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New Catalysts for Change
THE NEXT STAGE IN DELIVERING A MORE EFFECTIVE HEALTHCARE
SYSTEM
Industry Breakfast

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Moderator:

Panos Kanavos, Reader in International Health Policy in the Department of Social Policy, London School of Economics (LSE) and Programme Director of the Medical Technology Research Group (MTRG) at LSE Health

Panellists:

Maxim Arefyev, Director, Russian Direct Investment Fund (RDIF)

David Epstein, Division Head, Novartis Pharmaceuticals, Member of the Executive Committee, Novartis

Patrick Flochel, Global Pharmaceutical Leader, Ernst & Young

Frans van Houten, Chief Executive Officer, Royal Philips Electronics

Mark Kurtser, Chairman, Presidium of the Moscow Society of Obstetricians and Gynecologists; Chairman of the Board of Directors, Group of Companies Mother and Child

Mark Mallon, Executive Vice-President for International Markets, AstraZeneca

Simon Matskeplishvili, Chairman of the Echocardiography Section, Russian Society of Cardiology; Chief Scientific Researcher, Bakulev Scientific Center for Cardiovascular Surgery of the Russian Academy of Medical Sciences

Vladimir Nazarov, Deputy Director, Institute of Social Analysis and Forecasting of the Russian Presidential Academy of National Economy and Public Administration

Vikram Punia, President, Pharmasynitez JSC

Vladimir Shipkov, Executive Director, Association of International Pharmaceutical Manufacturers

Veronika Skvortsova, Minister of Healthcare of the Russian Federation

Paul Stoffels, Worldwide Chairman Pharmaceuticals, Chief Research Officer, Johnson & Johnson; Member of Executive Committee, Johnson & Johnson

Michael Warmuth, Executive Vice President, Established Pharmaceuticals Division, Abbott Laboratories

Ray Yip, Director of the China Program, Bill & Melinda Gates Foundation

P. Kanavos:

Good morning, ladies and gentlemen, and thank you for coming to this breakfast meeting on effective health care. I have been asked by the organizers to moderate this session. My name is Panos Kanavos. I live in London and work at the London School of Economics in the United Kingdom. I am delighted to have been invited here and thank the organizers for kindly giving me this pleasure and this honour. It is probably the first time that health care has been placed on the agenda of such an important forum, and that is clear testament to the importance of health care and the resources being put into health care by governments and, of course, taxpayers. We live in an era of cost containment. In many countries, we live in an era of expanding activities in health care. However, the objective is, has always been, and will remain, the same: to obtain better health care and better outcomes for our citizens. At the same time, we are exploring possibilities and opportunities to involve the entire stakeholder community, whether it is the Ministry of Health, the National Health Insurance Fund, and other public stakeholders, as well as providers, be they hospitals, medical device companies, or the pharmaceutical industry, to mention but a few. Yet, at the same time we want better, effective health care for our citizens. Therefore, directly involving patients and the patient community also becomes a priority. You can understand that this is a very dynamic environment and therefore in that context we have to make do with multiple decision-makers. We must also think about ways of fostering partnerships, whether these partnerships are between the public or the private sector. We have to rethink financing and the pooling of resources, while at the same time thinking about effective delivery of health care services for the benefit of our citizens. Today, we have a fairly sizeable panel of speakers I might add. Quite a few of our speakers might want to say a few words in this regard and I am sure the discussion will be extremely fruitful for us all. We are honoured this morning by the presence of the Minister of Health of the Russian Federation, Ms. Veronika Skvortsova, and I am grateful to her for being with us. I would like to turn to the Minister first of all, to say a few words and to open this meeting. Minister, we are delighted to have you with us.

V. Skvortsova:

Good morning colleagues and section chairs.

First of all, I would like to welcome you all and state that the Ministry of Healthcare of the Russian Federation has been eagerly awaiting today's debate. We are very open to contacts with the expert community, in both the pharmaceutical and medical fields. Our goals are not only to improve the quality of medical care in the Russian Federation but also to ensure that the provision of healthcare is effective, taking into account the particular configuration of the healthcare system in our country and the social expectations which exist, especially amongst the elderly generation of Russian citizens. It is vital that, while conserving a large pool of free healthcare, we enhance the quality, effectiveness, and other positive characteristics of this system.

That is why we would be very happy to hear your thoughts and comments on how to make our system more cost-effective and how to develop a financial and economic model for this. If we have time, I would also like to say a few words about our own perspective on these issues. So we are keen to hear all your comments.

Thank you.

P. Kanavos:

Thank you very much indeed, Ms. Skvortsova. I noted the words quality, outcomes, effectiveness, and cost-effectiveness, and, obviously, meeting patient expectations. I think these are very important. As moderator, what I would next like to do is turn to each of our panellists and invite brief comments, introductions about the overall topics and the agenda. I am sure that each and every one of you has prepared comments. May I please ask you to keep it to about three minutes each in order to have interaction and discussion later on? I would first like to turn to, if I may, David Epstein from Novartis.

D. Epstein:

I want to thank you for the very nice invitation, and for having us here. It is a beautiful day in a beautiful part of the country. We have been very closely

following the health care reform agenda in the Russian Federation and see notable improvements and an aspiration for the future that we think is very much in line with where you need to go as a country. In fact, some of the short-term activities that you have taken have already improved disease rates and decreased mortality. I think shows that the Russian Federation is on the right path. Having said that, there is a very high burden of chronic disease in this country, particularly as the population ages, in areas such as hypertension and chronic obstructive pulmonary disease (COPD), where it is clear from experiences in other parts of the world, that good intervention can really make a difference for the Russian people and can be done in a cost-effective manner. More health care does not necessarily mean more costs. It just means better outcomes. We have worked around the world as a company and we have seen various programmes in the United States of America, Germany, and Canada able to make a difference in areas like COPD, diabetes, and hypertension. Consequently, here in the Russian Federation we did a pilot project – this is still underway – partnering with the Yaroslavl Region to try to do a better job in controlling hypertension. As you know, hypertension results in strokes, and early cardiovascular mortality. The project was started in 2011 and focused on blood pressure control rates. We picked three pilot sites. At those pilot sites we more than doubled blood pressure control – although still not yet at the level of some other Western countries, but nevertheless much higher than before. Across the entire region, blood pressure control has gone now from 17% to about 28%. If you project that to what it means over a decade, it is about 4,000 fewer deaths from cardiac disease. If we reach a target control level of 40%, which is still lower than what has been proven possible in other countries, we would increase the life expectancy for Russian citizens with hypertension by about one year. You can make a really big difference with a concerted effort of a proper diagnosis, education, and the like. This was done as a public–private partnership. It is a good demonstration project of how I think medical societies, the Russian government, and industry can work together for a good effect. There were materials developed, and a lot of education programmes, although I am not going to go into that today. I believe that these are repeatable pilots that can be

implemented across other diseases and certainly across other parts of the country should the Minister or others be interested in working with us, or perhaps some of my peer companies, to make that happen.

