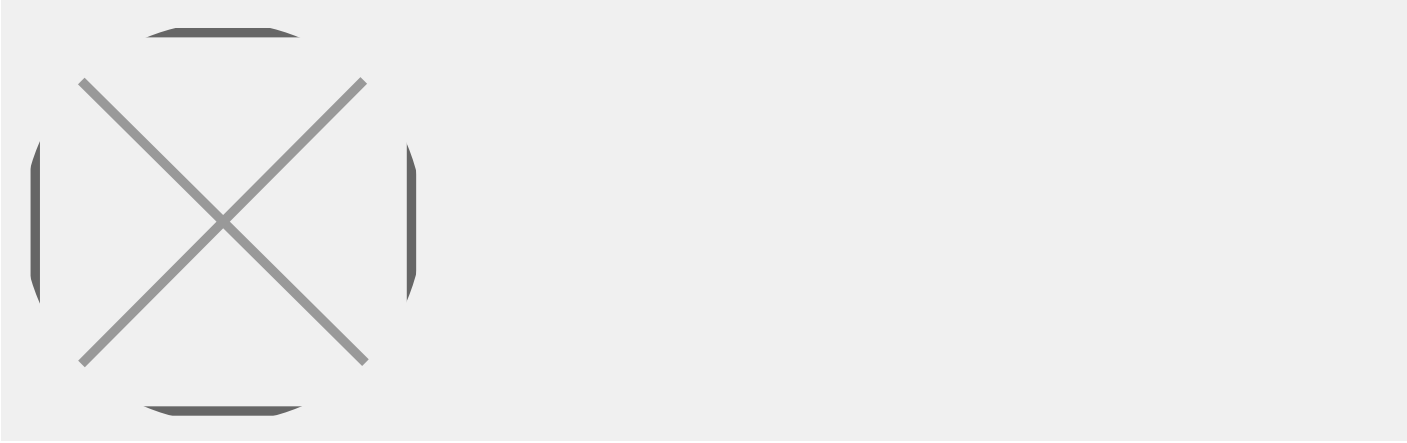
Interview: Heather Lin, COO, International Research-Based Pharmaceutical Manufacturers' Association (IRPMA)



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The Latest details regarding Article 46, a key piece of legislation attached to the second-generation health insurance reform, were announced this week. What are the key points to take away from this announcement?

In Taiwan, the government is attempting to limit the growth of annual spending on pharmaceuticals—an expenditure that is on the rise worldwide due to new drugs entering the market, and aging populations. In Taiwan, the government has decided to cap drug spending at 25% of the total healthcare budget. This has been going well, but the industry is crying out because of the price cuts that it has suffered in recent years. The second-generation health insurance reform was supposed to address the needs of the industry, but it now looks like it has only made things worse.

Article 46 is split into dealing with drugs at two stages: during the first year that a drug's patent expires, the government will cut the price in one of three ways, depending on which of the three results in the lowest price: either, the price will be cut to the lowest international price at that time, or by GWAP, or finally, a flat 30% cut.

The second part of Article 46 deals with drugs from their second to fifth year after patent expiry. In this period, the innovative drug will be grouped together with the generics available, and the

grouped average price will be taken. So, if the innovator costs $10, and the generic equivalent costs $2, then the price for the group will be $6. This is great news for generics producers, but a terrible decision for innovators, who have to compensate for spending in development and promotion of their drug.

One thing that innovative companies could rely on under the previous system was that they would have a relatively long lifecycle compared to other markets, as the drugs would maintain a good market share and profitability even after they went off patent. Article 46 means that this profit will now be slashed. Given that the price for innovative drugs entering Taiwan is 50% less than the international median, and the fact that it can take up to two years for a drug to be listed in Taiwanese hospitals, this now means that there is a very short and unprofitable window for selling innovative drugs in Taiwan.

In the long-term, this situation is very unfavorable to R&D companies, who are getting squeezed out of the market, and this in turn impacts the patients: in ten years time, Taiwanese patients might simply not have access to innovative drugs from multinational companies any more, because they are not being sold in the market. We are arguing for the following: either that innovative drugs are sold at premium prices when they are launched, or that they are allowed a longer lifecycle after their patents expire. Since this announcement was made, the industry has 14 days to submit a response, before it is made into policy.

Do you expect that you will be able to change anything in the next 14 days?

I don’t expect that anything will change over the next two weeks, given that for the last ten years, international R&D-focused companies have been crying out for change in the system, to no avail.

As the industry association for multinational R&D-focused companies, do you feel well consulted by the government?

At the lower levels, like the BNHI, we have been in almost constant contact, and it is fair to say that this institution is sympathetic to the challenges of operating an R&D-focused company in Taiwan today. However, when government policies come from the top down, there is generally very little consultation, and very little that can be done to change policy. The Department of Health is in control of the healthcare budget, so if the economic situation of the country demands that every government department has to cut its budgets by 15%, then legislation like Article 46 gets pushed

through without any discussion about the damage it might cause the healthcare sector.

Has this second-generation health insurance reform at least made the market more predictable for your members?

It is more predictable, because through the efforts of the industry, we have tried very hard to push for the drug expenditure target (DET) instead of price value surveys (PVS) every two years. The way that price cuts were carried out before made it very difficult for our members to budget, because they were never sure exactly how much their prices would be cut. Now at least, we know that they will be cut annually, between 3% and 5%, which makes budgeting easier.

What does the broader healthcare reform mean in the long-term for multinational companies?

There are already several pharmaceutical companies that have started reorganization of their business in Taiwan. Big pharma is the powerhouse of introducing new drugs to Taiwan: if they are restructuring and laying people off, it means that the market is becoming less attractive, and investment from headquarters will decline accordingly. This is not a good sign.

The market has changed considerably in the last ten years, when you would find many expat general managers in Taiwan. Today, there are only a handful, and this once again shows that multinational companies are unwilling to invest that extra dollar in Taiwan. I am worried that the government does not have a long-term view about what they are going to do about innovation. They only think in three-year periods.

You used to be a member of the government. Would you do things differently if you were in their position, or can you understand their problems?

Policymakers change too frequently. 15 years ago, when I worked for the government, we would consult opinion, and make decisions in a holistic way. But right now, policies are fragmented and disconnected from each other. Right now, the Taiwanese government is encouraging local R&D, but they don’t think about the potential of collaboration with international companies. There is no global perspective. Again—multinationals are the powerhouse of introducing innovative drugs. They deserve incentives.

It seems like the state assumes that the industry will continue to bring products here no matter what, but this is not for certain. Do you think we are really in danger of companies pulling out of the Taiwanese market?

One way of assessing the strength of the market is whether or not it suffers from a shortage of drugs. Currently, Taiwan's hospitals are struggling with shortages, as a result of multinational headquarters not allocating enough supply to the country. This is because the market is not large enough to warrant it, and the prices are not good enough.

Can you give us a silver lining to this market?

I am really glad that the government is trying to promote biotech as one of Taiwan's star industries. Looking at Japan and Korea as examples, they believe that biopharmaceutical companies can be one of their important industries and have invested a lot in the local industry. However, I would encourage the Taiwanese government not to ignore the contribution that international companies have made over the last 20 years. We can help create a star industry in Taiwan together. Give us a good environment so that international and local companies can work together for the benefit of the patient.

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