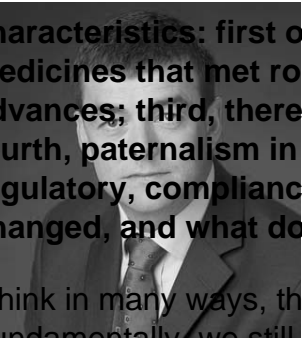


Interview with David Gallagher, Managing Director, Pfizer Ireland

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“In the old days”, the pharma business had the following characteristics: first of all, it was a molecule-driven business, fueled by blockbuster medicines that met robust medical need; second, there was a promising pipeline of medical advances; third, there were less budgetary constraints, and more localized decision making; fourth, paternalism in healthcare was still the norm; and finally, there was a different regulatory, compliance, and selling environment than we see today. How have times changed, and what do you believe is driving the change?

I think in many ways, the industry is facing a very challenging time.

Fundamentally, we still need to bring innovative medicines to healthcare systems—and the only way we’re going to secure value for those medicines is if they truly address unmet needs. However, the number of new molecular entities reaching the market is less than we’d like it to be, and when we bring them to the market, payers are reluctant to value them as highly as we do.

This reality engenders two major challenges: firstly, the output of research and development is lower than it once was; and secondly, the value we’re extracting from innovation is lower than it once was.

This doesn’t mean that our core way of operating is flawed—it simply means that we have to find a way to function during a lean period, and we have to ensure we understand the payer’s needs and address those needs properly. We also need to extract operational savings in order to fund R&D and provide for our future.

We face a tough climate: austerity is severe and governments are often unwilling to pay a premium for medicines. As an industry, we need to work together with the state in order to make sure patients get access to new medicines, while allowing for fluctuations in price. We must adapt to leaner times and build a sustainable foundation.

Looking at the industry’s financial results as of late, we are definitely suffering financially. However, I believe things will pick back up. There is a lot of good science being done. As I mentioned, innovative research is getting more difficult, but there is still a lot to be done in medicine. The demand for healthcare is almost insatiable. Meeting that demand at the right price is the real challenge.

How has Pfizer adapted structurally and strategically to this lean period?

We have taken a number of decisions aimed at moving the business forward. We have split the pharmaceutical side of the company into four business units; meanwhile, we have been divesting our nutritional business, and divesting animal health through an IPO.

We are now concentrating on what we call the "innovative core." We're trying to increase the effectiveness of R&D, while becoming more operationally effective and protecting our bottom line.

Worldwide, many pharmaceutical managers are now focusing on negotiations with government bodies, with a view toward market access—face-to-face doctor visits are being deemphasized. Has Pfizer taken this route?

I believe the trend is more nuanced than people may think. Firstly, it depends on the market: for instance, in the Nordic and UK markets, the payer is more and more becoming the principal stakeholder; but in the Southern European, Irish, Swiss, and Austrian markets, physicians are perhaps still the major decision makers.

Restrictions and guidelines are increasing on physicians—although the level of stringency varies from market to market—and in terms of new medicines, access is important. However, at a certain point, you still need to convince physicians of the usefulness of a particular medicine for the patient. Where the real influence and levers are in the chain is the real question. I feel payers have certainly moved up, on balance.

How is Pfizer faring in today's Irish market?

I think Ireland is a difficult market, but we are doing well in the areas where we have tried to expand our business: rheumatology, over-active bladder, and neuropathic pain. In those areas, we have very strong products, so we have been exceeding our goals. In areas where we've lost patent, obviously the road is very difficult.

We are where we need to be—but, indeed, Ireland is a very challenging place to do business right now.

Lipitor was the highest selling drug of all time and accounted for 14% of Pfizer's sales. When the drug went off patent, the company shed 177 jobs in Cork—so the effect must have been quite directly felt in Ireland. Can you tell our readers more about the effect of the Lipitor patent loss?

Firstly, Lipitor is a phenomenal medicine. For Pfizer, its patent loss is a financial challenge. However, for patients, Lipitor is a better value offering than ever before.

I think we were ready for the impact of Lipitor. We've moved through it seamlessly. It's one of those things; the more you think about of it, the harder it becomes. We just had to plan through it, by launching our own generic. We now have the second-largest generic on the market. We have been creative and shown we can compete on a different basis. It's all part of the lifecycle. You have a patent, you manage the lifecycle to expiry, you move on.

