Health care sector needs stronger ethics to combat opioid abuse

• US opioid crisis cost USD 696 billion in 2018, or 3.4% of GDP
• Radical transformation is needed, with bigger public sector role
• Stronger innovation, governance and business ethics needed

The health care sector is often seen as a good place to invest, both from an investment and an impact perspective. However, the sector struggles with certain issues as well, such as the significant use and abuse of opioids.

Whereas the use of opium and its derivatives has existed for centuries, a breakthrough in palliative medicine in the 1990s led to a global health care crisis, with an unprecedented social and economic impact. Since then, the introduction of new opioid medication has led to widespread abuse, accounting for over 200,000 overdose deaths over an eight-year period in the US alone.

This has given the general public another reason to mistrust the pharmaceutical industry. In order to restore confidence in medicine, we need to look further than just the industry and consider the role of public health organizations to avoid similar painful predicaments.

The impact of the opioid crisis

Although the purpose of the medical industry is to make patients better – in practice, sometimes the opposite occurs. The misuse of opioids – medication that was intended to improve the lives of very ill people – has led to widespread deaths and economic costs as a result.

In 2017, there were 53.4 million opioid users around the world, 80% of whom were based in the US. It is estimated that of these users, over two million suffer from opioid abuse disorders, including the use of prescription medicines and
non-medical opioids such as heroin and fentanyl. Between 1999 and 2017, 218,000 people died of an overdose. This is high when compared with the number of deaths from motor vehicle accidents or firearm incidents, but relatively low when considering deaths caused directly or indirectly by smoking.\(^1\)

The opioid crisis in the US alone is estimated to have cost USD 696 billion in 2018—or 3.4% of GDP—and more than USD 2.5 trillion for the period from 2015 to 2018.\(^2\) These figures include the value of lost lives and increases in health care and substance abuse treatments costs, as well as criminal justice costs and reductions in productivity.

Opioids derive from the poppy plant. Source: Getty Images.

Overall, the opioid epidemic has become a serious impediment to achieving Sustainable Development Goal 3 (good health care and well-being), and specifically its sub-target 3.5 on the prevention and treatment of substance and narcotic drug abuse. As a result of wrongful marketing practices, as well as issues concerning business ethics and competition, a significant number of pharmaceuticals are in breach of both the UN Global Compact and OECD Guidelines for Multinational Enterprises.

For investors, the opioid crisis has caused significant volatility. It reflects increasing uncertainty and a higher likelihood that these companies might need to pay significant sums to settle legal proceedings initiated by thousands of claimants. These include states, counties, municipalities, health care providers, insurance companies and government agencies.

**From pain relief to widespread addiction**

The ancient civilizations of Persia, Egypt and Mesopotamia all cultivated and harvested the opium poppy, long known for its calming and pain-relieving effects. In the last two centuries, opium and opium derivatives have gained popularity in the western world and are used in increasingly concentrated quantities, both legally and illegally.

\(^1\) Centers for Disease Control and Prevention (CDC), 2019
\(^2\) White House Council of Economic Advisers (CEA), 2019
Today, opioids are primarily prescribed for short term use to reduce pain after a major injury or surgery. However, opioids may also be used for people with severe and chronic pain, such as cancer patients. The most common examples of prescription opioids include morphine, oxycodone (commonly known as OxyContin) and hydrocodone.

These opioids are known as Schedule III drugs, meaning the potential for physical and psychological dependence is low to moderate. Short-term use of opioid pain relievers is generally considered safe, but patients using opioids for longer periods of time may suffer from their adverse side effects. When regular users develop a tolerance to the drug, the dosage is increased, or patients switch to more potent opioids like fentanyl or heroin (Schedule II and I drugs, respectively).

