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# TRANSPARENCY, ETHICS, AND INTEGRITY IN HEALTHCARE AND PHARMACEUTICALS SECTOR

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International Panel Discussion Report



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## Transparency, Ethics, and Integrity in Healthcare and Pharmaceuticals Sector

### International Panel Discussion

Transparency is a vital component to build an effective and efficient health care system, and the lack of transparency in healthcare threatens to erode public trust. Healthcare organizations need strong ethical foundations to reinforce the culture of 'trust' between the caregiver and the community.

With this context in mind, the Centre of Excellence for Governance Ethics and Transparency in partnership with IIHMR University (IIHMRU), Jaipur (India) organized a virtual International Panel Discussion on 'Transparency, Ethics, and Integrity' in Healthcare and Pharmaceuticals Sector. The Panel comprised of domain experts from India, Germany, Argentina, and America.

#### **For this international panel discussion, the panelists were**

1. Prof. Matthias Kleinhempel, Director, Centre for Governance and Transparency, IAE Business School, Argentina.
2. Prof. Ronald E. Berenbeim, Adjunct Professor, NYU Stern School of Business and Senior Fellow, Conference Board, USA.
3. Prof. Wolfgang C. Amann, Academic Programme Director, HEC Paris (Doha, Qatar)
4. Ms. Ashley Demming, Project Manager, United Nations Global Compact, New York.
5. Ms. Sarah Steingrüber, Independent Global Health Consultant (Berlin, Germany).

The panel was moderated by Prof. Shiv K. Tripathi, Dean (Training), IIHMR University, and Ms. Shabnam Siddiqui, Director-CEGET, Global Compact Network India. The session was Chaired by Dr. S.D. Gupta, Chairman, IIHMR University.

The discussion started with an introduction by **Dr PR Sodani, Pro-President, IIMHR** - In the health sector transparency and ethics are key pillars for quality health care services. Transparency is must if we are talking about patient-centric health care services.

**Opening remarks by Dr. S.D. Gupta, Chairman, IIHMR University-** India is one of the countries where corruption is the root cause of most of our miseries. It is important to root out corruption from our governance system. Transparency is very important for good governance as it increases accountability. There are so many ethical issues in the pharmaceutical and health sector. For example - producing crescendoing data, the quest for profit-making, issues of not following rules and ethics. One of the causes of poor quality is the lack of sharing information.

**Prof. Shiv K. Tripathi:** Are there any interrelationship between the terms - ethics, transparency, and integrity? If yes, then what are some of those interrelationships?

**Prof. Matthias Kleinhempel:** Academicians would most probably say there is a negative co-relationship between these terms. The presence of integrity and ethics indicates the absence of corruption. The presence of transparency might or might not direct towards corruption. The other way round it means that if we see a lot of corruption we lack integrity and ethics. Transparency doesn't solve the problems but it helps.

Companies usually engage in two tricks. First, they try to engage in enhancing integrity in their operations. It might be driven by conviction or by regulations. Nowadays, companies look less at norms. They want their people to make good decisions in difficult situations that have more to do with principles of ethics than norms.

Second, Compliance has been dead for several years. Companies following rules have less to do with compliance and more with their customers, shareholders, and stakeholders. That is because if these stakeholders deem the company's behavior unethical, they will punish the company more violently than any norm regulators.

Instead of fast-changing rules, companies have to look for their stakeholder's expectations to stay out of trouble. Integrity, ethics, and transparency are highly ranked amongst what people expect from companies. When we measure a firm's success by more than only short term financial goals then we set incentives for integrity and ethics leading to less corruption.

Integrity includes ethics on one hand but requires consistency between words and actions. That is difficult but most important.

**Prof. Shiv K. Tripathi:** What are some of the common unethical or corrupt practices that private sector supply chains engage in?

**Ms. Ashley Demming:** Corruption in the health care and pharmaceutical sector is quite a general term, it can occur in the provision of services by medical personnel, public procurement of medical equipment and supplies, construction of health facilities, healthcare education, and pharmaceutical marketing practices among many other behaviors. This corruption can be sporadic or institutionalized and is not limited to one type of health system structure.

Specific forms of corruption observed in the health care and pharmaceutical sector includes kickbacks, bid-rigging in public procurements, informal payments, absenteeism and embezzlement of money, medicine and supplies, counterfeit drugs, fortification of medical research, nepotism or favoritism, and insurance fraud schemes.

Other forms of corruption that we have seen emerging during the COVID-19 pandemic include diversion of funds and supplies for private gains.

Whatever form corruption takes in the sector it can reduce limited resources and undermine trust in government, health care system, and cost lives. Looking at it from the perspective of the 10<sup>th</sup> principle, it deepens social inequalities amongst the most vulnerable.

**Prof. Shiv K. Tripathi:** In the context of the current pandemic situation, what are some areas within the health care and pharmaceutical sector that are sensitive for corruption risk and must be looked into?

**Ms. Sarah Steingrüber:** During the COVID-19 pandemic there is an influx of massive amounts of funding being put into the health systems across the globe to ensure they don't collapse. It has created a massive corruption risk. In a pandemic we need to be quick and agile, the downside is that there aren't sufficient procedures to safeguard the funds. In the pharmaceutical sector, there is a very serious concern about the integrity of evidence, corruption, and abuse of funds in research and development. A lot of money is being pumped into the system for research for a vaccine. It is important to ensure that the evidence generated for the same is transparent. However, the procedures put in place to ensure the same are in their infancy.

The healthcare and pharmaceutical sector during the COVID-19 pandemic needs to be put under a microscope. We need to be sure that whatever is being advertised as COVID-19 medicine is backed with evidence. During the COVID-19 pandemic, it is important to harness and maintain trust in the institutions that are responsible.

