



**THE FRENCH HEALTHCARE INNOVATION SYSTEM:
FOSTERING ENTREPRENEURSHIP IN A FRACTURED POLITICAL AND BUDGETARY
ENVIRONMENT**

TPG International Health Academy

France Educational Summit

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France is widely recognized for the efficiency and quality of its health care system and the universal insurance coverage it offers to citizens. It recognizes, however, the importance of investment in research and development (R&D) and the nurturing of entrepreneurial startups. This year the TPG International Health Academy led a group of 20 delegates and sponsors to Paris, the nation's capital and the site of the 2024 Olympics, to meet with entrepreneurs, physicians, and policy analysts and to learn about the nation's challenges and opportunities. The Summit combined intellectual content and visits to innovation hubs with tastes of local cuisine and culture, reminding delegates why Paris remains Americans' favorite foreign destination.

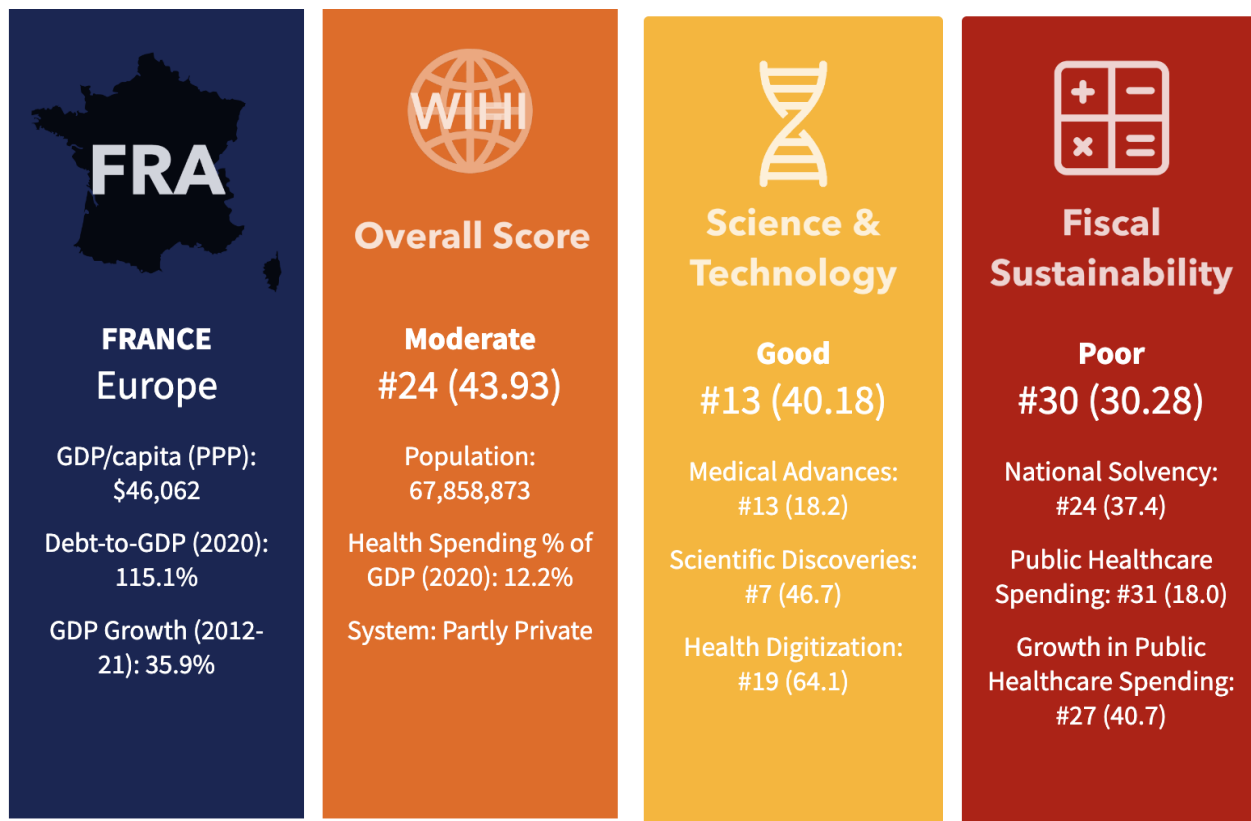
France seeks to establish itself as Europe's leading health care innovation hub, building on strong research universities and medical centers. Success will depend on its ability to spawn entrepreneurial startups and sustain at least some of them to become unicorns and, ultimately, companies able to compete in global markets. This aspiration encounters two headwinds, both of which also are to be found on the American side of the Atlantic.

- France's political system is fractured and bitterly partisan, with difficulty agreeing on short term policies and the long-term strategies essential for investment and innovation.
- It suffers from burdensome levels of public debt, a legacy of past patterns of spending that emphasized social programs for the present over investment for the future, but which now hamper its ability to finance needed technology investments.