Opioid use has been on the rise since the 1990s, when prescribers and pharmaceutical companies provided reassurances about their products, and began advertising them to patients with non-cancer related pain. During this time, consumption of pharmaceutical opioids for medical purposes doubled. The last wave started in 2013, beginning with the proliferation of fentanyl. Between 2013 and 2016, opioid deaths involving fentanyl increased by about 113% per year in the US.³

A holistic approach to the epidemic

Big pharma is often in the harsh glare of the public eye, given their efforts to develop and distribute opioid painkillers. Controversy stems from companies’ involvement in wrongful marketing practices, as well as issues concerning business ethics – such as illicitly incentivizing doctors to prescribe their product instead of those offered by the competition. At the time of writing, some drug companies and distributors have agreed to pay billions in settlements, and numerous litigation cases continue. Overall, settlements appear to represent only a fraction of the damage done. Investors have been relatively slow in holding companies accountable for their involvement in wrongful drug marketing and distribution practices. The Investors for Opioid Accountability was only founded in 2017, after which controversies slowly attracted the attention of data providers, and became available for investors to analyze.

‘We argue for a more holistic approach when analyzing the epidemic’

Without denying both the medical advantages that opioids offer for a subset of patients, as well as the unjustifiable scale of malpractice by the pharmaceutical companies, we argue for a more holistic approach when analyzing the epidemic amid a complex landscape of stakeholders.

First of all, governments play a key role in approving and regulating drug distribution. They are therefore prone to being influenced by lobbyists representing the industry and by patient pain organizations. The latter have played a key role in promoting opioids and are partially influenced by pharmaceutical companies.

Second, family doctors have played a crucial role in prescribing opioid medicine. Interestingly, research shows that physicians who completed their training at a top medical school have prescribed significantly fewer opioids annually than physicians from lower-ranked schools, stressing the important role of continuous education.⁴

Moreover, external parties such as consultants, drug distributors and researchers all have a role to play in this crisis and must assume responsibility for stemming it.

Lastly, we need to take into account that each country’s health system operates differently: prices, regulation and cultural issues are all critical factors that have the potential to impact the severity of such an epidemic.

³ Centers for Disease Control and Prevention (CDC), 2019
⁴ Schnell and Currie (2018)
Light at the end of the tunnel?

So far, we have not managed to end the opioid epidemic. Covid-19 is influencing access to treatment and making it difficult for patients to find a solution to their addiction. Nonetheless, prevention efforts are increasing, and non-medically assisted treatments such as cognitive therapy is receiving more attention. With that in mind, it should be said that additional research is needed for prevention, including developing a better understanding of what causes chronic and episodic pain, and aligning incentives in the business model to reduce the unnecessary prescriptions of opioids.

More broadly, one could wonder whether we know enough about the real costs of medicine. It is important that companies support accountability and transparency initiatives that ensure investors are able to make well-informed decisions. Business ethics is a material issue in the health care sector, as is the capacity to innovate and guarantee product quality.

Also, we now recognize the opioid crisis has created a situation with many distressed characteristics, requiring a holistic approach. Such an approach allows a thorough assessment to be made of the financial risks, fundamental impact and relative value of opioids to society.

In integrating ESG into our investment decision-making process, we assess health care companies based on their performance in business ethics, corporate governance and innovation. Companies that have strong ethics and governance, and those that invest in R&D and innovate efficiently, are rewarded with higher valuations. Through engagement, we ask companies to:

- Be transparent about both positive and negative trial results
- Identify direct and indirect lobbying efforts via third party organizations
- Work towards better quantification of product effectiveness
- Integrate results in reporting; a drug’s success should not only be measured by profit, but also by its social and environmental impact
- Move towards adopting value-based business models.

In addition, we believe other stakeholders in the health care landscape should be held accountable to the same degree. They should support transparent research and enhanced data collection to develop evidence-based treatment strategies. And the patient’s best interests should be the priority at all times.

Cross-domain interdisciplinary collaboration and innovation is necessary to combat the medical challenges of this era. Ultimately, we need to know that the health care ecosystem is truly committed to acting in the best interest of patients and society.

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5 Business (pricing) models driven by the quality and effect of the drugs (linked to patients health outcomes)