Going forward, we want to continue to invest in the Russian Federation, and we think there is the opportunity to do so. We think that these collaborations are certainly possible and we would certainly ask the help of the Russian government to continue to work towards creating an environment that is predictable, that is receptive to investment, that protects intellectual property – which is exceedingly important to industries like our own – and, as a result, we think that we can work together to help Russians live better lives and longer lives.

Panos, you asked me to keep it brief, but I can say that the experience has been good thus far. I think we are on the right track, but there is certainly a lot more that can be done, and I think you have a room full of people that really want to make a difference. Thank you.

P. Kanavos:

Thank you very much indeed, David. Could I now invite Paul Stoffels from the Johnson and Johnson Executive Committee. We have heard about the burden of chronic disease, Paul, any thoughts on our topic of the day today?

P. Stoffels:

One or two thoughts. I am honoured to represent the health care industry on the Business-20 (B20). We have had a lot of discussions with the Russian Group of 20 (G20) leadership in this regard yesterday and the day before. I am very happy to say that we are trying to put health on the G20 agenda – or rather to put it back on the G20 agenda – because it is so important for the Russian Federation and all the countries of the world. The idea is health care as an investment instead of health care as a cost, and health care as a world economic driver. We have long known that every year of added life expectancy has a 4% increase in gross domestic product (GDP), with healthy lives, longer lives, and quality of life. We discussed how innovation can work to produce healthier lives and greater quality of life. For many countries, it is still longevity of life as an input to real

economic growth. I hope we can make health not just a cost burden. I also hope that people continue to understand that health is the most essential part of life. People talk about electricity, about petrol, about gas, but I think if you go to the most basic of all of our lives and family environments, the first thing that needs to happen is to have a healthy life in order to be able to be a part of society. People often forget that. We focus on trying to get innovation to try to produce a better quality of life and longer life expectancies. There are a lot of measures that can be taken, especially in sharing best practices and stimulating innovation on promoting outcomes – what are the outcomes of medical practices in different countries – and by that, enabling better health for the world's people. Thank you.

P. Kanavos:

Thank you very much, Paul. I think it is very important to think of health as an investment that leads to better life expectancy, better outcomes and, ultimately, wealth. I think this is a subject that hopefully will generate some discussion later on. I would like now to turn to Vladimir Shipkov who is the Executive Director from the Association of International Pharmaceutical Manufacturers.

V. Shipkov:

Madame Minister, ladies and gentlemen, colleagues, I have the honour to represent the international pharmaceutical industry in the Russian Federation, and I would like to share a few of my thoughts on the dialogue, trust, and – I do not hesitate to use the term – partnership between government ministries and departments, the industry, and other market players.

By way of introduction, I would like to remark that the modern pharmaceutical industry (which is above all an international one) is not simply an industry; it is not simply about the development and manufacture of different medicines. It is far more than this. In this context, I like the slogan that one of our companies uses. It is 'more than'. It is more than the production of medicines. We are ready to work towards the construction of an effective healthcare system in the Russian Federation, participate further in this sphere, and be proactive about this. In this sense, dialogue, trust, and partnership, I believe, should play a considerable role

given the infrastructure, traditions, and lines of development which Russian decision-takers so actively promote.

I would also like to say that lately, there have been some very positive changes in this sphere. As a representative of industry, I would like to share with you a number – or at least a couple of examples.

It is clear to all that the international pharmaceutical industry is committed to producing very high-quality products. With a rich experience of working to the highest international standards, we are attempting to implement these standards in Russia. Alongside the Ministry of Industry and Trade and the Government, a lot has been done to ensure that the modern international standards of Good Manufacturing Practice (GMP) were not simply developed and adapted but also implemented in the Russian Federation. I hope that this will happen literally in the next few days, if not today or tomorrow.

We are doing a lot to train people to international standards in this industry, both here in St. Petersburg and in Yaroslavl. Already, hundreds of specialists, many of whom have been trained at foreign production sites and R&D centres abroad, are ready to start work in the facilities which we are now building.

More than USD 1.5 billion has been invested by members of our association alone in the localization of manufacturing in the Russian Federation (something, I would like to emphasize, which has hitherto been unheard of), thereby demonstrating our unconditional support and understanding, as well as developing a partnership to ensure access to the latest high-quality medicine.

A lot is being done here to harmonize medical legislation and improve expertise, the registration process, supervision, and clinical research. All this is a way of investing in the Russian Federation. And all of this is not about speculative investment, but rather about making an investment which will remain in the Russian Federation for a long time, for the benefit of the Russian population.

So what I want to say is that we are ready to play a more active, constructive, and integrated role. The openness that you, Madame Minister, demonstrate and promise us is of extreme importance. We would like to make an even stronger contribution, and to feel that we are an integral part of an effective and state-of-the-art healthcare system in the Russian Federation. I believe that the speakers

here who represent the international pharmaceutical business will give many examples of this readiness, decisiveness, and commitment on our part.

At the same time, it would be impossible not to mention that we are also very concerned about the prospects for drug provision. We pinned many hopes on an appropriate drug provision strategy. Unfortunately, the document that has been approved does not inspire a great deal of optimism. Maybe we have not been able to read between the lines. But we do hope that, including in partnership with the international pharmaceutical industry and other market players, we can join forces around an effective healthcare system and effective drug provision. When I talk about 'us', I have in mind not just the pharmaceutical industry, not just the international pharmaceutical industry, but other participants. We are ready to be leaders in this movement, insofar as we have essentially the same goal as the state, the Government, and the Ministry: to improve quality of life and increase lifespans. We are all in the same boat and are ready to make every effort in this direction.

