

Interview with Bogdan Bradosche, Finance Minister of Active CEO, Roche SA

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South Africa is at the moment one of the world's most exciting and dynamic markets at the moment as Mr. Omar Ehsan was telling us, the most exciting market he has seen in years. Mr. Fagan was telling us this morning how privileged he is to be part of the change, instead of reading about it like some of his European counterparts. From your perspective, as the General Manager of Roche, what is exciting in the market today?

The changes in the healthcare environment as well as the planned reforms are of major interest in the South African health landscape today. We are looking to making a positive contribution to the planned reforms.

It is certainly heartening to be here and witness first-hand how a country is evolving in its quest for development.

Inevitably, there are also challenges looming in the horizon to overcome. The country, for instance, does not have a national health insurance in place resulting in a situation where people rely on private insurance. There are also serious questions around the funding of and financial sustainability of the proposed future national insurance primarily due to high unemployment rate.

Looking at the Green Policy Paper however one gets an immediate sense of how ambitious the plans are, and the enormity of the work that still lies ahead. I thus feel privileged to stand witness to such ground breaking reforms and certainly look forward to making a meaningful contribution in support of the greater goal of ensuring universal access to quality healthcare.

A booming and changing market often mean a challenging environment. As a business man, what keeps you awake at night and keeps you looking at your blackberry on the weekends?

The only thing affecting my sleep is all the energy and excitement around the changes we're making to deliver the promise to patients.

On the business side, however, it remains absolutely essential to enlarge patient pools and access of patients to our innovative medicines. Whatever we can do to make progress or make a breakthrough, ensuring that our products become more affordable to patients, we strive hard to get there. This is what actually makes me tick all of the time.

Roche has a specific profile relative to other pharmaceutical companies, our key differentiator is our strong innovation culture. In the past, when we used to be more diversified, we purposely put a focus

on streamlining businesses and operations which were not central to what we want to do. We have refocused ourselves on addressing unmet medical needs of patients. This in essence translates to industry leading investment into innovative therapies that improves the quality of life.

Obviously these highly innovative products come at a cost. How do we make the products affordable and accessible to patients in South Africa? We know there are a lot of patients who could potentially benefit from them but there are limitations because there is no national health insurance except for the meagre coverage in the private insurance sector. Of the total population of 48 million, there are an estimated 8 million South Africans that have private medical insurance, with the rest of the population equally exposed to the burden of the disease.

You have mentioned the National Health Insurance (NHI), even though it's a 14 year project, how are you preparing Roche to it at the moment, and what challenges and opportunities do you see for Roche?

We are monitoring developments in this area very closely and we definitely discern potential opportunities, especially in the public-private partnerships space.

As early as 2010, for example, Roche undertook and completed a project to revamp the adult oncology ward in South Africa's biggest public hospital – The Charlotte Maxeke hospital. This initiative, amongst others, remains a clear demonstration of our commitment to cancer care in South Africa. This type of partnership, whether it is in oncology or dialysis for instance, is very valuable and can contribute a lot to improve patients' access to medicines and the delivery of medicines in a good environment.

There are big gaps in healthcare standards between the public and private health sectors, especially in the area of infrastructure provision. Bringing up the standards in the public sector is but one of the critical improvement areas the Green Policy Paper articulates.

What are the main therapeutic areas that are your priority at the moment?

Roche has a very strong, unmatched, peer- leading oncology portfolio. We have products like Avastin, Herceptin or Tarceva, addressing treatment of different types of cancer. We have a very strong renal franchise for dialysis and pre-dialysis with Mircera and Neorecormon. We are also present in other areas like Hepatitis B and C, transplantation, rheumatoid arthritis.

Innovation for us means new indications, new delivery systems, or new molecules in new therapeutic areas. Roche has been traditionally strong in Central Nervous System (CNS) and we have a whole new range of molecules which are being prepared for potential products launches in the future in this area. We also have products in development in others areas like dyslipidemia. We have a very strong and rich pipeline containing a number of new molecules.

The company enjoys 3-4% market share in South Africa and you are ranked among the top ten in the total pharmaceutical market. What would you say are the strategic and historical factors that explain Roche's strong position in South Africa?

Roche has been present, as a legal entity, in South Africa since 1947. We have built a strong quality reputation over the years with the successive generations of innovative products which we have brought onto the market.

More strategically important perhaps is that at Roche, true to our innovation culture, we strive to develop novel medicines and diagnostics that will help patients live longer, better lives. We constantly strive for scientific excellence so that we can continue developing effective therapeutic

options where previously there were none. This is certainly the basis of our competitive advantage.

There are two main divisions; what is the breakup of revenue between diagnostic and pharma?

It is roughly half and half.

What distinguishes Roche from peers is perhaps that we were one of the first companies to recognise the potential of personalised medicine. Today our expertise in molecular biology is enabling us to develop targeted medicines for specific patient groups. This contributes to better, safer, more cost-effective healthcare that benefits all the stakeholders.

Going through the whole span of healthcare services from prevention to detection and to treatment research will increasingly allow people to detect if they are prone to have a particular ailment, detect if they have indeed that disease, get the right treatment for it, and get the right test to assess the progression of treatment, making the odds for healing a high probability.

