Interview: Gustavo Morales – Executive director, AFIDRO, Colombia



"What matters most to AFIDRO and every stakeholder is that the regulation is applied in a systemic, predictable way."

04.07.2017

Tags: Colombia, AFIDRO, Association, R&D, Research, Pharma, Regulatory Reform

Gustavo Morales, Executive Director of the Association of Pharmaceutical Research and Development Laboratories (AFIDRO) and proud advocate of intellectual property has successfully changed Colombian public opinion on the pharmaceutical industry. In this interview, Gustavo explains how recent regulations will increase the demand of pharmaceutical products as well as the incentives needed in order to resolve inefficiencies, fraud, and corruption.

Mr. Morales, in our last interview in 2013, your predecessor, Francisco Paula de Gomez, concluded with the sentiment that there should be a focus on maintaining the equilibrium of the healthcare system and regulating pricing. Since your appointment in October 2015, what has been the key advancements in these areas?

In 2013, the price regulations were successfully implemented. In fact, according to the Ministry of Health statistics, the price regulation of medicines has generated savings of 48 percent in comparison to 2013. As an innovative industry, we accept the fact that there are price controls because this is a system that is mainly paid for by the government. What matters most to AFIDRO and every stakeholder is that the regulation is applied in a systemic, predictable way. Unfortunately, we feel this has not always been the case. Indeed, while the government has successfully implemented its policies about price regulations to control costs, which have been beneficial for the system, the government has struggled to address issues in other areas. For example, in the area of Intellectual property and compulsory licences, we think there has been a

misguided approach, as well as with the strengthening of the entry gate for new technologies.

One of the most recent and monumental decisions of this year was the abolition of the POS (Mandatory Health Plan). Do you believe this decision will help regulate the drug prices in the country as it was intended to?

This paradigm shift has been decided in Colombia in the last few years. The 101-economic theory demonstrates that the price of medicines and technologies incorporated into a benefit plan, tend to go down as a result of increased demand. Along with the abolition of the POS (Mandatory Health Plan), a decree was placed requesting that all prescribed treatments should be paid by the system, except for an explicit list of excluded products. Additionally, the liberalisation of market access should increase competition and lower price for medicines.

These results are yet to be seen because the decree was implemented last February. In the coming years, I'm confident the increase in volume will drive costs down. Alternatively, in the case of medication not affected by competition, government will enforce a direct pricing regulation.

What is your current assessment of the Colombian healthcare system?

[Featured_in]

The Colombian healthcare system has experienced a very positive evolution in the last 25 years. It is well recognized that Colombia has probably the best healthcare system in the region with 98 percent of the population covered. Consequently, along with this revolution comes greater challenges, especially regarding the funding and the system is experiencing difficulties with the flow of resources. One of the objectives of the Cartagena Health forum is to figure out how the different agents in the healthcare system can help strengthen the utilisation of resources and control its spending. Indeed, one can only regret that the emphasis placed on prices has led the government to dismiss issues such as fraud, corruption inefficiency, and prevention opportunities. Now that price controls have been properly implemented, AFIDRO recommends that the government and all stakeholders work collectively to address these issues.

A multitude of multinationals are now coming to Colombia, how do you explain this?

[related_story]

First, Colombia's fiscal policies are favourable to FDI. Second, our macroeconomic policy has successfully promoted stability, considering the long-term consolidation of economic policies. This means that the Colombian inflation is under control and exchange rates are relatively predictable

under the current market conditions. Additionally, none of our political parties have populist inclinations. Also, the peace process signed with the FARC after 60 years of conflict is good news for both foreign and national investors. More specifically to our industry, the Colombian health sector covers 98 percent of the population. While Colombia still has to solve a number of challenges, such as how these services are going to be paid for, the Colombian market is very attractive for multinational companies and is going into the right direction moving forward.

What do you see as your main accomplishment since taking the role?

There are two things I'm very proud of having accomplished since I joined AFIDRO in 2015. First, my teams and I have managed to change the general public's perception of pharmaceutical multinational companies. Indeed, the institutional sector used to view pharmaceutical companies as enemies trying to extract resources from the system for their own benefit. Instead, we've now convinced them of our role in building a solid healthcare service. In the long run, there is no doubt about the benefits associated with a sound healthcare system.

Second, we've successfully promoted intellectual property when it was not a big consideration for the government. Colombia was not a country where IP was recognized as a key component in favouring investment. From our work at AFIDRO, we've managed to include IP considerations in the architecture of the regulations, which has led to a friendlier environment to innovation. But, as always, this is a work in progress.

What is the main challenge in terms of pharmaceutical regulation in the mid-term?

Recently, pharmaceutical regulations have been focused on cost control, to the point that it has hampered the access of innovative products to the market. The challenge, going forward, is to guarantee sustainability of the health care system, without restricting the right of Colombians to the best possible products. The way to do it is to put the focus on other aspects of the health care where there is a lot of waste and inefficiency.

See more interviews