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Mr Antonio Capobianco [Antonio.Capobianco@oecd.org].

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The healthcare market and the role of Procompetencia in promoting efficient and transparent markets

- Contribution from the Dominican Republic[*] -

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[*] Contribution from the Dominican Republic– National Commission for the Defense of Competition (Pro-Competencia)

1. Introduction

1. The health sector in the Dominican Republic has undergone significant changes in the last two decades, driven by institutional reforms aimed at ensuring universal access to quality health services. However, structural challenges remain that limit the effectiveness of the system. Public health spending barely reaches 1.90% of GDP (well below the 6% recommended by the Pan American Health Organization), and out-of-pocket spending accounts for 44.7% of total health spending, placing the country among those with the highest direct financial burden on households in the region.

2. In this context, competition policy emerges as a fundamental instrument for promoting economic efficiency, reducing information asymmetries, and expanding equitable access to health services and medicines. The National Commission for the Defense of Competition (Pro-Competencia) has taken a proactive role in analyzing the competitive conditions of the health insurance and medicine market, identifying structural barriers, preventing anti-competitive practices, and generating robust technical evidence for the design of more effective public policies.

3. This document examines the functioning of the health market in the Dominican Republic, highlighting the institutional framework of the Dominican Social Security System (SDSS), the structure and concentration of the Health Risk Administrators (ARS) market, and the main interventions by Pro- Competencia to strengthen competition for the benefit of members and the general population.

2. Context and institutional framework

4. The Dominican Republic has experienced sustained economic growth of 5.0% over the last decade (2014–2024), contributing to an increase in per capita income to $11,541.58 per year[1], positioning it as one of the most dynamic economies in Latin America and the Caribbean. As a result, spending on health and education has also improved. This represented approximately 30% of total public spending in 2024, with education standing out with an investment equivalent to 4% of GDP. However, public spending on health remains limited, reaching only 1.90% of GDP in the same year. This figure places the country below the regional average and far below the 6% of GDP threshold recommended by the Pan American Health Organization to ensure effective universal coverage. Per capita health spending is also among the lowest in the region.

5. In this regard, economic growth has not translated into proportional increases in public health spending. The budget allocation is below international recommendations and below the average for countries with similar levels of economic development. This disconnect between economic growth and health financing represents an opportunity for improvement, which must be based on competition policy.

6. This can be seen in the box below, which shows per capita health spending for 2022 (expressed in US dollars), according to data from the World Health Organization (WHO).

[1] International Monetary Fund. World Economic Outlook Database, April 2025.

Table 1. Per capita health expenditure, 2022 (in dollars)

País	Gasto en salud
United States	12,434
Chile	1,547
Panamá	1,472
Argentina	1,371
Costa Rica	979
Brazil	849
Colombia	506
Ecuador	493
Paraguay	480
Dominican Republic	462
Perú	446
Guatemala	396

Source: Prepared internally using data from the World Health Organization (WHO).

7. In recent decades, the Dominican Republic has promoted significant institutional reforms aimed at improving the quality of the health system and ensuring its financial sustainability. A key milestone in this process was the enactment in 2001 of two important laws: Law No. 87-01, which created the Dominican Social Security System (SDSS), and General Health Law No. 42-01.

8. Law No. 87-01 establishes the regulatory framework for the implementation of Family Health Insurance (SFS), conceived as a social protection instrument that seeks to expand access to quality health services, reduce out-of-pocket household expenses, and promote equity in health care. For its part, Law 42-01 aims to regulate all actions of the national health system, allowing the State to guarantee the population's right to health through the stewardship, regulation, provision, and financing of services. These reforms laid the foundations for a more structured health system geared toward universal coverage, through the participation of the private sector via health insurance.

9. The Dominican Social Security System brings together all the actors involved in the provision and financing of health services under a defined governance framework. Its highest authority is the National Social Security Council (CNSS), the body responsible for establishing general policies, regulating the functioning of the system, and ensuring its sustainability. At the operational level, the Superintendency of Health and Occupational Risks (SISALRIL) supervises, regulates, and oversees the Health Risk Administrators (ARS), which are responsible for managing Family Health Insurance and channeling resources to service providers.

