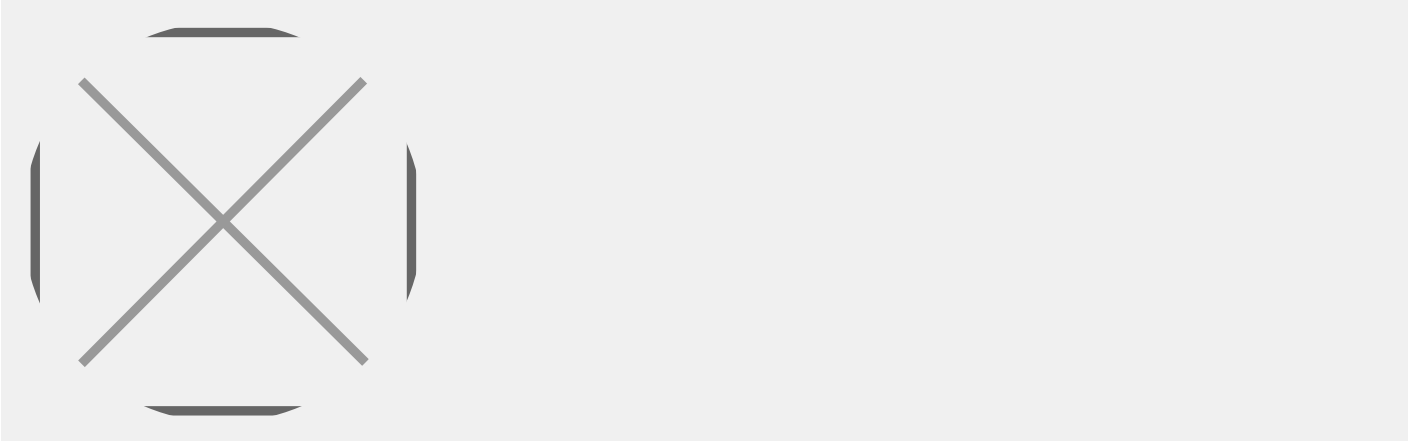
Interview with Alejandro Gaviria, Minister of Health and Social Protection – Colombia



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Our last report was in 2009-2010 when the “social emergency crisis” happened. What would you say have been the most important changes in the health system since that time?

The main cause of the crisis was a drastic increase in the number of recobros (individuals asking to be reimbursed for drugs or services that are not included in the POS –Obligatory Plan of Health). Because this number increased six- or seven-fold, the system went illiquid, and insurance providers have struggled to pay off debts. The social emergency crisis also caused problems of legitimacy and confidence in the system.

In response to this emergency, a number of tax laws were hastily implemented to create short-term solutions to funding problems.

Since the time of the crisis, different measures have been implemented. Firstly, drug prices were regulated. Prices of drugs that are not listed in the POS were capped. The Ministry plans to implement a solid reference pricing system later this year.

Secondly, various measures were taken to deal with the liquidity crises: overdue recobros were paid, substantial resources were transferred to local governments, and a mechanism of direct transfers of public funds to hospitals was implemented. The crisis was at least contained. But it has not been solved completely.

And thirdly, we are currently working on a health reform that will change the system created by Law 100 of 1993. The reform is raising many expectations. There is a paradoxical situation in the country: people are tired of reforms and are demanding a thorough reform at the same time. It is my hope that Colombians will perceive this as reform.

This reform will tackle several problems, particularly in regard to the flow of resources from public funds to hospitals, to the uncertainties surrounded the benefit plan, and to the incentives of insurance providers.

The idea of this crisis has been present in the minds of Colombians for the last four years. A new reform is seen as another answer to what most believe is a long-lasting crisis, which affects the finances of all the actors in the system, from insurance providers to hospitals.

Here in the Ministry, we are focused on solving the financial crisis and improving the performance of the system.

The Ministry is also focused on improving the quality of attention of patients and the access to drugs for everybody. Any reform has to put an emphasis on social objectives.

Universal coverage in Colombia has created a problem: while coverage has increased to a level much higher than most Latin American countries both in terms of people and package, it has been achieved without a proportional increase in resources. “You are doing too much with too little,” said to me a World Bank official recently.

Colombia has to consolidate both social and financial issues, improve health access and the quality and speed of services. At the same time, the financial sustainability of the system must be guaranteed.

While the various players in the system are asking for reform, many seem skeptical towards it because previous reforms did not solve problems in the long-term. As I said, we are dealing with a paradoxical state of public opinion, and with many expectations.

One of the big changes since 2010 has been the funding of the system. The tax reform (*reforma tributaria*) of last year replaced most of the contributions of the system for general taxes. The implementation of that reform poses a big challenge.

One of the challenges that we have seen with different Ministries of Health around the world is about creating the best cost-cutting methods. What are the steps that you are taking to help cut down on costs, while also incentivizing innovation investments in Colombia?

The Ministry is working on the sustainability of the system, well-managed use of technology, and integrating innovation processes. You put as a title for your first report “Where Good Drugs Thrive”. While this is true, we have evidenced that there is an important portion of expenditure associated to inappropriate use of medicines, I mean overuse or misuse that could impact the healthcare quality.

