The hardest job in pharma? Meet Mr Frouzis

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Imagine this. You are the voice of pharma in Greece. It's an industry that until a few years ago enjoyed rapid – some may say dubious – growth in the country. But no-one can afford your products any more. Your ineffective government is a puppet of international forces and has no money. International sharks will loan it money as long as long as it spends a lot less on your products. Your company is already accumulating debt because of unpaid bills in your country. And this is no longer an abstract business conundrum, it's personal: your cousin has cancer and needs a new drug that no-one wants to pay for.

When Novartis's Greek vice-president and general manager Konstantinos Frouzis became president of the national pharma association SFEE in April 2012, his country's situation seemed hopeless to many observers. In a stark example of the dysfunction of the healthcare system in Greece, Mr Frouzis's own cousin was like many others unable to obtain the drug he needed to treat his cancer.

Scrip's Eleanor Malone caught up with him to find out just how difficult it is to manage the pharma fallout from the Greek economic crisis from an organization where no-one reports to you, where you have no control over events, and the barriers are huge.

Konstantinos Frouzis, President of SFEE and VP and General Manager of Novartis Greece

I first met Mr Frouzis in Brussels in June 2012 against a fairly monumental backdrop in Greece: the country had gone through a large-scale debt restructuring in March, followed by an election in early May which had inconclusive results, leading to further delays in implementing reforms as a second election was called. A coalition government finally emerged just days before our meeting.

Massive reforms were under way, and pharma had been feeling the full force of the crisis and related cuts for a long time already. In recent years, SFEE's position at the eye of the economic storm in Europe has meant that its president has had to carry rather more weight on his shoulders than would really be proportionate for the leader of a single industry association in a small EU member state. Decisions and actions taken in Greece have been closely watched as auguries of the future for other, larger, states teetering on the brink (Italy, Spain, Portugal, for example), and for their knock-on effects (e.g., on reference pricing in many other countries).

Clearly, this position is no sinecure: you need guts, time and commitment to take the helm for an industry that has had to accommodate a cut of more than 40% in the national drugs budget over three years and has struggled to establish a collaborative dialogue with government as the latter undergoes extreme upheavals and rapid turnover of personnel. Mr Frouzis was working up to 14 hours a day to get on top of the task in hand.

Given the scale of the task and his lack of rest, you might have expected the newly anointed president to be distracted, edgy, not to say rather frantic and impatient, but on the contrary he took the time to go into some detail about the many pressing issues in Greece, all the time exuding modest charm and tolerance of the gaps in my knowledge.

This chimed with comments from colleagues on his calm, focused approach, his ability to adapt his style to the demands of the situation, and what SFEE Director General Fotis Mangalousis describes as his "long-term yet determined approach to building relationships, identifying common ground to enable him to build trust and respect over time".

Well he's been in place for nearly a year now, and he's still doggedly trying to build SFEE's most important relationship of all: with the Greek government.

The situation is pretty desperate: the state owes the pharma industry around €2 billion in unpaid bills (the health insurance organization EOPYY and public hospitals have paid none of their 2012 debts and still owe money from 2011 too). With the industry subject to clawbacks, rebates, entry fees, a price bulletin SFEE frustratedly notes is full of errors, and no new medicines approved on the market for over two years, Mr Frouzis has been pressing for many months now for the government to enter the above-mentioned stability pact with SFEE. The proposal has the backing of the European umbrella group EFPIA and its director general Richard Bergstrom.

Four Top Priorities

This pact is one of the key priorities Mr Frouzis listed to me in a recent catch-up. In full, they are:

1. The framework agreement, or stability pact: the aim is for industry's commitment to contribute to the reduction in drug spending and facilitate patients' access to medicines to be matched by commitments from the government to regularize payments for medicines bought, to rationalize the healthcare system and cut out fraud, and to ensure Greek patients get access to new drugs. 2. "Patients' access to new medicines has been delayed in Greece for more than two years now. It is essential that the Ministry of Health issues a new Price Bulletin with new medicines," he stated. Ushering new innovative medicines into the market would have knock-on benefits of creating new job opportunities for highly qualified scientists and sending out a message that Greece supports innovation and is ready for growth and development, he argues. In any case, it is wrong that medicines available elsewhere in Europe are denied to patients in Greece. "I live this case in my family. My relative couldn't get the drug he needed for his cancer. This is not a snack, it's essential for health, and it's very serious: we're talking about medicines for very serious diseases. Not a lot of drugs, but very targeted, specific drugs," he emphasized. "There seems to be a belief in government that new products increase expenditure, but we're talking only about tens of innovative products, not thousands. And since several hundred generics – which are supposed to lower costs – are also pending approval, there is no pragmatic reason for this."

