

Theodore Tryfon

The President of the Panhellenic Union of Pharmaceutical Industry (PEF) talks to New Times and reveals the tremendous potential of the domestic production of drugs, which has been recognized by the German industry as well

**It is unacceptable
not to be using
Greek drugs when
they can cover 60%
of the domestic
market's needs**

Interview to Mr. SPYROS KTENAS

The underfunding of health and pharmaceutical expenditures is the most - important problem, which the Greek pharmaceutical industry must handle.

What are your actions towards its solving?

Indeed, the biggest problem is the underfunding of health and pharmaceutical expenditures. We are a country that has been in recession for 7 years. This means significant unemployment and fewer contributions for the Funds. Thus, we are driven to horizontal expenditure cuts. Currently, pharmaceutical expenditure is, on average, 30% lower per citizen, compared to the other European countries. New drugs, which have entered, occupy a very large share of the budget; therefore, the public budget for drugs cannot cover entirely the pharmaceutical care needs of Greek citizens. I would like to emphasize here that, at these very low levels, anything going into drugs (provided that there is a rational drug use, which can be controlled by EOPPY) is essentially reducing other health expenditures. This is because primary pharmaceutical care –that is, drugs– basically decreases other health expenditures, such as treatment days in hospitals or abstention from work, etc. Hence, we must specify –in collaboration with the troika too, if you wish– the minimum level of annual pharmaceutical expenditure. We, as Panhellenic Union of Pharmaceutical Industry, but SFEE as well, are doing research so as to document this conclusion.

What would be a minimum public pharmaceutical expenditure? In terms of fiscal figures, is it currently feasible to increase it?



Fiscally, this might not be feasible; yet, it is documented and we claim it. Public pharmaceutical expenditure must be established, at minimum, at €2,2 billion for the Funds and €700 million for hospitals. This is a perfectly reasonable amount, which can create significant added value. Not only does it reduce all other health expenditures, but it also creates a favorable environment for new investments, new employment positions and clinical studies. In other words, the Greek economy gets something in return for this money. In fact, according to the conclusions of a recent study conducted by the University of Peloponnese, from a certain point onwards, when expenditures are being reduced, what is saved is actually “evaporated”. This is because we have negative effects on fields like employment, investments, taxes and contributions. Therefore, it is clear that, after a certain point, we have results, which are the opposite of those pursued. We have documented the numbers, which I just mentioned, through scientific research. In fact, very soon, we will be handing them to the government, the opposition, all other parties and the troika’s representatives.

How much money did the pharmaceutical industry return to the State through rebates and clawbacks?

Look, what we are living is unprecedented! Literally, no company has the possibility to predict and set up a basic planning. Every semester, we are putting our necks on the line – especially Greek industries that occupy a great number of employees and have depreciations and investments in our country. This is because we don’t know what we will eventually be able to collect from what we price. Aside from the fact that we have, particularly in old pharmacies, huge price reductions and mandatory discounts of 30% at minimum, we also have payment delays by public hospitals. As you realize, we are facing significant precarities relative to what will eventually be paid in the future.

From our side, we believe that having a clawback at 7-8% is something acceptable. We also believe that, indeed, certain discounts must exist for the Funds. Yet, this must be done depending on each company’s turnover and based on the expenditure created in the system. Thus, we consider that it is logical to have a 7% clawback and discounts of 10%, provided, of course, that pharmaceutical expenditure is established at the levels I mentioned earlier (that is, €2,2 billion and €700 million).

What sorts of problems have emerged in local pharmaceutical businesses, due to the return of these amounts to the Greek

Public sector?

In 2015, disinvestment phenomena both by Greek and by foreign companies ramped up. Foreign companies, in particular, have disinvested in new products –in anything they might be thinking of bringing to our country–, while on the same time, they have reduced their staff in Greece. In fact, foreign companies have significantly reduced their personnel, at least by 35%. Moreover, major Greek drug businesses, primarily production units, find themselves in a very difficult position, as we see our stocks decreasing and our business plans not being able to be funded. Most Greek pharmaceutical industries maintained their human resources by 95%. Our company, ELPEN, even hired during the crisis, mainly in sectors related to matters of drug development for exports. We keep our structure stable; nonetheless, the present situation cannot be continued indefinitely, troubling us every semester. This uncertainty must come to an end, so that we can look into the future with optimism.

