Thank you very much Mark.

Thank you for the invitation from Medicines Australia and I’d also like to thank Ministers, Senators, Members of Parliament, all of the leadership of the Australian Public Service who are here, the professionals who have the challenging job of delivering medicines to Australians, and all of the members of the Industry who have taken the time to join us in Canberra for this evening. I particularly want to acknowledge the Minister for Health, Tanya Plibersek and the Shadow Minister for Health, Peter Dutton. Thank you very much indeed.

It’s a real pleasure to be here. So, despite my accent, I can say that it feels a little like ‘coming home’ to be back in Australia, and specifically in Canberra tonight. I spent three wonderful years with Pfizer in Australia until 2007, during which time I served as Chair of Medicines Australia. In that period we spent a lot of time working with government and policy makers on reform of the PBS – and it’s a pleasure to see so many familiar faces in the room tonight sharing an abiding interest in the healthcare eco-system in Australia.

I’m struck by the diverse nature of this audience tonight and it is heartening to see industry leaders sitting alongside patient organisations, officials from the Department of Health and Ageing and other policy makers and stakeholders.

This provides a powerful example of what is so ‘right’ about the health sector here in Australia. Working together as Government, industry and the health sector – and adopting a solutions-oriented approach to key policy issues – has enabled you to create a balance of sustainability, affordability, predictability and patient access of which Australians should be very proud.

One of the great things about working in the healthcare eco-system is that there’s always a lot we could talk about. I would like to focus my remarks tonight on two key challenges which I believe are critical to every one of us here, and also to every Australian: the funding challenge, and the innovation challenge. Getting the balance right on these two issues is essential to the broader health agenda in Australia.
Let me start with funding.

I doubt there is a person in this room who doesn’t appreciate the need to prioritise and ensure value for money when it comes to spending. That applies equally to business and government, health consumer organisations and individual households and consumers.

That need for balance and prioritisation is one that is keenly felt at Pfizer right now. The expiry of the Lipitor patent last year, and the loss of revenue from other patent expiries around the world – coupled with global economic challenges – has led to some pretty difficult decisions for us. No one should forget that structural changes in an organisation don’t come without a real human cost as we at Pfizer, like every household, align our investments with the reality of our income.

And I’d like to take a moment to recognise the Pfizer team here in Australia for the very professional way in which they have handled these tough challenges.

It is a reminder that significant changes – whether due to patent expirations or the unanticipated impact of a policy change which impacts business – do have real consequences on business and our ability to invest for the future.

We recognise that Governments around the world have tough fiscal choices to make, and we are seeing that especially in Europe today. The measures being taken impact many areas of public expenditure, but are no less severe on areas that are our focus this evening – including patient access to life prolonging medicines – and the ability of governments to ensure patients have timely and affordable access to them. This is ever more acute given the additional challenges of an aging population.

Thankfully, the Australian economy has weathered the economic storm so much better than many other countries. No doubt many factors have played a role in that – including the strong economic management you’ve implemented here over many years.

I also genuinely believe that one of the reasons governments here have avoided some of the acute funding challenges in healthcare we’ve seen in other countries, especially Europe, is in part because of the policy reforms Australian governments have put in place over time and in which we hope our industry has played a constructive part, and in which Medicines Australia has been central.
We know that strong economic management for government also requires choices. As an industry we clearly recognise that here in Australia the Government is grappling with rising health care costs and declining tax revenue, despite your economic strength. We also recognise the rightful drive to achieve greater efficiencies and effectiveness for every dollar you spend.

This pressure to find efficiencies in the medicine bill certainly requires us in turn to become more efficient, to reduce our costs and to adjust our business models to place an even greater focus on innovative research which delivers improved health outcomes for patients. And I am sure that every research-based company represented here tonight is doing that.

But as I mentioned earlier, there is a clear conundrum we need to address. As an industry, we are seeking to be constructive in our dialogue with governments and payers in addressing the near term financial challenges all countries face. But the discovery and development of medicines is a long run play – very long run. And we need to have a care not to be so preoccupied with the present fiscal challenge that we risk the future bio-science research and innovation of tomorrow.

We also need to understand patient expectations regarding health. And on that point, it's great to see representatives from so many patient organisations with us tonight. We have a strong history of collaboration – between industry and your organisations – the voice of the patient contributes critical insights into the health policy debate, and the kinds of issues we are considering tonight.

As we all know, patient expectations are rightly high when it comes to health. Patients want, and expect, access to the new medicines, new technologies and new procedures which enable us to live longer, and to stay healthier. So while governments are feeling cost constraints, and looking to the healthcare system for a solution, patients are expecting more, better – and often more costly – health solutions, to give them better or longer lives.

