

February 1<sup>st</sup>, 2017

## PHARMACEUTICAL INDUSTRY ASSOCIATION OF PUERTO RICO

### A PATH TOWARDS SUSTAINABLE HEALTHCARE IN PUERTO RICO

Improved economic conditions and advances in health care have led to both increased lifespans and workforce productivity around the world. In addition to the dramatic improvement in patient's well-being, these developments have led to a demographic shift towards an increased aged population and consequently an increase in health care spending. In response to these economic and societal challenges, governments are increasingly relying on budget and price-setting mechanisms to contain health care costs.

**However, in an attempt to decrease short-term health expenditures, cost-containment measures frequently undervalue innovation, and therefore may adversely affect patient access to optimal health care, and may lead to increased spending in the long term.** Conversely, and not unlike preventative care for individuals, an early investment in health care may result in increased future health benefits and decreased downstream costs. Cost-containment measures should focus on patient needs first and the long-term sustainability of health care systems rather than short-term cost cutting.

In the last decade, global economic, demographic, and budgetary challenges have led many policymakers to pursue short-term solutions for underfunded health care systems, including cost-containment measures for innovative medicines and medical technologies. This narrow approach could have unintended consequences for both patient health and investment in innovative treatments. Long-term health care sustainability requires a holistic examination of potential gains in efficiency throughout the system, not simply spending cuts in medicines.

Access to Health Care Innovation, especially in the form of modern and innovative medicines, is a privilege few Countries around the world enjoy. The World Health Organization estimates that less than 20% of the population has access to modern medicines to treat noncommunicable disease (NCD).<sup>1</sup> Puerto Rico, leveraging proximity to the US health care markets and being an FDA-regulated territory, has had access to modern medicine and innovative medicines. **For decades, Puerto Rican's have benefited from health outcomes associated with these innovative medicines resulting in significant improvements in quality of life.** Denying or limiting this innovation to Puerto Ricans may result in sharp declines in health care outcomes contributing to ongoing declining socio-economic indicators.

**Biopharmaceutical innovation provides great value to patients and society.** Life-threatening illnesses can now be managed effectively and safely, epidemics that once devastated communities have been eradicated, and chronic conditions that previously led to disability are now considered highly treatable. Many of today's medicines and medical technologies can decrease health care costs and improve patient outcomes by avoiding disease complications, eliminating invasive procedures, and reducing expensive hospital stays. Continued discovery of new, innovative medicines

---

<sup>1</sup> World Health Organization – Tracking Universal Health Coverage Report, 2015.

not only creates high-quality jobs for medical professionals, but improves the lives of patients and strengthens the economy by making it possible for patients to go back to work sooner and to be more productive upon their return.

The search for innovative solutions to treat unmet medical needs is not simple; biopharmaceutical research companies operate in a challenging and highly competitive environment. On average, it takes 10-15 years and an estimated \$2.6 billion (USD) in research and development (R&D) to bring a medicine to market.<sup>2</sup> While this number does not include post-approval investment in research for new indications, it does include the cost and risk of thousands of drug failures: for every 5,000-10,000 compounds that enter the R&D pipeline, ultimately only one receives approval.<sup>3</sup> These intrinsic challenges coupled with government cost-containment measures can slow future innovation and impede the flow of medicines to patients rather than increasing patient access to medicines and improving health. Fair pricing and reimbursement environments can help provide the necessary incentives to reward and sustain the tremendous risks incurred by drug developers.

**As government pressure to make difficult decisions related to containing costs increases, careful management of health care resources is paramount.** Although reducing expenditures in the healthcare system may seem like a simple solution to budget pressures, these reductions may create unintended expenses in other parts of the overall budget. In fact, some patients that stay healthy and adhere to their medication regimens have demonstrated cost savings to health care systems.<sup>4</sup> For example, patients unable to receive treatment may lead to an increase in pay-outs for unemployment or decreased income taxes due to loss of productivity. Efforts to improve health care sustainability should recognize the significant added value biopharmaceutical medicines create. For the full value of biopharmaceuticals to be realized, patients must have access to the medications they need.