10. In turn, health service providers (both public and private) constitute the care component of the system, providing medical care to members in accordance with established benefit plans. This mixed provision model, with significant private sector participation, has made it possible to expand population coverage to currently 96.9%.[2]

11. In terms of financing, Article 7 of Law No. 87-01 creates three regimes:

- The Contributory Scheme, which covers public and private sector employees and employers, financed by workers and employers, including the State as an employer;

[2] National Social Security Council (CNSS). June 2025 Bulletin, p. 14.

- The Subsidized Regime, which protects self-employed workers with unstable incomes below the national minimum wage, as well as the unemployed, disabled, and indigent, financed primarily by the Dominican State;
- The Subsidized Contributory System, which protects independent professionals and technicians and self-employed workers with average incomes equal to or above the national minimum wage, with contributions from the worker and a state subsidy to make up for the lack of an employer.

12. The contributory regime represents 44.1% of total membership in the Dominican Social Security System and generated revenues amounting to RD$110,320,380,931.15 (approximately US$1.751 billion) during the January-June 2025 period[3]. For its part, the subsidized regime accounts for 54.8% of members, while the special regime for pensioners represents 1.1%[4]. Although Law 87-01 provides for the existence of a contributory-subsidized regime for people with variable or informal incomes, this has not yet been implemented in practice.

13. Each member of the contributory scheme must contribute a total amount equivalent to 10.13% of their contributory salary[5]. Of this percentage, 3.04% corresponds to the worker's contribution, while the remaining 7.09% is covered by the employer.

3. Out-of-pocket expenses

14. A key component in assessing the efficiency of a health system is out-of-pocket expenditure. Out-of- pocket health expenditure refers to direct payments made by individuals or families to access health services, medicines, treatments, or other medical care-related expenses, without the intermediation of health insurance or a public health system that covers all or part of these costs. This type of expenditure includes copayments, deductibles, medication costs, medical consultations, hospitalizations, specialized procedures, or any other health service not covered by an insurance plan or health system.

15. In the Dominican Republic, out-of-pocket health expenditure has shown a moderate decline. According to the National Commission for the Defense of Competition (PROCOMPETENCIA), "between 2002 and 2017, out-of-pocket health expenditure in the Dominican Republic decreased from 53.5% to 44.7%, a reduction of 8.8 percentage points".[6]

16. In regional comparison, in 2017 the Dominican Republic ranked fourth with 44.7% out-of-pocket spending, behind Venezuela (63.0%), Guatemala (54.1%), and Honduras (48.7%), but ahead of countries such as Cuba (10.5%), Argentina (15.0%), Colombia (16.3%), and Uruguay (17.5%).[7]

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[3] Ibid, p. 32.

[4] Ibid, p. 14.

[5] The contributory wage is the minimum wage used to calculate social security contributions. Resolution No. 01- 2025 of the Social Security Treasury (TSS) establishes the current amounts.

[6] Market structure National Commission for the Defense of Competition (Procompetencia). 2025. Study of competition conditions in Health Risk Management Companies in the Dominican Republic, p. 42.

[7] Ibid, p. 42.

17. The fact that almost half of total health expenditure comes directly from households indicates a significant financial burden on the population and evidence of insufficient coverage by the social protection system. This persistence of high levels of out-of-pocket spending reflects a structural element of inefficiency in the health system, which limits equitable access to services.

4. Market structure

18. The market is composed of private ARSs, public ARSs, the main one being the National Health Insurance (SENASA), and self-managed ARSs, which are those entities that operated before the entry into force of Law 87-01 and were incorporated into the system under a special regime.

19. The system has a total of 17 active ARSs: three self-managed and the remaining fourteen distributed between public and private. This diversity of actors reflects a mixed health insurance model, where state, private, and self-managed entities coexist under the supervision of SISALRIL.