So governments need to be able to fund medicines that will help patients today, and our industry needs to be able to invest in innovation that will help patients tomorrow. It can't be a contest between us.

As payers, governments need confidence in the medicines we produce: Are they are safe? Are they effective? And of course – how much will they cost? As industry, we need confidence that the medicines we discover and develop will garner a fair return. That we can rely on the stability of pricing agreements over agreed timeframes. That the ground rules will not change arbitrarily.
During my time in Australia in the mid 2000s, I was part of the industry team that worked with government to support reform of the PBS, and I am very proud to have been part of that effort.

There has been some discussion this week about whether the PBS is getting value for money when it comes to off-patent, generic medicines. It is an important question.

I think the Minister said this week there had already been a $1.2 billion price cut for generic medicines, with a further billion dollars in savings in the pipeline, and another 60 medicines to take a price cut from the first of April 2013. Some 1400 brands of more than 100 medicines have already taken price cuts, leading to lower prices for patients.

Let us be very clear.

As an innovative industry we unambiguously support greater competition and efficiency in the off patent sector. Our lifeblood is innovation and our ability to get that innovation to the patients who need it at fair prices and without undue delay.

We need a health care system that is efficient in order to make sure that innovative medicines that deliver better health outcomes get to the patients who need them. And that absolutely means having the most efficient generics market possible.

I know that many people, including many here tonight, are already thinking about a new agreement between government and industry from July next year. But at the same time, we are seeing an increasing number of ad hoc and cost driven reviews into various medicines and therapeutic areas.

It’s my sincere hope that these diversions do not undermine the ability of the government and industry to continue to deliver innovative medicines to Australians. I’m not arguing for no change – far from it. Where we can do better, we must. But I’m hoping that a focus on short term fiscal challenges, critical as they are, do not have the consequence of removing the reward and incentive to conduct innovative research in areas of real unmet clinical need, both here, and around the world.

This brings me to the second challenge I’d like to consider tonight – Innovation.

And again let me give you our experience to set the context – and this is shared across our industry. At Pfizer, innovation is at the heart of everything we do – it’s who we are. We focus our research and development efforts in areas where we believe we have the strongest potential to help people –
Alzheimer’s and pain; cardiovascular and metabolic diseases; Cancer; inflammation and immunology; and vaccines. Historically, we’ve spent more than US $7 billion a year in R&D. Now in 2013, with one of the strongest pipelines in our history, we continue to prioritize and focus our R&D resources to drive the next wave of innovative medicines to truly make a difference in patients’ lives.

That said, it is well documented that the last few years have seen a decline in research productivity in our industry as the number of new medicines being approved globally has fallen over the course of a decade. But standing here tonight, I am reminded of Mark Twain’s famous quote “The reports of my death are greatly exaggerated”.

For example, industry wide we have 49 new medicines listed on the PBS in the last three years; and in the US, there were more approvals by the FDA last year than in the last 16 years – 39 new medicines in 2012 alone.

In short, our industry continues to be part of a global trend of targeted innovation, providing governments, healthcare professionals, and patients with solutions to real unmet healthcare needs.

But innovation is not just about discovering a new molecule. The discovery process ends one very challenging task but is the start of many more. We need to be able to engineer the formulations; test them for safety and efficacy; and manufacture them to quality and scale, while we conduct the large-scale studies which regulators and payers demand.

And we’re moving to a world increasingly dominated by complex molecules and vaccines which are much more difficult to manufacture than the small molecules we’ve relied on in the past. This is not a small challenge.

So innovation is not an abstract construct. But it does take a kind of alchemy. It takes very talented people with insight and curiosity and relentless commitment. And these talented people need funding and resources. In the past, society has sufficiently valued our work so that we could continue to innovate. But we live in a different environment. Governments are responding to the needs of patients and changing demographics by increasingly demanding greater value and more sophisticated and targeted innovation from us, while simultaneously trying to manage health care costs.

I am concerned that we may inadvertently lower our sights and focus on resolving the cost problem more than the need to find new treatments where they are needed. I think that will be a disservice to the patients who need us today and in the future.
Let me step away from policy for a moment and get back to what we might call the important stuff – helping people stay well and get well. Australia’s National Health Priority Areas are a good place to start, because they show us where the burden of illness falls most heavily on the Australian community. Cancer control, cardiovascular health and dementia are all National Health Priority Areas.

So how are we doing?

