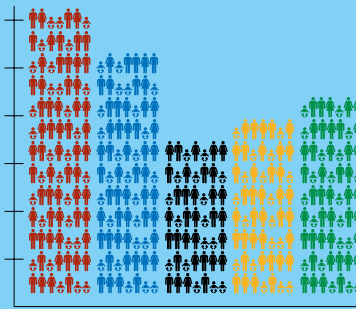


MEDICINE PRICING MATTERS



IMPROVING THE AVAILABILITY AND AFFORDABILITY OF ESSENTIAL MEDICINES



The Lancet:

Essential medicines out of reach of most people

"You should not have to choose between buying medication for an ailing parent or buying food for your children. It is not fair or necessary." This was the response from Carissa Etienne, WHO Assistant Director-General of Health Systems and Services, to an extensive article published on 8 December 2008 in *The Lancet* on the price, availability and affordability of 15 essential medicines in low and middle-income countries¹. Findings are presented from 45 surveys, across 36 countries, undertaken using the WHO/HAI survey tool.

An alarming lack of availability of essential medicines was evident in the public sector (average 38%), driving patients to the private sector where prices are very high; 9-25 times the international reference prices for lowest-priced generics and over 20 times higher for originator brands. Patients face a sometimes life-threatening situation when the unavailability of medicines in the public sector converges with the unaffordability of medicines in the private sector. "This leads people to buy partial treatment courses for communicable diseases like

malaria; interrupt what should be continuous treatment for chronic diseases like diabetes; spiral into debt or, more likely, go without treatment" said Margaret Ewen (HAI).

The first author of the paper, Alexandra Cameron (WHO), said "Use of the WHO/HAI survey tool has provided much needed empirical evidence on the price people pay for medicines, and their availability in medicine outlets. Countries must now use this evidence to drive the implementation of policies that improve medicine availability and affordability."

"The potential solutions for governments to make life-saving medicines more available and accessible are clear – improve financing and distribution efficiency, promote the use of generic products, and control supply chain costs by limiting mark-ups and removing duties and taxes." explained Richard Laing (WHO).

A multi-layered approach is needed to increasing the use of low-priced quality-assured generics. Policies aimed at ensuring competition, incentives for pharmacies to dispense low-priced generics, and education programmes for the public, as well as health professionals, about the misconceptions that surround generics are crucial.

The conclusion of the article is undeniable - it is only through a comprehensive national package of contextualised reforms that any progress will be made to meet the challenge of poor availability and affordability of essential medicines.

¹ *Medicine prices, availability, and affordability in 36 developing and middle-income countries: a secondary analysis.* A Cameron, M Ewen, D Ross-Degnan, D Ball, R Laing. www.thelancet.com Published online December 1, 2008 DOI:10.1016/S0140-6736(08)61762-6. Also see WHO website (www.who.int/mediacentre/news/releases/2008/pr45/en/index.html) and HAI website (www.haiweb.org/medicineprices)

PRICING NEWS



Governments: where patients pay, pass on low procurement prices!

In many low- and middle-income countries, patients must pay for medicines purchased from public sector medicine outlets. Therefore, government procurement prices and add-ons in the supply chain directly impact on the affordability of medicines in this sector.

Surveys using the WHO/HAI price measurement tool have revealed:

- low government procurement prices but high patient prices due to substantial mark-ups or local purchases at higher prices.
- high government procurement prices and high patient prices due to inefficient procurement.

Governments do not always pass on low procurement prices to patients, which can significantly affect the affordability of treatments. For example, a 2004 survey in Ethiopia showed the government was buying generic glibenclamide tablets (to treat diabetes) at a low price-30% below the international reference price. But patients paid 3 times this procurement

price, resulting in the lowest paid unskilled government worker having to work 2 days to purchase 30 days treatment. Less than 1 days' wages would have been needed if the government charged patients the procurement price.

High government procurement prices can also result in affordability problems for patients even when there is no mark-up, or a relatively low percentage mark-up is applied.

A 2006 survey in Shanghai, China revealed public sector outlets were procuring generic omeprazole (to treat ulcers) at a very high price; over 4 times the international reference price. A 32% mark-up was applied, which resulted in a patient price of over 6 times the reference price. The mark-up increased the number of days' wages needed each month to pay for treatment from 2.7 to 3.6 days. Removing the mark-up is important, but the high procurement price means that treatment will still be

unaffordable for those on a low wage. It is welcome news, therefore, that the Government of China has announced it will abolish public sector mark-ups on essential medicines and improve procurement practices (see page 3).

To improve treatment affordability in the public sector, efficient purchasing and supply chain management is crucial (including buying low priced quality generics for off-patent medicines). When medicines cannot be supplied free-of-charge, procurement prices should be passed on without mark-ups, unless absolutely necessary (in which case they should be set at a minimal level to only cover costs such as storage, transport etc.).

Patients, particularly those on a low income, rely on the public sector to provide medicines free-of-charge or at a price they can afford. Any increase in the price of a medicine reduces their ability to access treatment.

India Generic drug stores

In the private sector in India, nearly all medicines carry brand names. Unbranded generics (products labelled by the International Non-proprietary Name, INN) are rarely found in private pharmacies. This is in contrast to public sector outlets where unbranded generics predominate (although six state surveys in 2004-2005 showed that overall availability in the public sector outlets was poor at 0-30%).

To improve the affordability of medicines, the Department of Pharmaceuticals is establishing retail outlets that only sell

unbranded quality generics; prices will be set at no more than 50% of the prevailing maximum retail price.