20. Although multiple actor participant in the market, its structure is moderately concentrated. According to the Study of Competition Conditions in Health Risk Administrators in the Dominican Republic conducted by Pro-Competencia, the Herfindahl-Hirschman Index (HHI) for i come concentration was 2,136.4 points as of November 2024[8]. However, the three main ARS accounted for approximately 70% of the market, indicating a high concentration of income.

21. The study was conducted with the aim of proposing public policies that reduce distortions and strengthen competition in the sector. It also identified relative stability in the competitive dynamics of the market. This is reflected in a low rate of entry and exit of companies, mainly attributed to the high risk inherent in the sector and the associated high sunk costs. In addition, the share of revenue among companies shows little variability, suggesting a rigid and undynamic market structure in terms of effective competition.

5. Barriers to entry

22. The legal barriers to entry for new ARSs, as established in Law No. 87-01 and the Regulations for the Organization and Regulation of ARSs, include strict requirements such as having legal status, an adequate financial organization, and comprehensive health service networks before operating. These entities must maintain financial solvency and be subject to SISALRIL supervision, which involves a complex authorization process that requires compliance with specific regulations, such as a feasibility study and minimun capital requirements. These requirements raiseinitial costs and can make it difficult for new companies to enter the market, especiallly tose whitout adequate financial resources.

23. On the other hand, structural barriers also play an important role, as ARSs must have advanced technological infrastructure and robust technical capacity to manage health services and relationships with health service providers. This requires significant

[8] National Commission for the Defense of Competition (Procompetencia).
2025. Study of competition conditions in Health Risk Management Companies in the Dominican Republic, p. 151. National Commission for the Defense of Competition (Procompetencia). 2025. Study of competition conditions in Health Risk Management Companies in the Dominican Republic, p. 151.

investments in information systems and databases, a technology-intensive market that complicates the entry of new or small companies. In addition, the development of a network of providers, which is essential for offering comprehensive medical care, requires detailed negotiations and considerable time and resources, favoring established ARSs that can better absorb these costs and compete more easily.

6. Role of PROCOMPETENCIA in the health insurance market

24. In this context, PROCOMPETENCIA's role is essential to promoting competition and increasing economic efficiency. As noted above, out-of-pocket spending is high in the Dominican Republic, and spending on medicines and other pharmaceutical products is the largest item in private health spending[9]. This situation reflects a market structure characterized by low competition, limited price regulation, and limited transparency in the distribution chain.

25. The Social Security Law, Law No. 87-01, prevents monopolies. In particular, Article 121(b) establishes that the National Social Security Council must incorporate mechanisms and procedures into complementary regulations aimed at preventing and avoiding monopolistic behavior, both in health risk management and in the provision of health services. This provision takes a preventive (ex ante) approach, while PROCOMPETENCIA retains the power to intervene subsequently (ex post) by imposing sanctions, as it would for any other anti-competitive conduct.

26. In this regard, PROCOMPETENCIA maintains that it is necessary to reform the General Law on Competition, Law No. 42-08, with the aim of establishing a single and coherent regime that grants it full competence to intervene in all sectors, including regulated ones.

27. However, there is close collaboration between the two institutions. In 2018, the Executive Directorate initiated an ex officio investigation into the abuse of a dominant position by three ARSs[10]. Following the investigation process, which was assisted by SISALRIL through the timely provision of information, such anti-competitive conduct was ruled out.

28. In 2022, PROCOMPETENCIA issued observations on the draft amendment to the ARS Regulations, recommending: 1) eliminating the limit on changing ARS to once a year (established in the draft regulations and derived from Article 120 of Law 87-01), as it restricts the free choice of the affiliate and competition in the market; 2) requiring an independent economic study prior to ARS mergers to assess the impact on competition; and requiring certification in free competition training for health promoters.[11]

29. Subsequently, PROCOMPETENCIA issued an opinion in 2023, at the request of SISALRIL[12], regarding:

[9] Magdalena Rathe. 2022. Estimation of out-of-
pocket healthexpenditure in the Dominican Republic, p. 10.

[10] National Commission for the Defense of Competition(PROCOMPETENCIA). Resolution No. D E-054-2018.

