Lars Georg Rust – Regional Managing Director North, Olympus



This region, and especially Denmark, is a beacon to the rest of the group for upcoming trends as well as a sandbox in which new solutions can be tried out

01.12.2021

Tags: Denmark, Olympus, Medtech, Endoscopes, Hospitals

Lars Georg Rust outlines Olympus' transition into fully-fledged MedTech company, the relevance of the Nordics and Netherlands to the global group, and some areas for improvement within the Danish hospital procurement process.

Having first divested its camera business, then announced the microscope division will be transferred into a wholly-owned subsidiary in 2022, Olympus is now entirely focused on the MedTech industry. Could you begin by outlining where the company stands today?

In January 2019, Olympus began its 'Transform Olympus' initiatives, aiming to become a global leading MedTech company. These initiatives were centred around looking at the global management structure, making better use of our global talent pool and look at optimizing our infrastructure and operations. In EMEA part of this journey already started with harmonizing the IT landscape, including Enterprise Resource Planning (ERP) systems across all countries with the aim of optimising and harmonising the company's processes and creating more transparency with regards to our end-to-end processes.

The goal is to become a *global leading MedTech company*. These words are being put into action with the selling off of our consumer division, and from next year our Scientific Solution Division

(SSD) – covering everything from microscopes to industry products – will be carved out and managed separately.

Lars, you have taken on an expanded role covering the entire Nordics and the Netherlands as well as Denmark, presumably due to the good performance of the Danish affiliate. How would you characterise Olympus' results in Denmark in recent years?

The introduction of colorectal cancer screening in Denmark six years ago was a massive boost for Olympus, as the market leader in flexible endoscopes, including colonoscopes. First, that boosted the number of procedures being performed, because everybody aged 50 – 74 was enrolled in a so-called FIT-test (faecal immunochemical test), that checks for blood in the stool. If the test reveals hidden blood, the patient will be called in for a colonoscopy. As with all screening initiatives, the more you investigate, the more you'll find.

In general, the trend across the Nordics is towards minimally invasive surgery and keeping patients out of hospitals as much as possible. It also means that surgeons and hospitals are constantly looking for new and improved treatment methods. Within flexible endoscopy we have clearly seen a trend towards a more therapeutic approach. The physicians want to do more and more with their flexible endoscopes. These products are not just diagnostic tools but are increasingly being used in treatments as well.

In general, technological advances and innovations must ensure that the health care system is reasonably able to cope with the increasing number of older people who will challenge the health care system in the future.

The Nordics and the Netherlands are all wealthy countries with universal healthcare systems. Are there any differences that influence your strategies in these markets?

The strategy is universal in that all of these countries, largely, rely on public healthcare systems. Around 90 percent of our revenues are generated from public healthcare, so in that sense things are quite harmonised. Across the region we see a slight trend towards private hospitals, but not an explosive one. Within the public healthcare system, we are seeing a trend towards consolidation of purchasing, where procurement is not just done per hospital but per region, or even across a specific country. In general, more non-clinical stakeholders are involved in the purchase. The days

when the doctor ordered his own equipment are over. Now it’s cost-focused Purchasers, Biomed Engineers, and other similar stakeholders. We constantly need to communicate and collaborate with both the clinicians and our non-clinical stakeholders in order to create a bottom-up clinical demand as well as a top-down non-clinical demand for our solutions.

Globally, Olympus has a market share of over 70 percent in reusable endoscopes. Is there much competition in this space?

Historically, there have been three traditional endoscope companies – Pentax, Fujifilm and Olympus. As it is a lucrative market, many smaller companies are emerging to provide especially consumables and other products surrounding endoscopy as well as laparoscopy. 6 years ago, maybe 4-5 suppliers participated in an endoscopy consumable tender in Denmark. For the last consumable tender in Denmark, more than 12 suppliers participated. This consumable market that covers everything from biopsy forceps to guidewires and baskets is large and growing, especially as endoscopic treatments become more widely used in surgeries as well as in diagnostics. Competition in this area comes primarily from smaller Asian (e.g., Chinese) companies represented by local distributors.

