The Pharmaceutical Industry Association of Puerto Rico

Position on Healthcare Reform

November 2000

INTRODUCTION

The pharmaceutical industry is one of the largest industrial sectors in Puerto Rico - 12 Fortune 500 pharmaceutical companies have facilities on this island.¹ The Pharmaceutical Industry represents 25% of Puerto Rico's GDP and 50% of all Puerto Rico exports. The industry represents 114,000 direct and indirect jobs and there are 23 research based pharmaceuticals in Puerto Rico with 42 manufacturing operations and 20 commercial offices.³ Puerto Rico is currently in the process of major healthcare reform aimed at privatizing government healthcare through government-financed private health insurance, and it is important for the pharmaceutical industry and The Pharmaceutical Industry Association of Puerto Rico (PIA-PR) to participate in this process. PIA-PR is committed to participating constructively in this process and has identified the following issues that it feels are vital to the overall success of the Healthcare Reform.

1. **Preserve and ensure open access to medications:** PIA-PR strongly advocates maintaining open access to pharmaceuticals. PIA-PR is not opposed to formularies, but it is important to note that overly restrictive plans may have unintended effects on drug and other healthcare costs. A recently published study by Horn and associates¹ showed that restrictive formularies significantly increased patients' use of other medical services. The greater the restrictions on physicians' use of medications, the greater was patients' use of physicians, emergency departments, and hospitals. All of these resources are more expensive than drugs. Formularies that provide open access allow physicians to prescribe medications that, in the medical judgment of the physician, are in the best interest of the patient. We also believe that formularies must address appropriate drug utilization in the overall context of efficacy, safety, and pharmacoeconomic value, not just acquisition cost.

2. **Maintain an "open-market" system which provides for free competition:**

PIA-PR is strongly opposed to price controls in any form. Price controls do lower the
unit prices of drugs, but they do not reduce pharmaceutical expenditures (unit costs multiplied by volume) or contain total healthcare costs. The countries that have implemented some form of drug price controls have clearly failed to achieve the goal of reducing pharmaceutical costs.\(^5\) It is also important to note that controlling prices reduces the incentive for pharmaceutical research and development, and may suppress competition and innovation for pharmaceuticals, which are among the most cost-effective forms of medical care.

3. **Effective drug therapy plays a key role in controlling the overall cost of healthcare:**
   While drug therapy has a significant and necessary cost, it is also clear that effective medications provided by the pharmaceutical industry have reduced morbidity and mortality and the overall cost of healthcare. There are numerous examples of the effectiveness of medications in reducing mortality associated with specific diseases including hyperlipidemia,\(^7\) high blood pressure,\(^8\) and human immunodeficiency virus disease,\(^9\) to name but a few. New drugs also lower the total cost of treating specific diseases.\(^10,11\) Moreover, the rising overall cost associated with pharmaceuticals is due primarily to increased demand for the products and new drugs that are effective for previously unbeatable diseases.\(^12\)

4. **PIA-PR supports the right of physicians to freely prescribe the specific treatment they deem most appropriate for their patients.** PIA-PR strongly believes that a medical indigent physician’s judgement on behalf of a patient should be respected and free from economic incentives or disincentives. Any use of capitation in a model, that compromises physicians' ability to prescribe the appropriate care for their patients, should be avoided. In any capitation model it is important to assess who specifically is managing the risk associated with care for the patient and then to provide the resources appropriate for that care. In a Managed Care system, risk should be shared by both the insurer and the provider. A very recent paper published in the *British Medical Journal* has concluded that 100% capitation of pharmaceutical costs...
simply does not work.\textsuperscript{13} It is also important to note that a \textit{capitated} system that does not take into account the need for preventive drug regimens may discourage the use of such regimens.\textsuperscript{14}

5. \textbf{PIA-PR is not against the use of generic drugs}: These preparations have been used extensively in efforts to control pharmaceutical costs\textsuperscript{15}; however, they have significant limitations. \textit{Bioavailability} of generic preparations may differ substantially from that of branded agents, resulting in either reduced efficacy or increased \textit{toxicity}.\textsuperscript{16,18} Thus, generic drugs must be used judiciously, particularly when the agent in question has a narrow therapeutic index.\textsuperscript{16} PIA-PR is against the use of therapeutic substitutions with generic drugs by parties other than the prescribing physician. Substituting a generic drug for a branded drug, if done by a third party, non-physician, or anyone other than the prescribing physician, may increase the likelihood of problems, thereby adding costs to the system.

