

# Interview with Heike Prinz, General Manager, Bayer Thailand

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**Heike described Thailand as a very difficult and different market and according to PReMA figures there was only 2 percent growth last year. Nevertheless, global projections rank Thailand as 12th among emerging countries in pharma and anticipate Thailand becoming the eighth largest economy and market by 2016. How do you explain this discrepancy?**



First of all, a couple of things have changed in the macroeconomic environment. Our GDP growth was negative in the last quarter of last year because of the flood. Looking at the latest GDP projections for 2012 by the bank of Thailand, the worst projection is about 0.5% growth for 2012, based on a scenario in which the European debt crisis worsens. The most optimistic projections are between 2 and 3% growth in GDP. That is dramatically different from the 4-5%, or even 6% that were originally projected for 2012, when the last projection was made towards the end of summer 2011. That is the macroeconomic environment; if you look at the pharmaceutical market, there has been a downward trend every year since 2008, when there was around 15% growth, but then decreasing every year since then. In fact, there have even been months with negative growth year on year. Last year it ended at around 2%, which is not particularly impressive. Obviously, with a market growth of about 2% and inflation at 4-5%, this has implications for revenues, but that is the situation that most companies are facing.

Looking to the future, IMS made an original projection that was rather optimistic for 2012, but I believe it is being revised downwards. The latest I have heard is a maximum of 2-3%. We have to differentiate between the growth that generic companies enjoy and that which research-based companies, like most of the multinationals, can have.

One of the issues is that the Thai government, like many of its European counterparts, has placed an emphasis on cost-containment and that means it is difficult to receive reimbursement for innovative premium-priced medicines. This is not restricted to "nice to have" drugs but also applies to life-saving drugs; for instance, we produce a drug to treat liver cancer and this is not reimbursed for large sections of the population.

For those not familiar with the healthcare system here, there are essentially three schemes. The best served section of the population is the smallest one, which is those covered by the Civil Servant Medical Benefit Scheme (CSMBS), if you do not happen to be a government official, it is very difficult to get access to the latest innovations. Additionally, there is the IP issue. R&D-based pharmaceutical companies such as ourselves, Novartis, Roche, Pfizer etc. feel obliged to bring the latest innovations, not only to western markets, but all around the world when we believe there is an unmet

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medical need. There are undoubtedly R&D costs related to such a product, which is why it cannot be sold as cheaply as a generic drug.

We also do a lot of clinical studies in Thailand because we do appreciate the quality of the academia here and also because there is a need to generate data in an Asian population.

If a company tries to sell a drug to Asians having only conducted clinical studies on Caucasians, they often find that doctors tell them that the products have only been tested on Westerners and ask if side-effects, reactions etc. that can occur in a different ethnicity have been considered.

We always try to have clinical studies right around the world, especially Thailand. We do have a number of on-going clinical studies here and we try to involve the local academia as much as possible, particularly at the teaching hospitals.

However, we sometimes have problems later on making drugs available to as many of those in need as possible. It is very important to emphasize that we have no double standards whatsoever, and therefore, as a true global player, if there is a drug that combats a particular type of cancer or any other unmet need in any given country, we will make it available. Sometimes we are able to find shortcuts in order to expand the user base, for example, by doing patient access programs.

**The renewal of 30 Baht Universal Scheme is under discussion. How do you view its prospects to increase access to healthcare for a wider population and balance the benefits that the people under different healthcare schemes can enjoy?**

I have not entirely made my mind up on this yet; the proponents of the 30 Baht scheme are saying that it makes sense because it places a price tag on healthcare. Patients will gain a greater sense of ownership, as they will have to pay 30 Baht before they can see a doctor.

One of the major problems in Thailand is a shortage of doctors, nurses and health professionals in general. One would like to ensure that the few personnel available are used as efficiently as possible. If someone has mild cold or some other relatively trivial illness and decides immediately to run to a doctor, they may thereby block someone with a more serious condition from seeing that doctor. From that perspective, I view the 30 Baht scheme positively, as it requires more commitment from the patients.

The other point of discussion is that such a contribution for certain sections of the population, even 30 Baht is unaffordable. Personally, I consider this to be only one piece of the puzzle. One of the problems facing Thailand is that, compared to some other Asian countries, they are quite advanced in the respect that they attempt to provide some level of healthcare coverage for the entire population. In many places in Asia, there exists a situation in which there are the rich, who can afford private insurance, and then the rest who have no insurance at all, except for perhaps the very poor or elderly, who do sometimes receive support from the state.

