Interview with Han Brouwer, General Manager, Actelion Pharmaceuticals

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Founded in 1997 Actelion is certainly the “new kid on the block” when compared to some of the much older mainstays in the pharmaceutical industry. What would you say was the fresh face and the different image that Actelion brought to the industry 13 years ago?

The Dutch affiliate started in September 2002 so most of my reflections cover the eight years from 2002 until today. However, I have heard the stories from 1997-2002 of the difficulties that the founders encountered in finding the right partners to start up the company. It was quite a tough ride from what I gather. Four of our founders came from Roche with strong ideas of starting their own company. One thing that they definitely wanted to implement differently was the way of doing the pharmaceutical business. They then had to look for money and talk to investors. The financiers wanted to take over the key responsibilities so the founders were more positioned as employees rather than a traditional founders – the financiers were in for the money and the founders were in for the ambition, fantasy, and the dream. It took some time before they could find the right partners, but after eventually finding them, what was achieved over the last 12 years is nothing short of extraordinary.

We are indeed the new kid on the block and still a young kid on the block. We still have the young, dynamic, and entrepreneurial spirit today that we had 12 years ago when this company started. Retaining that spirit is an achievement in itself since as a company grows and rapidly expands it can tend to turn into a machine or an administrative related organization; that is far from what we

are looking to achieve.

The Netherlands, by many cultural accounts, is a nation founded on the very premise of entrepreneurship and an industrious spirit because of its rich history in trade and commerce. There seems to be a good fit between company and country. How is the entrepreneurial spirit of Actelion reflected in this Dutch affiliate?

What you see in this affiliate is what you will find in other local operating companies as well: we are building and shaping new pharmaceutical markets. We are selling orphan drugs which make up a specialty market with the dynamics being much different than traditional big pharmaceutical companies. There is a huge difference between jumping into an existing market and fighting over product characteristics and price, and entering into a market which basically does not exist. The market that you have to shape, together with healthcare professionals, patients, government, and payers, is a whole other ballgame; it is much more complex and you are much more vulnerable. Usually these are 1-2 product companies. As such, 90% of our business comes from Tracleer and 10% from Zavesca. This orphan drug business needs a different style and approach which means that we have to look for unique people with different competency sets than most pharmaceutical companies. Whereas in traditional pharma most people are part of the system, we try to build the system around the competency set of individuals.

The extraordinary achievement of Actelion’s growth, as you described it, has seen this company expand into 29 different countries over the past 13 years. What role has the Netherlands and the Dutch market come to play within Actelion’s global strategy?

Given the size of the Netherlands we are part of the “small” companies when compared to the key countries of the European region: France, Germany, Italy, Spain, and the UK. From a volume and contribution point of view we are one of the smallest affiliates.
However, if you look at the healthcare environment in the Netherlands, the way it is regulated, the initiatives that have been taken by the government, and the interaction between the payers, government, and industry, we are much more perceived as the country that is leading in change. Within Actelion, the Dutch affiliate is a place of great interest with other affiliates and headquarters looking at us intrigued with what is going on, what the new initiatives are, and to what extent they will be adopted in other countries first in the EU then elsewhere around the world. Every now and then you will see an axis between Denmark and the Netherlands where systems are similar and strategies are alike in dealing with healthcare costs and guidelines.

What drove the change in affiliate structure from one common Benelux entity to separate Belgium and Netherlands affiliates towards the end of the past decade?

The change in affiliate structure was a reflection of the corporate strategy. Before launching a new affiliate, Actelion headquarters' strategy is to start off by working with a partner. If the size and conditions of the market are strong enough, then we launch a local affiliate. In this case, back in September 2002 the Netherlands was part of the Scandinavian structure. Then at the end of 2002 the Dutch affiliate was set up with responsibility for Belgium and Luxembourg. Benelux's advantage was its close clustering of key players in the orphan disease area in a relatively small geographic region. When business started to grow and the market started to evolve, at some point in mid-2008 the revenues in Belgium were sufficient enough to efficiently and effectively split the two into separate Belgian and Dutch structures. Doing so also created a better fit between the affiliate and the local culture; it was a strategic business reason to split up Benelux.
This is an interesting phenomenon because reducing an affiliate's geographic responsibility is generally perceived as a weakness. The line of thinking is completely the opposite with Actelion. As soon as we can make an affiliate financially strong enough to run its own operations we give it its autonomy. What makes this phenomenon interesting is that we build our business based on small numbers – a relatively small number of key customers and patients. We look at it as "maximization by minimizing." After all, it is a low-volume market and business that we are in.

In 2006 the new healthcare system changed the dynamics of health coverage, the power of payer bodies, and ushered in cost-containment pressures. You were charged with heading this new affiliate in a changing landscape. What were the main organizational attributes that you tried to implement in order to help this affiliate succeed in a new environment?