Thank you.

P. Kanavos:

Thank you very much indeed. I retained two key words: trusted partnership and high standards in quality and improvement. Thank you very much. I would like now to turn to Patrick Flochel who is the global pharmaceutical leader for Ernst and Young.

P. Flochel:

Thank you, Panos. I would like to address the side of patients and the public in general. As the Minister mentioned, all of this is done to meet the public's expectations, and to build quality. I think that when talking about public-private partnership, public means more than the government; it is also the people. And they need to be involved in the same way as in other processes. One of proper health care's objectives is to develop self-management and prevention. This is a very big topic and is, of course, difficult to do without involving the population. There is a big role in that for the private sector to help educate people. There is a

big role for doctors to help individual patients and consumer health. There is also a very important role for patients and for healthcare consumers in general to put more pressure on the system to deliver the right quality. To be able to do that, governments must give the public the tools they need to make this possible. Examples of this would be to invest in transparency and in key performance indicators (KPI) that help to measure outcome and then to drive people towards the best quality. As it is delivered, that then increases the quality across the whole system. We now have more and more tools and technologies available – both from electronic medical records, but also through remote monitoring, telehealth, and so on – to develop health across a very large territory, such as the Russian Federation, but also to empower consumers and citizens to help transform and develop the health care system. I think you also need to engage the public. There was a very interesting experiment done in Oklahoma City, United States of America. The mayor had been trying to lose weight when a magazine article was published stating that Oklahoma City was the fattest city in the country. The mayor was shocked and decided to start a campaign for the whole city to lose one billion pounds over 2 or 3 years. They actually beat that goal apparently. The important thing is that engaged everyone. He held a referendum and raised sales tax by 1% to invest into making the city more pedestrian-friendly, making people walk more, and therefore regaining some form of health and losing a bit of weight. All of that to say that health should actually be at the centre of all government policies. Any policy or decision should be measured in terms of how it affects people's health. For a Minister of Health, that is a great role, because the Minister of Health should be involved in any decision that has any influence over the health of the country's citizens. What better occasion to mobilize everybody on health than the Sochi 2014 Winter Olympic Games taking place in the Russian Federation. Thank you.

P. Kanavos:

Thank you very much, Patrick. You raised a very critical point. We are, of course, doing everything for the good of the patient, but at the same time, you raised the role of the patient as a key stakeholder in the process in terms of self-

management. You also raise the issue of the role authorities can play – the Minister of Health for example – in promoting prevention. That goes back to the point that Paul Stoffels raised earlier about realizing the potential of health as a contributor to international wealth. I am sure we will have some time at the end to discuss. I would like to turn to Dr. Vladimir Nazarov, who is the Deputy Director of the Institute of Social Analysis and Forecasting of the Russian Presidential Academy of National Economy and Public Administration. Thank you for being with us this morning.

V. Nazarov:

We at the Academy of National Economy monitor with close interest the healthcare reforms taking place throughout the world and in certain regions of our country. One of the key areas of these reforms here is the introduction of market relations while retaining the key regulatory and distribution role of the state.

But in the market, there are always two sides: the consumer and the producer. In the healthcare market, the role of consumer is now fairly insignificant. He or she is guided by the doctor, guided by the healthcare system which decides what he or she needs to consume and how he or she needs to consume it. This is probably not altogether fair, considering that a normal market and normal competition are impossible without the consumer gaining greater rights.

Nowadays, the development of information technologies allows us to significantly increase the amount of information that a patient has concerning their health. In Russia, electronic cards are now being introduced for patients, which can become a useful instrument to help people understand the state of their health.

Besides, these initiatives can also be supported by financial mechanisms. In particular, we like the experience of a number of countries such as Singapore, the United States, and China, which have introduced medical savings accounts. Colleagues have spoken here of the shortcomings of medical insurance in the Russian Federation. I believe that it would be possible to significantly increase the level of finance and the quality of medical insurance in Russia partly through the creation of these medical accounts, whereby citizens could themselves

decide which medicines they need to buy. Accordingly, a pilot project could be set up in some regions, to investigate replacing existing programmes such as the free or reduced cost prescription systems with this medical savings account system. Moreover, we could also introduce a co-funding system for patients suffering from chronic diseases, with increased funding in these cases. In this way, we can increase the stake that citizens have in their own health and expand the range of choices for patients.

Thank you.

P. Kanavos:

Thank you very much indeed, Vladimir. I retain the point about medical savings accounts. Indeed, we have seen a lot of medical savings accounts – as you mentioned – in Singapore and South Africa, and even the United States of America and China. Certainly, an interesting case to explore. Here is a proposal, ladies and gentlemen, about financing reform and the role of medical savings accounts, keeping this in mind for our discussions later on. I would like now to turn to Mark Mallon, who is the Executive Vice President for International Markets from AstraZeneca.

M. Mallon:

Thank you, Madam Minister, ladies and gentlemen. I appreciate the opportunity to say a few words about innovation. Naturally, innovation has been crucial in making a difference in disease, and particularly medicines have played an incredible role. In fact, I think it has become so commonplace that medicines make a difference for patients that we can almost forget the fact that 50 or 60 years ago diseases like diabetes and cancers were death sentences. As mentioned previously, since 2000 alone, we have extended life expectancy by two years in Organisation for Economic Co-operation and Development (OECD) countries, and 73% of that impact comes from medicines. We have heard of the huge impact that has not only on people's lives but also on the economy. If you look at cancer, in the late 1960s, the five-year survival rate for a person with cancer was less than 40%. Now it is over 80%. Innovation must, however, go

beyond medicines, and we are very encouraged and excited about prospects in the Russian Federation, your commitment to innovation and your support of innovative medicines. We recently commenced construction of an almost USD 200 million facility that will bring over 500 million tablets of medicine to the Russian Federation.

The second area where we need to see innovation – and this has been touched upon – is how we improve access to and affordability of medicine. We are very committed to finding ways to do that as a company and as an industry. In a number of countries around the world, we have introduced card programmes and adherence programmes where we work directly with patients to help find ways to provide discounts and to make medicines more affordable while also providing them with education. In the Russian Federation we have introduced something called karta zdorovya – I apologise for my terrible Russian. It is, in essence, a health card. We provide this to patients so they can get medicine at a more affordable price, but, importantly, we provide education through the card programme and really create a connection with the company.

