

# Interview: José Aranda da Silva, General Manager, Formifarma, Portugal

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*José Aranda da Silva, General Manager of Formifarma Portugal, stresses the importance of market access, demonstrating added value for companies today, as well as the need for a revamp of Portugal's outdated reimbursement system.*

## **What was your inspiration for creating Formifarma?**

Having spent my career in various fields of the pharmaceutical industry, including the army, hospital pharmacy and INFARMED, I decided to use my experience to work for myself and thus created Formifarma. The company serves as a consultancy for market access, regulatory affairs, and allows me to organize meetings that are important for the pharmaceutical industry in Portugal today.

## **Do you think the pharmaceutical crisis is being handled well?**

We must first realize that the crisis is not exclusive to Portugal. The growth of the pharmaceutical industry in most European countries is stagnant, partly because the industry is too dependent on the healthcare system in each country, which is usually publicly funded. This dependence is important when thinking about how to adapt to changing circumstances. Many pharmaceutical companies are American, and are thus used to a very different health system, although this may change depending on the outcome of Obamacare. The current situation is not just about changing during crisis, but reviewing poor health systems. Pharma is a provider to the health system and consequently, it must adapt to the changes.

## **The government has allocated EUR 1.7 billion per year for pharmaceuticals. How will it be possible for the government to understand the value of drugs?**

I am very concerned about Portugal. The intervention of the troika resulted in containment objectives that are based on inaccurate figures. The troika's proposed cuts in health and medicines are not comparable with other countries. The health budget represents one percent of GDP in 2013, but the data that the troika is using to compare to other countries is not really comparable. Some countries use OECD values only in the hospital setting while others use consumer and ambulatory values, and

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some use both. Some countries even include medical devices in their data. The troika's calculations are completely erratic, and they want to attain impossible values. As a means of comparison, growth of public expenditure over the last decade in Ireland was at 5.4 percent, in the UK 5.5 percent, Spain 5.5 percent, Greece 4.7 percent and Portugal at 2 percent. Even if the figures are not so accurate, Portugal is only behind one or two countries in OECD figures for public health expenditure. This situation absolutely cannot continue unless the government wants to return to a market from 15 years ago. I do not think they want this, but the people surrounding the Health Minister are not very well grounded in reality.

### **Do you think the troika and Ministry are aware of these problems and will lower expectations?**

I think they only partially realize it and will adapt accordingly. But in the last few months, things have really gone too far. It is a tragic situation. The most recent measures in this area all deal with supply and never demand. Controlling the market in this way is impossible. One of the most critical aspects of Portugal's healthcare system that is in need of much change is its reimbursement system, which was established almost twenty years ago. The prevalence of diseases today is very different. Everything has changed. Twenty years ago, there were no orphan drugs and only a handful of oncologic medications were available. Portugal must reboot and adapt its reimbursement system to the new paradigm. We cannot have a system that is based on twenty-year-old concepts. However, political parties accept this in their programs but they do not prioritize this at all in practice.

In general, the system needs major overhaul; the drugs that need to be financed today are not the same as those from twenty years ago. We need to find a new solution other than simply cutting prices more and more.

### **Is the government slowly starting to recognize the lack of an update?**

Yes, but they do not have a strategy for change. They are navigating unclear waters rather than thinking about the long term. Cutting expenses when the price does not fit is not a sustainable solution, and is emblematic of Portugal's entire health funding problem. The underlying issue is that the authorities in Portugal only act when a situation hits rock bottom. Now hospitals have poor management, organizational issues and inefficient IT systems. It is easy to cut expensive measures that change the system, and medicines are easy to control in Portugal. We know exactly where and how much is spent. That being said, primary care reform has been fairly successful in Portugal.

### **What is your assessment of generic companies operating in Portugal?**

I think they can provide more, but if the government lowers generic prices any more, they will have a problem. Generics are important to provide capital to industry for innovation, and companies with generic divisions understand that. When generics were first introduced in Portugal, many believed this was a strategic error. Innovation changes so quickly that we constantly have to adapt with patent expiration. I believe that the most important mantra for government is not to look at medicine as a figure but as an added value for patients and society and health system.

### **How can multinationals attract more clinical trials to Portugal, given the country's high quality research?**

Portugal has the right conditions for clinical trials because of a generally good clinical system, highly educated clinicians and a good hospital network. But the problem is that analysts do not know Portugal very well because of its small market size. American companies do not know Portugal at all in terms of medicines. Another issue is the fact that Portuguese hospitals are not prepared to authorize clinical trials even though they should since they help patients and enlighten the medical

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community. Because of financing problems in hospitals, foreigners do not see Portugal as an important market and are thus not prepared to invest in clinical trials here. But Portugal certainly has good conditions, and many clinical trials have been done here. While there is some constraint at the bureaucrat level, companies do not complain about delays in decisions for clinical trials compared to a few years ago. But those problems do not exist as much anymore. Companies must look to Portugal as an opportunity. This is especially important considering Portuguese doctors and pharmacists can work anywhere in Europe.

Everybody sees drug prices, but it is up to the industry to use intelligence to prove that those drugs add value to the health system. Moreover, there are so many steps to getting a drug to market that in the last few years of work on the product a company can forget the benefit and value behind the final product. People only see the financial value of the package. We must tell politicians the real value of the final drug, and everyone forgets that. The value of the drug is not the cost of production. The industry must make more of an effort to get society to understand this.

### **In what area do your clients need the most help?**

Market access is the biggest problem. My main priority is to explain the added value of medicine to health authorities. There is also a deficiency in legislative knowledge by pharmaceutical companies at international level, or it is simply not valued enough. The realities of Portugal are different from those of pharmaceutical companies' home countries of the UK or Switzerland, for example. The reimbursement system is different, the experts are not the same; we must adapt and convince the experts to demonstrate and accept drug value.

### **What is your assessment of how the pharmaceutical industry will evolve in the next three to five years?**

At the moment, Portugal has hit rock bottom; but the near future will be better. The health system is going to improve. The industry should engage in more partnerships with the scientific community and research centers like IBILI, IPATIMUP, IMM or IBET. Furthermore, the industry must also invest at the level of health system structures by training hospital employees or students of medicine, pharmacy and economy. I believe the market will return to normal levels in the next few years, but the industry must also change by having the capacity to add value of products in the market and health system. We must also invest more into convincing authorities about the value of drugs, and shy away from the idea that health and medicine are economic burdens.

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