HEALTHCARE INDUSTRY: FINDING COUNTRY-SPECIFIC ALTERNATIVE STRATEGIES MODELS TO CONTRIBUTE TO HEALTH & ECONOMIC GROWTH
The core question throughout this Forum is the potential synchronization of health policies in different countries of the region and strategies of multi-national companies:

➢ To simplify, on the national governments’ side:
  • How to secure access to health services (including services) at a sustainable economic cost for the national economy, knowing that health is an asset for growth?
  • How to secure the benefits of a strong presence of health care companies, national or MNC, because of potential contribution for growth? (skilled labor, employment multiplier effect, exports, attracting talents?)

➢ On the industry side:
  • How to secure market access, especially in Asia where there are large unmet needs and large target populations?
  • Beyond market access, do countries in the region present investment opportunities? (for manufacturing, geographic location, tax incentives, excellence centers in research).

HOW CAN BOTH ACTORS HAVE THE BEST OF BOTH?
An important challenge for our discussions:

- Asia-Pac countries are heterogeneous in terms of overall wealth and economic growth…

- They also are at different stages of development of their health care system, including funding access to health care services…

Our assumption is that answers for both govts and MNCs are dependent on the stage of development…. 

By adopting this line of thought, this could be the clue to find innovative alternatives.
CAN WE SORT OUT THE RELATION BETWEEN THE STAGE OF DEVELOPMENT, INDUSTRIAL POLICIES & MARKET ACCESS?
When should a country be concerned by defining a policy directed towards the health care industry, aiming at encouraging private investment in this sector?

To answer to this question, a simplified typology of stages of development of health care systems, in relation to economic growth.

Investment in health is a progressive process, leading to an epidemiologic transition and to the progressive development of health care services.
1st priority is clean water, immunization, food supply, diffusion of public hygiene, infant and mother mortality, and the aim to eradicate communicable diseases and diseases related to nutritional deficiencies/deprivations.

Priorities for investing in health care services are primary care services and basic network of hospital services for life-threatening conditions, and also to offer primary care when ambulatory services are not available.

Complex technologies and drugs are only available in a limited number of facilities, in urban centers (academic hospitals or private structures available only to the wealthiest.

Basic coverage exist for the poorer and is subsidized by public money; modest out-of-pocket payments; the wealthier can purchase private insurance.
In this preliminary stage, the need for drugs or other medical products (medical devices) is centered on «essential products», which can be provided by generic or low-cost companies;

For procurement reasons, the choice of incentivizing domestic industry in lieu of importing goods is an attractive opportunity…. Ø Domestic generic companies Ø Domestic low-tech medical device companies

Ensuring safe procurement of vaccines and antibiotics is a central issue, to achieve control of infectious communicable diseases;

Because of financial constraints, access to vaccines has to be a specific field of negotiations/partnership with MNCs, but also with international organisations (WHO, UNICEF, GAVI, BMGF,…), which can lead MNCs either to invest in local manufactures or sign licensing agreements with local players.
At this stage, the priority for a specific health industry industrial policy may be low:

- Competing areas of public investment;
  - Education, transports, communications, all which contribute also to improve welfare and health.

- Need to invest mainly in the infrastructure of health services;
Areas of cooperation/partnership:
- Vaccines
- Training programs at the two ends:
  - For primary health care services
  - For excellence specialized centres

Areas of innovation:
- Use of IT to develop innovative solutions for distant access to healthcare professionals and also training
- « Reverse » innovation: finding low-cost, low-tech solutions to improve access to diagnostic and treatment procedures.