The third area I think is really important for innovation is understanding how to specifically target our medications to the right patients. Resources are limited, so it is important that we are able to develop new medicines as effectively as possible, but also that we get them to the right patients, the patients that will really benefit therefrom. As a result, we are doing a lot – as indeed many companies are – around personalized health care. Here, I think, a partnership with organizations, the government, and academic institutions in the Russian Federation can have a benefit for the country, but we actually need the tremendous talents of Russian scientists and educators to help in other parts of the world. For example, we have established a partnership here in Saint Petersburg called the Predictive Science Centre which is leveraging the knowledge of scientists and researchers here to help us develop new techniques to better predict how a medicine will respond in a particular set of patients. Another example is a collaboration we have with the RVC Biofund and the V.A. Almazov Federal Heart, Blood and Endocrinology Centre where we are working together. There is a bank of biotissues that will contain incredible information for

us to improve our medicine and to improve how we use medicines. We are bringing in some of our expertise in assessing tissues and understanding them, and combining that with the scientists and resources here to hopefully lead to new discoveries. Innovation is critical. We appreciate the continued support to innovation in the Russian Federation. The request we would like to put forward is to work together, not only to develop science for the Russian Federation, but to help bring science to the rest of the world, leveraging the great resources that you have to make a difference to patients everywhere. Thank you.

P. Kanavos:

Thank you very much indeed, Mark. You are right in saying, of course, that innovation is not only about new products and the obviously improved outcomes they bring, but it is also about thinking how to improve access and affordability, and how to target medicines to the benefit of the right patients. You mentioned a very important term, 'scarce resources'. Resources are, and will remain, scarce, and that is a fact. I would like to also link your remarks to earlier remarks made by David Epstein about the benefits of public-private partnerships. Of course, innovation is all about the partnership, the improvement in access, in affordability, and, as you mentioned, in targeting the right patients. Thank you very much. I turn now to Michael Warmuth who is the Executive Vice President of Abbott Laboratories, Established Pharmaceuticals Division.

M. Warmuth:

Good morning and thank you for this opportunity. Being the tenth speaker of the morning I have had to alter my thinking a little bit on what I would like to cover. I have had the opportunity to hear from some colleagues. I would to reinforce a couple of points. We have been in the Russian Federation now for about 35 years and we have businesses across nutrition, medical devices, diagnostics, and pharmaceutical. Patrick, I thought you did a nice job of bringing the patient into the discussion. We have talked a lot about the government, a lot about the patient, and a lot about the businesses, but all three of them must work together. With regard to public-private partnerships, - I believe we are honestly uniquely

qualified to work in this field. We have had very good success in four or five countries now. We have recently done something in India that I would be very happy to share with the Minister in terms of looking specifically at prevention and lifestyle management. It is not only treatment of disease but also prevention and lifestyle. The other point I wanted to make, Patrick, is with regard to the term you mentioned: key performance indicator (KPI). We really only want to get involved with public–private partnerships that have measurable outcomes. We are willing to engage. Yet there are a lot of companies that have had false starts in this area. It is very important when making a commitment that you can measure and demonstrate that it has made a meaningful difference. If we can look at that across the entire continuum, I believe we are very well positioned – as are many of our colleagues as well – and we would be happy to engage. We have some experience in this area, and we work with some partners who are actually represented in this room today. It is a great opportunity to build on the success we already have had here in the Russian Federation meeting the needs of the Russian population. Thank you.

P. Kanavos:

Thank you. Again important to reinforce the point about prevention, lifestyle management, and the partnership of key stakeholders in this process. I would like to turn to Ray Yip from the Bill and Melinda Gates Foundation, who is the Director of the China Programme. Very good morning to you.

R. Yip:

Good morning. Thank you for inviting me here. I just want to spend about 30 seconds telling you a bit about the Bill and Melinda Gates Foundation because most of you have probably heard of the name and some of you may even have business dealings with us. I think it is fair to say we are a private philanthropic organization and our focus is between the public and the private, working with governments and also trying to help as many poor people in the world as possible. We invest close to 60% of our giving in health-related areas and the majority of this is – similar to my friends here from pharmaceutical companies –

in developing products and solutions including drugs, medicines, and diagnostics for underinvested areas, namely infectious disease or solutions for poor people in Africa and other countries. Our partnership actually focuses at the moment on some of emerging countries such as Brazil, India, and China to leverage their capacity to develop products such as tuberculosis drugs, malaria vaccines, and other solutions. Hopefully someday we will have a comparable programme here in the Russian Federation for these efforts. That is a quick introduction.

Part of our foundation is a large division called Global Health. We call the Global Health Division a 'virtual' pharmaceutical company, meaning we do not own the research and development, we do not own the manufacturing or the distribution. Instead, we work with different partners to get products and solutions at higher quality and lower cost to foster greater access for people. If I had to make one major recommendation today, since we are well-represented by our pharmaceutical colleagues, I would go back to earlier, to what Patrick mentioned, which is investment in prevention. I think there are a number of technologies that can contribute to prevention that have been underutilized. Or, for example, with secondary prevention, not primary prevention, we all heard about the great example of the introduction of the hepatitis B vaccine twenty years ago that has a huge impact currently on reducing the burden of chronic liver diseases, such as cirrhosis, and liver cancers. We now have a new human papillomavirus (HPV) vaccine which can prevent cervical cancer. How can we find a solution to bring it to countries that cannot afford it at a lower price? Would it be developed here cheaply or negotiated at a favourable price which is market-appropriate? Those are the options for primary prevention. Secondary prevention means we have the disease, today we hear about chronic disease. We are not taking advantage of all the things we can use to prevent secondary issues. For example, we have good drugs that can lower lipids. Are they adequately distributed and used at a lower cost for all people in the Russian Federation? My guess is probably not yet. What I am arguing is that we cannot only develop better, newer products, but we also have the opportunity to use what we already have to lower the cost and to improve distribution so that more people can benefit therefrom. That is what I argue as a secondary prevention strategy, by building on what we already have

for a country at an economic development stage that is appropriate for them. Those are some quick thoughts and I hope I have opportunities in the future for our Foundation to work with each and every one of the groups represented here to contribute to improving lives for people. Thank you very much.

