KRPIA – Lee Sang-Suk, CEO – South Korea



15.10.2014

Tags: innovation, manufacturing, R&D, imports, regulation, pricing

Recognizing the value of innovation is fundamental for the success of every pharmaceutical company operating in Korea. Lee Sang-Suk, CEO of the Korean Research-based Pharmaceutical industry Association (KRPIA), demonstrates the commitment of multinationals to Korea to help illustrate the benefits of innovation that Koreans can access.

What is your background and what are the KRPIA's main objectives?

Before I started working for KRPIA, I worked at the Ministry of Health and Welfare for 27 years, and I also worked as vice chairman at the Korea Hospital Association for two years. My position at KRPIA is more specific and relevant to pharmaceuticals.

KRPIA has three main objectives. The first is to improve patients' access to new drugs and create recognition of value for innovation. By sharing voices with academia, local R&D experts and policymakers, we can ensure fair and reasonable pricing policy that helps with patient access, industry development and balanced pharmaceutical spending. The second is to improve industry reputation and become an active player in the Korean pharmaceutical industry. We can enhance stakeholders' perception of KRPIA and multinationals by highlighting our contributions to society and patients in Korea. The association can also ensure benefits of R&D for innovation and KRPIA's commitment to R&D investment here through global partnership, including open innovation. Lastly,

we want to align Korean healthcare systems with global standards by advancing healthcare policies in terms of transparency and predictability, and by contributing to the harmonization of intellectual property (IP) rights, regulatory standards and procedures with global standards.

What is the current perception of the industry in Korea today?

KRPIA's members are all international companies; therefore many Koreans regard these companies not just as multinationals but also as foreign companies. Korean society might assume that the level of contribution of these multinational companies might be slightly behind that of Korean companies. KRPIA is trying to improve this perception. Furthermore, because there are many innovative patented new drugs being developed by these multinationals, on our part it is very important for the general public and government to recognize the value of these drugs and to provide the relevant voice.

KRPIA members spent five to seven percent of local sales on R&D activities in 2008. How does that compare to today?

The percentage itself has not changed significantly since then but we do know that much of that investment is currently being channeled towards conducting clinical trials.

Is the government appreciative of investments that multinationals are making in Korea?

The Korean government has already recognized the pharmaceutical industry as one of the future growth engines of the economy. Therefore they are establishing a number of relevant policies. The government is also aware of the need for its partnership with multinationals in order to advance and grow the industry, and that KRPIA's membership contributes significantly in Korea in terms of clinical investments. They are also keen to see this amount grow even further in the future. The government is also very interested in having multinationals with a Korean presence to position and locate their research centers and laboratories in Korea as well, and is willing to provide the necessary support to multinationals interested in doing that. Likewise, it is quite natural for the multinationals to expect some significant competitive advantage that can be offered by the Korean government or economy if they were to locate their research centers here.

What are some examples of multinationals partnering with Korean industry or academia?

Many members of KRPIA are actively in the process of trying to sign MoUs with the Ministry of Health and Welfare to expand their investments and carry out more clinical trials in Korea. As for the hosting of the research or laboratory centers of multinationals in Korea, we have yet to see any

visible examples of such. Most investment efforts of multinationals in Korea are more geared towards clinical trials.

KRPIA is also working closely with the Korea Pharmaceutical Manufacturers Association (KPMA) so that multinational companies can also cooperate with local companies in terms of fostering R&D. We are also trying to create more platforms of exchange between local and multinational companies. Against that backdrop, KRPIA will co-host the two-day Pharmaceutical Association Conference (PAC) with KPMA this November, the main theme of which will be open innovation. We have invited 12 R&D heads of multinational companies from their headquarters to Korea as well as R&D heads of Korean pharmaceutical companies, biotechnology venture startups, and research centers. We hope for practical exchange, ideas and insights amongst participants. KRPIA is acting as a bridge between multinationals and locals to foster more collaboration between the two sides. There are many other academic conferences throughout the year, but we hope that PAC will be more in-depth in that many specific details about R&D efforts and partnerships can be exchanged to bring about practical results.

What do you see as the most favorable characteristics of the Korean pharmaceutical sector as a reason for multinationals to invest here?

