

A postcard from...

Austria

In this new series we visit European nations and make a whistlestop tour of the countries, their healthcare systems and some of the issues facing the pharmaceutical industry in local markets

The Republic of Austria is situated in southern central Europe, and covers a part of the eastern Alps and the Danube region. Although land-locked, the country is nevertheless near to the Mediterranean area.

It has a population of approximately 8.2 million with almost 25% of the population living in the capital Vienna and its suburbs. Austria has been a member of the European Union since 1995 and German is the nationally official language, spoken by the largest proportion of Austrians, with English being the most common second language and the Euro its currency.

It is at the heart of the continent and has always been a junction for communication links between the trade and cultural centres of Europe, making it an important centre. Austria is a federal state with state with nine regions (Länder), Vienna, Burgenland, Carinthia, Lower Austria, Salzburg, Styria, Tyrol, Upper Austria, Vorarlberg.

The pharmaceutical industry in Austria is characterised by small and medium sized companies and it is estimated that half of the companies employ up to nine people. Only 10% are large companies with more than 250 employees, the biggest manufacturers being Baxter, Boehringer Ingelheim - the Austrian division of which which has just celebrated its 60th birthday - and Biochemie, and the nine largest pharmaceutical manufacturers are responsible for



Rainer Miran. Copyright Boehringer Ingelheim.

Boehringer-Ingelheim's offices in Vienna. The Austrian division is one of the country's top pharma companies.

approximately 84% of the total industry turnover.

Our intrepid reporter, Gerard Doherty from The MSI Consultancy, spoke to marketers working in the Vienna and gained some insight into how the healthcare system operates and some of the main issues facing our industry colleagues.

The Healthcare System

Healthcare in Austria is provided as a public service. The system encompasses all institutions and has a remit to maintain and protect the health of the population as well as diagnose and treat individuals and care for the sick.

The healthcare system is a fragmented one, with twenty-one different social insurance providers ('sick funds') offering health insurance. Social insurance is mandatory with every employee earning above a specified income threshold obliged to make insurance contributions. However, when employees become ill, treatment is available virtually free-of-charge, provided the person has valid health insurance. Sick funds are allocated to individuals rather than chosen by them, depending on profession (eg government worker, legal profession) or which region an individual resides in.

These sick funds have considerable power and provide guidance on which medicines can be used in the

healthcare system, through specialist 'revision doctors', who are the key decision makers as to whether a medicine can be prescribed freely and is reimbursable, or is subject to prescribing restrictions (see below).

Reimbursement of prescribed medicines

One of the main challenges facing the Austrian pharmaceutical system is, as in many other countries, rising pharmaceutical expenditure. The major reasons for this growth in costs are an ageing population and the uptake of new, more expensive drugs.

To counter this, in 2004 the Austrian government announced that the annual growth rate of pharmaceutical reimbursement expenditure was to be limited to approximately 3-4% (whereas growth was predicted to be about 9% by 2006), and this was to be achieved by a reform of the reimbursement system, characterized by a box system.

Following the introduction of this system, reimbursement authorities categorise each medicine into a red, yellow or green box. This is a complex system, however to provide a simplified explanation, medicines in the green box can be freely prescribed. The yellow box contains all medicines with an essential additional therapeutic benefit, which are available for specific medical indications and thus for specific patient groups (prescribing on an individual basis). Finally, the red box contains (for a limited period of 24 months) all new medicines. The ability to prescribe any of these 'red box' category medicines are subject to a restrictive form of medical approval by lead prescribing physician approval subject to specific medical requirements of patient groups, special indications and stages of illness as well as to the incidence and prevalence of the condition.

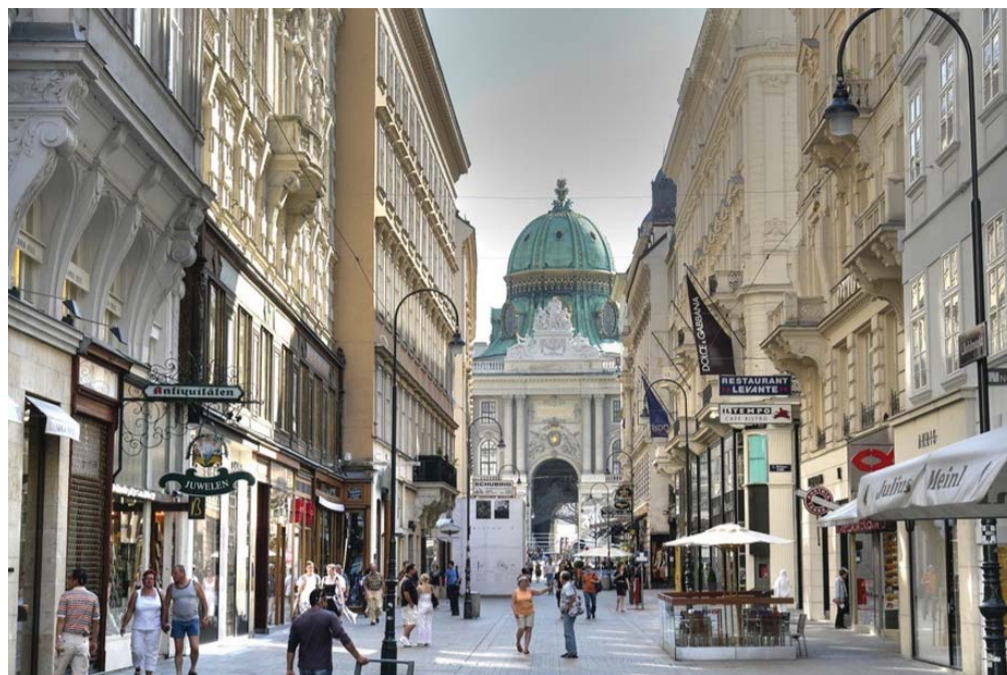
Once the 24 month period is up, a panel of experts who are linked to the sick funds - the revision doctors - then re-categorise the drugs into either the yellow box or green box via a review system. Problems arise for pharma companies if their product is then subject to the restrictions imposed on yellow box category medicines as this has an obvious impact on their ability to be prescribed freely and thus limits sales and return to the company. There are also a wide range of products, including medicines used for treatment in hospitals, as a prophylactic or contraceptive, which are not assigned to any of the boxes ('no box'). For these pharmaceuticals reimbursement is only offered in exceptional cases.