P. Kanavos:

Thank you very much indeed. Of course, the issue of primary as well as secondary prevention is quite key. Thank you for raising it and reinforcing it. Ladies and gentlemen, we have heard from a number of panellists so far, particularly from industry. I would like to turn now to a clinician and hear directly from a very important stakeholder. The clinician on our panel today is Dr. Simon Matskeplishvili, Chair of the Echocardiography Section of the Russian Society of Cardiology. Good morning. Your thoughts please.

S. Matskeplishvili:

Good morning, colleagues, good morning, Madame Minister!

It is quite remarkable that at 08:00, the room is full. This says a lot about the importance of the questions that we are discussing today. To be honest, it is fine to speak last when defending your dissertation, where you turn up to present yourself, and say a few words, but now the main ideas have already been stated. I would like to say that, certainly, a partnership between companies, the state, and the Ministry of Healthcare is very important. But today, at least so far, no one has mentioned the word 'doctor'. We must understand that any changes can be introduced only when there are exceptional, competent, well-educated doctors. On the one hand, medicine is becoming a global game; we have global guidelines and global research. On the other hand, we try to adapt medicine to the needs of the individual. This is, unfortunately, what is lacking in the majority of countries, including in our country. This is not such a simple thing. Men and women differ, not only in the way that Mark Kurtser here knows all too well, but also in another sense. They fall ill in different ways, and different drugs affect them differently. This needs to be taken into account.

I would like to emphasize the important role of medical education in Russia, in terms of both undergraduate medical education and postgraduate education. In this context, I feel that the role of a partnership between companies, the state, and the Ministry is very important, because many understand a partnership as a situation in which a company sells medicines or medical devices, and we (or the Ministry of Healthcare) buy these medicines or medical devices. In reality, partnership is a situation in which companies do something from which they do not receive direct profits. I think that investing in medical education could be very important, insofar as only modern doctors who have access to the latest studies (with new findings available every month) can make use of all the developments in modern medicine: telemedicine, virtual training centres, and new technology and devices. Only an educated doctor can resist the somewhat aggressive pressure of pharmaceutical companies, which are, naturally, interested in promoting and selling their medicines.

Of course, the role of the Ministry of Healthcare is very important in this. As you said, Madame Minister, nowadays, the doors of the Ministry are wide open, and that is an excellent thing. We doctors sense this. Today at each table is a doctor. I am sitting at this table, and at the table opposite sits Mark Kurtser. And you are also here as a doctor. We should recognize that nothing will get done if there are no doctors. We must raise educational standards in both medical institutes and universities and, of course, in postgraduate education. Continuous medical education should be introduced.

In particular, we had a good experience working with Novartis when we developed an educational programme in Moscow. We have also had good experience working with Philips (unfortunately, their representative is not present today), when we taught doctors to do diagnostics.

If companies are interested in this kind of partnership, in which they are not looking for immediate profits, then that would be of immense value. I remember the words of a former Prime Minister of China when he was asked what influence the French Revolution had had on the history of mankind. He stated that it was probably too soon to judge its effects. Well, this is an example of how we should build long-term forecasts.

Yet as a doctor, I wish to say that today the most crucial issue is medical education and the quality of medical education. I am, of course, calling for investment in this sphere, insofar as it is a very profitable business. This will give you confidence that you can realize your potential in our country.

Thank you very much!

P. Kanavos:

Thank you very much indeed, point well-made and, of course, education is very key. It is an evolving subject, an evolving area, because practice moves on and as new things come on the market, practice changes. Of course, transferring best practice always takes time. Naturally, from a medical science point of view, you are always discovering new things on a daily basis as you work with patients. I have one more intervention here from Mark Kurtser, Chairman of the Moscow Society of Obstetricians and Gynaecologists.

M. Kurtser:

Thank you very much.

I am at a loss, because the representatives of the pharmaceutical companies have given excellent speeches.

I was introduced as the Chairman of the Moscow Society of Obstetricians and Gynaecologists, which I do represent. But I also have some economic experience. So which issues do you think I should concentrate on in my speech? Fine; I will talk about economics.

Our company, which is rather a group of companies called Mother and Child, has experience in investing in Russian healthcare: concrete experience. So far, we have invested more than USD 400 million. In 2012, we were listed on the London Stock Exchange. At that time, we attracted USD 300 million, and practically all of those funds were transferred to Russia. We also build hospitals.

At the moment, we are working on three major projects. We have concluded a large project in Moscow Region; the Minister has visited us in that large hospital, which has an area of 50,000 square metres. We are successfully operating in

Moscow, and we are currently working in various regions: Irkutsk, Perm, Ufa, and so on.

I would like to dwell on positive things and on the reform which the Russian Government is carrying out and which was authored by President Vladimir Putin. Firstly, I would like to say (and perhaps not all of the participants here are aware of this) that in Russia, entrepreneurs who are involved in medicine and work in the healthcare sector are exempt from corporate taxes and also from value-added taxes. Private hospitals and health centres do not pay any taxes of that sort. Secondly, we do not have a progressive tax scheme, and however much a doctor or a senior manager of a distribution company earns, he will pay only 13% income tax. There are other benefits I could mention. Yet at the same time, the development of private business is still not going particularly smoothly. On the Russian market, there are only two, three, or maybe four major operators.

Why is everyone so cautious about investing? We have very expensive loans. We get our loans from Sberbank, from VTB: the large banks. Experience in the agricultural sector indicates that they receive subsidies, and the state budget covers these high rates. This is the first thing.

Secondly, we have very short-term loans. Despite the fact that we have a very good reputation, and that we have very good collateral, we are given loans for a maximum of seven years. We take two years to build, if we are able to stick to that deadline in our very harsh climate (because it is not easy to build here) and then we must pay the money back in five years. This need for rapid repayment impinges on our pricing policies, with costs passed on to patients.

The third issue, where there is beginning to be some reform and which is a very important issue to discuss (and we wish that this went further), is that of single-channel finance. Today, so that private business matches each rouble with investment in hospitals and diagnostic centres specifically, we need single-channel funding. Then, in the price of a single bed, we can include not only the compulsory medical insurance tariffs, which include regional budgetary and municipal allocations, but also that which we call capital construction and the depreciation in value of this capital construction. This would attract, in significant numbers, those patients who cannot pay the high prices which companies are

forced to display on their price lists due to interest rates and other factors. This would greatly simplify our work.

