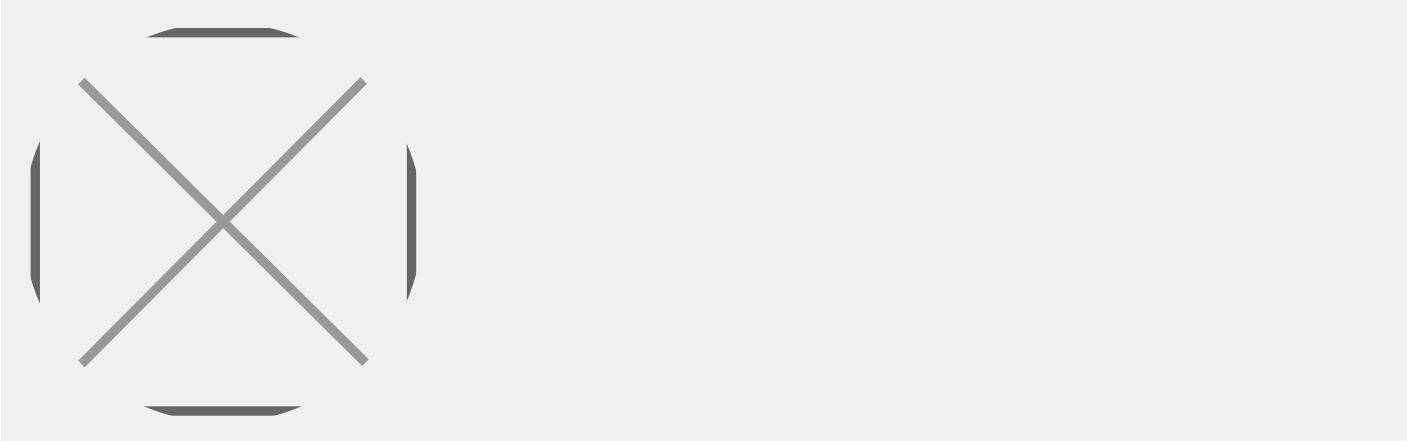
Interview: Teodoro B. Padilla, Executive Director and Reiner W. Gloor, Adviser, Pharmaceutical and Healthcare Association of the Philippines (PHAP)



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Executive Director, Teodoro B. Padilla, and Reiner W. Gloor, Adviser of Pharmaceutical & Healthcare Association of the Philippines (PHAP) argue that certain government initiatives, like discounted prices for senior citizens and students without financing them, put a perilous amount of pressure on the sector, and the necessity of raising awareness among the poorest levels of society as to the benefits of enrolling in PhilHealth.

In 2010, two years after the government of the Philippines started pushing for greater price reduction and an increase in generics, the government also pledged to make universal healthcare coverage a priority. Three years later, where do the MNCs stand within this changing landscape?

R.G.: The government introduced the Republic Act 9502 or the Universally Accessible Quality and Cheaper Medicines Act in 2008. It was a measure to lower the drug prices in the country, which coincided with many of the blockbuster drugs going off patent. This, in turn, coincided with an increased push towards the greater use of generics. All molecules that fell under the 2008 ‘mandatory price reduction’ and ‘negotiated price reduction schemes’ have not grown much since.

Of course, healthcare should be more than a game of prices alone. We have observed a shift with many of the industry's stakeholders, including several NGOs, now taking a more holistic view beyond drug prices. The sector is now taking a joint approach to define a sustainable future for the healthcare system as a whole.

T.P.: For many years now, PHAP, under the guidance of Reiner Gloor, has been building its relationship with the various stakeholders of the sector. Now, we have reached a point where we have gained the trust of groups that were traditionally opposed to 'big pharma'. As a result, we are now acting as partners with one goal in common: to increase the access to healthcare in the Philippines. Apart from the NGOs, this includes institutions such as the Department of Health, the local FDA and the Philippine Health Insurance Corporation (PhilHealth).

How has this impacted your stakeholder strategy as an association?

R.G.: Our strategy has changed considerably. We used to be perceived as an association that was opposing most of the measures and policies. Today, we look at how we can support the government and help address the needs of the government, NGOs and other stakeholders. This often comes down to negotiations on very technical matters, such as senior discounts. From a strategic point of view, I see us as much more aligned with government, academia and NGOs. In times of crisis, during disasters for instance, they now even call us to ask for help and advice. There has been a significant change.

T.P.: We are no longer seen as pro or con, but are now part of a group that actively participates in round tables. Reiner Gloor, for instance, is a board member of the Medicines Transparency Alliance (MeTA), which brings together all stakeholders in the medicines market to improve access, availability and affordability of medicines for the population to whom access is currently denied.

Has your initiative the 'PHAPCares Foundation' helped your stakeholder relations?

R.G.: We have used this Foundation to support several initiatives, such as disaster relief, community health care and training and development at grassroots level. We are now working on ways to extend the reach of this foundation.

How has the relationship between big pharma and the Filipino pharmaceutical manufacturers evolved over the years?

R.G.: At present our relationship is reasonable. PHAP is a strict subscriber to international codes of ethics such as IFPMA.