[11] National Commission for the Defense of Competition (PROCOMPETENCIA). Communication PR-IN-2022- 0254 dated May 6, 2022.

[12] National Commission for the Defense of Competition (PROCOMPETENCIA). Communication PR-IN-2023-0028.

- Whether SISALRIL can promote negotiations or agreements that involve price fixing between Health Risk Administrators (ARS) and health service providers;
- Whether the fact that the Dominican Medical Association (CMD), due to union claims, is conditioning the provision of health services to members of certain ARS constitutes an abuse of a dominant position in the relevant market.

30. Regarding the first question, PROCOMPETENCIA considered that, given that this is a regulated market, the regulatory body may use tools such as price control through the setting of minimum rates, in accordance with the provisions of Law 87-01.

31. Regarding the second issue, whether the actions of the Dominican Medical Association constitute a dominant position, PROCOMPETENCIA considered that dominant position conduct is only applicable to an economic agent, that is, any person or group of persons, natural or legal, participating in economic activity[13]. Therefore, any action by the union that is not an economic activity would fall outside the scope of the General Law on Competition.

32. PROCOMPETENCIA also conducted a study on the conditions of competition in the ARS market in 2025, from which relevant conclusions and recommendations were derived. One of the most important findings was the decisive role played by public ARSs as agents of competitive pressure for the benefit of their members. Marginal cost and the Lerner index are reduced thanks to the presence of public ARSs.

33. It was also recommended that the member allocation mechanism be reviewed, since currently, people who enter the Dominican Social Security System are assigned to the ARS where most of their employer's employees are located, which creates distortions in competitive conditions.

34. Taken together, the actions described above demonstrate a substantive cooperative relationship between SISALRIL and PROCOMPETENCIA, aimed at strengthening the governance of the health insurance market in the Dominican Republic. Through information exchanges, technical consultations, and the issuance of opinions, both entities have coordinated efforts to identify concentration risks, promote free choice for members, and prevent practices that may limit competition.

7. Medicine market

35. With regard to the pharmaceutical market, PROCOMPETENCIA conducted a study in 2016 on the conditions of competition in this sector. The analysis concluded that this market is characterized by information asymmetry, the presence of products differentiated in terms of perceived quality and brand value, as well as limited participation of generic drugs, especially those without a brand name, which tend to offer more affordable prices.

36. In terms of restrictions on competition, the following were identified:

- The existence of regulatory barriers to entry;
- Long delays in obtaining health registrations for medicines;
- The impossibility of parallel imports by public establishments and pharmacies;
- The existence of distribution controls; and,

[13] Law No. 42-08, Article 4, paragraph b).

- The lack of legislation on medicines, which would generate the Common Industrial Denomination (CIN) in prescriptions and allow for the interchangeability of products in pharmacies; and,
- The lack of effective mechanisms for quality control of generic drugs.

37. This study provided essential input for the design of public policies aimed at improving access to health services by identifying structural flaws such as information asymmetry, low participation of generic drugs, and the presence of regulatory barriers.

38. In addition to studies on competitive conditions, in 2021 PROCOMPETENCIA sanctioned four pharmaceutical distributors —Profarma Internacional, Sued & Fargesa, J. Gassó, and Mercantil Farmacéutica— for collusive practices in the marketing of products from the pharmaceutical company GlaxoSmithKline (GSK). These companies were found guilty of collusive practices between 2015 and 2018, through which they coordinated discounts, directly affecting competition in the drug market.

39. The investigation revealed that the agents involved used emails and meeting documents to coordinate their pricing strategies. These actions violated Article 5, paragraph 1, of the General Competition Law, which prohibits agreements between competitors that limit, restrict, or distort competition.

40. Although the country does not have a formal leniency program, one of the economic agents cooperated with the investigation, which allowed the authority to obtain key evidence to prove the anti-competitive conduct. The sanctions imposed included fines totaling €200,000. The case was upheld by the High Administrative Court, which validated both the legality of the proceedings and the proportionality of the penalties. The sanctioned companies appealed independently to the Supreme Court of Justice. In one of the cases, the ruling was upheld, and the other two are pending.