The innovations we’ve seen in medicine over the last 25 years have benefited Australia’s cardiovascular health enormously.

The cardio-vascular death rate fell 78% in the four decades to 2009. Yet cardiovascular disease remains the leading cause of death in Australia, resulting in one Australian death every 12 minutes.

What about cancer? We have also made inroads here. The survival rate for many common cancers has increased 30 per cent in the past two decades – and today, more than 60% of people diagnosed with cancer in Australia will survive more than five years after diagnosis. However, cancer is still the second-most common cause of death in Australia – and an estimated 125,000 new cases of cancer will be diagnosed in Australia this year.

Progress in the area of dementia is less obvious. And further inroads won’t be made without innovation. There are 321,000 Australians living with dementia today, and another 1.2 million people providing support and care for them. The number of people with dementia is projected to triple to around 900,000 by 2050.

These numbers speak of the very real human impact of illness – but they also underscore the critical role that innovative medicines can play in helping individual patients.

But in a room of policy makers, industry leaders and budget holders it is appropriate that we also consider the economic and fiscal impact of illness.

Recent studies were conducted by a team led by Dr Deborah Schofield, from the NHMRC Clinical Trials Centre and School of Public Health at the University of Sydney. Dr Schofield also worked in the Federal Treasury, including as Director, health policy and retirement and income policy, specifically contributing to the analysis that underpinned the Intergenerational Report.
To give us some context – a study drawing on 2009 data found an estimated 415,000 Australians aged between 45 and 64 were unable to work because of ill health. This resulted in a national annual loss of income of about $17 billion. The total lost tax revenue to government was $2.1 billion, and the impact on social security payments was increased spending of $1.5 billion.

A related study, using 2003 data from the Australian Bureau of Statistics, also looked into the economic impact of older Australians not working because of ill health. It estimated a $14.7 billion decline in Australia’s annual gross domestic product, and concluded that the prevention of long term health conditions may help older Australians remain in the labour force longer, thereby increasing revenue to fund healthcare for the ageing population.

The reason I raise this is it’s tempting to always look at health funding as a cost. We need to also look at it as an investment – not just as an investment in the health of individuals, but also as an investment in the broader economy and as a real enabler of enhanced workforce participation.

Is there a fail-safe formula for preventing dementia? Curing cancer? Conquering cardiovascular disease? Sadly not. But I’d like to suggest there are some essential elements that might help us get there.

Firstly, we need a predictable and impartial environment to provide a stable climate for investment.

We support collaborative approaches where industry and government can agree on a path to achieve both short-term and long-term goals, while avoiding volatile changes in the policy landscape. Decisions on pricing, reimbursement and access of medicines must be transparent and subject to appropriate safeguards, such as the right of appeal.

Secondly, we need a holistic view of value in health care, and to avoid silo budgeting.

Health is a key determinant of future economic prosperity, and prevention programs that reduce chronic illness need to be a priority. But in addition, incentives for the uptake of cost-effective new medicines that deliver societal benefits should be built into the health system.

Thirdly, we need pricing and procurement systems that incentivise and reward innovation, and value quality.

A healthy innovative market includes multiple treatment options, including medicines, that address areas of high unmet clinical need. Pricing and reimbursement systems for new medicines should grant a price for medical advances to encourage new entrants in line with their value. Procurement systems should value quality and security of supply, as well as cost. Similarly, pricing and
reimbursement arrangements for post patent medicines need to be consistent and reliable, while also delivering value for money.

These needs cannot be beyond us.

I want to go back to where I started to some degree, and end on a positive note, because I believe the environment here in Australia can remain positive – notwithstanding the funding and innovation challenges confronting us.

Successive Australian governments, those involved in medical research, those involved in day to day healthcare, and indeed our own industry, have worked together well to provide Australians with an enviable healthcare system.

In Australia we see a system that can deliver sustainable spending for Government, predictable policy for industry and access to emerging new therapies for the Australian community. It is something to be proud of. It has helped avoid some of the worst examples of failures in medicines policy that we’ve seen in other countries – be it patients being unable to get their prescriptions filled, companies not being paid, hospitals running short of essential medicines, or governments not being able to perform one of their basic functions – providing a strong healthcare environment for their community.

My sincere hope is that we continue to navigate our sometimes competing priorities to maintain that outstanding legacy. Let’s get the balance right on funding and the cost of medicines. Let’s get the balance right on supporting innovation.

Pfizer is very proud to be part of the Australian Medicines Industry and to work alongside other companies in contributing to the ongoing success of the PBS.

It is a truly remarkable scheme and one we should all ensure, endures.

Thank you.