Interview with Deepak Khanna, Senior Vice President and Managing Director UK, Merck Sharp & Dohme Limited (MSD)

04.11.2010

Tags:

Merck Sharp & Dohme Limited (MSD)

You were previously managing the Merck/Schering-Plough joint venture in the US, and arrived in the UK 2 years ago. What did you set out for yourself as head of the UK operations?

As General Manager of the Merck/Schering-Plough Joint Venture in the US, I was responsible for the commercial operations of two marketed cardiovascular products as well as supporting the development of other related products. This experience was rich in terms of providing me 4 years of history in the two different companies prior to the merger which happened at the end of 2009. Once the merger was announced I was asked to lead the UK operations. On a personal basis, it was very good for me and my family to come back to the country where I was born. In the beginning it was about integrating the two companies, MSD and Schering-Plough, into the new MSD. As with all integrations, this has its challenges but also gives you the opportunity to create the organization you want. I was most impressed by the passion of the people working for the new MSD, who are very focused on being a partner with our customers to improve patient access, on uptake of our products, and most importantly on improving patient outcomes. We have done a lot to position ourselves well for the future around several roles in the NHS, such as providing more effective care, and this is something Iâ??m very proud of. Also, I was fortunate enough to be asked to chair the American Pharmaceutical Group within the UK. The APG represents US research-based companies with a presence in the UK and works to promote a greater understanding of the value of our member companies to the health of the people and the UK economy. Last, there is very good collaboration with external constituents within the UK such as the NHS, Ministers, NICE, patient groups, and healthcare providers so we are able to inform and shape a lot of the healthcare debate going on right now and I was fortunate enough to arrive in the UK at this time. Please review.

In your role as chair of the American Pharmaceutical Group, and GM of MSD â?? what are your priorities, particularly in the context of the reform and at a time where people are uncertain as to what is to come?

Historically, the UK has been an early launch market for the pharma industry and has had a disproportionate share of pharmaceutical investments. There are 3 major reasons for this. The first one is that the UK has world class clinical trials; second the country has very high quality skills and infrastructure; and third the industry has the ability to set a free price. These three factors allowed us to do a lot of investment as an industry within the UK. For MSD, the UK in particular has about 110 clinical trials ongoing right now with over eleven thousand patients involved, so we have a big

presence. That gets challenged around a few things. First, although we do launch early in the UK, the challenge is always the uptake of our products, which is one of the lowest among Europe. Second, is the focus on improving profitability which is putting a lot of pressure on the industry. The third thing which could potentially jeopardize the positioning of the UK is all the uncertainty around the healthcare reform, from how the commissioning system will actually work, to what â??Value Based Pricingâ?? (VBP) means. Traditionally, the UK has been a very important market for MSD because of the global influence the UK has on other markets.

You did emphasize on the â??historicallyâ?• elementâ?¦ Does this imply that MSD will also be moving away from the UK?
I donâ??t think the role of the UK has diminished for MSD, but it continues to get challenged due to the uncertainties weâ??ve talked about. As a company globally, Merck & Co (known as MSD in Europe) had sales of 12.2bn for the second quarter, which were record sales. In the UK we had annual sales of 640 million GBP which makes us the 6th largest company in the country and we have about 4% share of the UK market. In terms of patients, we have more than 4 million patients on our drugs so we have a very sizeable population using our treatments for diabetes, cardiovascular, oncology, infectious diseases, etc. The UK will remain an important early launch market but thereâ??s a lot of pressure on the ability to remain an early launch market particularly because of the slow uptake.