In two recent interventions of yours, one in Delphi and another in Munich, you put forward the developmental aspect and dynamic of the Greek pharmaceutical industry sector. Why do you say that this particular sector can emerge as one of the restart “steam engines” of the economy?

We are not the only ones who have highlighted this. All previous governments, as well as studies conducted by Greek and foreign houses, have concluded the same thing. What was stated during the recent Summit of German pharmaceutical industries is very characteristic. Their representatives talked to me with particularly impressive words about the growth potential of the Greek pharmaceutical industry. German manufacturers understand that the Greek pharmaceutical industry is a sector, which can bring new jobs, investments and growth to our country. The question now is how this “missal”, one that we all know, will be put into practice.

During the recent Active Greece Awards 2016 event, which was held in Piraeus, Mr. Anagnostakis, General Manager of the Greek affiliate of German pharmaceutical industry Boehringer, noted that the parent company assigned to its Greek affiliate the production of drugs, which are intended for abroad. In other words, this verbal recognition by the Germans about the domestic pharmaceutical industry’s potential, is confirmed in practice.

Unfortunately, this is a bright exception, since what currently dominates is that other major multinational drug businesses are

disinvesting in Greece, because they are facing numerous problems. In order to reverse this tendency, an agreement between the State and those companies must be established about the taxing system, investments, drug prices, as well as all critical issues of the field.

In any case, for the Greek pharmaceutical industry to be able to grow and in order to create conditions that will boost investments, create jobs and exports, it is necessary to rely on two pillars: the Greek and foreign markets. As far as the domestic market is concerned, Greek pharmaceutical industries currently hold 20%, but we can easily reach 60% with low prices and quality drugs. We have the possibility to cover a very large portion of primary healthcare for Greek patients, with Greek drugs that are internationally acknowledged and exported. What must be implemented is a system that will promote rational prescribing – prescribing, which will be oriented towards more economical and quality products manufactured by Greek pharmaceutical industries. The latter are currently giving discounts of up to 70%, compared to the prices of imported drugs when they were under patent! Amidst such a difficult period, which other sector offers discounts of up to 70%? Isn’t this an opportunity to support the Greek pharmaceutical industry, domestic employment and investments in our country?

There is an opinion that, in comparison to Europe, the prices of generics in Greece are higher.

This is not the case. Compared to Europe, we have very low prices for all new generics. In other countries, the price of a generic is reduced only if it gains a very large patient/market share. Here, it drops from the very beginning, and rarely is this low price used to the benefit of Funds/patients. Greek generic drugs presently offer a 70% discount. And I will repeat this: let anyone come forward to name another sector that starts off with a larger discount. This is why the State must make the most of this advantage. Offering incentives and information, the State must create a climate of trust for the public, the medical community and the pharmacists.

Does the second pillar refer to extroversion?

The second pillar, which is strategically much more important than the first, is our sales in foreign markets. Yes, it is extroversion. This means that the Greek industry has its own drugs; and, certainly, it must enrich its product portfolio with technological differentiation drugs, which



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will have patent too. In reality, what we must pursue is for the Greek industry to obtain copyright.

What is your understanding: has the Greek industry gained points in foreign markets, over the last period?

Absolutely. Companies –especially the large ones– have developed new drugs with differentiation, with technology, mainly for the domestic market; but, we are also submitting portfolios abroad, and I think that the forthcoming will be a good period for the Greek industry – under certain conditions, of course: first of all, oxygen must be given to the domestic market. When the Greek industry can cover 65-70% of the Greek market, it is unacceptable to have it at 0%. Hence, a large part of the domestic market must be in Greek hands, in Greek factories, in Greek drugs. Our country cannot afford not to be using what it produces, especially since it is of excellent quality. Second, a better use of research funds coming from abroad, along with national funds, must be applied. That is, we must achieve, to the best of our ability, a specialization of Greek industries in certain technological platforms; we must collaborate and move on to the next day. We also hold responsibility as to how we will correctly setup our planning for the next 5 years. This is clear. We cannot expect anything from third parties, unless we properly do our jobs, materialize investment plans in the right direction, and accurately evaluate the markets in which we must become active.