As a whole, the experience of our company indicates that all this is possible, that difficulties can be overcome, that we receive a warm welcome from regions and governors, and that we can help them and act as an example. We – and I apologize for such an expression – are starting to ‘irritate’ the authorities, showing them what the conditions, the finishings, the technologies should be like, and that together we can begin to change them.

I would like to give an example. After visiting our hospital, the Governor of Moscow Region, Mr. Vorobiev, is now going to build two prenatal centres. He will base them on our project. Our construction company, Enka, is our prime contractor. It will begin to build a hospital based on our model for municipal needs. I believe that they will be built for the cities of Kolomna and Naro-Fominsk.

Well, there are a lot of questions to discuss here. I agree with my colleague Simon that one of the most critical questions is that of education. I would like to remind everyone what kind of country Russia is. Today our target consists of making high-quality medical aid available everywhere in Russia. When, for example, we began to become involved throughout a number of regions in IVF (in vitro fertilization) programmes, we were faced with the fact that while for the patients, the cost of our programmes (or the programmes of our competitors) were the same, in actual fact most of the expenses that the families had went to the transport companies. They had to pay them, because the couples were forced to visit St. Petersburg, Yekaterinburg, or Moscow three or four times depending on where they lived, and so all their money went to the transport companies to pay for these trips. So the profit goes to Russian Railways or to Aeroflot rather than to the development of medical care. The patients had to take a holiday; they had to resolve the question of where they were going to live during the screening or while they were being treated. So bringing this help to the regions themselves, to the regional centres, would have a very positive effect.

Thank you very much.

P. Kanavos:

Thank you very much indeed, Mr. Kurtser. Ladies and gentlemen, as we think about the next level in creating an effective health care system, of course we also have to think about an enabling environment for investment. We have heard ten fairly brief interventions, but I suspect they give us a lot of food for thought. I would like to pause for a few minutes and give the floor to you if there are any pressing questions that you may want to ask the panellists. I see a couple of hands already. May I please ask you to be very brief. Thank you.

N. Poppel:

Ladies and gentlemen, I do not represent a pharmaceutical company, but a steel and mining company. I am Natalia Poppel, Corporate Social Responsibility Manager at Severstal.

In our enterprises, we have about 70,000 employees, and most of our plants are located in one-factory towns and cities. As a rule, these regions are in the north. Severstal is a northern company. Moreover, we are the main taxpayer in these regions. Naturally our social investment focuses on the health of Severstal, the health of the population, and the improvement in quality of life in the regions.

As a business, we should, of course, be very efficient, and so I have a question for the Minister: does the Ministry of Healthcare have plans to coordinate effective health programmes as part of public–private partnership schemes? That is my first question. And are there regions or cities in Russia which, from your point of view, are more ‘advanced’ and could be held up as a leader and a model of where we need to go to create a truly effective healthcare system?

Thank you.

V. Skvortsova:

Thank you very much for this important question. It is very closely related to what our colleagues have been discussing. First of all, we should remember that 60% of the health potential of any nation is related to a healthy lifestyle and comprehensive primary prevention. Russia has begun to take this question seriously in the course of the past year or year and a half. We all remember the

First Global Ministerial Conference, which we jointly organized with the World Health Organization in 2011. At that moment, we launched this policy line. At the present time we have brought together all the ministries and government agencies, social organizations, and non-governmental organizations in a single government commission which is responsible for the prevention of diseases across all health sectors and the development of a healthy lifestyle among the Russian population. This has great potential. This also concerns large industrial corporations.

We have accumulated considerable experience in this over the past year. I would like to mention as an example the Russian Association of Healthy Cities, which is now present in around 30 cities. This association is most active in the city of Vologda and Vologda Region as a whole. We are delighted that, along with Governor Kuvshinnikov, we are now attentively studying this experience as well as coordinating and supervising it.

Similar schemes, but with a greater emphasis on secondary prevention and a commitment to treating chronic diseases, are being developed on the basis of pilot regional schemes in Ryazan Region. There are many examples, and we are willing to get involved.

You touched on another very important issue about public–private partnership. We are convinced that an effective healthcare system can only be based on this public–private partnership. I am very grateful to Professor Kurtser, who today has specified his slant on the development of investment in healthcare infrastructure and in the development of medical organization structures. We will be very happy to stay in close contact and try to move forward in these areas. We support the development of private networks of general practitioners, who are the first link in the chain. There are already examples of these in St. Petersburg, and they are also beginning to be introduced in Moscow, Tatarstan, Chuvashia, Mordovia, and a number of other Russian regions. Moreover, we have already accounted for the introduction of an investment component in medical tariffs. These are not large financial resources, but they will be introduced specifically to develop a partnership at this first link in the chain. By way of further steps, we plan to develop these ideas at higher levels of the healthcare delivery system, and, of

course, in the pharmaceutical sector. Our contacts with large pharmaceutical businesses are very important to us. The offset deals that can emerge on this basis, I believe, will allow us to jointly develop both educational and innovation-based programmes. So everything that has been discussed is part of our joint programme. We hope to continue on the same track. Thank you.

P. Kanavos:

Thank you Minister. Thank you very much. There was a second hand over there, there was a third there and a fourth there.

G. Mikhailik:

Good morning, colleagues and Madame Minister. I am Gleb Mikhailik, CEO of a chain of clinics called Ava-Peter and Scandinavia.

The main theme of this Forum is, clearly, the issue of investment, and investment in the medical sphere is of great importance. Yet let us speak frankly and openly: we need to separate investments in areas which work on a profit/loss basis and the provision of fee-based services, which is in no way linked to the state system, and investment in the industry which provides services as part of free state healthcare provision: that is to say, in the compulsory health insurance system and everything linked with it.

Two years ago in the Republic of Tatarstan, we set up the first public-private partnership scheme in the Russian Federation: it was involved in the management of the Republic's family planning and reproduction centre along with all the responsibilities for the provision of free healthcare. Now, having had two years of experience, I would like to say that there are some fairly serious problems arising from business investing in the state healthcare system.

