

Interview: Dmytro Spitsyn – General Manager, Teva Ukraine



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Dmytro Spitsyn, General Manager of Teva Ukraine, which proudly stands as the largest international company operating in the country, documents the challenges he faced and the strategies he implemented to overcome the 2013 crisis in Ukraine, while Teva has been positioning itself as a company committed to increasing life expectancy in the country as well as a partner of the government, at the moment an unprecedented set of reforms is under legislative review.

Ukraine has indisputably gone through challenging times over the past three years. What would you highlight as the most impactful dynamics that have affected Teva Ukraine since the beginning of your tenure in July 2014?

My appointment at the helm of Teva’s Ukrainian office coincided with the beginning of the deep geopolitical crisis that our country has been experiencing over the past few years. As general manager, operating within such an unstable and challenging environment has been a unique experience – to say the least.

The healthcare sector as a whole was not spared from the crisis. Back in 2014, Teva Ukraine was focused on the retail market, whose performance is linked with the level of purchasing power of the population. The latter was strongly impacted by devaluation of the Ukrainian hryvnia [*the exchange rate versus the US dollar decreased more than threefold between the beginning of 2014 and mid-May 2017, ed.*], in a country where out-of-pocket expenses make up more than 85 percent of all medicine spending. Overall, the value of Ukrainian pharmaceutical retail market decreased from around USD 5 billion in 2013 to USD 2.3 billion in 2015.

We however concentrated our efforts on identifying new ways to bring medicines to Ukrainian patients, while Teva's headquarters provided us with the flexibility and autonomy we needed to rapidly take strategic decisions at the local level. In particular, we revised our portfolio strategy, which allowed us to further consolidate our market share.

Taking into account both organic and inorganic growth, Teva's market position moved from the twelfth to the fifth rank between 2013 and 2017 in Ukraine, and Teva is now the largest international company operating in the country from a sales standpoint [according to Proxima Research, 2016, volume of sales in the pharmacies, e.d.]. We also hold the largest product portfolio, with around 500 medicines in almost all therapeutic areas. To further propel this dynamic, we continue alignment of Teva's global strategy, whose main pillar is to foster the access to high-quality healthcare solutions, with the expectations of the local ecosystem, in a country where broadening patients' access to life-changing medicines stands as a critical necessity.

As you just mentioned the inorganic growth that has stimulated the growth of the Ukrainian affiliate, how have you been advancing in the integration of the Actavis portfolio in Ukraine?

We started working on the integration of Actavis in Ukraine as soon as this acquisition was announced in August 2016 and this process is now almost complete. Overall, the integration has almost doubled our staff and Teva now has around 500 employees in Ukraine. It has enhanced our operational structure, our commercial processes and our coverage of the country.

Teva indeed holds one of the industry's largest product portfolios at the global level. As general manager, how do you distinguish how many and which products should be available locally?

There is high need for quality health services in Ukraine. Access and quality of care are relevant for all. Life expectancy in Ukraine is more than 10 years less than the EU average, adult mortality rate is significantly higher than in the EU, and over 25% of adult population has a chronic disease or condition.

That is why we support the healthcare reform; we believe that it can change health outcomes in Ukraine. For example, Teva Ukraine was one of the first companies operating in the country to confirm its participation in new reimbursement program [covering 21 International Nonproprietary Names (INNs) in three therapeutic areas: asthma, cardiovascular diseases, and diabetes, e.d.] that became operational on April 1st 2017. We provide 12 out of 157 medicines covered by the program. Our involvement actually marked a significant shift in our portfolio strategy, as we used to be essentially focused on the retail market. As from 2017, we started to tailor our portfolio to better meet the expectations of the government.

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Looking forward, we are also anticipating broadening of the reimbursement program. The next steps can be increasing the number of therapeutic areas, adding new molecules and combinations, improving price reference mechanism and introducing quality requirements as additional criteria for reimbursed products. In this view, it will be absolutely crucial that all stakeholders involved are provided with the opportunity to conduct and share their own assessment of the current system, before jointly working on its improved version.

What is your assessment of the government's eagerness to involve the industry in the design of this pioneering reimbursement mechanism?

The government has been particularly progressive regarding its approach to the industry. Furthermore, the government has so far been following a remarkable project management approach, as the overall project was designed and implemented in a particularly time-efficient and professional manner. As a company, Teva was taking part in working groups of international business associations, focused on development of reimbursement program. I now expect we will start working on an updated version of the current mechanism alongside other market players in the second half of 2017.

As you know, an unprecedented number of health reforms are currently under way, and our country's health system has more significantly evolved over the past 24 months than it did during the years of independence. The leadership of the Ministry of Health is taking active steps towards transforming health financing, modernizing primary health care, creating transparent benefit package for patients. Bringing these reforms to life represents an enormous task which cannot be accomplished without the strong commitment of healthcare companies, foreign investors, local and international NGOs, and experts.

Let me give you another example. One of the key pillars of the government's reform plan relates to healthcare digitalization, e-health. This aspect encompasses the set up of a long-awaited national registry of patients, as well as the implementation of digital healthcare records which ensure portability and usability of the records and secure access to the information, without forgetting the the development of big data management tools. In all these areas, Teva holds knowledge and experience forged in different health systems in the world, as we operate in over 100 countries. In Ukraine, we have signed three Memorandums on cooperation with the MOH e-health project team. We are happy to partner with the government by sharing best practices in this area - such as the Israeli system - as an example of innovative digital health ecosystem.

How do you plan to adapt Teva's operations to the increasing importance that this reimbursement program could take?

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After having completed the transformation of our portfolio position, the next step will imply to relatively evolve our business model. The most important parameter to consider will be the level coverage that this reimbursement program could reach. For 2017, we assess that it will account for less than three percent of the total market value, which is still insignificant. According to our estimations, its coverage could increase up to 30 percent within the next decade. As a result, we will have to find the right balance between our Rx and OTC divisions. The latter makes up over 50 percent of our sales in Ukraine today.

In order to fine tune our market approach, we have already reached out to our colleagues in Poland and Romania, two countries that experienced similar structural changes around fifteen years ago. We can then build a better forecast of the potential evolution of Ukraine's reimbursement system and build predictive models which will help better adjust our organization's business model, especially for our prescription products.

In Ukraine, our objective is to place ourselves in the top three companies within the next five years, and - potentially - become market leader within the next decade. On the other hand, one should not overlook the fact that mergers and acquisitions can transform the industry landscape, as domestic companies may stand as appealing targets for potential investors. If the government implements the right measures to support foreign investors, I believe it will open the door to new acquisitions in the Ukrainian industry over the upcoming years.

You are heading the largest international pharmaceutical company operating in Ukraine at the moment your country's health system is experiencing historical changes. What do you want to be Teva's contribution to the bolstering of these promising dynamics?

I want to ensure that in a few years we hold clear evidences that Teva has contributed to an increased life expectancy in Ukraine. Teva has managed to accomplish this incredible objective in other countries, such as in the US, where one out of every six generic prescriptions is filled with a Teva product^[1]. I want Ukraine to join these countries where people live longer, healthier lives, and I want Teva to be one of the main catalysts of this highly needed improvement.

[1] http://tevapharm.com/teva_worldwide/americas/

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