Interview with Ida Sofie Jensen, Director, Lif

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You have been in this position for eight years, during which the interaction between Lif and its member companies has changed. What were some of those changes and what are the main priorities on the association's agenda?

We have worked hard to ensure that we have a strategy. Much like a company, we have a mission and a vision. The mission is to be able to provide our members with the best possible business conditions and the vision is to establish the best market access and the best treatment in the world for the patients.

This leads to us working in three areas: shaping the environment, building trust, and improving market access. Within these respective areas we are working with several activities, objectives, and deliverables.

The first one, shaping the environment, is the most strategic and long-term focusing element and requires us to work in three areas of policy. Research policy is our strength, and we contribute more to research than any other industry. In Denmark we spend 10 billion DKK on pharmaceutical research, nine billion of which comes from private industry. That is why Denmark is second in the world when it comes to pharmaceuticals research per capita, behind only Switzerland. For two small countries with open economies, having significant industries is very important. The other two policies we are involved in are industry policy and healthcare policy.

The pharmaceutical industry is not a normal market. We are not able to market to the user because access is restricted and is financed by a third party public sector, not the consumer. Nowhere in the world do people finance pharmaceuticals themselves; it is always a third party, be it the insurance company or the taxpayer. The other significant element in pharmaceuticals is that access is

granted by professional prescribers. You have to live with the fact that your customer is one person in Denmark – the public healthcare sector – and work with them to understand what they are thinking and what is specific to Denmark. Healthcare policy is therefore our market policy. If we cannot sell to the Danish healthcare sector, there is nowhere else for us to go.

When I came here eight years ago we convinced our members to speak up about healthcare policy. As a supplier we not only have a need, but a right to speak up about healthcare because we know something about it. It took some convincing from actors whose main concern was to sell their products. It took a more macro, helicopter view to explain that we needed to speak beyond prices, taxation, and reimbursement. We needed to speak about healthcare policy and access to the best treatment and products.

There is a mindset here in Denmark that we have the best healthcare sector in the world. Do we really? Or is that something worth questioning? We convinced our members that it was important to speak beyond prices because this is not a normal business, so we have to speak about the market situation – meaning healthcare policy.

But to rewind once more, eight years ago was a very glamorous time in Denmark – the government had a lot of money, we thought we could buy the world and there was a sustained economic boom. But then came the financial crisis in 2008 and exports fell like a stone in the water. Denmark is a small country with an open economy and we do not have any natural resources. So we have to live off trade with other countries and exports are obviously crucial. Pharmaceuticals was the only industry that did not plummet, simply because pharmaceutical products are used regardless of crises.

Although the pharmaceutical industry escaped the first wave of the economic crisis, it was hit by the second wave. This is because the Danish healthcare industry is financed 100 percent by the public sector. When people lose their jobs, public sector costs increase because unemployment spending goes up. And when we spend more money in the public sector the economy gets worse and we have to cut down on other public expenses. Healthcare is the biggest cost when it comes to the welfare state.

After the crisis we found a greater need to speak up about our own industrial policy. We didn’t have to do that before because industry was booming. We only had to speak about using the money. But now we were considered the consumers of public money and we had to make sure that we were understood as an industry whose products are necessary and worthy of public investment, and also one that contributes to society. This is why industry policy is getting updated again. It is not only a matter of speaking about healthcare, but we also have to brand ourselves as a contributor to society as an industry that creates jobs, pays taxes, creates exports, and promotes research. We have a general rule in Denmark that one white-collar job creates five blue-collar jobs.

Have you gotten the message across to the right parties?

They understand it because Denmark is blessed with a very huge private pharmaceutical industry, which is the difference between Denmark and Sweden. In Denmark, the pharmaceutical industry is owned by foundations.

The industry at the end of the day is also a business. What is the appeal for multinational companies to be a member?

MNCs are wherever the market is, they have an affiliated company here and they are here to stay for the long-term. They are not in and out like generic companies or parallel importers.

We also have a very complicated price system in Europe where each country is part of a basket pricing system. Denmark is used as a country that sets prices for the bigger markets. That is why, yes, even small countries are important. But even the one percent of global portfolios that Denmark occupies is still important because it is a matter of volume and growth. You can also argue that any country that has reliable access to doctors and treatment is a good market and a good launch.

We recently finished a report on Belgium where there were many complaints about the reimbursement system. Do the same problems persist here? Can you comment on the reimbursement system and what impact it has on the involvement of the Danish agencies?

