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FEATURED Q&A

How Should Mexico Resolve its Dispute Over Drug Prices?

Mexican President Andrés Manuel López Obrador has said drug companies are upset that he is cracking down on overpriced medicines. // File Photo: Pixnio.com.

Q Mexican President Andrés Manuel López Obrador vowed last month to alleviate a shortage of medicines in public hospitals by buying more pharmaceuticals from abroad, if necessary. López Obrador blamed the shortage on drug companies upset about his clampdown on the overpricing of medicines. What is behind the shortage, and to what extent have medicines been overpriced in Mexico? What are the most significant actions López Obrador's government can take to make drug pricing fairer? How are his policies affecting Mexico's health sector overall?

A Andrew Rudman, managing director at Monarch Global Strategies: "Given the complexity of the pharmaceutical supply chain, attributing responsibility for resolving an issue to a single component of the chain neither tells the whole story nor will likely lead to a productive outcome. The current medicine shortage in Mexico is a symptom of the long-standing failure by past administrations to reform the country's inefficient and inadequate health care system, now exacerbated by the AMLO administration's fiscal challenges stemming from commitments to fund new initiatives related to infrastructure and social spending in a self-imposed period of 'republican austerity.' The resignation of AMLO's first director general of the social security institute (IMSS) over differences with the Finance Ministry clearly demonstrates this tension. Recent press reports have documented the lack of access to certain medications (such as those requiring cold storage) at specific institutions. Imported medications, even if they could be delivered to patients at lower cost than those produced locally (which is not a given),

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Venezuela Says it Has Arrested 17 Since 'Coup' Attempt

Venezuela's government says it has arrested 17 individuals since opposition leader Juan Guaidó's call on April 30 for a military uprising against President Nicolás Maduro.

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Legg Mason Forms Partnership With Mexico's Actinver

The Baltimore-headquartered company is partnering with Mexico-based money manager Corporación Actinver to provide advisory services.

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Former FARC Leader Sworn in as Congressman

Former FARC rebel leader Seuxis Hernández, also known as Jesús Santrich, was sworn in as a member of Colombia's Congress, less than two weeks after the Supreme Court freed him from prison.

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Hernández // File Photo: Colombian Government.

POLITICAL NEWS

Former FARC Leader Takes Oath to Join Colombian Congress

Less than two weeks after being released from prison, former FARC rebel leader Seuxis Hernández, also known as Jesús Santrich, on Tuesday was sworn in as a member of Colombia's Congress, El Tiempo reported. Hernández took the seat as a lawmaker under the terms of the FARC's 2016 peace deal with Colombia's government, which granted the group 10 unelected seats in Congress. Hernández is wanted in the United States on cocaine trafficking charges and was held in prison for more than a year. However, Colombia's Supreme Court on May 29 ordered that he be freed, ruling that, as a congressman, he has parliamentary immunity that protects him from prosecution. After being sworn in on Tuesday, Hernández told reporters that he would defend the peace accord, The Wall Street Journal reported. "Let's not allow treachery to tear up what Colombians dream of, a national reconciliation," he said. Hernández has said he is innocent. Colombia's Office of the Inspector General has appealed the Supreme Court's decision that ultimately freed Hernández. Colombian President Iván Duque and the United States have supported the inspector general's effort. "How can a country accept that someone accused by clear testimony of participation in drug trafficking be sworn in as a member of congress?" Duque said Monday. [Editor's note: See related **Q&A** in the June 5 issue of the Advisor.]

Venezuela Says it Has Arrested 17 Since Late April Uprising

Venezuela's government said Tuesday that it has arrested 17 people on charges of staging what it referred to as an attempted "coup" against President Nicolás Maduro on April 30, Agence France-Presse reported. On that day, opposition leader Juan Guaidó, whom dozens of countries recognize as Venezuela's legitimate interim president, called on the military to unseat Maduro. The move failed to dislodge Maduro from power. Guaidó remains free, but his deputy, Édgar Zambrano, was arrested, and several others have gone into hiding, fled the country or sought refuge at foreign embassies in Caracas.

FBI Helping to Probe Americans' Deaths in Dominican Republic

The U.S. Federal Bureau of Investigation is assisting authorities in the Dominican Republic to investigate the deaths of three Americans who died under mysterious circumstances over five days at neighboring resorts in the Caribbean country, ABC News reported Tuesday. Dominican authorities sought the FBI's help in carrying out toxicology tests in the case investigating the deaths that happened at luxury resorts operated by the Bahia Principe Hotels & Resorts, according to the U.S. Embassy in Santo Domingo. All three reportedly died of the same cause—respiratory failure and pulmonary edema. Family members of the three, a couple from Maryland and a woman from Pennsylvania, described them as healthy before they traveled to the Dominican Republic. The resort company has pledged to cooperate in the investigation.