In contrast to the big pharma companies, not much has changed with the Dutch affiliate between 2006 and 2011. Our focus was on expanding the market and making sure that we have a system in place where we can show the payers that we have a very rational use of our products. That involves no off-label use, highly controlled registries in place, and a very controlled working environment, which is completely different than high-volume companies with their significant off-label use. We have been transparent from the very first moment of our beginnings up until today. Is it valued by the government and health care professionals? I don't think so. If you look at the way that the government deals with orphan companies there is no exception to the rule. We are in the same system and have to follow the same reimbursement process. We have a very interesting situation in the Netherlands with a maximum price law in which we depend on the prices of a basket of countries. Perhaps people outside the Netherlands perceive us as efficient, but I think

that the system is close to bankruptcy. We have a very tight economic situation here much like the rest of Europe. European Union countries that are running into financial difficulties are now cutting healthcare costs. Because our reference pricing is based on a basket of countries we will face price cuts due to the fact that other countries have to decrease their healthcare prices for economic reasons. The price-quality phenomenon in the pharmaceutical business is eroding dramatically. There is no way that we can compensate this economic crisis. If prices are going down then they have to stay down. We cannot increase prices which I think is an underlying issue in this business. Specifically in the Netherlands we are not allowed to increase our prices so in the case of inflation our products will lose 2-3% of real value each year. Running the business is getting more expensive and revenues are decreasing which is influenced both by the system and the general economic situation.

Linking this back to a highly controlled business environment where we operate compared to traditional pharma, there are essentially no benefits to orphan drugs. For example, there is no benefit to keeping a registry which shows that 99% of our drugs are used for the right indication with the right dosage. We as a company, the government, and healthcare professionals are starting to talk two different languages. There is cost-containment versus the high-quality, transparent, and low-volume healthcare which we provide. The initiatives are not in our favor, which in a way makes sense. If I were the government I would focus on the high-volume segments. But the reality is we represent low-volumes in this business and a low volume partner is not necessarily on the radar of the authorities who have to set long-term strategies. From an economic point of view it makes sense as to why they focus on the big ones.

Is this a healthy way of looking at innovation and classifying the Netherlands as a place to be for orphan manufacturers? I don’t know. I do not think that we are very lucky here or supported by the government in that respect. I think that they are indirectly killing the business instead of supporting.

Within these parameters and with the system seemingly structured against you, has 2010 been a favorable year for Actelion in the Netherlands in volume terms?

Yes, until now we are doing well. We are meeting our targets and are very successful in fighting an upcoming price cut coming from the government. The way that they use different reference lists is neither well done nor appropriate. We are doing fine with our business but even after 8 years of operations we have to fight day-by-day to unfold this market. It is a noble thing to do, but it is also very labor intensive.

Pharmaceuticals in general and orphan drugs in specific are very patient-centric industries. The small volume of patients for orphan diseases naturally fosters a close relationship between stakeholder and patients. How is Actelion working closer to and for the patient and in doing so moving beyond just product to solution?

I do not think that we expose patients or physicians to the economic side of the market. What we try to do is convince both healthcare professionals and patients about serious diseases which require more strategic and structural approaches.
We have cut our strategy for PAH (pulmonary arterial hypertension)in two different parts. First, we try to reduce the time between a symptom and a diagnosis. We have to focus on where this patient can present him/herself – is it on the general practitioner (GP) level or is the first presentation in the specialty area? What levels of quality diagnostics are in place? Is the right equipment available to perform diagnostics? Do we have guidelines to support these healthcare professionals in order to get the diagnosis on time? In orphan diseases which are largely unknown to healthcare professionals there is a lot of awareness and daily practices that we have to influence while always respecting individual roles.
The second part of the strategy is to reduce the time between diagnosis and treatment. It is not necessarily the case that you get next day treatment for a diagnosis. A lot depends on how your diagnosis is interpreted. Taking all of these points into account can lead to a diagnosis in an expert center which exists for two reasons: first is to deliver the best quality; second, from an economic perspective, is for the government to have a better idea of how many patients are treated for a disease. It is a very well known and controlled disease area that we work in. From an economic point of view we are a nice example of cost-containment for other segments since we do not waste any healthcare expenditure in our area.
Once a patient is treated with one of our products we have a nurse support system in place which has regular contact with patients via pharmacists to see how the patient is doing and to make sure that they do not stop treatment for their deadly disease. There is a risk with orphan drugs for patients to reduce treatment and medication intake if they start feeling better. This, of course, can have fatal consequences. Recent data shows that we have to focus more on a “treat-to-target” strategy so that physicians decide upfront, based on the symptoms and diagnostic data to start with mono or combination therapy. If you start with mono therapy because you are not advanced in the disease, then your treatment goal is predefined. If you do not reach a specified goal in a certain period of time then you are going to escalate your dosage or you will start combination therapy. I think we are much more advanced in the way that we cooperate with patients and PAH experts in maximizing medical return related to treatment compared to big pharma companies.

We are in a position to have anonymous patient data. We can come up with statements and analyses on various groups of patients with different indications and deduce the average use of a product. On several fronts we can be a positive example for the government and the payer bodies on how to reconstruct the healthcare environment. But as of today we have not been recognized to the extent that we should.