The opportunity for us is that globally and in the UK, we have a strong portfolio of products, with more than 80 products in 13 different therapeutic areas. The merger gave us a very good complementary portfolio which makes us more relevant to healthcare providers, to the government, to all stakeholders. Secondly, we have one of the strongest pipelines in the industry- we have 35 products in phase 2 and phase 3, so that gives us a good platform for continual growth. And third as I touched upon earlier, is that outside of the products we really are, as a company, focused on moving more into healthcare provision. We are creating partnerships with the primary care trusts of today, potentially we will support the clinical commissioning groups of the future to help better manage patient care. A specific example is our program called â??Evidence into Practiceâ?? where we already partner with some of the primary care trusts. We were able to do a pilot in Greenwich working with the PCT to provide a clinical change management program to help their practices better manage cardio-metabolic risk in their patients. The year one results for the PCT were over 200 thousand GBP in savings across 14 GP practices in Greenwich. Based on this pilot, Greenwich PCT estimates a wider roll-out of the program across Greenwich could result in savings of up to 700,000 GBP. We actually issued a joint press release in conjunction with the PCT to highlight that work, but the point is that it validates what weâ??re trying to do collectively with the NHS. So letâ??s work together to improve productivity around the goal of better patient care as well as finding savings throughout the system. Thatâ??s a place where we have to move into in the future and place greater efforts behind.

The other thing that is important is to understand the nature of the industry. With the long development process we have, there is inherent risk in putting products on the market. The UK will probably continue to grow in terms of pharmaceuticals, but not in double digit growth like in emerging markets. However, given the clinical trial environment, given the infrastructure and the good science that exists here, we hope to continue to be able to preserve the disproportionate share of R&D investment all over the UK.

We also have a strong manufacturing presence in the country. That also gets challenged, much like the R&D does, because there are competing priorities and consolidation in the industry. However, historically again, if you look at PPRS, there were some incentives to support investments which were valuable for us. Looking into the future, we need to clarify what VBP will look like, to make sure that we continue to have those types of R&D and manufacturing incentives in the country.

Do you feel the government has understood this?

I think we are slowly getting there, but I donâ??t think they completely understand it yet. They are open to be working with the industry mainly through the ABPI, through APG as well as through the individual companies. We help them understand how R&D works, and how itâ??s important for both the government and the industry to keep these investments, and how VBP might affect that. We are still waiting for another consultation to be published, so it is still early, but there are some important things that we want. For example, a single holistic pricing system that gives predictability and stability; free price, because without a free price market, we wonâ??t launch early. We still need to know more about support to appropriate uptake once medicines are made available in the market place. We also need to know how the NHS commissioning board is going to link access to uptake and value.

We need to put some more work into how we define value. How do we include notions such as burden of illness, evaluate innovation, evaluate societal value into todayâ??s NICE assessment which is primarily focused on a threshold? How is that going to be done? All those things need to be worked through, and we still donâ??t have the answers. VBP as a concept could make sense but it needs to support some of these needs.
Some incentives are in place to support R&D investments such as the Patent Box. It may not apply to non UK based companies but there are also some research tax incentives which altogether, head in the right direction. Weâ??re trying to work with the government to support the industry from a policy perspective, as well as the regulatory perspective. If you want to continue to foster an environment where pharma is an important growth industry for the country, you need to address both aspects together.

What is most frustrating today, are the perverse disincentives in the system that prevent the healthcare providers offering the highest quality of care. Whether this exists because there is a lot of duplication between what is done at national and local levels, or simply due to excessive bureaucracy, it is yet to be decided how to best enable healthcare providers to serve patients with the highest quality standards. Ultimately, we need to do a better job in educating the government and healthcare authorities and making them realize that these disincentives exist and prove to be major obstacles.

Considering this ongoing discussion, and how the UK has traditionally set the trend, do you see this affecting other governments and in the industry as a whole moving towards a more holistic approach to evaluating medicines and healthcare?

Yes I do, and I think they will look at what the UK does, as they have always done historically. For example, today, pricing decisions that are made in the UK have significant impact across about 25% of the globe, across markets including Canada, US, Mexico, etc. How VBP evolves in including the broader definition of value with the impact it has on free pricing, on risk sharing and on patient access schemes, will really have an important impact here, but also elsewhere, in terms of how pricing and reimbursement will work in the future.

One of the obstacles raised by Stephen Whitehead and Simon Jose is the reputation of the industry and the way the customers and payers perceive the industry â?? as pushing a product into the market despite ethical concerns. How are you addressing this issue as MSD, specifically here in the UK?

