Interview: Valters BolÄ?vics â?? Executive Director, The Association of International Research-based Pharmaceutical Manufacturers (SIFFA), Latvia

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SIFFAâ??s Valters BolÄ?vics discusses Latviaâ??s competitiveness in embracing medical innovations, current healthcare reforms, and the countryâ??s enduring potential as a pharmaceutical investment destination.

The Association of International Research-based Pharmaceutical Manufacturers (SIFFA) was initially founded in 1996 to act as a united voice for five multinationals that had penetrated the local market. Could you please introduce the scope of your activities today?

SIFFA, today, gathers together 19 innovative pharma developers. We are one of the strongest associations in terms of policy follow-up and our ability to shape the future of Latvian public health. Being mobilized in this way enables our members to speak with a unified voice and have more of an impact than would otherwise be the case. Not only do we represent the interests of the industry, but also we act as an advisor to the authorities and parliament in developing the local healthcare ecosystem and as a knowledge hub for innovative medicine. As such, we are consulted on any prospective changes to policy or legislation affecting pharmaceuticals and the provision of public health. Our overarching mission is to assist in the creation of a sustainable and financially viable local healthcare environment in which Latvian citizens have ready access to latest generation, best-in-class therapies.

How competitive is Latvia when it comes to embracing novel medicine?

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The time taken to secure market authorization is about the same across the three Baltic nations. Weâ??re talking about a difference of a few months at most. The main concern has been about the time taken to reach decisions on reimbursement and the budget allotments given over to public health. On both scores Latvia has performed below average relative to EU averages and also compared to Lithuania and Estonia. According to the OECD statistics, Latvia ranks second from bottom in the amount of public money being channeled towards healthcare (EUR 1071 per person, OECD, 2015).

More also needs to be done in terms of introducing genuine health technology assessment (HTA) criteria that enable the NHS to determine true value when making decisions on reimbursement. Payers need to understand that it is not just the upfront cost of the drug that matters, but the whole package of care associated with a medicine. In other words, what appears to expensive might actually represent best value for money when one factors in the associated care required and the ability of the drug bring patients back to health to the point where they can become productive members of society again. We do detect some progress on this front. We have been interacting closely with the authorities and feel they are beginning to understand the importance of investing in types of medicine that actually heal as opposed to just prolonging illness.

What is your assessment of the current healthcare reforms then?

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The government is in the midst of implementing a sweeping reform package, which includes injecting almost EUR200 million more into the public health system. This is fantastic news both for patients and for innovative drug developers who have been impatient to bring cutting-edge therapies to market. In recent years, one of the main barriers to introducing latest generation medicines has been the high out-of-pocket payments shouldered by patients and the paucity of state funding being directed towards public health. This new budget allocation will go a long way towards addressing this imbalance and therefore the current mood is very optimistic.

The important thing, right now, is that the new legislation is properly implemented and that this will not be a one-off payment. The government has indicated that it not only be spending big this year, but also in subsequent years to come and we feel that this going to be essential to sustaining the momentum. What reassures us about the incumbent administration is that they realize that health care spending is â??an investmentâ?? in the wellbeing and overall performance of the nation rather than just a financial burden that has to be met.

It is also crucial that the new funds are spent wisely. We will therefore be presenting ourselves as a partner to the authorities in advising them on how they can generate the biggest bang for every buck expended and how they can maximize their outcomes through shrewd choices and minimal wastage.

Why do you think this reform was so long in coming? Why only now?

Safeguarding our national security has been at the top of the governmentâ??s agenda and that has meant fulfilling our obligation to pay 2 percent of GDP to NATO. The incumbent administration has also been very keen to show itself as fiscally responsible and to balance the books so they have been keeping a tight grip on the purse strings.

You have to remember that in the late 2000s, Latvia experienced a severe economic recession in which GDP dropped a full 18 percent in 2009, which was the biggest GDP drop in a single year in the world. As a nation, we were borrowing on the international markets so as to make up the shortfall and maintain our spending targets and that essentially meant expending money that wasnâ??t ours. Soon we found ourselves in an unsustainable situation where we needed to pay off creditors and spend more just to maintain the same level of investment in sectors such as healthcare. Naturally, having endured this hardship, Latvians tend to be keen on the idea of fiscal restraint and responsibility and this is reflected in prevailing politics.

The government has adopted a stepwise, sequential approach. Third in priority after national security and the economy, is health policy and that is precisely why we have been seeing a tranche of new reforms including the passage of a Healthcare Financing Bill and the roll-out of a digital agenda for healthcare including e-prescriptions. We are therefore confident that light is at the end of the tunnel. By our own calculations, todayâ??s reforms will have their biggest impact around 2022. There is therefore a lot to be looking forward to.

Given all that is happening, how prospective is the Latvian life sciences sector in the eyes of your members and other international investors?

Innovative pharma companies tend to be very positive about the business outlook in Latvia. Quite a few of our members have been investing in new office space and expanding their in-country human capital base in expectation of increased business. One or two have even been relocating some of their Baltic-wide functions to Riga and using Latvia as their regional headquarters. Those looking towards the future are clearly anticipating an upswing in activity.

Other than an expansionary marketplace, what would you consider to be the main drivers behind such developments? In other words, what makes Riga an appealing choice for establishing a regional Baltics headquarters if you are an innovative pharma multinational?

Usually there is a financial incentive that goes beyond market size, because Lithuania is actually a more populous country than Latvia. When it comes down to economic fundamentals you will discover that the Baltics are really quite similar: labour productivity is attractive and though there will be small differences on specific taxes, when you consider the overall tax regime and burden for companies then you will find that the three countries are more or less in line.

The big advantage of Latvia is our geographical positioning right in the middle of the Baltics. From a logistics perspective it is always going to be more efficient and cheaper to be based out of Riga if you are striving to simultaneously cover the Latvian, Lithuanian and Estonian markets from a single affiliate.

Nor is it lost on investors that Latvia possesses a strong manufacturing and life sciences legacy dating all the way back to Soviet times when 25 percent of all new drugs designed and 1 in 4 medical products fabricated within the Soviet Union actually originated from here in Riga. This means that we are blessed with an excellent scientific technical knowledge base and technically orientated universities that make the task of sourcing skilled human capital comparatively easy. Of course, the continued presence and high performance of indigenous generics manufacturers such as Grindex and Olainfarm, many of which were originally SOEs that were privatized in the 1990s, also helps to create a spillover affect meaning that we have an abundant labour pool of scientifically astute talent.

Finally, Latviaâ??s longstanding function as a gateway between Western Europe and Russia can also be leveraged. Nowadays Latviaâ??s main export partner is the European Union, meanwhile there is a long tradition in using Riga as a bit of an entrepÃ´t to simultaneously conduct business with East and West. It is no secret that Rocheâ??s presence here in the 1920â??s was primarily about utilizing Latvia as back door into the Russia market when in-country operations in Russia were impossible.

Looking forwards, how would you describe the associationâ??s top priorities for the future?

Firstly we want to convince the government to attain parity with the other Baltic States in terms of expenditure on innovative medicine for the next three years. Secondly we want to gain recognition as an official partner of the Ministry of Health at the biannual strategic board meetings. Thirdly we seek to shape future policy developments in certain specific therapeutic areas, last, but not least, we want to help shift the paradigm in how the state apparatus calculates the value of novel therapies by partnering with the state to pave the way for proper health technology assessment. Already we have cultivated a very productive and respectful relationship with the authorities and we eager to reinforce this and develop it further.

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