The new ESPA as well as the new developmental law have now entered the agenda. Have you concluded on some central proposals, pertaining to the ways in which the pharmaceutical industry can make use of these two valuable tools?

We have an open communication with the Ministry of Development, as well as with the Secretariat General for Research & Technology and Mr. Fotakis, so that the selected expenditures are directed mostly to the development of new drugs – for the clinical aspect as well, the purchase of raw materials and some other relevant data and facts, which are required for a portfolio to be complete. A significant problem –which is, on the same time, a huge mistake– is the fact that the new developmental law does not give subsidies or any help to the units in Attica. It is, truly, an erroneous decision, given that a significant part of the country's production capacity has gathered in Attica – a capacity that must be modernized with new technical know-how. In a country like Greece, which is in crisis, an exception could

be applied until we are out of recession.

Does this comply with the environmental protection terms?

No. There is a European policy for peripheral redistribution and restructuring of the financial activity. Europe (righteously) says that units and jobs must be created outside the major urban centers. Yet, this applies to countries that are under normal conditions, not to those in recession, whose unemployment rates reach 30% (50% in young populations) and investments are sought with a binocular. The Greek government must claim this. I believe that there must be prerequisites from our side as well, and that we must demand, in a more convincing manner, the support of Attica's production infrastructure. We are in concert with representatives from other business sectors, so that we can deal with this particular matter. This is one aspect though. The second one is the selected expenditures. The latter must "reflect" the actual activity of the companies, so that the funds are not scattered around in theoretical programs or platforms with no commercial interest.

Mr. Tryfon how does Elpen's future course appear to you?

2015 was a year of great difficulties. In spite of this, we gained market share, because Greek physicians trust ELPEN's drugs. We had a 13% increase in packages, while financially, we did slightly better than last year. Our turnover was enhanced by our export achievements, which were improved.

Does the growth of your company allow you to have smooth funding for your investment plans in 2016? Will you be materializing any new investment plans?

Listen, every semester, the cash flow of our company is literally imperiled. And I say every semester, because we cannot establish a planning that would be more long-term, given the frequent unpredicted surprises. If, for instance, the issues pertaining to rebate/clawback and large price reductions are resolved, then, yes, ELPEN will be able to fund its investment programs, which, I must say, are very ambitious.

In parallel, I would like to note that we support the company in every way. One year ago, we did a significant share capital increase, thereby supporting the company and its employees, as well as the employees of the entire Group. Today, in the Group of ELPEN, we have 920 employees in Greece and 40 in Germany. We are one of the largest companies, and I am very happy to be representing ELPEN; together with Mr.

Konstantinos Pentafragas, CEO, we try to follow a safe route for the future of this highly important Greek company.

Are you developing any collaboration plans with foreign businesses?

We try to have selective collaborations with Greek and foreign businesses. Our collaborations are relevant to matters of drug promotion, drug co-development, or production for third parties.

No collaboration regarding the offering of shares?

We don't consider that there is currently any reason for a shareholder collaboration. On the contrary, we develop strategic collaborations with foreign companies for the co-development of drugs. We also aim at creating significant partnerships with other Greek industries.

This is extremely interesting.

At present, we are discussing with 3-4 serious major Greek industries, so that we can join our forces and create common platforms in matters of research and development, as well as promotion abroad.

Are you examining the eventuality of developing any manufacturing activity in third world countries?

This could happen, but we are presently doing a transfer of technical know-how. This is the model that we are developing. We go to the factories of pharmaceutical companies, with which we collaborate, we hand them the complete portfolio, we transfer the technical know-how for the production of a specific drug, and from then point onwards, our drug is produced from third parties abroad. I believe that, over the next five years, we will have some strategic collaborations with foreign companies, in the production field as well.

Thank you very much, Mr. Tryfon.

I thank you too, Mr. Ktenas.