Areas of friction/problems/indifference:
- Access to « essential product lists » for innovative drugs: mission impossible
- GMP and IP protection
- Any protectionist procurement policy (but can MNCs compete on prices?)
- Indifference: no room for primary care innovations means no major effort in innovative branded in this segment.
At this second stage (which can coexist with 1st stage because of regional disparities in development), the country has engaged in a growth path:

- Developing its own assets
- Capitalizing on its comparative advantages to enter global trade
- Attracting foreign capital
- …

At this stage, the country will experience profound transformations:

- Urbanization, with its positive and negative consequences for health
- The slow emergence of middle-class:
  - Purchasing power and expectations for good health care services
  - Engaging in an epidemiologic transition: moving from communicable diseases to non-communicable chronic diseases (including diseases related to increased longevity)
This is a phase where govts are facing the issue of investing more systematically in curative health services:

- Train Doctors and health care professionals
- Investing in hospitals and technology

Economic growth also allows to pursue and identify investments in education;

- In particular, in the training of health professionnals, to meet increasing demand, but also to offer domestic high value/high specialized services, at least for those who can pay;

At this stage, the issue of coverage by insurance takes all its acuity;

Often, there will be bits of public coverage:

- Safety net for the poorer
- Public coverage for civil servants and military forces
- Private insurance available to city salaried work force through their employer.
At this stage of development, the issue of defining a policy vis-à-vis the health care industry becomes critical, because there is a need to supply for increasing needs and activities of health services….

Also, the elite of the health care system may progressively become a strong pressure group, thus lobbying to attract more public and private money into the system.

But:

- Needs for products – specifically drugs – in high prevalence non-communicable diseases can still be fulfilled by generic products and, according to level of scientific expertise, biosimilars.

- But funding challenges to access to more innovative products in emerging disease areas, because of transitioning epidemiology:
  - Cancer
  - Auto-immune diseases, which may have a large impact on manpower productivity
Areas of opportunities for investment:
- Existence of potential areas of academic and scientific excellence, with KOLs who become prescribers of public health policies;
- Comparative cost advantages for clinical trials;
- Comparative geographic advantages for manufacturing and distribution;
- Existence of specific resources used as ingredients in the manufacturing processes of drugs.

Areas of opportunities for innovative access arrangements:
- Differential pricing strategies
- Managed access programs including global service package
- Input of expertise to propose global solutions to disease management issues.

Areas of friction/problems
- International reference pricing, meaning that prices are not based on the assessment of the relative value of products for the country vs generic alternatives;
- Protectionist regulations favouring domestic industries vs MNCs
This stage covers regional countries which have or have reached a level of development similar to that of western countries: Japan, Australia, New Zealand, Singapore, South Korea, Taiwan.

As a consequence, they all have a fully deployed health care service and funding system, in which solvency of the market for services and medical goods is insured by universal or quasi-universal coverage.

How do such countries « reconcile » their need to control for the sustainability of funding healthcare, and their ambitions to benefit from a strong innovative health care industry on their territory, be it domestic or global?

What is at stake? Not only economic growth benefits, but also the excellence of their bioscience research and medical services.
I shall not elaborate on this, because there are very different models, between South Korea, with a policy of national champions, and Singapore, aiming at becoming the Asia Pac Bioscience Hub with a very strong policy of offering space, equipment, fund, tax incentives to innovative research teams and startups.

The dream country: Switzerland:
- Small internal market, with two of the major global innovative companies, Roche and Novartis, who do not rely on the Swiss market for growth opportunities…
- One of the most performing country for research productivity in the world
- High willingness to pay for drugs, undoubtedly related to high income.

A hurdle: In most cases, the left hand (the payer) will more or less ignore what the right hand (industrial policy) is doing….with the hope that the benefits of creating wealth with the second hand through exportation and creation of domestic wealth will compensate (for companies) the opportunity cost of strict control of access on the domestic market…..
Implementation of sophisticated HTA processes…with or without cost-effectiveness strong requirements;

Value-based pricing

P&R regulations

Resource utilization programs:
- Evidence based medicine

Permanent assessment of products through real world evidence generation

Re-engineering of health care services
There is no take home messages, since the goal of the Forum is indeed to explore innovative solutions adapted to different levels of development of countries, and also to different local strategies in terms of industrial policies directed to health care industry.

With the goal to create both value to patients and to society through a dynamic health industry, at a sustainable cost for local countries.