The first problem is a legal one: as yet, there is no federal law on public-private partnerships in the country. It is being discussed somewhere in the Russian Parliament but it is still unclear when it will come into force. A number of regional laws exist. For example, the St. Petersburg law is the most developed in this area, because here a number of major public-private partnerships have already

been implemented in infrastructure projects (for example, the Western High-Speed Diameter toll highway). So my first question is linked to legislation.

My second question is about tariffs. At the present moment, the tariff classification for compulsory medical insurance does not include any investment component unless related to the depreciation of equipment up to the sum of RUB 100,000. In our experience, this is a critical issue in terms of getting business involved. In order to return investments, working for free is not an option: the budget simply does not allow us to do this. Are there any plans to change or at least alleviate these budget problems? This is important, because due to increased efficiency, business is able to generate profits at least at the procurement stage. But it is impossible to document this if we work within the law. So the second question is whether there is any chance to alleviate these budgetary problems in some way. Thank you.

V. Skvortsova:

Colleagues, I would like to reply to this question very briefly, as the moderators are telling me that we do not have much time left to reply to the questions. But I would still like to reply. In actual fact, a draft law on public–private partnerships is being put together by the Ministry of Economic Development of the Russian Federation. At the present time, the approval of all the ministries and government departments of the Russian Federation is being sought. We, like you, sincerely hope that final version of this draft law will soon be drawn up. The Ministry of Healthcare has made some amendments of its own to this bill and shared its own reading of the issues.

As for the second point regarding tariffs, I have already partly touched on this question. Colleagues, I have already stated that at the present moment, the main process in the development of a new model of Russian healthcare boils down to the fact that we separate the function of medical care from infrastructure, creating a competitive environment for infrastructure projects of all types. We are interested in a gradual, phased replacement of government infrastructure with that developed by the private sector with industry-sponsored and different types of infrastructure schemes.

With regard to the question of when we will be able to support these infrastructure projects based on a well-developed private medical sphere and support amortization, then we believe that this will only happen in earnest in about two years' time, closer to 2015. Because by 2015, we need to build up the functional potential of the healthcare system so that it will be possible to fully fund those standards which exist today. In the past few years, we have increased funding for the healthcare system fourfold, and we need to increase this funding by at least another 25% before 2015. We have already formalized this in our budget projections. Firstly, we aim to introduce an investment component to primary medical care which is viable as well as economically and financially feasible. Then our next step will be, undoubtedly, to embed an investment component for major multi-purpose general hospitals and specialist centres. Thank you.

P. Kanavos:

Thank you, Minister. I will pair up the next two questions from the floor to allow one of our colleagues here a bit of time to comment later.

From the audience:

Good morning, colleagues and Madame Minister! I have the honour of representing the Russian manufacturers from a cluster of medical and pharmaceutical industries and radiation technologies in the city of St. Petersburg and Leningrad Region.

It is a very fine thing that the Forum is taking place in St. Petersburg, and you, at the beginning of your speech, stated that we had a great responsibility to the elderly generation. And indeed, for that generation, 'Made in Leningrad' is a real brand. Therefore, the capital of the pharmaceutical industry has always been in St. Petersburg.

The openness which many people have talked about is very important to us, as is the fact that such a dialogue is happening. Recently, an excellent forum on clinical and pre-clinical research took place in which Elena Maksimkina, the Director of the Department of State Control over Drug Circulation of the Ministry

of Healthcare, participated. We had an excellent conversation. One of the fundamental issues that we raised at that forum was to finally dispel the myth that Russian-made drugs are of a low quality, and that we do not fully understand what the GMP system is. We have a large number of excellent factories with the GMP system in place, including Polisan, Biocad, and Geropharm. We raised the issue of the establishment of a government inspectorate and evaluation of medical technologies, which are vitally important to ensure that we can understand the real quality of the medicines we are producing and evaluate the medical technologies which are being offered. I would like to know your opinion on those two issues.

Thank you.

V. Skvortsova:

I will begin with your last point about the government inspectorate. We absolutely agree with the idea that, for the development of the system, we need to establish a government inspectorate. The Federal Targeted Programme for the Development of the Pharmaceutical and Healthcare Industries, in which the main player is the Ministry of Industry and Trade, is already underway. The Ministry is also responsible for the licensing of pharmaceutical drugs and, correspondingly, an inspectorate is. But the Ministry of Healthcare is certain that, from the point of view of technological maturity, the Ministry of Healthcare should also be involved in this process. My colleague – Minister Denis Manturov – and I are studying the proposals for the creation of an interministerial inspectorate and, moreover, we plan to include independent experts in such a body.

The second question is a more complex one. We could return to this separately, since, as you know, the 2011 Law on Citizen Healthcare excluded the concept of ‘medical technology’ in its previous form. And in relation to this, we will need to move in this direction, but, we believe, via different approaches. I am ready to discuss this question with you.

T. Gafor:

Timur Gafor, Medtronic.

Madame Minister, we have a question about the development of the role of public–private partnership in the creation of facilities to prevent acute coronary syndrome and of ambulance services in general. Is any work in this being planned in this area? And, if so, on what scale is it envisaged?

V. Skvortsova:

Vascular mortality was and remains the main cause of death among Russian citizens, accounting for 56–58% over the last few years. So, of course, our first priorities are acute coronary syndrome and a so-called vascular programme has been in operation to this end. On the one hand, public–private partnership is being considered for inclusion in this programme. On the other hand, we understand that this is a strategic area for our country. In this regard, technological clusters – acute vascular departments – are situated on the basis of a planned regional location strategy. This strategy is decided upon in each region with the participation of the Governor and the regional minister of healthcare.

Accordingly, if you are willing to participate in a programme to increase the efficiency of the work of these vascular centres and the work of ambulances so that patients arrive at those points, then you are welcome as our partner. But you must understand that the ideology here is unified, and the blurring of this ideology would only harm these work processes.

Thank you.

P. Kanavos:

Finally, before turning to the Minister, I would like to invite a comment.

M. Morozova:

Thank you. I will try to make this question as brief as possible. It is a very important question. I do not represent a business, but rather a private fund owned by the family of Gennady Timchenko. We are very actively developing programmes to support the elderly generation. In developing our programmes in the regions, we understand that there are very few specialists who have really

good specialized work experience with the elderly population: that is, in the fields of geriatrics and gerontology.