**Prof. Shiv K. Tripathi:** What type of executive training interventions can help in improving the situation?

**Prof. Wolfgang C. Amann:** 7% out of 7 trillion dollars spent on corruption globally is lost. During the COVID-19 pandemic, the performance pressure has gone up, the government pressure for speed has increased and hence, there is a lot of money floating around. 70% of countries have reported new forms of corruption during COVID-19.

However, we can do something, education, in general, can help. We cannot be ethical if we do not know what it means to have morals. Corruption is anti-fragile. It means that if we take care of one form of corruption, a more sophisticated form of corruption pops up. We can deal with it through the state of the art education and today's technology. Rapid, broad education can help us fight this anti-fragile nature of corruption.

**Ms. Shabnam Siddiqui:** What are some of the governance systems in companies that could help in building a strong ethical culture?

**Prof. Matthias Kleinhempel:** Anti-corruption which is a part of compliance and its about decision making.

First, Companies need to buy the idea that integrity is in their best interest. If they buy the idea they can lay fundamentals for a strong ethical culture. The top management in a company needs to lead by example. Executives observe what their bosses do. Top management is observed by middle management, which is observed by the lower management. Values trickle down in management.

Second, We also need an adequate incentive system. High percentages of pay tied to short term financial goals promote money-making by hook or crook. In order to reduce corruption, it is important to tie pay to long term goals and non-financial goals.

Third, we need more capable or powerful compliance officers who help execute an incentive system designed to foster ethical decision making.

**Ms. Shabnam Siddiqui:** What are the types of measures that are effective in enhancing transparency and improving ethical compliance in companies?

**Ms. Ashley Demming:** Corruption should be considered in the local context. The first step is to conduct a corruption risk assessment to gauge the corruption risks, their impact, and likelihood. It is possible to build an anti-corruption compliance program, once these assessments are centralized into most urgent and pressing issues. Information technology and innovative solutions should be used to advance current systems, like e-procurement and open contracting. Predictive analytics, forensic tools, and price transparency can also be used for the same.

Collective action is another important tool that can be used to enhance transparency and improving ethical compliance. According to the world bank, collective action is a collaborative and sustained process of cooperation between stakeholders like integrity pacts. It involves businesses, civil society, the UN, academia, and other stakeholders coming together to tackle the issue. Companies should ensure enforcement and implement these pacts made through collective action. A strong culture of ethics exemplified by leadership is also very important.

**Ms. Shabnam Siddiqui:** What are the macro-level corruption issues which are important for improving ethics and compliance in global supply chains?

**Prof. Ronald E. Berenbeim:** Macro-level corruption can be summarized in a single phrase – market failure. It happens when a company's efforts do not maximize the efficiency of the economy and benefits to all its participants. There are 4 kinds of market failure – monopoly, negative externalities, corporation utilization of public goods, and information asymmetries.

**Ms. Shabnam Siddiqui:** Any specific areas in pharma sectors that need a greater focus on improving the ethical practices?

**Prof. Wolfgang C. Amann:** Similar to Pankaj Ghemawat's World 3.0, we need to envision a world that has a shared understanding of morals and ethics. We need a world where healthcare facilities are still global but there is a synergy between national and international regulations.

In a world 3.0 we have two challenges to deal with – First, data management. We have lost ownership and control of our data. On the dark web, our health data is sold at a higher price than our financial data. The tech companies know more about our health than we know ourselves. They, however, do not have a record in managing our data well. This needs to be regulated more.

Second, the field of gene-based research. There is a risk when it comes to gene orientation in the pharmaceutical system. For example- Insurance companies run on solidarity principles. If we pay for the gene-based risks we find, the system might become more unaffordable for some.

**Ms. Shabnam Siddiqui:** What is the role of collective action? What measures can be used to improve integrity and transparency in the health care sector?

**Ms. Sarah Steingrüber** - There are no silver bullets when it comes to measures that can be implemented. There are no similar or perfect healthcare models. We can learn from each other but everything has to be contextual and tailored to the local climate.

There needs to be more research on corruption in the health care sector. Currently, there is very little research and advocacy surrounding the issue. This is an issue that needs more health care professionals caring about it. The change has to come from within the sector not outside. Since health is a human right, tackling corruption has to be a part of our daily bread.

We need to look at things from a local and sectoral context. We need to look at the risks inherent within a system, study its vulnerabilities, and redesign the system so that the incentives force the healthcare professionals to behave with integrity. For example, in Germany, a lot of anti-corruption reforms are baked into the system.

We need to integrate our efforts with collective action. We need to build alliances involving government, academia, civil society organizations, international organizations, and citizens.

### Recommendations and way forward

1. **Need for correction mechanisms** - There is an association between corruption, creativity, and innovation. Unless you have an effective regulatory mechanism, you create policies, rules, and regulations but not monitor and supervise. With no correction mechanisms, corruption spreads faster.
2. **Information technology** - Information technology can play an important role in reducing corruption. The example of which we have seen in the public distribution system (PDS). This was a system ridden with corruption, but once the government made use of information technology to directly transfer benefits in the accounts of the needy.
3. **Incentives are not the solution** - We need to imagine and think about how we want our world to be. There are reservations against incentives as they set new normal, hence might not be the solution.
4. **Education as the solution** - The need of the hour is to have more capacity building programs for health care professionals that focus on values and ethics. We need to have a discourse on the importance of ethics in our health care and pharmaceutical sector.
5. **Self-regulation is the best form of regulation** - We need our healthcare professionals to regulate themselves. We need to instill values in them in a sustainable way.
6. **Importance to strengthen Collective Action on Healthcare** – There is a need to establish sustainable collective action to promote transparency and accountability in Healthcare. Stakeholders from different sectors including business need to be actively engaged.