Thailand has a very caring approach that ensures that many are covered. This, however, causes problems as it raises the question of how this is to be financed. One element not present in Thailand that exists in many healthcare systems around the world is a co-payment scheme. Under such an arrangement the patients are given the option of, for example, paying for a more advanced drug that is relatively more expensive; the healthcare system pays a certain percentage, perhaps 50-60%, and then the remaining 40% is paid for out of the patient's own pocket. This relieves some of the pressure on public finance, enabling governments to redistribute funds in order to assist some of those in greater need. Co-pay is particularly applicable to more innovative medicines that come at a premium price, for instance, oncology drugs.

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**As the head of Bayer Healthcare Pharmaceuticals for North ASEAN, which besides Thailand includes Vietnam and Cambodia, how would you compare those countries to Thailand, and what are the unique features of the Thai market?**

As I have already mentioned, the unique element is that the government in Thailand attempts to cover as many people as possible. That is in huge contrast to some of the other countries that I am responsible for. In Vietnam and Cambodia, for instance, especially the latter, healthcare costs are entirely out of pocket and families have to pool all their money to provide for a sick relative. The fact that this is not the case here is something Thailand can be proud of. However, the country does have an aging population and the proportion over sixty is growing faster than those under fifteen and this will have an effect on funding in the future.

**MNCs are facing considerable challenges in Thailand because of healthcare system underfunding, could you state some of the causes for this and explain what the government could do to reassure such companies that on-going involvement in the country is still commercially viable?**

The government is coming up against wall in financial terms. Most of Thai state healthcare is taxpayer financed, although under the SSO system, employers also make a contribution. If tax revenues decrease due to a slump in GDP, as happened after the flood crisis, it becomes harder as a government to finance everything.

One question that can be discussed is how to implement cost control without compromising on treatment quality. Typically, government officials and pharmaceutical companies have differing points of view. At Bayer, we are very aware of the hardship faced and consequently try to provide as much support as possible by providing drugs to those in need at very low prices. The leading multinationals have a patient access program in one shape or form for drugs, particularly those that treat life-threatening diseases.

We would like to see a situation in which our drugs would not be assessed solely for their cost but also for their benefit. In this respect, I would view other countries in the region as more advanced, for instance, they perform health-economic evaluations. South Korea is very advanced in that regard, Taiwan too, and if one includes the Asia-Pacific, also Australia.

In Thailand, policy making is very cost-centric and does not take into account the benefit that a particular drug can bring. By taking a drug that costs 1000 Baht, it may be possible for a patient to stay in hospital for one day instead of three, or to be absent from work for two days, instead of a whole week. Administering a cheaper but less effective drug will not have those indirect economic benefits. However, the tendency is to take the simplistic approach of comparing price A with price B.

**Issues regarding patent laws and intellectual property (IP) protection seem to be very present in Thailand and must pose considerable problems for innovative MNCs such as Bayer. Have you seen an improvement in the situation for IP protection? Do you feel any concern when introducing innovative drugs to Thailand?**

I recently read a report from the US government that stated that the time from filing a patent to it being granted is longer in Thailand than in anywhere else in Asia. The average is anywhere between 10 to 12 years. This is unprecedented elsewhere. There are reasons for this, for example, the Department of Intellectual Property is notoriously understaffed. Nevertheless, this is an area of concern for us. There are other IP issues, and situation in Thailand doesn't match up to global standards.

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As far as improvements are concerned, we have not been subjected to any additional compulsory licenses, but when the government does decide to issue them, it would be good practice to communicate with the company concerned. As far as I am aware, none of the companies who were subjected to them were even contacted before they were issued, which I find remarkable.

As the pharmaceutical industry relies on patents, if this is compromised, it limits one's ability to invest. As a foreign company in Thailand, Bayer would hope that the Thai government has a vested interest in getting foreign direct investment into the country. This is not restricted to the pharmaceutical industry but it should be applied to other areas as well. If the government intends to be more than a cheap manufacturing base, and wants to see more highly qualified jobs created by foreign investment in the country, then the IP issue will have to be addressed. The fact that Thailand is still on a US "watch list" suggests that, while improvements may have occurred, they are still insufficient, as countries are not placed and do not remain on such lists without good reason as the process for determining which countries are included is very rigorous.