T.P.: We agree to disagree about our different business practices. This, however, does not stop us from engaging with them and encouraging them to adopt good business marketing practices just as they adopt good manufacturing practices. This is relevant especially in light of the APAC and ASEAN directives that are pertinent in the Philippines today.

The Philippines' pharmaceutical market has a CAGR of around 3 percent now. What are your observations and expectations about the growth in this market?

R.G.: The Philippines is a market with a big population that unofficially now exceeds 100 million people. Growth in value sits at around 3 percent now, while growth in volume is around 8 percent. The growth in volume, however, is almost entirely accounted for by the expansion of generics. Many of these generics are in fact not related to the compounds that recently became price-controlled, such as paracetamol. In my own opinion, I think that the MNCs currently touch around 15 out of 100 million people in the Philippines. For the years ahead, I would expect to see between 3 to 5 percent growth in value and up to 5 or 6 percent in volume growth.

If we now look at most of the prices at primary care level, I do think we are reasonably in line with neighboring countries such as Indonesia and Thailand. In some areas, we may even be at same levels as India. However, current data show that those benefiting from our price-controlled pharmaceuticals in the Philippines are the upper middle class rather than the poor.

T.P.: This again comes back to the need to look at the healthcare system from a macro-economic perspective. If people do not have money to buy even the cheapest medicines, measures to lower price levels become obsolete. Even our partners, the NGOs, now recognize the challenge as an economic issue. Policies to decrease prices can be used as a political tool, but the real problem that needs to be addressed is of an economic nature.

R.G.: Another aspect to take into account is the portion of the population that is benefiting from the PhilHealth program. Even though it was recently announced that 81 percent of the population is now enrolled in this institution, it is not exactly clear how many people are really benefiting and what percentage are merely 'silent subscribers'.

Apart from that, the Department of Social Welfare has launched a program for conditional transfers. They have identified 5.2 million families, which comes down to around 25 million people, living below the poverty threshold. The program, tailored after a similar initiative in Mexico, provides monthly allowances to these underprivileged families to finance education, medication, and so forth. The allowance can only be used for these provisions and proof needs to be provided. These 'sponsored members' are automatically enrolled in PhilHealth. However, it is questionable

whether they are fully aware of the benefits of their membership. Mass advertising campaigns on the radio, for instance, are needed to raise this awareness.

What are the key challenges MNCs currently face in the Philippines?

R.G.: Along with Act 9502 on cheaper medicines, the government has also approved Act 9711 to improve the local FDA. Key point to address within this Act is the understaffing and delays at the FDA and their lack in manpower to adequately control for counterfeit medicines. Then there are a number of laws that were either recently passed or are still in the making. Examples as such are 20 percent discounts on medicines for senior citizens and students. Initially the idea was to offset the discount by providing retailers with tax exemptions, which eventually were not approved by the Bureau of Internal Revenue. As a result, the industry has to bear the brunt of the measure.

T.P.: It is one thing to provide discount programs, but making the private industry pay for it is a different story. Sometimes, the government takes the view that it should provide certain incentives without financing them. This creates pressure for the private industry.

Understaffing at the local FDA is an issue that you cannot really address. What are your advocacy priorities now?

R.G.: The board has set two priorities. The first is universal healthcare, which in fact includes supporting further improvements of the local FDA. Our second priority is ethics. Among our own members, we want to increase awareness around the best ethical practices and at the same time serve as a role model in ethical behavior to the rest of the local pharmaceutical industry. Also, we will be supporting more ethical behavior within the APAC region as a whole.

T.P.: Following the introduction of universal healthcare coverage we are now also advocating the implementing rules and regulations (IRRs). For instance, we try to understand and discuss with legislators and other stakeholders what reimbursement models will be made available.

In addition to that, ethics is indeed an important priority. This government has already pledged a lot of resources to integrity initiatives. We are tying into a lot of groups, such as chambers of commerce and business associations that have signed pledges of integrity too. We are encouraging the government to issue statements to only deal with companies that adhere to a certain type of ethical behavior, similar to what has been done in the construction industry. We have our PHAP code of practice, which is even more stringent than the IFPMA code, which include specific penalties for non-compliance.

We also continue to advocate the protection of intellectual property in the country, and work together with the local FDA, the Department of Trade and the Department of Justice. This will help the country to be seen as a place where patents are being respected. A campaign on incremental innovation has recently been introduced as well.

What is your advice on the Philippines to MNCs?

R.G.: A CEO here needs to be patient. To pursue his goals, he needs to remain flexible and adapt to the market needs. In the long run the outlook is certainly positive, albeit at lower growth rates. I do believe that we need to be satisfied with somewhat lower returns.

T.P.: Apart from remaining patient, it is important to continuously engage with the different industry stakeholders, most particularly the legislators and the Department of Health. At the end of the day, these people have the desire to better understand the sector and its challenges but most importantly to deliver the best health service possible. Part of our advocacy is enlightening and educating the people in the government about universal health care and, thankfully, they have been very receptive in listening to us

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