### **Recommended Scope and Process of Cost-Containment Measures in Puerto Rico:**

• **Long-term health care sustainability may be achieved by incorporating primary care and disease prevention into health systems.** Numerous studies underscore the tremendous cost-effectiveness and other benefits that can result from improved primary care and disease prevention interventions<sup>5</sup> including a wide range of approaches, such as screening and early detection, diagnostics, long-term care and monitoring, better adherence to treatment, vaccination, and preventive medicines. For example, the Harvard School of Public Health has reported that, losing 7% of body weight can reduce the incidence of type 2 diabetes by 50%. Moreover, losing 5% of body weight in pre-diabetic patients can further reduce the incidence of type 2 diabetes by two-thirds.<sup>6</sup> However, with only minimal health care plans in Puerto Rico offering nutritional support, the likelihood of generating health care savings through prevention of diabetes is very low.

• **Improvements in health system efficiency may be a source of long-term savings.** All health systems can improve efficiency to yield savings regardless of development or economic status level. Sources for reducing spending may include: increasing focus on preventative care, maximizing appropriate and responsible usage of medications, improving primary care delivery and care coordination focused on early detection and treatment, enacting infrastructure improvements,

---

<sup>2</sup> Tufts Center for the Study of Drug Development. Impact Report 2014.

<sup>3</sup> Mestre-Ferrandiz, J. Susses, and Towse, A. "The R&D Cost of a New Medicine." Office of Health Economics, 2012.

<sup>4</sup> PhRMA Industry Profile, 2014.

<sup>5</sup> OECD. Health Care Systems: Getting More Value for the Money. 2010.

<sup>6</sup> <https://www.hsph.harvard.edu/nutritionsource/diabetes-prevention>

digitalization and standardization of medical records, and well-coordinated information management. In fact, according to the Organization for Economic Cooperation and Development (OECD), improving the efficiency of the health care system can lead to public spending savings on average of two percent of GDP in OECD countries alone.<sup>5</sup> Understanding and identifying these health system inefficiencies across the entire spectrum of health services is critical for generation of short-term and long-term savings. Cost-containment measures focused solely on denying or limiting access to innovative medicines has proven not only unsuccessful achieving health care sustainability, but it has also had a detrimental effect on patient's quality of life. For example, if improper over-usage of an innovative medication is observed, the solution must be focused on proper training and enforcement of evidence-based clinical protocols aimed at responsible use rather than denying access to the medication altogether.

- **Cost-containment decisions should incorporate a broad stakeholder perspective and avoid disproportionality.** Where governments seek to achieve cost savings, they should initiate a broad, participatory, and transparent consultative process, including all relevant stakeholders (industry, supply chain, medical professionals, patients, and others) to identify optimal measures, implementation mechanisms, and timelines. All stakeholders must be considered and no group should be disproportionately targeted. Moreover, historical share of burden on any one group should be considered when arriving at a solution. It is of critical importance to always keep the Patient's wellbeing at the forefront of any decision. That is, decisions involving health care standards of care, including access to innovative medicines, should always include expert opinion in the form of licensed health care providers that are properly trained and able to understand the best path for patient's wellbeing. Decisions made on health care policy without proper consultation with medical experts representing the wellbeing of the patient will undoubtedly result in compromises negatively impacting patient's quality of life.

- **Cost-containment measures should never undermine patient safety.** The patient is the final beneficiary of multi-disciplinary parties' interventions, namely the treating physician, the care providers and the biopharmaceutical industry. Efficacy and patient safety should be paramount and not be traded for short-term budget savings. Access to safe, effective, and quality biopharmaceuticals should be a prevailing principle and take precedent over economic considerations.

### **Conclusions:**

Cost-containment, while intended to reduce health care costs, may have the unintended consequence of adversely affecting patient health outcomes and diminishing incentives for future innovation. If cost containment measures are enacted, it is important that governments and policy makers ensure a few basic principles serve as the foundation for decision-making practices. This includes a holistic view of the healthcare system to assess opportunities for efficiency, access to innovation and preservation of patient safety. Long-term sustainability of the health care system depends on collaborative, transparent government interaction with stakeholders to achieve common goals and reward innovation through fair pricing and constructive reimbursement environments. **Above all, any and all cost-containment measures should include the interests of The Patient and their wellbeing; successful sustainable healthcare systems rely on the protection of innovation, the reduction of inefficiencies and waste across the entire health care spectrum, and the inclusion of expert opinion in the decision-making process.**

#####