech Republic, a voluntary, non-political and non-governmental organization that brings together employers and entrepreneurs in the country, and probably the biggest economical association in the country with a direct link to regulators and policymakers. He is the only one representing the healthcare system. We see it as part of our role to set up the future of the medical devices market.

To assess the country's activity in endorsing innovation, we consider the number of investments in innovation, the number of start-ups and the environment they are evolved in. It is very hard to make a name for one's self outside of the country, Linet being one of the few being globally recognized. I think that investment funds are opting for more predictable investments than the medical devices market. Therefore, it is crucial to implement simpler processes, facilitate the

understanding of the market and favour investments in this sector. Also, being in a part of Europe that has lived under communist influence, the vision of money may slightly differ from western countries. The stakeholders here are having a harder time understanding the value of the money and getting out of the reasoning that cheap is best.

Looking forward, what do you have planned for Aspironix in 2020?

JP: We want to be the best partner for our partners, in their opinion. To reach this goal, we focus on three critical areas. First, the development of a strong team, because their talents are driving the decisions and activities of Aspironix, so we dedicate plenty of time with the senior management to the last employee who joined so everyone feels engaged and blooming at work.

Second, the expansion of the product pipeline. Indeed, we see a lot of opportunities because, when the economy will slow down, many of the big multinational players will step out of the country. We are very much ready to capitalize on this opportunity and Aspironix is here to stay no matter the upcoming challenges. Last, receive more feedback from our customers; frank and honest feedback that would guide us to always improve ourselves and provide a continuously better service. This is the best way for us to have a full understanding of our customers' current and future needs.

In a 2014 interview, you commented on how you believe in the importance of constant learning. How do you continue to challenge yourself to always be learning?

JP: I believe the two big gifts we all have is health and the ability to learn. Therefore, we should not waste those gifts we were given. I am crazy about learning where reading is a big part of this, alongside formal education I participate in at least once a year. Every month we run an educational session of networking called "So It Has a Meaning". We invite inspiring speakers to talk about a variety of interesting topics. I always ask my kids every day about what they have learned during the day because I believe that a day without learning is a tragic waste.

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