3. He is still working on the settlement of debts to companies, trying to secure normalized payments and lobbying for proper funding of EOPYY, the state health insurance provider.

4. Mr Frouzis's fourth priority is a longer-term one: he wants to work with the government to remove barriers to R&D and production in Greece to encourage investment in the sector.

Given the exasperating lack of progress to date – only this week, SFEE resorted to issuing a press release claiming the government's ongoing failure to correct the price bulletin and pay its debts was bringing medicines provision to breaking point – Mr Frouzis will need that long-term vision and determination identified by Mr Mangalousis. But is that enough?

According to SFEE insiders Mr Frouzis is good at discerning the motivations and hidden agendas of others, adapting his style to best effect when negotiating and bridging the gap between industry and politics. He is sophisticated at influencing and persuading, they say, and he also knows how to lead, creating a supportive team environment that is focused on achieving results – Marcos Gerassopoulos, a SFEE board member and managing director of Sanofi, describes him as a "sheer team player"– while also not shirking personal responsibility and initiative in challenging circumstances. Keeping the confidence of his colleagues – as well as that of SFEE's member companies – will be crucial as the Greek situation clearly is not getting any easier.

Meanwhile, those who know him describe him as someone who makes things happen. "Kostas is a man of actions, not words!" declares George Patoulis, president of Athens Medical Association and mayor of the municipality of Maroussi. "I remember back in September, when the Athens Medical Association's campaign to vaccinate uninsured children had begun and there was an urgent need to cover the vaccination of thousands of children, Kostas helped resolve the problem within a couple of days by personally mobilizing all of SFEE's member companies to immediately address the issue and supply the quantities needed."

'We Want Practical Solutions'

Certainly on a macro level too, Mr Frouzis wants results. "We [on SFEE's board] are very committed to finding concrete, practical solutions: we are not guys that want to take the ball and kick it out of play – that's not in anybody's interests."

A committed rationalist, the SFEE president confesses that he is "obsessed with figures", on which he bases much of his decision making.

His systematic approach to problem-solving – accumulating evidence and assessing the overall picture to inform policy and strategy – is noted by SFEE vice-president George Katzourakis: "He is focused, planful and highly methodical," he told *Scrip*. Mr Katzourakis, who is senior vice-president and area director, established markets, with GlaxoSmithKline, also noted his broad experience across industries and very good managerial skills as key attributes for the role at SFEE.

Armed with rational arguments for the overall societal benefits of a positive relationship between government and industry, Mr Frouzis has been determined to get the government to get a grip of the facts as he sees them: that the pharma industry has and will continue to play its part in bringing down healthcare costs, but that industry needs a fair and predictable context in which to operate. Part of this will involve the government securing the sustainability of the Greek healthcare system. Ensuring the liquidity of the largest public health

insurance fund, EOPYY, is key to that, he argues: pharma has been hit hard by the Greek state failing to pay for medicines for its citizens.
Back in June, the situation looked precarious for the pharma sector. "Local companies try to survive mainly through exports – the more exports they have, the better off they are. Multinational companies ask for understanding from the mother companies on why they have not been paid for more than two years, after having undergone a severe 'haircut' [the devaluation of government bonds that were issued in lieu of the state's historical debts to pharma companies, as part of the wider PSI, or private sector involvement, in Greece's sovereign debt restructuring]. It's a difficult situation, asking the financial guys at HQ to maintain investments and employment in Greece. We are committed to not leaving the citizens without medications, but we've been struggling almost week by week to prolong discussions [with government], and now that we at least have a government we really need in the coming weeks to finalise the discussion on debts and the regularity of payments," Mr Frouzis told me then. But the arrears persist to this day.
He acknowledged that the old inflated spending on pharma was unsustainable: "Of course we understand the incapability of the country to support higher prices. However we need to be paid with the new – very low – prices that we have now."

Fine line for Pharma

It's been a fine line to walk for pharma - maintaining supply to patients and acknowledging cuts were essential, but preserving business viability and maintaining cash flow. "We are committed, multinational and local companies, to not depriving patients of drugs. However, we don't want government to see this as a weakness on our part. Because we need to run our businesses. We're not talking about profit, we're talking about cash flow: if we sell products without being paid, companies are destroyed."
Mr Frouzis does not lay all of the blame for Greek pharma's troubles at the door of the government. One of his bugbears is the quantity and complexity of reforms being demanded by the International Monetary Fund, the European Central Bank and the European Commission (the Troika) in their bail-out of Greece. Their financial aid has some serious strings attached, including many specific measures designed to rein in spending on pharmaceuticals. But Mr Frouzis points out that the reforms "are not an end in themselves" – it is the savings that the Troika wants to see – and therefore it would be better to focus on a limited number which he argues are sufficient to achieve the savings, and scrap the rest.
He also wants to see "realistic targets" for pharma expenditure, ideally based on per capita spending (the government is committed to reducing public pharma spending towards 1% of GDP, but defining it as a percentage of GDP is challenging given the contraction in Greece's GDP for six consecutive years, SFEE argues).
With a positive outcome for the Greek pharma sector far from assured, irrespective of the skills, efforts and bridge-building initiatives of SFEE's president, what would make Mr Frouzis want to take on a challenge of this magnitude? He is not a dyed in the wool pharma veteran. In fact he only joined Novartis in 2007, before that occupying a range of commercial/financial roles across diverse

