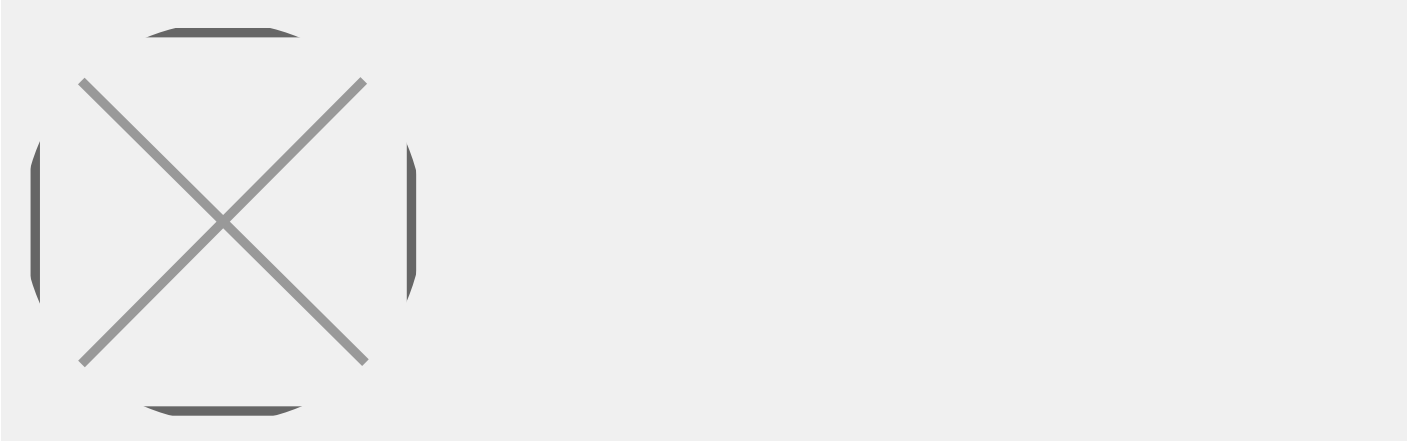
Interview: Chih-Ping Yang, President, International Research-Based Pharmaceutical Manufacturers' Association (IRPMA), Taiwan



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General Manager, Chugai Pharma Taiwan and President of International Research-Based Pharmaceutical Manufacturers' Association (IRPMA), discusses the continuous price cuts that plague the Taiwan market, and how IRPMA is getting involved in the discussions with the government on how to rectify this growing problem.

During our interviews, general managers heading IRPMA member companies have largely spoken negatively about the outcomes of the Second Generation National Health Insurance Act. Do you feel the pharma industry was adequately consulted prior to the introduction of this reform?

The deliberations leading up to second-generation NHI began around 2005, when Taiwan's healthcare budget ran a deficit for the first time. A number of Public Health professors began to voice the need for reform in the system. The first-generation NHI was established in 1996, and at the time, there was a good deal of political pressure to implement something as soon as possible—from the beginning, our framework was not in perfect shape. More than ten years passed, the issues had begun to really show.

As the financial deficit grew, the industry was hit quite hard. The biannual Price-Volume Survey (PVS) drove prices down in such a fashion that many products were pulled from the market. The Taiwan Food & Drug Administration (TFDA) even created a special committee to help rectify the problem, holding one-on-one discussions with any companies that announced the impending withdrawal of essential drugs. With fierce generic competition and round after round of price cuts, nobody could afford to keep certain products in the Taiwan market.

In my capacity as the general manager of Chugai Taiwan, I personally faced situations where we sold drugs without making profit, because of a sense of social responsibility. But we cannot afford to sell drugs at a loss—that's the bottom line. We have pulled products out of Taiwan because of the downward price pressure in this market. Continuous price cuts lead to savings, and savings are great, up to a point. Cuts cannot be endless. At the end of the day, it is the patient that suffers in that kind of environment.

Noting these and many other problems, members of academia approached the government and the industry to try to find a resolution. When I say industry, I mean two groups: the hospitals and other healthcare providers, which represent over three-quarters of healthcare spending; and both pharmaceutical and medical device sector, which represents roughly 21 and 4 percent of healthcare spending, respectively.

How was IRPMA involved in these discussions with the government?

