

Interview: Andreas Abt, Managing Director, Roche, Spain



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As a leading company in the hospital sector, Roche Spain undoubtedly felt the effects of austerity measures imposed by Spanish health authorities since 2010. Nevertheless, the affiliate has remained in the top ten for Roche's sales worldwide and continues to be a very strong investor in Spain for R&D and manufacturing. Andreas Abt, managing director of Roche Spain, discusses how the subsidiary has overcome market challenges and maintained its commitment to the country.

What durable changes has the crisis brought to the pharmaceutical sector overall?

Even before the crisis, a change in the sector was necessary. From the perspective of industry and Roche in particular, we are in the business for the long-term. This requires a sustainable model and that was what the sector and us too were demanding. Spain has one of the highest per capita consumptions of medicines, especially in primary care, which is perhaps not always scientifically necessary. As such, we will see significantly reduced growth momentum for the coming years. The challenge is that access to innovation is significantly delayed. While Spain needs to get its act together to ensure that spending is at an appropriate level for the country, it is also necessary for innovative products to be approved under reasonable terms.

What were some of the personal changes you had to make, having arrived just before the crisis started?

The total pharmaceutical market has experienced a 20 percent contraction. Roche had to adjust its structure due to government measures imposed, including a seven and a half percent price discount in 2010 that hit everybody. We also lost an important product in primary care. Since then, we have tried to weather the storm, so turnover has decreased less than the market. Of course we have also given priority to getting paid, since accounts receivable were reaching unsustainable levels. Spain

owed Roche a significant amount at the end of 2011 in unpaid bills between our pharmaceutical and diagnostics divisions. Here I must give credit to the Government elected in 2011, who established a plan to raise €32 billion to pay providers in a number of different industries under the leadership of Budget Minister Cristóbal Montoro. This plan provided significant relief for the industry and was very important for this affiliate in order to demonstrate to our headquarters that the country is going through difficult times. Simultaneously they are serious about stepping up to their obligations, which was very helpful for us. It had a big impact on our headquarters and in general for the image of the country.

You have been quite vocal for changing Spain's current pricing system for medications. Can you elaborate on the concept of per milligram result, and what the long-term affect would be?

We pursue this idea as a company, as we are convinced that the reimbursement model must change for certain products with high economic and therapeutic impact. Presently, a payer pays per vial; but for specific products with different indications, more than one vial may be required. The value of a product might not necessarily be related to the dose, and if the dose increases two or three times between two indications, the value to the payer might not increase at the same rate. Therefore, the value of one indication might be underpriced, and another might be overpriced. We want to move to a system in which the payer can pay per indication or even for a result for certain products. In this way, the value is not related to the number of vials a patient consumes, but rather to an indication or outcome. Roche strongly wants to embrace this idea of personalized reimbursement models, and while it is a mid-term initiative, we are constantly working to develop this in Spain, Europe and the world.

What can the private sector do to ensure that private investment in R&D is happening, and what is Roche doing in this regard?

I think Roche is leading the way. One of our key challenges is proving that Spain attractive for us to maintain this investment. With a stable scenario, we can commit to the country. If pharmaceutical companies do not get reasonable access to innovation in Spain in terms of time and price, innovation or investments will be harder to maintain. Roche has nevertheless sustained a strong image in the country; we have kept our annual investment of €46 million in R&D solid, and this has not changed prices of our products. In 2012 and 2013, 18,000 patients were recruited in Roche Spain's hospital care portfolio for 270 clinical trials in over 200 hospitals using more than 50 new molecular entities. This is clearly a huge investment that we plan to maintain. Therefore, the current reimbursement issues need to change, as they are not justifiable for patients, doctors and companies in a country like Spain.

What are the competitive strengths of Roche Spain's manufacturing facilities?

Not only do Roche Spain's facilities have very highly qualified people and a great management team, the company is actively investing in them. Between 2012 and 2017, we will invest almost €50 million in manufacturing facilities, and thus these centers will be at the cutting edge of the latest technology. Essentially it is a mixture between people and investments. We also have a global IT service center with over 300 employees, one of the few such hubs that Roche has worldwide, and we are expanding this facility as well.

Roche recently joined ASEBIO, and also recently entered into an R&D partnership with local genomics company Oryzon. What do these activities communicate in terms of Roche's commitment to the industry?

I think it is a pretty strong signal; Roche is a biotech company, albeit a very big one. In fact, it was one of the first companies to really bet on biotech. I joined Roche in 1995, and back then the senior management team was always talking about personalized medicine. It took a long time, but the company's focus and passion for personalized medicine has resulted in a number of amazing products and today almost every R&D project has a biomarker. It is a strong signal in the sense that the biggest biotech company in the world has joined Spain's biotech association. We are committed and obsessed with innovation, which we will look and strive for wherever we can find it. Oryzon is a testimony to that pursuit, as well as the quality of the Spanish R&D. It is the first time that Roche chooses a Spanish company to partner with and it is yet again proof of how much we believe in alliances for research, just as much as we commit to in-house projects. These decisions are not made out of preference for a country, but Oryzon happened to be here and this is a major deal for Roche, garnering lots of local and international attention.

What efforts is this affiliate taking to improve the health outcomes of Spanish people using personalized medicine?

We have Instituto Roche, which is actually dedicated to advancing personalized medicine. This institution is very active in the field through conferences, publications, books, etc and has a very big impact in Spain and in Latin America. The website of Instituto Roche has tremendous utilization and very high visit rates. We are very active here, and we also have closed an agreement with the National Cancer Research Center for early research, which will take years to bear fruit.

With so many investments, do you think Roche is leading the way for other big pharma established in Spain to invest in the country?

We are. We invest a lot and have demonstrated a significant commitment to the country, as long as the market keeps certain attractiveness. But we are committed to Spain and we are not here for the short term. We will not make rash decisions just because of a crisis or fluctuations in the market. Roche is not the only one but is probably one of the better cases or role models for Spain that exists.

What defines your commitment to Roche?

I am a physician by training. I like science and I enjoy contributing to the improvement of people's health and lives. For me, Roche is a fantastic company in many aspects but especially in its dedication to science and making a difference in people's lives. Many companies have a similar goal, but this kind of dedication and obsession is quite unique. I was very fortunate to have great leaders and mentors in my early days at Roche. Combined with the fantastic opportunities this company offers, as a result I have been with Roche for almost 20 years, but it does not feel that long.

What are your expectations for the pharma industry as an investor in the country's research capacity, and what role will Roche play in the next few years?

I think Spain is a very important and attractive pharmaceutical market, and I am convinced it will stay that way. Some markets might grow faster but Spain will remain a key market worldwide. Roche is a leading pharmaceutical company in the world and Spain, and we want to lead in the contribution to the country's sustainability. We are convinced that certain things must change, and we cannot sit idly by; we want to be a very active player, partner and leader of this change through new ideas and initiatives.

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