Diagnostics also has a very specific contribution to make to the development of a medicine, starting with the early research process and the subsequent development of the pharmaceutical product by allowing us to target molecules which eventually become medicines. We strive to develop a companion test with every product we develop.

While medical progress has made great advances in the past half of the medicines that are brought to the market nowadays still do not have the effectiveness which is expected or will show significant side-effects. By providing a targeted screening of patient groups, we actually manage to qualify patients to predict in a more precise that our medicine will work with a sub group of a specific patient pool. We detect specific mutations of genes where we have established a high predictability that our medicine will work. This provides a big benefit to the patient allowing the patient to focus on effective treatment and avoid unnecessary costs.

It also provides benefit for the payers because they know they will pay for effective medicines. It will actually have decreased the cost of treatment because we know it will work without wasting money on treatments that do not work.

For instance for treatment of Hep C which has four types of viruses, we can identify how likely our product is to cure and in what time-frame. We are able to make more precise predictions regarding the outcome of a disease and the outcome of a treatment. For osteoporosis, we will be able to test for instance by using a product such as Bonviva, we will measure the progress of the treatment. In the case of oncology, we are able to assess whether or not a medicine is indicated for a specific type of patient.

For instance, a HER2-positive related mutation in the case of breast cancer, or a BRAF mutation in skin cancer will be predictive for a specific medicine to be effective. We are fortunate to have both the test and the medicine to give our patients the best chances of cure and survival.

What is also amazing is the time our products take to reach the market. Because they are so targeted and the results are so fundamentally different from what we have seen before, these impressive results also convince regulators to shorten the approval process. It is very rejoicing to see that patients can benefit much quicker than they would have otherwise.

We are at the forefront of innovation and of drug discovery. I am very proud to be part of the Roche Group and to work for such a successful company. The question obviously when you arrive in South Africa is how to take all these fantastic results of research which are transformed into new and innovative products and make them available here in the local market.

Innovation is one side of the story and the other is loss of exclusivity issues. The expiration of patents, a historical poor pipeline to replace them and high cost to develop new drugs are issues faced by the innovative industry. How do you assess Roche's capacity to reinvent itself in this market and to resist the high generic competition?

Roche has in fact a very strong pipeline, hence we tend to be relatively less exposed than other companies to patent expiration.

In some cases such as Zelboraf indicated for metastatic melanoma, Roche has managed to reduce the time to market dramatically. The results of the clinical trials with this drug were so impressive for a disease with such poor prognosis and so few treatment options that there was no point for Regulatory bodies like FDA in waiting any longer with releasing it to the market.

That is a response to patent life. You can extend patent life, if I may put it that way, by shortening the time to market. This is why we are so eager to embed diagnostics into the process of the development of the drug because it will give it a boost and prolong patent life by shortening development time.

To what extent do you see South Africa as a spring board to the rest of Africa and what is the importance of African markets in your country portfolio?

Africa is the last continent where, in the future, there will still be a lot of developments and progress to expect. There are a lot of opportunities for development. As society progresses and standards of living increase, all of this brings about changes and new diseases that were not so prevalent before. In that sense, the demand for medicines in new therapeutic areas will increase here as well.

South Africa has developed skills which we want to transmit to the north and this is why South Africa is a management center for the Sub Saharan Africa. We take every opportunity to have our teams exchange views, harmonize technology platforms. For example, we are at the forefront of technology by developing marketing platforms which are based on iPads. This will eventually migrate to other parts of Africa. The skills which we acquire and test in South Africa will allow us to move further into other Sub Saharan African markets.

What are the implications of the Black Economic Empowerment for Roche? How have you integrated the transformation process within the company?

We are getting more and more active on this. We are not exactly where we would like to be, but we understand the need for change, and we will adopt a transformation strategy which will help us to keep focus on precisely obtaining the best possible score that we can. By taking a very systematic approach, we can analyze the different areas where we can improve our score.

We can become stronger on skills development for instance. We can't change much on the shareholding, but procurement is a big area where we can improve. We are in category four, but our aim is to keep improving.

On a more general note, how would you describe Roche's commitment to the population? I remember portraying in 2005 the Roche Phelophepa Healthcare Train as such an amazing story.

Phelophepa is an important part of Roche's CSR investment in South Africa, and we are very proud of the positive impact this initiative has had on the lives of so many South Africans. When our partners at Transnet approached us about introducing a second train, we were happy to increase our level of support, being aware of the significant impact Phelophepa II will have on delivering primary healthcare to South Africans living in rural areas.

In fact, we are proud to be one of the first companies to provide external funding and support for Phelophepa.

On the strength of this long history Roche has in South Africa and the legacy you mentioned as well as its rich pipeline, what growth opportunity have you identified for Roche in the next three years?

Well, we will definitely be growing.

Most of all, we want to ensure that patients have access to our medicines. I will be very happy to see the evolution in the number of patients treated. How many more patients will be able to enrol in different programs that we have? How many lives are we going to save? The rewards which come out of that will be there, without specifically looking for them.

Any initiative, any change in reforms, and any change in pricing are welcome in as far as they help increase the patients' access to medicines and to innovative medicines and to meet a need which otherwise could not be met. In that sense, this is what matters to us in the frame of the next three years. We will continue to monitor healthcare reforms and we remain confident and optimistic that this is a great step forward for South Africa.

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