Actelion current has only four marketed products globally. How should one interpret that: a niche player with a comfortable market share? A rich pipeline with more products to come? A significant reliance on partnerships and in-licensing? All of the above or none of the above?

If you look at the Netherlands we have two products on the market. Tracleer for the treatment of PAH (pulmonary arterial hypertension and for the treatment of Digital Ulcerations and Zavesca for the treatment of Gaucher disease and Nieman Pick C disease. We have no partnerships in the Netherlands today. If you look at Actelion globally we have four products on the market. We expect to go with six new compounds next year alone, which is quite a lot indeed. We are currently looking for partnerships, mergers, and acquisitions whenever possible. As they say in Basel, we are “kissing frogs.” Having already kissed a lot of frogs we see that it is a difficult ballgame. A lot is available but the prices are extremely high and the competition is very tough. All of the big companies have close to empty pipelines and a lot of cash. For us, as a small partner in this ballgame, it is not an easy thing to do. Within our research we have collaboration with some big pharma companies – Merck and GSK for example. I think we are in good shape which is also reflected in the way that we are portrayed in the media. It is not just about cash and current products, but people are also interested in pipelines. Every now and then you will hear interesting stories about who we are and what companies can do with us. We are an excellent specialty player who goes beyond the traditional way of marketing a product. Next to our pipeline our people who know how to deal in specialty networks are a substantial asset.

Many pharmaceutical companies pride themselves on being family owned and having the luxury of a long-term vision that looks beyond quarterly results. Here we are with Actelion, a publicly listed blue-chip stock. What are the advantages of being a public company when it comes to managerial mindsets?

The magic of Actelion is that we have an ambitious CEO who is trying to turn a dream into reality. The way that he goes about trying to achieve that dream is not traditional at all. A lot is delegated to the local operating companies. Of course we have to deliver our numbers and be on time with the right budget. But he and his team are continuously pushing an entrepreneurial spirit and constantly look for new initiatives. We have four key values for the company – innovation, trust and

teamwork, open communication, and results driven – which basically tell the story of Actelion. We strive for innovation which we find in every kind of discipline: R&D, finance, digital marketing, and new media for example.
Our open and transparent communication is reflected even in how we have set up our offices. Additionally, we focus on being very results-oriented. Our values shape who we are, how we live, and what we breathe. We are challenged in the way that we deal with these four core values which in turn attract a certain category of people. There are many people available in the pharma industry, but the more scientifically driven business people have a great spot here in Actelion in the Netherlands.

Going back to our initial talking point, Actelion is still very much a new kid on the block. As you strive to grow and develop this affiliate, what are you most looking forward to over the next five years?

Our key responsibility starts every morning. We need to do whatever we can to, in the words of Michael Jackson, “make this world a better place.” That is something that can actually be done. If you start to get interested in your environment, are curious about the dynamics, possibilities, and drawbacks of the industry, and if you really want to make a difference, then you can. There are a lot of people with deadly diseases who deserve at least a couple of good men and women trying to do the best that they can. Of course we face hurdles because it is not always appreciated to get involved in a medically driven market as money making pharmaceutical business. I think that if we work together and show one another the sum of the benefits, then this is the place to be.
If I look back eight years, we have achieved a lot. When we started there were 2 ½ expert centers, now we have eight. While there were 50 patients treated in our orphan disease areas eight years ago, today there are more than 1,000. We have really built a market, together with the physicians. If you want to make a difference, you can. That will happen in the next five years. If out of these six new compounds going into development we get four, we face tremendous growth which has a serious effect on the way our company will be shaped in five years time.
Hopefully we can stay as entrepreneurial and innovative in five years as we are today. But with the asset of six new products, my worst nightmare is that we become a big high-volume company. I am looking forward to growth, but hope that we can remain a specialty company for as long as we can. But the future will tell and we will never say “no” to a new business opportunity. Structure is important, but the ultimate goal is to make this healthcare world a better place

What was the most exciting part about starting a new affiliate in Benelux eight years ago?

I worked for MSD for seven years and then for Serono for another seven years before it was taken over by Merck KGAa. I was then asked to start the Netherlands-Benelux affiliate from nothing. We had no office, no computer, and not even a flip chart. We did not have a product since it was not yet approved by the EMEA. I started from my garage with its huge iron doors which rattled in the winter wind and worked from my old wooden desk with a 25 meter cable for my telephone. That is how I started Actelion Netherlands, which was really great. It was the ultimate entrepreneurial spirit having nothing and trying to build a company out of nothing. That experience probably reflects the mentality of the majority of people working here. Take a risk, make a change. If you know what you have, use it.

Is there any final message that you would like to add for our readers and the readers of Pharmaceutical Executive?

You can stay for ages in a big company but at some point you will have seen it all and you then have to take the responsibility to use your experience. Go elsewhere, join us, and make a difference.

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