ECONOMIC NEWS

Puerto Rico Retiree Committee, Board Reach Pension Deal

Puerto Rico's federal oversight board has agreed to partially roll back pension cuts under a proposed settlement with an official retiree committee, a key step toward ending its bankruptcy, The Wall Street Journal reported today. The committee, which was appointed in Puerto

NEWS BRIEFS

Argentina's Macri Selects Peronist Senator as Running Mate

Argentine President Mauricio Macri on Tuesday announced that he was selecting opposition Peronist Senator Miguel Ángel Pichetto as his running mate, The Financial Times reported. The selection is seen as an attempt by Macri to win over centrist voters ahead of the country's October presidential election. Last month, former President Cristina Fernández de Kirchner announced she was running for vice president, with her former cabinet chief, Alberto Fernández, heading the ticket.

Nicaragua Releases 56 Prisoners Involved in Anti-Government Protests

Nicaraguan authorities on Tuesday released 56 people who were arrested during the clampdown on anti-government protesters last year, including those who organized the protests and independent journalists, The Washington Post reported. President Ortega has promised to free all such prisoners by June 18, a key requisite of the opposition to move forward with dialogue. A spokesman for the Civic Alliance opposition movement said 89 detainees, which it considers political prisoners, remain in jail and are likely to be released soon.

Ecuador Frees Man Accused of Defrauding Facebook's Zuckerberg

Ecuadorean authorities on Tuesday freed U.S. citizen Paul Ceglia, who is charged with defrauding Facebook co-founder Mark Zuckerberg, the Associated Press reported. Ecuadorean President Lenín Moreno recently blocked a request for Ceglia to be extradited to the United States, citing cases in which the United States didn't fulfill Ecuador's own extradition requests. Ceglia had used doctored documents to back a false claim that he owed half of Facebook.

Rico's court-supervised bankruptcy, said the agreement would "substantially improve" retirement benefits for some 167,000 pensioners, as compared to a 30-year framework approved earlier this year by the U.S. territory's financial oversight board. The deal covers Puerto Rico's $50 billion pension debt. The agreement still requires court approval and could face opposition from investors worried that transferring additional revenue to pensioners could deepen losses on billions of dollars in bond debt, according to the report.

BUSINESS NEWS

Legg Mason Forms Partnership With Mexico's Actinver

Legg Mason has partnered with a Mexican money manager for advisory services, the U.S. investment management firm announced on Tuesday, The Baltimore Sun reported. Legg Mason will provide investment advice to Mexico City-based Corporación Actinver, the country's largest private lender in terms of number of clients, which offers a variety of wealth and asset management services. Actinver will manage three funds using investment models provided by three Legg Mason affiliates, Clear Bridge Investments, Martin Currie and Western Asset Management, and it will pay the Baltimore-based company based on management fees for the funds, the Baltimore Business Journal reported. "With the population of Mexico as well as the number of people accessing banking services expected to increase over the next 20 years, we see substantial growth potential in the country," said Lars Jensen, who heads Legg Mason's Americas International, The Baltimore Sun reported. The investment management firm has been looking to expand internationally, including in Latin America, where it has an office in Chile and in Brazil, as well as a representative office in Colombia. Actinver has $469 billion in assets under management and serves approximately 200,000 clients, operating in 23 of Mexico's 31 states.

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would not alone address the inefficiencies found in Mexico's fragmented system. Further, unless the imported products meet the safety and efficacy standards of the Federal Commission for the Protection Against Sanitary Risk (Cofepris), their introduction into the system could create greater long-term costs. If questions surrounding some state-level contracts can be resolved, the resulting transparency would improve the efficiency of the procurement system, thus generating savings. Any such savings must remain within the health care system to improve the overall delivery of services. If the savings realized are instead diverted to cover, for instance, energy or infrastructure projects favored by the AMLO administration, any gains in efficiency from enhanced transparency will not cure the underlying illness."