Furthermore, the system has not been fair to everybody. Individuals who have benefited from the generosity of the past were middle class families, mainly city dwellers: those people have had easy access to good drugs at little to no cost. It is my intention to improve the system in a way that reduces inequalities and provides a simpler, fairer scheme for everyone in Colombia.

The Ministry’s current agenda contains price regulation, increasing competition in biotechnology, and an institutional reform to restructure the CNPM (National Commission of Drugs Prices) as well as patent structure. I want to reward innovation and to make drugs more affordable for the population by providing alternatives to patients. Competition needs to be encouraged between laboratories to prevent monopolies and high prices.

The spirit of the reform is to enlarge the “package” of the benefit plan by being more intensive (more products and services) and more extensive (more people). It requires more controls and being less naïve than in the past!

Why would you say the Fondo Unico is the best option nowadays?

We have to clarify certain things Fondo Unico is not a “single payer fund”; rather, it will work as an extensive treasury of the system, creating an improved flow of resources.

We can see three advantages of this type of fund.

Law 100/93 allowed some functions of the State to be delegated to the private sector. This ruling essentially created a virtual fund. Twenty years later, one can see that this institutional arrangement is not sustainable anymore. We realized that the State has to take on some functions. The fund can no longer be a virtual a fund.

Secondly, the insurance system was not regulated properly. For instance, there was not a strict regulation for the investment of technical reserves. Many public resources were invested in real

estate and so on. The system lost a lot of legitimacy because of corruption issues. With this new fund, we need to have a much better control of resources, which will re-establish the legitimacy of the system.

Thirdly, the system will have access to more information, in terms of cost to health services, in order to charge the same price in every EPS.

In general, the reform proposal was created taking into account the lessons of the past. We want more control, without creating a state monopoly; the Fund will not be a big state monster! There will also be space for private actors.

The frontier between the subsidiary system and contributive system is more blurry now. The State will pay part of the premiums for people under the contributive system. We have to manage the two regimes in the same way, which is why both regimes will be under the Fondo Unico.

Do you see the crisis as financial or economic?

I don´t see a crisis of sustainability in the long-term. There is a liquidity crisis that has notbeen completely solved. The State owes some money to the insurers. The insurers owe a lot of money to the hospitals. The Hospitals, to the labs. And so on.

In what ways can the Ministry support the local pharmaceutical companies?

The Ministry of Health does not have a proper policy of industrial development. The Ministry of Commerce and Industry is dealing with that. However, we can help indirectly by linking the investment of science and technology to the priorities of pharmaceutical companies. It is done at a regional level. Colciencias (the Colombian equivalent to the National Science Foundation), for example, has been very dynamic.

The Ministry is putting together a health policy, not an industrial policy. Its role is to distinguish various incentives of development to support the health system. Colombia has a policy in favor of investment and innovation. We are a pro-market and pro-competitive country.

Assuming that your reforms will be approved, what will this mean in terms of economic transformation of the country?

The initial implementation of the Ministry’s health reforms will increase the expenses of the pharmaceutical sector. Total expenses will be the result of the reconfiguration of the system.

The direct positive effects of the reform will be the possibility of overcoming the crisis and the uncertainty that goes along with it, and establishing confidence between all players.

Beyond the reform, we can see that the middle class in Colombia is growing. Between 2002 and 2012, the middle class grew from 16 percent to around 30 percent. The 8.5 percent of GDP

spending on healthcare in Colombia is above average in Latin America. The “out of pocket” expenses are very low. We do believe that they must increase.

What is your vision for the Colombian healthcare and pharmaceutical industry in the next three to five years?

The main challenge for the Ministry is to strengthen its capacities through greater leadership and control, especially in price regulations and taking on new functions that we were delegating before. We want the system to become more transparent. It has already started with some institutional changes, such as the restructuring of INVIMA and INS.

Concerning the health sector in general, individuals should be more confident in the system as the middle class continues to strengthen. Legitimacy is a big issue.

Multinational pharmaceutical companies have been growing significantly in recent years. The conjuncture was in their favor. However, I think that the prices will converge with those of other countries of Latin America. People in Colombia complain about high prices. The volume of these complains is getting louder and louder. The industry is aware of this problem, and also of the need of a more sustainable growth.

Do you see yourself as a risk taker by deciding to take on the challenge of the Ministry of Health in such a sensitive moment of time?

I am not a risk taker. I am resistant to drastic change. I have always believed that the burden of proof is on the reformer. But paradoxically I have assumed some risky challenges in my life. I am a risk averse person who, for some reason or another, has opted for the risky choices.

What would be your final message for the international pharmaceutical community?

The title of this year’s report is “Confidence and Uncertainty”. It is my ultimate goal to create more confidence among all stakeholders in the industry. We have to leave behind this sense of crisis. We have to look at the future with more optimism. Therefore, I hope that your next report in Colombia will be called “Confidence and Certainty”. Colombia is in an exciting state of change, the country has great potential as one of the most promising emerging markets in the world today. The health sector has to be in the vanguard of this positive change.

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