

Interview with Simon Jose, General Manager UK, GlaxoSmithKline

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Given the heated debate over NHS reform and the new revised bill proposed by the government, what are your current priorities as President of the ABPI and how have these evolved since you stepped into that role in April 2010?

The ABPI represents the R&D and innovation-based pharmaceutical companies in the UK and it is our job as an association to represent our members in the interface with the government and key stakeholders. It is our aim to work with the government at all levels regarding a number of different issues. The government has been very focused on the life sciences sector as an opportunity to help rebalance the UK economy and has introduced a number of measures to support the sector, which we very much welcome. One of the key remaining issues is the use of innovative medicines in the NHS. The UK has strong research, a good manufacturing base and historically had a vibrant commercial environment for the industry but over the last ten years the UK has moved to be one of the weaker commercial environments in Europe for our sector. It is my priority, as President of the ABPI, to address this.

In a previous interview with Inpharm you stated that challenges need to be fully understood before they can be solved. Is the industry there yet?

Most people are clear on the challenges, and there is good directional alignment in terms of what needs to be done to solve some of the issues. For example, most people recognize that there have been challenges with access to new medicines in the last decade as a result of NICE. Nevertheless, we have seen some improvements in the last few years with patient access schemes that allow for greater flexibility in the way NICE evaluates medicines. While this is a welcome step forward, it is not the long term solution.

The proposed value-based pricing scheme is a potential solution to make further progress. When I speak to government and NICE we tend to agree at a philosophical and strategic level on what needs to be done, but the question is how this will materialize into concrete proposals – the devil will be in the detail. The key remaining challenge that I still worry about is how to convince local commissioners in the NHS to use medicines that have been appraised as having a value-based price at a national level. Succeeding here will be critical to the success of VBP.

When we interviewed Richard Barker late last year, he argued that increased collaboration between the industry and the NHS was the only means to find common ground and, ultimately, an optimal healthcare environment. He also stated that he was unsure on how this could be achieved. What is your take on this statement and how do you aim to increase the links between the industry and the

NHS?

Ultimately we need to have the dialogue to understand each other's points of views and move towards a win-win situation. I do believe this is possible, as long as we create a system where the NHS is measured on outcomes and the industry develops innovative medicines that make a difference and are backed by evidence to prove their value. If you then price the medicines sensibly in a framework that is commonly understood by all parties, it is in everyone's interest to use these products because the patients receive the benefit and the NHS will derive the value - either cost or outcome. I genuinely believe that it is possible to create a win-win for everyone; it is just a matter of gathering everyone around the table and having the discussions that will lead to the necessary solutions. I feel optimistic about the situation and think that as long as we all play our parts and are mature about the way forward, then we will be able to fashion a more harmonized system where our resources are deployed more efficiently to improve patient outcomes.

Beyond the NHS and DH, there is also a need to firmly communicate to the Department for Business the consequences that could come from healthcare reforms that do not reward R&D investment adequately. How do you assess government efforts to retain and rebuild the prestige of the local pharmaceutical industry?

There has been a lot of progress on this in the last year and I am convinced that the government understands the importance of the life sciences sector for the growth recovery of the UK and creating a balanced economy with high-value jobs. The UK pharmaceutical industry already punches way above its weight and has a disproportionate amount of R&D spent here. GSK alone locates around 40% of its R&D here in the UK and 20% of its manufacturing while the country only represents 4% of our sales. There already is a strong industrial base here, but the government realises it cannot be complacent given that other countries are creating policies to attract inward investment in this sector. In reaction to this we have already seen new policies in the past year, such as the Patent Box, improving R&D tax credits, the protection of health and science spending and the commitment to implement the Academy of Medical Sciences Review on improving the environment for clinical trials. Some of these initiatives were started in the previous administration, nevertheless, the fact that the policies have gone through in the last 12 months demonstrates the government's proactive commitment to create policy that can attract the UK's share of inward investment. Despite all this good work, the global industry is going through a difficult phase, with patent expiries and downward pressure on prices coupled with an increasingly challenging regulatory environment. This is resulting in companies needing to reduce costs and inevitably this leads to a reduction in R&D and manufacturing infrastructure. The UK has been disproportionately impacted by this as the second largest global beneficiary of investment from the industry; recent downsizing by AstraZeneca, GSK, Novartis and Pfizer has been about the global environment, rather than the UK environment specifically.