A **Ricardo Izurieta, professor at the College of Public Health at the University of South Florida:** "The purchasing of pharmaceutical products is one of the most profitable businesses for government and private sector delinquents who overprice medicines in exchange for bribes. Latin America has not escaped from the presence of these pharmaceutical cartels and has become one of the regions where these corrupt businesses have flourished. President Andrés Manuel López Obrador's decision is correct under the emergency circumstances that Mexico is experiencing in the health sector. The Mexican government and all Latin American governments should adopt good practices to prevent and combat corruption by: 1.) Performing cost analysis in the pharmaceutical industry to define the costs of production, distribution and marketing; 2.) Creating transparency in the acquisition of pharmaceuticals with the creation of publicly available web pages where all government purchases are published, including name of the product, seller, buyer, presentation, generic name, commercial name, expiration date and cost per batch and unit; 3.) Requesting the participation of the Pan American Health Organization in order to have this previously mentioned information from international providers that have been internationally certified; 4.) Exempting all medical products from import taxes and allowing all legal companies to import certified pharmaceutical products; and 5.) Doubling the sanctions on corrupt acts in the health sector that imperil patients' lives. The Mexican health sector will be affected by any measures that try to correct decades of corrupt modus operandi of these cartels, but it is worth considering the benefit of long-term impacts."

A **Carl Meacham, associate vice president for Latin America in the International Advocacy Division of Pharmaceutical Research and Manufacturers of America:** "Drastic changes in Mexico's drug tender policy have already disrupted the medicines supply chain and generated concern around how industry can adapt to adequately provide Mexican patients with urgently needed treatments. This is an issue that could negatively affect all Mexicans. At face value, the López Obrador administration argues that consolidated drug purchases are aimed at curbing local corruption and consolidating Mexico's national health care system. But the new drug tender structure would incur substantial administrative costs for local and global health innovators, as well as the federal government. It is worth noting that the administration recently announced it will fast-track an open international tender and take over logistics and distribution of medicines across the country within a month. If implemented, biopharmaceutical firms and the government alike will need substantial time and resources to adapt their business models to fit the new policy framework. The extent to which the government can deliver on this promise without compromising supply costs and time efficiency, while main-

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taining the high standards that distributing medicines entails, is unclear. While public investment in health care in Mexico remains low, the López Obrador administration has sent some positive signals that it wants to expand patient access to treatments in Mexico. However, further strengthening the medicine supply for Mexican patients will depend on establishing a clear policy path that complies with international commitments and allows relevant actors, both domestic and global, to create synergies with the administration's health care vision."

A **Katherine Bliss, principal at Girasol Global Policy Consulting and senior associate at the CSIS Global Health Policy Center:** "In April, President López Obrador suspended three companies responsible for distributing the majority of medicines to Mexico's public sector health facilities from participating in future contract bids with the government. He blamed the high cost of health care in the country on the companies' monopolization of public awards to procure drugs for large-scale providers, including the national social security institutes for private sector workers and civil servants. He said the companies would be investigated to assess whether they had used illegal measures to gain preferred status under the previous administration of Enrique Peña Nieto. Following reports of drug stock-outs at some facilities, López Obrador then said he would authorize public programs to purchase medicines directly from foreign companies. The new president's move is certainly not the first effort to reduce the cost of health care in Mexico. In 2008, President Calderón sought to lower prices for pharmaceuticals by ending the 'derecho de planta,' a policy from Mexico's mid-20th century protectionist period that required any foreign company selling drugs in the country to operate a manufacturing facility there. And as a candidate for the presidency, López Obrador promised medicine free of charge to all Mexican citizens, saying he would also overhaul Seguro Popular, the program for people working in the informal sector. While addressing transparency and accountability is an important step, Mexico's public health institutions may also be able to realize savings by making it easier for subscribers of one of the nation's many public insurance programs to seek health services at another program's facility."

A **Cristóbal Thompson, executive director of the Mexican Association of Pharmaceutical Research Industries (AMIIF):** "Mexico's pharmaceutical industry has said it has the capacity to serve the Mexican market with no problem. Last Thursday, a new consolidated process for the government's purchase of medicines was published, and we hope that in the next two months, the shortage of medicines is eliminated or reduced dramatically. In recent years, the prior administration's public policy accelerated the entry of generics to the market, and therefore, prices were reduced. Today, generics have a penetration of almost 90 percent in the market. Where we continue to lag is in getting more innovative medicines available in the public sector. Only 10 percent of medicines approved by the Federal Commission for the Protection Against Sanitary Risk (Cofepris) enter institutions, such as the Mexican Social Security Institute, and the process takes four years."

> **"Where we continue to lag is in getting more innovative medicines available in the public sector."**
> **— Cristóbal Thompson**

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