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COLLABORATIVE APPROACHES TO ATTAIN HEALTHCARE SUSTAINABILITY IN LATIN AMERICA

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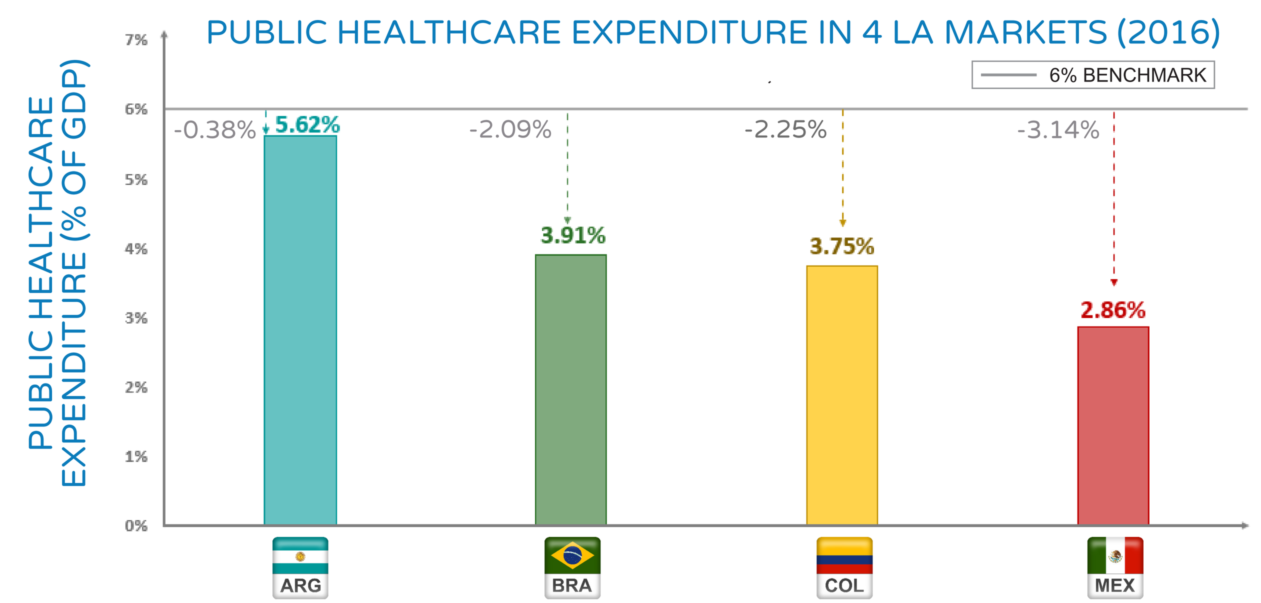
BACKGROUND & OBJECTIVES

- Attainment of universal health coverage (UHC) has become a priority for Latin America (LA) governments, but increasing coverage unavoidably comes with rising healthcare costs and the challenge of fostering efficiencies.
- Policy makers in LA have made efforts to manage the rising healthcare costs, but despite these efforts the four largest markets based on 2018 Gross Domestic Product (GDP) in the region – Argentina, Brazil, Colombia and Mexico – remain behind the Pan American Health Organization (PAHO) Public Health Expenditure as % of GDP target and all but Brazil remain behind the Organization for Economic Co-operation and Development (OECD) average in Total Healthcare Expenditure as % of GDP, which are viewed as benchmarks for sustainability (Figure 1).
- Only six countries in the LA region have direct out-of-pocket healthcare expenditure levels under 20% of the total healthcare expenditure, which is seen as the World Health Organization (WHO) as a the threshold to protect populations against the risk of impoverishment or catastrophic expenditure.
- Gaps between the PAHO targets and OECD average, and Argentina, Mexico, Colombia and Brazil levels suggest that the healthcare systems are underfunded, and challenges exist that have to be overcome before the region becomes sustainable.
- This poster aims to identify hurdles to achieving healthcare sustainability in LA, review approaches taken by policy makers to control healthcare budgets and propose actionable solutions to attain sustainability that mutually benefit healthcare systems and industry.

FIGURE 1 - Healthcare Expenditure in 4 LA Markets



METHODOLOGY

- Global benchmarks for healthcare sustainability, LA-specific hurdles challenging achievement of those targets and solutions to achieve sustainability successfully implemented in other regions were identified after reviewing 46 articles published by regional and international organizations (e.g., UN, WHO / PAHO, WBG, IDB, OECD, IFPMA, PhRMA, FIFARMA, etc.).
- Identified global solutions were prioritized based on the feasibility to implement, economic impact and time to impact.

DEFINING HEALTHCARE SUSTAINABILITY HURDLES

- WHO describes a sustainable healthcare system as one that 'ensures equitable access to essential medicines, vaccines and technologies', while 'raising adequate funds for health to ensure people can use needed services, and are protected from financial catastrophe or impoverishment associated to having to pay for them'.
- LA policy makers face common issues that have challenged attainment of healthcare sustainability and led to a situation where healthcare systems cannot provide the services required to meet their population's needs. Healthcare sustainability challenges in LA can be classified in two categories: demand and supply hurdles.

DEMAND HURDLES

UNIVERSAL HEALTH COVERAGE

Attainment of UHC comes with the hurdle of having to provide care to a higher number of patients.

EVOLVING DEMOGRAPHICS

Population aging has resulted in a growing number of elderly dependents at higher risk of disease and complications.

EPIDEMIOLOGICAL TRANSITION

Non-communicable diseases are expected to become the primary cause of morbidity and mortality.

COST-CONTAINMENT MEASURES

Many LA countries are implementing measures to curve demand or control healthcare expenditure growth rate.