The aim of the box system is to lead to a reduction in the price levels to the EU average for medicines which require the authorisation of a 'head physician' (red box). It also provides for a time-limited and transparent admission procedure of all new drugs to the yellow and green boxes, plus it ensures that patients are guaranteed a regular supply of important therapeutic innovations (yellow box) whether they are high cost or not - a problem that we encounter in the UK more and more regularly where patients are unable to receive treatment with high-cost, high-profile drugs (such as Herceptin) due to funding issues.

In addition, the reduction of prices after the expiry of patents also has the effect of opening up the market for generics in Austria, which is designed to increase prescribing of these generic products from currently fewer than 10% to the Government target of over 20%.

Comparisons with NICE

Although it is a different system, there do seem to be similarities to reviews and guidance by the UK's NICE, whereby prescribing restrictions are imposed



Quintessentially Austrian: (from top) Viennese architecture, a pretzel bakery, Johann Strauss II and skiing - Austria's no.1 sport

on certain products or classes of drugs. For example in the area of hypertension, a whole class of drugs - the AIIRAs - are only supposed to be used in people who are intolerant to ace inhibitors (approx 15% of hypertension patients). Problems have arisen as 25% of patients are being prescribed AIIRAs, which has resulted in intervention by the authorities (revision doctors) who then make prescribers aware of their over-prescribing. The big issue for the industry now is that it is believed that more power will be given to the revision doctors who could become more prescriptive in their guidance and impose restrictions, rather than provide guidance on drug use such as we have with NICE guidance. This issue may be exacerbated by a move forward to generic prescribing of AIIRAs which will have even more of an impact on sales for branded products.

Growth of influencers

In addition to the influential sick funds, there are also a number of health technology institutes (HTIs) developing in the country. These academic institutes are jockeying for power and it is thought that over time, one or two of them will become more important and influential. The HTIs currently provide recommendations to the sick funds on cost effectiveness of drugs, running in parallel to the revision doctors.

Sales force issues

Austrian sales representatives are unable to schedule detailing appointments with doctors in the primary care setting. For them, it is a case of simply turning up in the surgery in the hope that the doctor will see them, which is time consuming and sometimes reaps little reward. It seems that the more efficient appointment system is only in place where key opinion leaders (KOLs) are visited.

However, it is thought that other customer groups will start to become more important to pharma companies as the healthcare system develops. Policy

makers such as revision doctors, health technology institutes and patient groups have started to become more important and the industry has recognised it is important that these people should be considered as KOLs in the future.

Health issues

An emerging health issue in Austria is the relatively significant increase in number of TB cases being diagnosed in a country where its prevalence was previously extremely low. Today's European Union (EU) encompasses countries with diverse patterns of tuberculosis epidemiology and subsequently immigration from EU countries where TB is still a much bigger problem, has resulted in an increase in the disease along with other European member states such as the UK and Italy where incidence has increased among immigrant populations.

We can see that our industry colleagues in Austria have to operate in a complex healthcare system, with imposed restrictions that although may be different than ours, have a substantial impact on the successful marketing of their products. But we cannot leave our very short review of Austria without conjuring up what defines the country in the minds of visitors today: Developments during the 640-year reign of the Habsburg Empire include the Vienna Philharmonic Orchestra, the Lipizzaner stallions of the Spanish Riding School, the Vienna Boys' Choir and, of course, the country's embarrassment of riches in famous composers and exquisite music.

Useful link: <http://www.pharmig.at/> - Association of the Austrian Pharmaceuticals industry

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Some things you might not know about Austria...



- Austria enjoys a higher than average level of healthcare, with \$3,418 spent per capita in 2007.

- Austria is one of six countries that have declared permanent neutrality

- Famous Austrians include: Mozart, Johann Strauss II (composer of 'The Blue Danube') Gustav Klimt (artist), Sigmund Freud (psychiatrist), Joseph Schumpeter (economist), Otto Wagner (Viennese architect) Adolf Hitler, and Arnold Schwarzenegger (actor and politician).

- A coat of arms hangs outside every Austrian pretzel bakery. The Viennese king awarded this honour to pretzel bakers after Turks invaded Vienna one morning in 1510. Despite the fact that it was time to start baking, the pretzel bakers abandoned