As a stakeholder, the pharmaceutical industry certainly sat at the table and participated in the discussions. Through organizations like the IRPMA, we were able to offer opinions and suggestions on potential reforms. The industry's viewpoint is very simple: our first priority is patient access to medicine—particularly, new and innovative medicine. There are still a lot of unmet medical needs in society that requires the use of new drugs. Unfortunately, this is only one concern among many and we are only one stakeholder among many. It is safe to say that several of the outcomes of second-generation NHI are not in our favor.

With that said, I believe that the Taiwanese government is very open-minded, and willing to engage with industry. This is particularly true of agencies like the NHIA (National Health Insurance Administration), and I would say that as the IRPMA, our relationship with our NHIA colleagues is quite positive. We will work together to create a better environment for all parties.

It has been mentioned that there is wastage in other parts of the Taiwanese healthcare system—largely at the point of care. For instance, the incidence of self-care is quite low, and there are few restrictions on the usage of public healthcare providers. Do you

believe that reducing waste is the key to freeing up the drugs budget?

I agree that waste is a problem, but it is not major fundamental problem. Actually, I do not find too much fault in the management of the system after NHIA has been implementing many of counteractions dealing with related issues. It may surprise you, but I believe our government is doing good job.

I would instead turn my eye to the general public. There is simply not enough money in our healthcare budget. The question we must answer as a country is whether we are willing to pay higher premiums for better healthcare. Personally, I am willing to pay more—and I say that not because I manage a pharmaceutical company. I say that because it is quite clear that our current resources are not sufficient. We have an aging population, and people over 65 represent a much larger proportion of our society comparing in 1995. The medical demands of older citizens are much greater than those of the average population.

And yet, at the moment, some members of the general public would be willing to increase their spending on health insurance. That is the general consensus we have found. I would not point my finger at the government as the source of our difficulties, but the government *can* do one thing: educate the general public. The industry, too, can help in this regard.

Yes, our current system covers 99 percent of the population with very high satisfaction (more than 80% in recent years). But do we want hamburger, or steak? Do we want patients with treatable diseases to go without help because the state cannot afford their medicine? Everybody wants steak, but the NHI has barely enough money to offer our people a hamburger. We have to pay more for steak: it’s that simple.

How has Chugai responded to the difficulties of the current environment in Taiwan?

We have found that the best way to survive is to introduce new products as much as possible. Because of cuts facing our off-patent products, this strategy hasn’t allowed us to grow—but at the least, we’ve maintained our position.

Chugai is relatively lucky at the moment compared to our peers. We just launched a new product last year, and it offers us great potential, for the moment. Our pipeline, too, is quite strong at the moment. In short-term, and perhaps in the mid-term as well, we have the great opportunity to grow our business in Taiwan. Others in the market are not as lucky today—especially certain companies that face patent-cliff on their blockbusters. In the last five years, many Big Pharma companies have cut their staff in significant numbers in Taiwan. Fortunately, we have actually

found reason to *increase* our headcount to both launch new innovative product and fulfill customers' need. As I said, we are quite lucky at the moment, and we hope that will continue with the strength of our pipeline.

Do you believe that Taiwan will set a precedent in the industry for other countries to follow?

Taiwan is in a very unique situation. It is a small country, with a small potential market. But excluding Japan, we have the most advanced healthcare system in Asia.

Taiwan was occupied by Japan for over 50 years; after World War II, the US had a major influence as well. Meanwhile, after the communist party took over in China in 1949, many Chinese mainlanders fled to Taiwan—the majority of them government officers, professors, scholars, and other well-educated people. These diverse cultures have melded together on a small island lacking in natural resources, to create a unique country and a unique system of universal healthcare coverage.

Busy with healthcare reform, China is now learning Taiwan NHI system by both sending many delegations to visit Taiwan NHI officers and medical institutions; and inviting many of their counter-partners to visit China sharing the experience on setting up the healthcare system. They plan to use our system as a foundation for their coming healthcare framework. If a company wants to invest more and grow their business in China for the future, they can turn to Taiwan, which has already had a great deal of experience with this system. Over the next three to five years, we might prove to be very useful in that sense.

And if we look around Asia, we see that countries like Indonesia are also following our lead in universal coverage. Of course, they will learn from the US, Japan and other advanced countries as well, but because of their huge resources, those countries are much further removed from their own experience than Taiwan is. Learning from Taiwan is the best approach for officials in a country like Indonesia, or Thailand. So, again, we may prove very, very useful for companies looking for better market penetration in Asia.

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