SUPPLY HURDLES

EXPENDITURE AS % OF GDP

Healthcare expenditure as % of GDP remains below international sustainability benchmarks and will need to grow at least by 2%.

FRAGMENTATION

LA healthcare systems are highly fragmented, leading to inefficiencies, inequalities, and worse clinical outcomes.

WASTEFUL USE OF RESOURCES

Between 10 - 30% of healthcare expenditure could be channeled towards better use.

WEAK PREVENTION PROGRAMS

Healthcare model is based on treatment rather than prevention, with disproportionate hospital-centrism and not enough focus on primary care.

APPROACHES TO ATTAIN HEALTHCARE SUSTAINABILITY

CURRENT COST-CONTAINMENT TOOLS

- With the objective to balance increasing demand for innovation with reduced budgets, policy makers in LA have explored different cost-containment tools. These tools can be divided into mechanisms aimed at controlling access and mechanisms aimed at reducing cost of healthcare services / medicines (Figure 2).
- Overall, existing cost-containment tools have a negative impact on both patients and the pharmaceutical industry and are not sustainable in the long-run. Additionally, existing tools have focused on reducing the cost of pharmaceuticals, leaving other avoidable healthcare costs (e.g., clinical care waste, operational waste, government waste and missed prevention opportunities) unaddressed.

FIGURE 2 - Examples of Current Cost-Containment Mechanisms

ACCESS CONTROLS

- Implementation of pre-authorization committees for prescriptions of high-cost therapies
- Delivery of high-cost therapies restricted to tertiary centers in urban areas
- Use of primary care physicians as goalkeepers to access specialists

COST CONTROLS

- Use of reference pricing as a tool to cap the cost of innovative therapies
- Implementation of competitive procurement mechanisms (e.g., tenders and joint purchases) to drive down costs
- Use of HTA frameworks that have over-emphasized cost-effectiveness and ICER

- Alternative, collaborative mechanisms to attain healthcare sustainability could be explored by LA policy makers and the pharmaceutical industry to address the identified supply and demand hurdles and provide access to innovative therapies.
- Proposed solutions have been divided into short-term solutions that can be executed within 1 - 2 years, mid-term solutions implementable within 2 - 5 years and long-term solutions that can be executed in 5+ years.

COLLABORATIVE APPROACHES TO HEALTH-CARE SUSTAINABILITY

SHORT-TERM SOLUTIONS (1 - 2 Y)

TAX EXEMPTION FOR PHARMACEUTICAL PRODUCTS

LA countries should consider reducing / exempting medicines from taxation, provided any reductions / exemptions from taxes have a direct effect of reducing the cost to the patient / purchaser. Tax reduction / exemptions can decrease inequity in access to medicines among the poor.

CONTROL OF PHARMACY / WHOLESALER MARGINS

LA countries should regulate distribution chain mark-ups (i.e., regulation of distributor and wholesaler margins) and retail-chain mark-up and fees (i.e., regulation of pharmacies) to stop excessive charges being added to medicines as they move through the supply chain.

MID-TERM SOLUTIONS (2 - 5 Y)

VALUE-BASED PROCUREMENT

Procurement in the healthcare sector should move away from traditional lowest price procurement strategies and product buying, and instead move towards quality, services and solutions. Value-based procurement moves away from short-terms cost-savings and focuses on health system performance, total cost of care, patient outcomes and working with supplies to identify opportunities for innovative services.

MANAGED ENTRY AGREEMENTS

When a decisive 'yes' or 'no' conclusion on pricing and funding cannot be made due to uncertainties about a medicine's clinical evidence or financial impact, managed entry agreements (MEA) can be established between the pharmaceutical industry and healthcare providers to provide access to the medicine by sharing the cost of uncertainty.

LONG-TERM SOLUTIONS (5+ Y)

SOCIAL & HEALTH IMPACT BONDS (SIBs)

SIBs are a way to finance health promotion programs whereby different types of investors provide an upfront investment of capital. If the program meets predetermined criteria for a successful outcomes, the government pays back the investors their original investment plus a fraction of the savings made by the program. SIBs have been implemented in USA and EU and can be considered in LA.

VALUE-BASED HEALTHCARE

The traditional fee-for-service approach rewards increases in treatments whatever the cost. Value-Based Healthcare assesses the entire cost of the patient's passage through the system. Rewards to physicians and hospitals are based on costs, quality and outcomes. Move toward value-based healthcare requires an expansion of precision medicine, transformation in healthcare delivery models and digitalization of healthcare.

CONCLUSION

- Across LA, demand for health services has outpaced supply. Countries in the region lack the adequate clinical and technological resources and infrastructure to address this increased demand.
- To date, policy makers have responded to the increasing demand by implementing access and cost controls. However, these tools fall short in recognizing the full value of innovation and could be a deterrent for innovation in the region which could lead to negative economic, humanistic and clinical outcomes. Instead, the region needs to move to a value-based system that is patient-centric and prioritizes long-term sustainability of the healthcare system over short-term cost-cutting. These value-based systems should look at patient care in a holistic way, integrating health promotion, outpatient and inpatient care. This shift in paradigm from hospital-centrism and disease-centrism to patient-centrism has the potential to reduce waste, improve population outcomes and patient quality of life.
- Mutually beneficial solutions that policy makers in LA and the pharmaceutical industry can explore together to allow for productive movement towards sustainable value-based healthcare systems in LA include: tax exemptions for pharmaceuticals, control of mark-ups, INN prescribing, value-based procurement, managed entry agreements, SIBs, value-based healthcare and sin taxes on unhealthy goods.

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