In Denmark we are well-established with a direct presence, in proximity to the customers and a local service organisation, in order to provide maximum value to our customers. Across the North Region our competitors are often minor distributors. Therefore, our focus is on making sure that the additional value we bring is well known, and that we are seen not just as a supplier but as a trusted partner. This means that we provide the products and solutions but also training and education, to develop the department and the medical speciality, which can be difficult if you are a small distributor.

We have heard that Denmark puts a lot of emphasis on having high-end, best-in-class equipment and advanced facilities, but perhaps lacks in process optimization, education, and the total patient pathway. Would you agree with that assessment?

Partly! We need to be able to prove the clinical evidence and/or a health-economic effect to be able to succeed with implementing new technology. The industry generally focuses more and more on complete healthcare solutions such as value-added services. It is not only the treatment that is in focus, but it should also preferably be the complete patient flow.

Due to the current Health Care investment structure, despite studies, it is difficult to succeed with arguments for new technology such as patients being able to go home earlier. If a hospital has purchased an expensive piece of equipment, they need to use it for a certain number of years, even if updated innovations are launched in the intervening years. This creates somewhat of a blockage to the implementation of new innovative technology.

For this reason, we are all looking towards value-based healthcare and ensuring that value is not only related to price. Without a move away from this, there will continuously be bulk purchases every eight to ten years. In the future, I foresee new financial models emerging to support value-based healthcare such as ‘pay per procedure’, where the focus is more on the cost of the procedure and the benefit for the patient instead of the cost of the individual product/solution.

To counter that, how much of a real step change are the innovations being brought forward and what is the issue with hospitals retaining the same equipment for several years?

One important question is whether the hospital itself *needs* to own this expensive equipment. Might it be more relevant to look at the procedure being performed? Additionally, important breakthroughs such as artificial intelligence (AI) need to be integrated now. Because of that, I am happy that the newly founded Danish Treatment Council has picked AI for colonoscopy as an area to be assessed and analysed in 2022.

Data is the future and artificial intelligence will serve as a decision-making tool for clinicians. In Denmark, we are exceptionally good at collecting health data, but not at using them. It will be a shame if we do not use them to create good technological solutions.

For Olympus, AI is about making detection more efficient, increasing the detection rate, reducing false positives, and thus making the procedure more person-independent. When the endoscopists are at their eighth colonoscopy, it would be a shame that the success rate depends on whether you were one of the first or one of the last patients.

In terms of demand, there is a clear move towards a more solution-oriented model in terms of the treatment as well as the processes surrounding the treatment. This will lead to greater integration of software within MedTech companies, that have traditionally been associated with physical products.

What is the relevance of the Nordics and Netherlands cluster of relatively small markets to the global Olympus group?

Culturally, the Netherlands are quite similar to the North countries, so grouping that market together with the Nordics gives us a louder voice when highlighting healthcare trends. Many of the most significant trends in healthcare begin in these countries due to their ability to invest in new technology. Robotic surgery is a good example; I believe there are over 28 surgical robots operating in Denmark today. Another area in which the North countries lead is sustainability and the taking of responsibility to not only do good for the patient but also the environment. This is backed up by the fact that in these countries we have the capital to invest in these areas.

The countries in this cluster are also ahead of the curve in terms of public-private innovation projects. The digitalisation of the healthcare systems will open up for new technologies and new “players” in the market. Public-private innovation partnerships will be important in the pursuit of new technological solutions that can help to ensure an efficient healthcare system also in the future, where the demography will continue to be a significant challenge.

While it is not always easy to go to global headquarters and ask for small countries like Denmark to be prioritised, it is a good place to do studies, there is a very high sense of trust, and it is highly digitalised. This region, and especially Denmark, is a beacon to the rest of the group for upcoming trends as well as a sandbox in which new solutions can be tried out.

See more interviews