I have a question for Madame Skvortsova: to what extent do the Ministry's plans take into account demographic trends, take into account the fact that the proportion of elderly people, of senior citizens, is increasing worldwide and in Russia? Are there any training plans in this area, both for professional geriatric doctors and general practitioners who have experience in working with the elderly population? Thank you.

V. Skvortsova:

Colleagues, geriatric doctors are educated at more than 40 university departments located in different regions. Geriatric doctors and gerontologists are being trained. So far, there are an insufficient number of them, but there is a special Ministry of Healthcare programme to build up numbers of gerontologists as consultants in various departments of medical institutions. Moreover, specialized gerontology centres are also being built.

The only problem that still remains is with regard to access to the provision of medicines for outpatients, and this is true for the whole of our population, including our senior citizens. This is our most serious problem. We have already heard from our colleague, Professor Shipkov, who mentioned that a lot is expected from the drug provision strategy, including support for senior citizens.

The first two phases of this strategy, aimed at rationalizing the medication market and rationalizing the prescription and use of these medicines, have been officially adopted. According to our figures, in the first two years, we should be able to release resources and save about RUB 20 billion. These are resources which are currently being used ineffectively, due to excessive drug treatment and the simultaneous use of practically mutually exclusive medications.

After these phases, we will study some pilot projects to increase accessibility, including accessibility for the elderly generation, and medical provision for outpatients, as well as increasing commitments to treat chronic non-infectious diseases such as hypertension, diabetes, hyperlipidemia, and different variants

of atherosclerosis which can be resolved by the use of statins and other types of medication.

We are working on this, and after we build a more accessible and transparent market structure for medication, then we hope to move on to develop these programmes – both insurance and savings programmes – for various sections of the population.

P. Kanavos:

Thank you very much indeed again. You have the floor. Please tell us who you are, although kindly be brief.

V. Punia:

Good morning, colleagues.

I am Vikram Punia, President of Pharmasyntez in Irkutsk.

Of course we have very little time, so I will be extremely brief and ask the Minister a concrete question. My subject is related to drug innovation in Russia.

As Russian Prime Minister Dmitry Medvedev said in his speech at Skolkovo, two breakthrough and innovative pharmaceutical drugs made in Russia were developed and introduced in 2012. One of these is Neovasculgen, and the second is Perchlozon.

As far as the latter is concerned, it is the only innovative medicine developed in the past 50 years for the cure of multidrug-resistant tuberculosis. Clinical trials have shown that this medicine can treat resistant tuberculosis in 95% of cases, whereas the effectiveness of existing medicines is not greater than 50%.

The problem of tuberculosis in Russia is a critical one, as it is throughout the world. Here are the figures: there are around 100,000 new cases of tuberculosis each year. The saddest fact is that more than 20,000 people each year die of this disease. There are Russian innovations and developments. It seems that the problem can be solved. But in practice, things are not that simple.

My question is for you, Ms. Skvortsova. Is there a mechanism for introducing innovative drugs into the medical sector? What is the most important aspect

here? It is the fact that in our case, we are talking about people's lives that can be saved here and now.

V. Skvortsova:

Thank you for this very important question.

In December 2012, the Government confirmed the Development Strategy for Medical Science to 2020, and at the present time we have prepared a federal targeted programme for the development of innovation-based medical technologies and, correspondingly, for their introduction and inclusion in the government programme guaranteeing free healthcare provision.

The question that you touched upon, as I have said, is of great importance. We are looking into options for supervising the registration process of those innovation-based products which are developed by Russian industry. A second point is that we are now working on a mechanism for an effective procurement strategy to introduce these drugs as part of the standards for healthcare.

According to our data, by 2016, our industry will release 58 innovation-based medicines. These include the two products which you mentioned. There are fairly interesting medicines in the pipeline in the field of oncology, for preventing vascular diseases, and in some other fields. An extremely important group of medicines linked to virology is also being released. And we are undoubtedly interested in making sure that they are part of the standards and the list of drugs which are now being discussed. There is a list of life-saving drugs, as well as a list of drugs linked to government guarantees for vulnerable groups of the population. We are beginning to work on this, and we hope that the community of experts will play a very active role in this process.

Thank you.

P. Kanavos:

Thank you so much. I think we have heard a lot food for thought this morning. I would like to give the Minister the floor again one final time to summarize. As this great nation is moving forward in the organization, financing and delivery of health care and health care services, we have heard a number of thoughts and

proposals, if you like, about partnerships, about trust, and, naturally, about the scarcity of resources, but more so about thinking of healthcare as an investment rather than cost. We heard a lot about partnership and a lot about innovation, which is important, not only in terms of introducing new products, but also new processes and new ideas in the context of health care delivery. From my point of view as a health economist I feel it is important to reflect on all of that. Minister, you have very skilfully responded to all questions thus far, therefore I would like to give you the floor one final time and perhaps give us your view on the morning's discussions. Thank you very much indeed.

V. Skvortsova:

Thank you very much. Given that I have been replying to a lot of questions, I would like to thank all the participants in this discussion.

Many very important issues have been raised. I hope that the discussion of these questions will continue in the future. We are open to discussion, and we value each individual point of view and innovative approach to the development of the healthcare industry in our country.

From a financial and economic point of view, I would like to emphasize that it is important firstly to spend the resources that we have in an effective and efficient manner, and secondly to develop a public–private partnership and investment in this sector. We are attempting, in cooperation with experts, to harmonize these cash flows and ensure that the population does not have to worry about the financial source from which it receives care. To us, it is important that the majority of the medical care received by the population, including the elderly who remember Soviet healthcare, is provided free so that people do not have to use any private savings.

Yet on the other hand, we realize that the rapid development of biotechnology and the creation of a large quantity of expensive cell and tissue products, nuclear technologies, and the other types of technology which have been discussed today, undoubtedly require additional resources. Therefore, at the present time, we are planning to develop a parallel mechanism to fund the healthcare system, and will include it in the system of compulsory medical insurance, but in a

considered and civilized way, so that there will be no negative consequences for the population of the country, especially for those groups of the population who have little financial security.

Once again, I wish to thank everyone very much. We are very grateful for your partnership. Thank you.

P. Kanavos:

You may indeed all have breakfast.