In Denmark we have two healthcare areas: the primary care sector and the hospital sector. For industry, all of the new products are used in the hospital sector which is typical throughout much of Europe. In the general practice (GP) area, the way you get your product reimbursed is through a board called Medicintilskudsnævnet. This is an area where the reimbursement system is not very keen on new products. They are very skeptical while talking about true innovation and seldom reimburse stepwise innovation.

We focus on reimbursement for new products which we find very restrictive. Authorities right now are undergoing a reassessment of reimbursements. They are looking at current reimbursements for various groups and discussing whether they should keep it as is or change the pricing system. Every year we have some therapeutic areas undergo reassessment. Last year it was depression, diabetes and painkillers and the authorities took away reimbursement for pain killers. That decision was extremely tough and it meant that they were establishing a hierarchy of treatment whereby the cheapest drug was the first to be reimbursed. In most cases that was a generic product. The GP market has an old fashioned, restrictive, and narrow view of new products.

The hospital system on the other hand has a completely different set up; applications for product reimbursement do not exist. Products are bought for the use of the specialist. There is a committee structure that decides to use the product. If a product is chosen, it then gets placed into a tender system, after which the price is set.

Compared to other European countries, we have a very specific principle of free pricing. When you apply for reimbursement in the GP area you have to announce your price, but it is not a negotiation with the government. In other European countries there is normally a process of price negotiation. But in Denmark the companies set the price themselves with a maximum ceiling of price increases, so we cannot go above a negotiated level. This ceiling increases at a negotiated level.

Does this free pricing have any negative consequences? For example, if companies do not have an input, then can authorities just say no to the reimbursement without any negotiation?

Our clear view is that changing to a system like other countries where the price is up for negotiation would make the process extremely bureaucratic and cause a much slower uptake whenever you want to get to market. If you get a reimbursement then you have a quick ride. The barrier is the reimbursement itself, but it doesn't take a long time for a decision to be made. There is a problem however since they are narrow-minded about which products are up for reimbursement.

Do you think that partnership strategies are best way for the industry to go forward?

Yes, I believe you have to be very aware of having a dialogue with the government; a dialogue where you question the mindset; where you document what is going on; and that you show what other countries can do while reaching out and finding a level where both parties can find themselves satisfied with the products.

Healthcare of course is a very hot topic discussed all over the world and every stakeholder wants to push their agenda. Do you think there is a way to have a common understanding or is it naive to think that everything can go in one direction?

In a way it is naive. One way or another we are structural opponents. One wants to sell, the other is the buyer and that does not change. It is much more complicated today to evaluate and find out what products you have to use. Being a partner is by one way or the other trying to make sure that the other party knows what you are talking about; it is a way of opening doors.

How important is it for both parties to increase more collaboration?

It is very important for Denmark. This is why right before Christmas we entered into an agreement in the hospital area where we avoided international reference pricing because we did not want it. We have a huge Danish pharmaceutical industry with a large export base that translates into enormous revenues for the Danish government. International reference pricing would affect the Danish export to Europe by a factor of three, and the global export by a factor of seven. Denmark is a small country with an open economy and we are extremely dependent of international trade with other countries and the pharmaceutical industry means a lot for Denmark.

We reached out and said that we are ready to reduce our prices and will do it step-by-step because we accept that there are some economical shadows out there. That means that we accept that the public sector in Denmark has to cut their expenses, including our industry being suppliers to the public sector. We respect that, which is why we are cutting our prices our own way without international reference pricing.

What do you think the international pharmaceutical industry can learn from what is happening here in Denmark?

I think we are good at having a dialogue with one another and negotiating. Our politicians are sensible; they are not setting up walls against the industry. They are in dialogue with us and are ready to make Danish solutions, meaning, that we do it the Danish way.

Two years ago you were named one of the most influential people in the pharmaceutical industry. What were some of the hardest battles to achieve that honor and make your name in the pharmaceutical industry?

I think this industry is respectful to good arguments; it is in our DNA. Good argumentation, good documentation and a proper way of telling people things is a good recipe to move forward. I cannot find a more meaningful field to work for than finding products to treat ill patients.

What would you like your final message to be to our readers?

It is very important to look at the pharmaceutical industry from a historical perspective. It is an extremely well organized and well defined business model. But we cannot do it on our own, we have to be in dialogue with society and remember that the pharmaceutical industry is here for the long-term.

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