sectors, including petroleum (ELF Total in France) consumer products (L'Oreal in Greece and France) retail (Promodes/Carrefour) and telecoms (Vodafone and OTE). His academic background is in chemistry, chemical engineering, economics and executive leadership.

Why Stand?

It clearly wasn't an easy decision to stand for the SFEE presidency: "All board members thought twice before putting themselves up for election, but we discussed it and we said 'if we don't do it now everything will be lost'." Around half of the current board of SFEE were already on the board before the April elections, providing continuity of knowledge, Mr Frouzis pointed out.

Still, as a relative newcomer to pharma, and as an internationally educated executive with experience working outside Greece, I wonder if he hadn't been tempted to pursue his leadership career elsewhere, possibly outside the troubled homeland, where perhaps the opportunity to succeed on a personal level may be greater. "I'm happy here in Greece with my family, and my role as president of SFEE and vice-president and general manager of Novartis Greece represents a real challenge. My children [he tells me about his two sons studying in Greece, aged 18 and 21, whom he clearly adores] are very supportive and proud of my work for SFEE, actually," he replies. "For the time being there is no need to relocate."

His decision to step up to the plate appears to be hinged on three key considerations:

- As secretary general of SFEE, he was already deeply involved, and this "fostered a personal drive to engage and contribute more actively in shaping the healthcare environment for Greece";
- his professional interest as head of the Greek office of a global pharma company; and
- personal interest: his cousin had been struggling to get Bristol-Myers-Squibb's cancer drug Yervoy (ipilimumab) for metastatic melanoma for nine months. The drug was approved in Europe but not in Greece, showing that the political is no distance from the personal in a country in crisis like Greece, where the viability of the healthcare system and the availability of appropriate treatment is not a given. Since we met, Mr Frouzis's cousin has died.

Progress

Fast forward to 2013, and in some ways things have not changed: Mr Frouzis is still grappling with the issue of payments and EOPYY's proper funding. However, it wouldn't be fair to say he's failed to move forward.

Progress has been made, he feels: "Back in June I predicted (against general forecasts to the contrary) that outpatient spending would not exceed the targets for the year set by the government and the Troika, and this proved to be the case: the clawback for the year was only around €50 million." Importantly, the target, which was €2.9 billion, down from €3.8 billion in 2011, was achieved without the need for additional punitive measures such as a proposed positive list which would have drastically increased patient co-payments, he points out.

Meanwhile, SFEE has had some success in its drive to help shape policy issues by securing an audience with government: Mr Frouzis was present at a meeting with

Angela Merkel and Greece's prime minister Antonis Samaras back in October, when he pressed the case for improved liquidity in the market.

"SFEE also contributed significantly to helping the Greek government meet the targets set in the memorandum of understanding, helping to secure the latest tranche of bail-out money for the country," he added.

SFEE's meetings with the national medicines agency EOF and the Ministry of Health have also resulted in action to prevent drug shortages due to parallel exports, including most recently greater scrutiny of pharmacies (some of which are suspected of buying drugs and selling them to wholesalers for export, while bogus claims to insurance funds have also been made with removed authenticity tags).

Separately, under Mr Frouzis's leadership SFEE has drawn up a new code of ethics and developed a number of CSR initiatives, including the collaboration with the Athens Medical Association and the Archbishop of Athens to ensure uninsured and poor citizens get access to treatment.

There have been other improvements: e-prescriptions are now up and running, described in last month's European Commission review of Greece's structural reforms and fiscal consolidation as "one of the most advanced in Europe" and having "already permitted savings of about €30 million a year". This system will enable proper monitoring of prescribing and a reduction in the once-major problem of fraud.

Mr Frouzis acknowledges that Novartis has been very understanding in allowing him the time to devote to SFEE, and thanks his colleagues there "for their support and efficient work" which enable him to juggle the two roles.

Of course, it is in Novartis's interests that their man succeed in his challenge. Meeting those top four priorities in 2013 would represent excellent progress.