I personally came to the industry because of the possibility to actually improve patient care and this is very important for myself, for MSD and for the board of the ABPI. I agree with the comments of Stephen and Simon â?? the reputation has been tarnished over the years. But one of the best ways

for us to really be able to change that is to look beyond medicines. We are going to continue to do R&D, continue to innovate, but the notion of working in partnership with our stakeholders and improving the way you deliver quality of care is the best way to avoid some of these misconceptions.

If I go back to some partnerships weâ??ve done, we were able to demonstrate a better way of managing patients and improve the quality of care, whilst providing savings back to the NHS. That is the type of â??going beyond medicineâ?• approach I want to see. Letâ??s come up with solutions together. If we can improve patient outcomes and find a more effective way of doing it, itâ??s a win-win situation for the payer, for the government, for us, and for the patient â?? and we will improve the reputation of the industry. Where we struggle is to get the government to understand that we can do that in partnership.

Radical change always brings opportunities. Where do you see those in the UK?

If you look at the NHS reform, one of the opportunities is empowering GPs through GP commissioning. To focus on better patient care and to use resources within the NHS more effectively. There is also an opportunity in commissioning secondary care. There is the whole notion of engaging patients and helping them make the choice which is a powerful place where we can partner because the industry does know how to develop high quality disease awareness information. And, as I said before, thereâ??s opportunity for MSD to deliver value through partnerships and the ability to change how you provide clinical services. This focus on outcome is a place where there is tremendous opportunity if you believe your products have demonstrated outcomes that can improve patient care. However, the silo budgeting mentality will have to change if we want this to work. For MSD, the UK will continue to bring opportunities as an early launch market as our portfolio continues to grow, as long as the issues mentioned earlier before, such as free pricing and slow uptake, are addressed.

Another opportunity we have identified in the country is biotech, especially around the biotech triangle â?? Oxford, Cambridge and London. Which opportunities does MSD see in partnering with academia and the science pool of the UK?

That is an advantage the UK has because of the quality of the institutions that exist here. The UK will continue to have academic partnerships because of the high quality of scientists, and the high quality work force skills that exist here, but I think we are going to see more of these collaborations and partnerships earlier on. This is part of the changing R&D model, vs. the traditional bricks and mortar R&D facilities.

If we come back 5 years from now, what can we expect from you and from the company here in the UK?

The biggest goal would be the notion of becoming more than medicines and providing solutions for all stakeholders to better improve patient outcomes. If we were a partner of choice with the NHS, with patient groups, with GPs, everyone helping to achieve these solutions, this would be a huge advance for the industry. MSD UK started down this path several years ago. We know the change is coming, we know there is pressure to find a more effective way to manage healthcare costs which will bring challenges in terms of pricing and reimbursement. But for me and the for the employees of MSD UK, itâ??s all about finding the solutions we need and how we partner early on with our customers to think innovatively and develop those potential commercial opportunities which go beyond the molecule.

On a more personal basis, we couldnâ??t help but notice that many General Managers use the UK as training ground and a springboard for their future career. So whatâ??s next for you?

My goal is to do this job and do it well. What Iâ??ve learnt is how important it is for people that come into a countryâ??s operations to understand whatâ??s relevant for this specific country and use that to be able to educate back to global about the differences and similarities that exist across markets. For example, here in the UK, how we can very early on work on clinical trials, HTA technology, partner with scientists, get the right data to start discussions with NICE , and beyond, work with our global pricing and reimbursement colleagues. The UK has the best integrated healthcare system in the world, and Merck as a company have a lot to learn from MSD UK to better prepare for any other change that might happen in the other markets.

Itâ??s a huge privilege for me to come back to where I was born, head MSD UK and have the ability to lead employees in these unprecedented times. How we deliver healthcare in this country to improve patient care is a responsibility that we all have within the industry. Itâ??s exciting times and Iâ??m very fortunate to be able to work with fantastic employees who want to be part of the change.

See more interviews