But the UK also has a disproportionate influence on the global commercial environment for the industry; 25% of world markets reference their prices to the UK and decisions by NICE have influence well beyond the borders of England. The medicines bill represents only 1% of GDP and the UK already has some of the lowest prices for medicines in Europe, and we have one of the most efficient generics markets in the region.

I would argue that the Government should consider how to ensure a real balance between the need to foster, nurture and reward innovation with the need to deliver value for money. I believe that the balance needs to move more towards rewarding and diffusing innovation as part of a strong industrial policy for the sector and for the benefit of patients. We need to have an environment that supports innovation from end-to-end, from bench to patient.

The ABPI has been criticized for being somewhat of a "big boys club" in its marginalization of smaller companies. How effective can you be as an association if there is such a sense of fragmentation within the industry? What are you doing to address the situation?

We are aware of this sentiment; however we have a very clear goal to represent the R&D and innovation based companies in the country, irrespective of their size. The ABPI membership represents 80% of the branded prescription market by value which incorporates companies of many sizes. The ABPI focuses its work on the macro issues that will impact the wider industry, but acknowledges that members will then require varying degrees of support to translate and make sense of policy for their individual businesses.

Companies of all sizes want input into policy positions and have their voice heard. In the past it's fair to say that the ABPI did not pay full attention to these specific needs and as a result of listening to member feedback has put in place a package of measures to close this gap. The Smaller Companies Forum (SCF) is an example of how the ABPI has responded to improve its support for members. The smaller companies' voice was also strengthened with the appointment of board director positions from smaller companies, including the chair of the Smaller Companies Forum. The feeling of marginalization is not intentional, but we have heard it and we are addressing it.

Switching over to GSK, the company's current corporate strategy includes a major restructuring that will focus on developing markets and simplifying its operational model. Concretely, what does this mean for your UK operations and what are the objectives?

The adaptations ongoing in the UK are driven by the macro-dynamics of the global sector coupled with the dynamics of the local market. The restructuring is related to the increasing pressure that the industry is facing, such as the patent cliffs, decreasing R&D productivity and the advent of payers, and this is creating pressure for the entire industry to shrink. The industry has an excess capacity at the moment and this is being reduced. In addition to this, there are changes in our business model due to a change in the environment. One example are the changes in prescribing decisions that have moved away from an individual prescriber to one that is controlled at the national level through NICE and the SMC and then influenced locally by PCTs. The complexity of the system has increased dramatically and the industry is still adapting to that.

The other important point is that society's expectations of the industry have also changed considerably and we have had to respond. In the past, pharmaceutical companies were a lot more in control of their sales through our representatives and promotional efforts. We built big teams of sales representatives to call on doctors to communicate key attributes of our medicines. Today, our job is to help our customers get the best from our medicines rather than simply sell our products. If the right patient gets the right medicine in the right way and we receive volume as a result of that, then this means the system is working and this is what we should all be aiming for. We ensure every single activity that we do is transparent and is built on integrity and trust. When you take into account the payer shift together with the change in societal expectations, this has meant that we need to reorganize our business. Concretely, this means that we have fewer sales representatives, with one third of these roles being changed in the last three years at GSK. On the other hand we have invested in more health outcomes consultants, field medical advisers and key account managers. The ultimate effect is indeed a reduction in size, but essentially it represents a reallocation of the types of people that we are hiring. Customers today expect to have a mature discussion about the evidence behind our products to understand the health budget impact behind them, and this is exactly what we are trying to do through this reorganization. Ultimately this is for the best because we want to make sure that the right medicines are being used for the right patients and this can only be accomplished by having trustful and open discussions with all the stakeholders.