Korea is very proud of its human resources and healthcare infrastructure in place. I know that there are other countries that boast of the same features and characteristics, but historically Korea has been very strong in these two sectors and we believe that they will continue to improve. The best and brightest of Korean talent is eagerly breaking into the pharmaceutical and medical sectors nowadays, and they are passionate about success. Additionally, Korean has many large-scale hospitals concentrated within a small distance of each other, providing a high concentration of patients and facilitating easier clinical trials for new drug development in terms of recruitment. Development of new technologies in Korea compared to other countries is also very good. Compared to other advanced nations, Korea’s cost level for research is about 80 percent of other nations with the same high quality, adding to its competitiveness and attractiveness.

What is your assessment of Korea’s IP protection system and do high-priced generics still stifle innovation?

Korea’s IP protection is quite good, but there is always room for improvement. For example, there has been some discontent from multinational pharmaceutical companies; Korea has always been a consumer nation for innovative new drugs rather than a developing nation**.** Therefore the past perspective was based on a market situation in which Korea was more of a user of innovative new

drugs. Multinationals see great room for improvement in IP protection and we believe that those necessary improvements will come about. Korea has signed FTA agreements with a number of parties; one part of that agreement was to ensure a proper IP protection scheme. The most relevant scheme for the pharmaceutical industry is the patent linkage system, to be implemented in March 2015. Once that legislation is in place, KRPIA believes that the base requirements will be met for proper protection of IP rights in the pharmaceutical sector. We are also currently discussing with the government and national assembly about closing any potential loopholes well in advance to ensure proper protection of IP.

How do you address the issue of price cuts while ensuring that multinationals still deliver innovative drugs to Korean patients that need them?

This is very relevant to the primary objectives of KRPIA, the first of which involves obtaining value for innovation, and recognizing and improving access of innovation for patients. KRPIA has consistently emphasized these ideas. Korea's pricing systems and policies can be significantly improved. KRPIA is preparing a report representing its position to the public and government. It indicates that there is room for improvement in terms of recognizing value of innovative new drugs in Korea, and the impact on patient access should that not be properly implemented.

Secondly, the government has repeatedly said that it wants to nurture and develop the pharmaceutical industry. However, not recognizing the value of innovation will be major hurdle for the government trying to achieve its "Pharma Vision 2020". KRPIA is undergoing in-depth studies with specific examples about how certain government policies impede proper patient access and improvement of the Korean pharmaceutical industry. Simultaneously, the government is emphasizing the sustainability and soundness of the National Health Insurance's finance. KRPIA is trying to provide some alternative plans for the government could consider so that value is recognized, proper access is ensured, proper growth and development of the pharmaceutical industry is achieved, without significantly increasing drug expenditure in Korea. We hope that our studies provide tangible and detailed information to incorporate into our report.

How do you think the government will react when this report is released in terms of making new allocations to medicines or looking for long-term solutions?

The name of the report is tentatively called "New Drug Valuation". While many in the Ministry of Health and Welfare understand the importance of innovation, the government has historically focused on the stability of healthcare spending. Drug expenditure was one of the biggest targets for cost savings. But it is difficult to overturn that in a short period of time; instead the government

is attempting a gradual shift of their focus. The 2012 price cuts were justified by the government as being for a good cause, and the government claimed to understand the need for value recognition and promised to implement measures that did so. Our problem is that they are still considering how to do that and have not provided any concrete measures. KRPIA is pressuring the government to decide on a plan quickly, but it is not their priority. While we continue to engage in dialogue with the government, it is also important to win the support of the media, academia and general public if necessary, with whom we will also share our upcoming report. KRPIA plans to hold discussion forums in which we can talk about the details of the report and increase awareness about innovation value recognition. We also need to stress that if Korea wants to become the pharmaceutical powerhouse that it plans to be, this is an inevitable issue that must be addressed. We hope to win a wider consensus about our issues through that report and push the government to move along slightly more quickly. The government will probably not take any concrete steps in 2014, but next year they should take small steps towards our goals.

What are your ambitions for the next five years?

It is paramount for the general public of Korea to recognize the contribution that multinationals make in society. Furthermore, KRPIA has a number of CSR activities that are implemented by our members. Multinational companies are not here to simply do their own business; they are here to be competitors with good will for the local industry and to cooperate as partners for local companies. We hope that that fact can be better recognized by the general public thanks to the efforts of KRPIA.

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