**Bayer has a 50-year history of involvement in Thailand, however, as has already been mentioned, there are considerable challenges facing MNCs intending to become or continue involved in this market. What opportunities does Bayer see in Thailand and what could be done to restore the country's attractiveness to such companies?**

The sheer size of the market is obviously quite interesting! Looking at the products in our pipeline, they will address some of the most burning medical needs here in many different areas. With a fifty year history of involvement in this country, we feel committed to sharing these innovations with Thailand. It has an educated workforce, and compared to European populations, it is still a relatively young country, although not to the extent of Vietnam. There are a large number of young, educated people who are eager to find work now, or will be in the near future.

There is still a lot of progress to be made in general in healthcare, drugs are only one part of the equation, there are many other elements, this is one of the reasons for the presence of so many multinationals in Thailand, some of which have been here for a number of years. The pharmaceutical industry has longer-term cycles in which it thinks and operates, for various reasons.

From an R&D perspective, we are doing a lot of clinical studies here because the quality of academic work is high; there are many study centres, particularly teaching hospitals. Consequently, we would wholeheartedly affirm that there are opportunities here.

**Which therapeutic areas have potential for growth and what products are in the pipeline?**

There are three areas that are key to our future portfolio; cardiology, oncology and ophthalmology. All the products I will mention are in a late stage of development.

In 2010 we launched a new anticoagulant, called Xarelto. This product will also be launched in further indications which are currently under study. It currently indicated for the prevention of venous thromboembolism in people undergoing knee and hip replacement surgery, but there are three more indications coming up. That is one of our key products worldwide; it brings a lot of innovations compared to pre-existing methods of treating these conditions, which are quite limited; compliance is bad, the administration procedure is difficult for the patient and there can be side-effects.

The second major area is oncology; we already have one drug on the market, Nexavar, which is for the treatment of liver and renal cancer and we will be investigating its potential for other cancers in the coming years. Additionally, we have a product which will treat colo-rectal cancer, a very important field, as patients with this condition suffer considerably and the mortality rate is quite high. That has been completed and is being filed for registration in the US and Europe and subsequently

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in Thailand. We also have a drug for treating bone metastases in prostate cancer patients.

Thirdly, there is also a drug called Eylea in ophthalmology which will be used to treat wet age-related macular degeneration, which is one of the most common eye diseases in elderly people and if untreated results in loss of eyesight. However, this drug is also being studied for the treatment of other eye diseases.

### **Which product areas is driving growth for Bayer Thailand at present?**

A sizable portion of our revenue is derived from our drug store business which is dominated by women's health; the main products being oral contraceptives, but also drugs treating various gynaecological diseases. We also have a sizeable hospital business which encompasses a number of general medicine, or primary care products, this includes antibiotics, and medication for high blood pressure, diabetes amongst others. In addition, there is speciality medicine, which is an area that we place significant emphasis on. This area includes oncology, in particular our liver and renal cancer products, which are delivering a lot of the growth and we also have a product for treating multiple sclerosis. In areas such as antibiotics, competition is very fierce and therefore generally Bayer's strategy is to focus on specialized areas of care.

### **What effect will ASEAN integration have on Bayer and other multinational companies?**

At present, it is unclear what form of integration will take. Taking the European community as an example, it is possible to see the advantages for companies operating in such a market. Currently, the AEC has not gone as far as the European Union has in this regard; however, the latter has existed for a long time and did not reach its present level of integration immediately. In general, most companies view increased integration as a positive step. However, it is important to be realistic about what can be achieved in a limited time period.

**When we talked with Mr. Chernporn of TPMA, he seemed very excited about integration because market now dominated by GPO, will be deprived of their special privileges. He believes it will bring a lot of growth in terms of market share both for the locals and for MNCs. What is your view of this? Will it alter the present situation?**

Frankly, I have insufficient information to come to a final conclusion about this. The form that the AEC will take has been widely discussed, but the outcome and the implications are very difficult to anticipate. It should not be assumed that it will be a carbon copy of the European system. There is still a great deal of inter-governmental discussion ahead. One key issue in any such union is the potential loss of independence by some of the countries involved. Also, in some industries, one country may benefit from such a union more than another and this often causes delays in the negotiating process.