In 2011, you made a speech while you were still President of IPHA, stating: "Further price concessions in the local market were simply untenable." A year later, the industry agreed to the largest drug budget cuts per capita in European history. Will this agreement ultimately be "tenable" for the industry?

The new environment is going to be very difficult, and involve a lot of restructuring and job losses. I believe data will show that in the local market, there are currently about half the number of people working in the industry that there were two years ago.

You can't expect a country like Ireland—a country so committed to innovation—to pay the lowest prices in Europe for pharmaceuticals. That's not a tenable position. Our costs of doing business—in terms of overhead, transport, regulatory fees and other rates—is much higher than say, Eastern European countries. Therefore, it is not feasible to "pluck prices" from abroad and drop them into the Irish market—no more than it's feasible to do so for civil service pay, food or public transport.

We need to have a fair Europe-wide price for all of our medicines, and a process that makes sure they get to our patients in a speedy fashion. We have made concessions on prices for older medicines to the average of European nine. Where we were above that nine, we have come to the average; where we were below, we have stayed below.

Given the state's finances, we had to make some very significant price concessions. Our goal was to give some relief to the authorities while still prioritizing patient access to medicines.

You mentioned the concept of fairness. Do you believe the agreement is "fair" to the industry?

The agreement guarantees access for a 3-year period, and guarantees price certainty for a 3-year period. I think that in the context of the broader economic environment, this is about as fair as one could expect.

What do you communicate to your team in difficult times like this? How do you maintain their motivation?

This is a very good question. As managers, I we communicate the opportunities we see, we challenge entrenched thinking, and we focus on what we can control and influence: driving growth and driving appropriate behavior and usages of our medicines by the right patients. We ensure patients have the right options available to them. Beyond that, the state can play with price. If I am a sales rep or product manager, all I can do is my piece to make sure we're in the best possible position as a company.

Going back to our earlier discussion: I think we're in the midst of a cycle and I think that cycle will turn. Companies will eventually adopt a different pricing policy, and states will hopefully see economic growth. The ground will be more fertile. That's what you keep working towards, and that's what you make sure you're ready for.

Do you think a market like Ireland will ever return to double digit growth?

Double digit growth is unlikely, but normal European growth of low single digits per year would not be unrealistic for a growing economy with an aging population.

One of the challenges we have is that it appears the public only sees the cost attached to medicine, rather than the value. The reality is that it's far cheaper for someone to take a drug rather than receive treatment in a hospital. There needs to be a change in how we approach this issue.

is a relatively advanced state with regard to HTA—but do you think the government could do even more to understand health economics?

They could do more to encourage innovation, and they could do more to improve the ease of conducting clinical trials. They could simplify the ethics process. Our Taoiseach speaks about "innovation Island" and how Ireland is the best small country in the world to do business. Yet, at the same time, we aren't rewarding that very same innovation at a local level. So we need to

ask what we are doing to create and invest in order to make Ireland a conducive environment for ingenuity.

What connection do you see between the reimbursement of innovation at a local level, and Pfizer's willingness to invest in major global facilities here in Ireland?

The driver of inward investment is the critical mass of engineering and process development, along with access to the European market and English as the native language. Does that link to the local reimbursement? Only insofar as it seems illogical to be manufacture Eliquis in North Dublin, send it all over the world, but say to Irish patients, "You can't have it."

Such an approach doesn't reward innovation, and it is inconsistent with saying to that very same company, "We want you to bring further investment into the market." I don't think there is a strong link, but there is a macro-level link, which needs to be understood.

If I am sitting in Pfizer HQ in New York, thinking about making an investment, would I rather invest in a country that respects my property and value, or one that doesn't?

Do you think that Ireland is still capable of attracting inward investment?

I think we have to be, because otherwise we're just another manufacturing site which is not desirable or sustainable in the long-term.

You recently finished your tenure as President of IPHA. What advice can you offer your successor, Menarini's Francis Lynch?

We need to be more strategic in our approach and we need to be more engaged in public discourse. We need to ensure we reframe the perceptions that the public, payers, and other key stakeholders have of our industry and the value we bring. We need to be willing to assert our position more in the public domain, and I think that with the three-year agreement in place, that work starts now.

Do you have any final messages to our readers and your colleagues?

Ireland is still a genuinely good place to do business, for inward investment and for local sales. The state wants to succeed. The environment is challenging, but, today, what environment isn't? People in Ireland recognize that and they are willing to jump in and to drive the country forward.

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