Perhaps the greatest challenge facing the French health care system is its need for greater tolerance of technological, business, and political risk. Many of its entrepreneurs, investors, and scientists retain a cautious culture that shies away from the high-risk, high-reward investments needed to win in the global technology innovation race. These risks include:

- Scientific and technological risk, the probability that many new molecules and medical devices will turn out to be unsafe or ineffective and that only some will prove their clinical value;
- Business and financial risk, the likelihood that even some worthy new technologies will fail to find the buyers and the revenues to reward investors;
- Political risk, the potential that legislators will not appreciate the delicate collaboration needed between the public and private sectors and will over-regulate entrepreneurial startups and successful ‘scale-ups’.

The 2022 World Index of Healthcare Innovation accorded the French health care system a moderate score overall, with strengths in science and technology that partially offset the constraints imposed by budgetary and political obstacles. Its spending per person is not excessive but is high relative to the nation’s budgetary capabilities. To the American delegates, these challenges unfortunately sounded familiar to those at home.



Source: [FREOPP World Index of Healthcare Innovation](#)
Analysis: Gregg Girvan & Avik Roy; Graphic: Avik Roy

FINANCING HEALTH SERVICES AND INNOVATION

The Summit began Monday morning with a presentation and discussion with Stephane Tholander, CEO of Agora Health, co-founder of AppThera, and head of the digital health commission for France Biotech. An entrepreneur and policy advocate, Tholander highlighted the challenges facing digital health products in gaining insurance reimbursement from the French national health insurance system, which has remained focused on the evidence needs and coverage criteria for pharmaceuticals. He noted with approval the German DIGA coverage framework for digital therapeutics as a model for the French system and hit an optimistic note for the future of the digital sector.

After lunch, delegates participated in a ‘fireside chat’ with Quentin Jarrion, a physician and executive at Ramsey Health, a chain of for-profit hospitals in the Paris region. Dr. Jarrion described the method of hospital payment in France, not dissimilar to Medicare’s DRG system in the US, and the challenges it faces for incorporating new drugs and medical devices. The French DRG system is complemented by the ‘liste en sus’ schedule of reimbursement for expensive new therapies, in a manner akin to the New Technology Add-on Payment (NTAP) schedule used by Medicare. For-profit hospitals in France focus on elective surgery, leaving most tertiary care under the purview of the publicly owned academic medical centers.

Monday’s educational program was concluded with a discussion featuring Sandrine Bourguignon, CEO of a firm focused on Health Technology Assessment for the life sciences. In her fireside chat, Ms. Bourguignon offered an overview of the French biopharmaceutical and medical device sectors and the challenge of supporting investment in the context of governmental budgetary pressures. The focus of her firm is on the application of real-world evidence to complement data from randomized clinical trials in the process of insurance coverage, reimbursement, and pricing. Policymakers in France are seeking to make new therapies available as soon as possible for patients and to let innovators improve their products based on experience. The centralized French drug pricing system mandates price reductions in the years after initial market launch, in contrast to the de-centralized US system that permits some post-launch price increases, but modulates these reductions depending on patient experience with the therapies. New evidence of product effectiveness, gathered from patient registries, surveys, and medical records, potentially allow innovators to slow the erosion of prices and thereby capture the revenues needed for their next round of R&D investment.

BIOTECHNOLOGY AND DIGITAL HEALTH

Tuesday morning Summit delegates boarded a bus for the industrial suburb of Montreuil to visit startups focused on biotechnology and diagnostics. The principal tour was at Okomera, a firm focused on microfluidics and advanced engineering technologies to rapidly assess which drugs have the greatest chance of success with individual patients. Dr. Raphael Tomasi, founder and Chief Technology Officer, offered delegates a non-technical description of the underlying science and then a tour through the firm’s laboratory. Delegates subsequently went next door for a presentation by Dr. Pierre Gaudriault, head of Scientific Business Development for Cherry Biotech and CubiX, focused on developing predictive models for the impact of drugs on human patients as an alternative to the use of laboratory animals as the first stage of safety assessment for promising new therapies.

After their morning in Montreuil, delegates were free to devote their Tuesday afternoon and evening to tourism, shopping, and dining, but reconvened Wednesday morning to visit the @HotelDieu innovation hub at a large academic hospital in central Paris. The Hotel Dieu is the oldest hospital in France, located immediately adjacent to the Notre Dame cathedral, which is being converted from inpatient services to a combination of ambulatory clinical services and to a center for biotechnology, medical devices, diagnostics, and digital therapeutics startups. It is already the largest health tech hub in France, and

aspires to be the largest in Europe, rivaling those in London visited by the TPG-IHA Summit in that city last year. The delegates were hosted by Nicolas Castoldi, Director of @HotelDieu, and his senior leadership team. After a walking tour of the historic facility, delegates participated in sessions with several of the resident startups, including one developing digital therapeutics for mental health and one developing handheld ultrasound devices.

WRAPPING UP

The Summit concluded on Wednesday afternoon with a presentation by Professor Francis Megerlin of the University of Strasbourg, who delved more deeply into the financing and regulatory challenges facing the French health care system and drawing parallels to the United States. To Professor Megerlin and the Summit delegates the question remains: will France be able to seize its opportunities and join the US as one of the leading health care innovators in the world?