### **Will the drug registration process and clinical trials bring any benefit to the pharmaceutical companies?**

Current discussion in the regulatory does not show any sign of moving towards a system, as exists in the European Union, whereby a drug is submitted with one reference member state and then once approval is gained, it is then granted automatically in all the others. Obviously, this would be a very significant advantage for both local companies and MNCs operating across Asia.

At present, it is necessary to register drugs separately in each country and timelines and requirements are different across the region, consequently harmonization will have to occur before such a mutual recognition procedure could be implemented.

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Regarding trials, at any given time, we have 15 or 16 investigations on-going. This encompasses a wide spectrum of medical specialisations and currently includes some of the drugs that were mentioned earlier which are still in the pipeline. As was also discussed previously, we have an excellent relationship with Thai academia and the standard of research is here excellent. As a result, our global colleagues who run development programs are very happy to include Thailand in clinical studies. We also have a clinical operations team here which liaises with the investigators to ensure that the local part is being run smoothly.

I read the manifesto of the Yingluck Shinawatra government when they were elected and one of their aims is to increase the R&D base and they would like to challenge the perception of Thailand as only a market to sell into and as a manufacturer of generics.

They are investigating ways of bringing expertise here. Nevertheless, they are yet to produce a detailed program to encourage this. However, many MNCs already conduct clinical studies in here and therefore if the government wishes to augment R&D capabilities, it would be worth considering how they could foster and incentivise this.

Thailand's potential as medical tourism hub is also being explored, although that is obviously entirely separate from R&D.

**As mentioned previously, 30 Baht, ASEAN, as well as the expiry of the patents on several drugs mean that the market will be dominated by generics and there will be fierce price competition. How will you maintain your competitiveness?**

Generics are part of a normal pharmaceutical market. It is important, however, that a level playing field is maintained. Unlike in European countries or in the United States, when a generic is filed for registration, the originator is notified and there are also patent databases, and it does not take a long time for a patent to be approved. Most R&D based companies will say that they do not have a problem with generics per se, providing that reasonable standards of quality are maintained. However, IP rights must be respected and in this regard the situation is not as good in Thailand as it is elsewhere.

**In order to compete in the Asia-Pacific region, many R&D-based MNCs are pursuing a strategy of diversifying into branded generics, is this an approach that Bayer would consider in Thailand?**

In some countries, we do have branded generics. In general, this is not a key strategy for Bayer. Our primary focus is on innovation and we direct a large proportion of our resources towards R&D. Branded generics have a role to play for Bayer as a whole, but we do not have them in Thailand.

**What is Bayer doing in terms of Corporate Social Responsibility in Thailand?**

Bayer, as a wider corporate entity, does a considerable amount. For instance, the material science division are involved in collaboration on an educational program, which is called the young environmental envoy program. In terms of pharmaceuticals, as already mentioned, we have patient access initiatives for renal and liver cancer drugs. We cooperate with the national cancer institute to make the drugs available to people on low incomes.

**You worked in Germany and then Singapore, definitely what can be described as extremely sophisticated markets. It must have been quite a challenge when you arrived to Thailand at first. What would you say are the secret keys to success in such a place? What advice would you give to newly-arrived foreigners?**

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First of all, they should avoid making the mistake of assuming that Asia is a homogenous region. The differences between countries can be huge. The fact that two countries are neighbours geographically does not necessarily mean that their cultures are similar at all, just as European cultures differ. As a foreigner, you have to open up to the culture that you work in. One aspect that I like about being in another country is that you start to think about how things are done in your own country, if you stay in your home country all the time, you never question how things are being done and you take them for granted. Often people's instinctive response is to say that because something is done differently, it is bad, but often that is not the case. There are good elements in terms of how things are being handled in Thailand compared to in my home country, Germany. The privilege you have as a foreigner working in a different country is that you get to pick the best of both worlds and utilise it. It is necessary to have an inherent liking for that new country; otherwise it probably is not worthwhile going there.

### **What is your final message for our readers?**

Thailand is a great country, with great people, good business opportunities and it is certainly very welcoming and friendly to foreigners and that makes it very pleasant to live in. Also, the food is delicious!

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