Interview: Oscar Gaspar – President, Portuguese Association of Private Hospitalization and Vice-President, Confederation of Portuguese Industry (CIP)



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Oscar Gaspar, VP of the Confederation of Portuguese Industry (CIP), president of the Portuguese Association of Private Hospitalization and former secretary of state for health (2009-2011), provides an informative insight into the state of Portugal's healthcare system. Through compelling suggestions and observations on the current system, Gaspar sheds light on Portugal as an investment destination and the future of the country's healthcare system.

Could you provide us with an introduction to your background and an explanation of CIP's role in Portugal?

For the past two years, I have been president of the Portuguese Association of Private Hospitals, and I sit on the board at CIP. It is crucial that the Private Hospitals Association belongs to CIP given CIP's status in Portugal, and the impactful role it can play on behalf of the companies it represents. CIP considers healthcare to be an economic activity. Therefore, it is appropriate for CIP to serve both private hospitals and to have a say in public healthcare in Portugal.

CIP manages a considerable number of companies in the healthcare sector, from the pharmaceutical industry to medical devices to private providers, as private hospitals, to pharmacies, etc. In numbers, we represent over 20,000 companies in healthcare, have a turnover of over eight billion euros per year, and we export roughly 1.6 billion euros annually. In total, the

healthcare sector represents approximately three percent of Portugal’s exports worldwide—more specifically the pharmaceutical industry and medical devices.

The Portuguese NHS is a historic and prestigious service—similar to that of the UK—whereby the public financing is significant. However, the private sector is an essential source of assistance and aid in the healthcare sector. CIP acts as a network, enabling companies across industries to collaborate and coordinate on projects. And CIP is also very important in its role of promoting private initiative and investment.

What role does CIP play in the public-private debate?

When we refer to the public sector, usually we are addressing the budget and general expenses in health. For CIP, healthcare is an economic activity given that it creates jobs, improves the country’s health, promotes investment and encourages research and investigation projects which all create economic outputs Consequently, healthcare and its activities are a fundamental aspect to the Portuguese economy.

Healthcare is also an area of competition in the economy. The conditions of the market including issues surrounding areas and the delays in payments are significant. Private institutions are owed over 1.4 billion euros from public hospitals, and the situation needs long-term reform.

The Minister of Health and Minister of Finance allocated 1.4 billion euros to public sector debts in November 2017. How far has this money improved the situation?

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The money is welcome to the private sector however it does not make clear how challenging the situation has become in recent years. After that announcement, until late 2017, the industry did not receive any payments. It is true that in the last month, we have received roughly 350 million euros in payment. Nevertheless, debt continues to be a pervasive issue and will continue to be unless we engage in serious reform.

Debt makes competition between players in the market unfair and what’s more, it negatively impacts the Portuguese personality concerning companies’ ratings. In March, a report carried out by Moody’s made evident that our debt-riddled reputation is harmful to business practices here. At CIP, we consistently strive to make the government aware of the harm debt can cause in an attempt to seek reform and remedy the situation.

Furthermore, an economy that is consistently in debt harms innovative practices we need in healthcare to provide high-quality care. The Portuguese deserve access to innovative drugs and medical devices, and sadly, sometimes the Portuguese authorities are not agile enough to approve or assess new and necessary products and services. The reason for the delay is often budgetary concerns. At CIP, we must defend a budget centered on medium to long-term goals; three to five years. This would help to stabilize public health institutions and to enable private sector to plan investments.

The activities in the healthcare sector are separated into three pillars: prevention, acute care, and investment. When the budget is insufficient, and we cannot plan for years in advance, the only money invested into the healthcare system goes to curative medicines. Consequently, prevention care and future investments for more advanced or innovative treatments lose out. We need more money in these two areas of focus. I would suggest that in Portugal we create a unique law relating to the revenues and expenses of the healthcare sector to improve the transparency of Portuguese public sector investments.

How do you react to the recent reforms in the HTA system and INFARMED's changes in drug approval times?

We have a robust assessment law in place in Portugal, expressly within the HTA where we were one of the first countries worldwide to implement such a system. INFARMED, under Maria do Ceu Machado's leadership has made substantial improvements over the past two years. That said, we have an issue with the structure of the medicines assessment agency. The agency has two separate roles: assessment of new medicines and devices, and it is also the financial arm to the Ministry of Health. Ergo, when the MoH does not have money, the assessment can be carried out, but the approval falls short or is delayed significantly. We often consider whether mimicking the UK model: NICE (The National Institute for Health and Care Excellence) may bring some improvements to the INFARMED.

We need to distinguish the two different roles of the MoH in Portugal. The MoH is the payer, the provider, the legislator and the regulator. Inevitably, there is a conflict of interest given that each of these roles tugs in different directions.

Every political party in Portugal, from left to right-leaning parties agree that the current system is problematic. I would suggest that for INFARMED, it may be beneficial to split the government body into an approval arm—an agency independent of the government which approves drugs and services—and a financial arm which negotiates with pharmaceutical companies on behalf of the

government. These two arms would work independently of one another.

What sets Portugal apart as a research and clinical trial testbed?

[related_story]

Portugal has many reasons to attract foreign direct investment into clinical trials or drug production. We have excellent universities with highly-qualified students that participate in collaborative research networks worldwide. We need to do more to promote our research activities worldwide, mainly off the back of the economic deep recession we faced between 2011 and 2014.

Foreign companies that have invested in Portugal over the past years have all been delighted with their investments here whether they are German, Spanish, Belgian, British or indeed American. We have good levels of productivity, we are flexible, and for the country, it is important to highlight these successes. We should select our top three investment sectors and focus more on attracting foreign investments into these domains. If we consider the Brexit process—a hot topic across Europe— it is crucial that London knows that Portugal is an option for their future investments in specific industries.

In addition, we have a competitive tax system for foreign investments, in particular with taxes on profits. The government offers an attractive tax scheme based on prior negotiation for foreign investors looking to build industry and make gains in Portugal. Further, we have an excellent labor force who are hard-working and flexible.

In pharmaceuticals, a high percentage of our country managers are not Portuguese. We have Australians, French, Germans, Americans who knew very little before coming to Portugal but realized quickly that not only is Portugal a fantastic country to live, but an engaging and challenging place to work. I would like the example of our successful foreign country managers in pharmaceuticals to spread to other sectors from automobiles to telecommunications.

What are your strategic priorities for CIP over the next five years?

The demographic trend—the aging population—is of grave concern in Portugal nowadays. As the report by Moody indicated last month, Portugal, a severe problem regarding our aging population. Older people means an increased healthcare burden and increased expenditure. We must plan what will happen in the next ten years, rather than the near future.

We need to create more jobs and CIP looks to assist in this regard. CIP insists that we need a stable labor market. Our taxation is too high—when not negotiated by new investors—at over 20 percent. For companies in Portugal currently, a tax rate in the 20 percent is too high, and we cannot,

therefore, compete with Ireland or the Netherlands. Thirdly, we must discuss how the public sector can improve its efficiencies within the healthcare sector. Private hospitals, of course, can improve the situation. Finally, we must make clear to potential investors that although we are a small country, we offer excellent potential and a high-quality of life.

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