6. \textbf{Patient-provider enrollment periods should be extended}. Under the current system, patients who desire to change providers can do so up to every 30 days. PIA-PR believes that this reality diminishes a physician’s motivation to manage the patient appropriately for the long term. It is well documented that preventive programs play a key role in patient health. Such programs are an \textit{integral} part of many managed care plans.\textsuperscript{19} Disease-prevention programs may be costly, but this cost is recovered as a result of lower acute treatment costs for many diseases,\textsuperscript{20} as well as reductions in lost productivity for employers.\textsuperscript{21} However, the motivation to engage in, and bear the cost of, prevention programs is reduced when a provider does not gain the (cost) benefit of improved patient health. If a patient can easily and arbitrarily switch providers, the motivation to carry out such programs is reduced. \textbf{PIA-PR} strongly advocates extending enrollment periods and, at the same time, establishing oversight and/or patient advocacy groups to help ensure proper patient care by all providers.
7. **PIA-PR advocates the use of patient education and disease-management programs:**

   Effective education of patients can play a significant role in the prevention and management of disease,\textsuperscript{22,23} and the pharmaceutical industry has played a key role in developing successful patient education programs.\textsuperscript{24} PIA-PR supports partnering efforts among all organizations involved in healthcare, including the government, insurance companies, medical groups, hospitals, and the pharmaceutical industry, in order to develop patient education and other programs aimed at preventing and effectively managing diseases.

8. **Maintain the original focus of health reform while objectively evaluating its impact:**

   Health reform in Puerto Rico was originally aimed at addressing the needs of the medically indigent and uninsured people of the island. Its goal was to eliminate the disparity in care among all citizens and to eliminate a "two-tiered" system of care.\textsuperscript{25} Today, health reform has been evolving to also include an alternative of care for government employees, and potentially a form of coverage for employees of small-to medium-size companies. It is the belief of many, not just PIA-PR, that it is important to fully and objectively evaluate the impact of health reform as to its original intent; and, evaluate the needs for improvement before it can be expanded to additional areas. PIA-PR believes in the importance of medical coverage for the medically indigent and uninsured, but it is important that coverage be limited to those who are truly eligible for enrollment, and that the enrollment process be carefully monitored to make sure that only those eligible receive the benefits. Failure to do so increases costs to the system and diverts benefits from those most in need. The cost of health reform is very high,\textsuperscript{26,27} and a portion of this cost can be controlled by carefully monitoring patient enrollment.

9. **The Health Reform System should provide access to information.** PIA-PR believes that those responsible for overseeing the Health Reform and those that administer it provide open access to information with respect to disease progression and
epidemiologic trends; medical outcomes data, patient demographics, system utilization as well as a total system costs in order to continuously monitor and evaluate the performance and impact of the program. To date, the system lacks a formal infrastructure to collect and manage this data and the ability to provide it to those who need it on an ongoing basis.

10. **Health plans servicing health reform in Puerto Rico should be subject to the same accreditation standards as plans in the U.S.:** It is likely that health reform in Puerto Rico will continue to undergo a number of modifications during its evolution. It is important that feedback mechanisms be developed to evaluate patient and physician satisfaction, and that this information be made available to all who are involved in the Puerto Rico healthcare system so that plan performance can be continuously audited and improved. Such feedback mechanisms are critically important for plan improvement[^28][^29] and have been used extensively by other healthcare organizations to monitor plan performance.[^30] PIA-PR recommends that the same standards and measures put in place for those insurance plans on the U.S. mainland (for example, compliance with National Committee for Quality Assurance (NCQA) and Health Plan Employer and Data Information Set (HEDIS) guidelines) be incorporated into an objective evaluation to ensure consistency and quality of care for all the healthcare plans servicing Health Reform in Puerto Rico.

11. **PIA-PR supports the recently signed Patient Bill of Rights:** PIA-PR, too, champions the rights of patients to have access to the best care. As researchers and manufacturers of pharmaceutical products and services, we know firsthand the impact our medications can have on total patient care. PIA-PR welcomes any legislation that provides for open access to care for all.

**SUMMARY**

PIA-PR wants to reaffirm its desire to play a role in the evolution of health reform in Puerto Rico. Our goal is to be a participant along with other interested parties; to debate and discuss issues and problems; and, to develop solutions to enhance the overall system. We,
too, share in the responsibility to actively participate in shaping policy that ultimately has as its goal improving the quality of life of all the citizens of Puerto Rico. We welcome the opportunity to discuss this position paper, its contents, and its goals.

REFERENCES

21. Lonn JH, Glomsrod B, Soukup MG, Bo K, Larsen S. Active back school: prophylactic...