In your question you mentioned the developing world and its growing importance for the company. GSK should not be a company that only serves the developed Western world and this is why we are very active in emerging markets. Our investment is shifting in that direction and towards the needs of those markets. We also have a dedicated facility in Spain that focuses on researching diseases in the developing world, such as malaria, tuberculosis and HIV.

The global trend in the pharmaceutical industry is that companies are being squeezed to cut costs while at the same time providing more innovative products. In line with this trend, GSK reported a 10% decrease in sales for its 1st quarter this year. In this context, how has GSK UK been faring compared to the company's global performance?

The challenge that we are facing as a company at the moment, both at the global and UK levels, is that we have had some significant headwinds in regards to Avandia and the patent expiry of Valtrex as well as the distortion created by the flu pandemic. When you don't take those factors into account, the company's sales actually grew 4.5% last year and the UK performance was slightly above that in underlying sales.

What will be driving the company's growth in the UK in the coming years and how do you aim to harness these drivers given low-prices and slow uptake on new products in the UK?

We have a very strong respiratory franchise in the UK and I expect this to continue driving growth. Beyond that we are truly starting to see the benefits of our R&D coming to fruition. Just in the past year we have launched a number of products, such as Trobalt for epilepsy, Votrient for renal-cell cancer, Revolade for idiopathic thrombocytopenic purpura (ITP), Arzerra for chronic lymphocytic leukemia (CLL), while Benlysta for Lupus is due to be launched later this year, and a number of other products that we expect to see in the near future. The really important thing for us as a company is to make sure that we optimize the launch of these new products. Given the R&D drought that the industry has been facing and the challenge to find these "gems" of discovery, it is an obligation of ours to make sure these medicines are brought to market and that people can benefit from the new medicines.

The challenges we will now go through are to get positive NICE approval for all these products so that they can be recommended for use in the NHS. We have made some good progress on this front with creative new deals that have made a big difference. For example patients can often suffer delays in being able to access innovative cancer medicines, as the full clinical value typically evolves over time as further studies on the treatment's benefits are completed. GlaxoSmithKline believes patients should be able to access these treatments as soon as they are available, and to facilitate this, proposed an innovative and flexible approach to pricing for our renal cell carcinoma medicine - Votrient. GSK proposed to NICE a potential partial rebate, conditional upon the outcome of a comparative trial with another medicine. GSK is confident that the appropriate evidence will be generated but if not, GSK will pay the NHS a partial rebate. This is a good example of how we can create a win-win through a sensible dialogue, and the fact that NICE accepted this proposal also demonstrates their willingness to be more flexible in the uptake of new products.

One of the most promising aspects of the UK pharmaceutical industry is its thriving biotech sector that is proving effective in developing innovative products with relatively minimal resources. How relevant are partnerships with the UK biotech sector for GSK's product portfolio?

One of the other trends that you'll see in the industry is the externalization of R&D. Pharmaceutical companies don't have all the good ideas in their labs and there are plenty of other good scientists out there doing great work. It would be very arrogant for people to pretend that the good products are only those that are within your own shop, so this has led us to interface more

with SMEs, biotech companies, universities and the NHS to enrich our R&D efforts. For GSK a thriving biotech sector is ultimately good because it will speed up the innovation process. We are very supportive of a rich biotech sector and collaboration with it.

Thinking about the future, and your responsibility for heading GSK in its homeland, what would you have liked to achieve for the company in 5 year's time?

I would love to have made a success of all these new products. If we manage to do that it also means that we have found common ground to the value-based pricing discussion and the NHS is using these medicines because they recognize the value behind them. It would be horrible for us to have gone through all of our R&D efforts to develop these products to not have them made available here in the UK. What people in the industry will tell you they would like to see change the most is the more rapid adoption of new medicines in the NHS.

would be your final message to the readers of Pharmaceutical Executive about the UK market and GSK's operations here?

The UK is open for business and the government sees this as a very important sector for growing and rebalancing the economy. As a British company, GSK locates a significant amount of economic activity here as well as providing medicines to millions of UK patients. We want to work in partnership with the Government and the NHS to create greater economic value in Britain as well as ensuring that patients here have access to the best medicines available.

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