41. This precedent underscores the importance of effective investigation and sanctioning mechanisms, as well as the need to evaluate the incorporation of instruments such as leniency programs, which have proven effective in other jurisdictions in detecting and dismantling anti-competitive agreements. It also reinforces the urgency of strengthening oversight in the pharmaceutical market, where collusive practices can have direct effects on access, prices, and the quality of medicines available to the population.

42. In line with these efforts, PROCOMPETENCIA published a new methodological guide for the detection of cartels, expanding techniques and tools for monitoring the early detection of collusive practices. This guide, developed by the Department of Economic and Market Studies (DEEM) and approved by the Board of Directors, introduces the systematic use of screening techniques to identify patterns of business behavior that could indicate the existence of anti- r anti-competitive agreements. Given the clandestine nature of cartels, these tools allow for the analysis of economic data and market signals to detect signs of collusion among competitors, even in the absence of direct evidence.

43. It is also worth highlighting the role of the State in the distribution of essential medicines through the Essential Medicines and Logistics Support Center Program (PROMESE/CAL), as well as the potential of competition policy to expand access to affordable medicines. PROMESE/CAL is the sole supplier of medicines and medical supplies for the entire national public health system and is responsible for the Farmacias del Pueblo network, which is in charge of outpatient pharmaceutical dispensing.

44. This program contributes significantly to reducing out-of-pocket spending on medicines, especially among the most vulnerable sectors. In addition, PROMESE/CAL manages the High-Cost Medicines subprogram, aimed at patients with serious illnesses and specialized treatments, such as cancer, kidney failure, hemophilia, or HIV/AIDS.

8. Competition policy and the health sector

45. Competition policy is a strategic pillar for the development of health and wellness tourism in the Dominican Republic, as it promotes the expansion of specialized tertiary medical services and advanced training of human capital. These elements are essential for offering health services in line with international standards, which has allowed the country to consolidate itself as one of the main health tourism destinations in the region, with centers that have international accreditations.

46. According to the Second Study and Diagnosis of Health and Wellness Tourism in the Dominican Republic, the main challenges facing the sector include strengthening the regulatory framework, improving incentive schemes, eradicating unfair competition practices, and increasing competitiveness vis-à-vis other countries in the region[14].

47. In this scenario, a robust and well-structured competition policy not only contributes to market efficiency but also acts as a powerful mechanism for attracting Foreign Direct Investment (FDI). By ensuring a transparent, predictable, and competitive regulatory environment, favorable conditions are created for international investors to trust the health sector as a destination for capital. The Dominican Republic has positioned itself as the main recipient of FDI in Central America and the Caribbean, with flows exceeding $4.5 billion in 2024,[15] demonstrating the country's potential to continue attracting investment in strategic sectors such as health tourism.

9. Conclusions

48. Following the implementation of the General Health Law and the Social Security Law, the private sector has increased its participation in the Healthcare system through health insurance, which has contributed positively to the population's access to quality Healthcare services. Given that the Healthcare sector is characterized by a market asymmetry of information, State regulation is essential to ensure the efficient functioning of the market. Likewise, state participation in the health insurance market exerts competitive pressure, which results in greater well-being for policyholders. On the other hand, the Dominican State also plays an active role in the distribution of medicines through PROMESE-CAL, supplying the entire national public health system and facilitating equitable access to quality pharmaceutical products throughout the national territorial through a network of pharmacies.

49. PROCOMPETENCIA has contributed to strengthening competition in the health insurance and medicine markets through technical studies on competition conditions, the identification of barriers to entry, and the promotion of more equitable environments for new players. Competition policy can play a strategic role in reducing out-of-pocket health expenditures, especially by promoting transparency in procurement and marketing processes and encouraging greater participation of generic drugs in the market.

[14] Russa, Lourdes (2023). Second study and diagnosis of healthand wellness tourism in the Dominican Republic, p. 101.

[15] Prodominicana (2025). ProInteligencia based on data from theCentral Bank of the Dominican R epublic (BCRD). Infographic May.

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