The first of the outlets, called 'Jan Aushadhi 24x7 generic drug stores' (Jan = people; Aushadhi = medicines), was opened in Amritsar, Punjab in November 2008. Initially, the aim is for at least one store to be opened in each of India's 660 districts, primarily located in government hospitals. The stores will be run by NGOs, hospitals, charitable organisations, cooperatives or government bodies. Each store will carry an inventory based on the National List of Essential Medicines and

Pricing policy reforms

Two medicine price surveys have been undertaken in China using the WHO/HAI methodology; in Shandong Province (2004) and Shanghai (2006). The key findings were that many treatments for chronic diseases were not affordable for ordinary people, patient prices were the same or higher in the public sector than in the private sector; and public health facilities added 22 - 31% mark-ups for originator brands and 34 - 75% for generics.

The Government of China has given a high-level political commitment to the provision of affordable essential health care services, including essential medicines. To achieve this, a new round of health and pharmaceutical system reforms has commenced, aimed at strengthening the public health system, improving the medical service delivery

system, speeding up the establishment of a medical insurance system, and setting up a national essential medicines system to secure the supply of affordable essential medicines.

The essential medicines concept has been re-affirmed by the government and direct price controls will remain in place for these medicines- focusing on setting maximum retail prices based on the production cost and "appropriate" mark-ups. The intention is to balance affordability to the patient as well as sustainability of supply.

The current three-tiered pricing policy on patented products, branded generics, and unbranded generics is expected to change. The price of "branded" generics may not be allowed to be much higher than "unbranded"

generics, with the condition that all medicines are quality assured.

The distorted public medicines supply system will be restructured and simplified. Government agencies will organise pooled tendering for the procurement of essential medicines for public health facilities. The successful bidders (manufacturers, not wholesalers or retailers) will have contracts with secured volumes; hence procurement prices will be expected to be lower; and no mark-ups on essential medicines by public health facilities will be permitted.

Other proposals include capping hospital pharmaceutical revenue, and separating prescribing & dispensing by doctors.

local needs. The target is to open 40 generic drug stores by March 2009, and thereafter 100 -150 stores per year.

A national toll-free helpline has been established to provide information about generics (price, availability etc.), and a multimedia publicity campaign is planned. Doctors in government hospitals will be encouraged to prescribe medicines stocked in the local generic drug store. Prescribing by the INN (generic) name,

rather than by brand name, is important as generic substitution is not legal in India (although many medicines, including prescription medicines, are sold without a prescription).

This initiative will improve the affordability of medicines for some people - but not all people. The very poor will still rely on the public sector, where medicines are provided free-of-charge, as even 50% of the prevailing price will be unaffordable.

All pricing survey reports and data can be found on HAI's website: www.haiweb.org/medicineprices

As medicine availability is poor in the public sector, the Ministry of Health also needs to take action to improve availability- such as providing adequate financing to procure medicines- so that essential medicines are available to those who cannot afford to pay for them.

Briefing Seminar

An Advanced Technical Briefing Seminar on Medicine Prices, Availability and Price Regulation was held on 10-14 November 2008 in New Delhi, India.

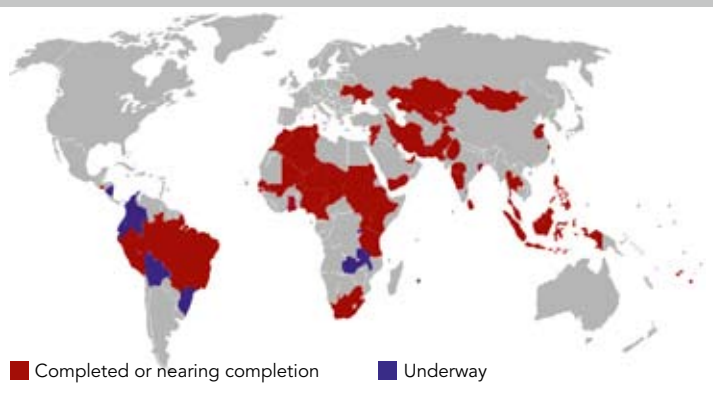
Organised by WHO, The Indian Centre for Trade and Development (CENTAD), DfID and HAI Global, the seminar brought together about 50 experts primarily from India, China, Thailand, and Indonesia working on pricing, availability and financing issues in the public sector, academic institutions, civil society organizations, and WHO regional and country offices.

The seminar allowed participants to deepen their knowledge of pricing and financing issues, as well as learn about current practices in other countries.

It began with the identification of price, affordability and availability issues, based on the results of surveys undertaken in the 4 countries. Sessions then covered price regulation and competition; health insurance and other financing schemes; policies to promote the use of generic medicines; quality and Good Manufacturing Practices; the rational use of medicines; price components in the supply and distribution chain, including mark-ups; public sector medicine production, local production, generic manufacturing; drug promotion; advocacy and consumer education.

70+ surveys

Medicine price and availability surveys to date using WHO/HAI methodology



To date, HAI and WHO are aware of 71 medicine price and availability surveys undertaken using the WHO/HAI survey tool. The majority are national surveys, however, in some large countries state surveys have been carried out (e.g. 7 state surveys in India). Data from 51 surveys (in 37 countries) are currently in the database accessible from HAI's website (www.haiweb.org/medicine-prices). Data is in the process of being collected or checked for another 15 surveys. In a few cases, investigators have not provided the data to WHO/HAI for lodging in the database (we encourage them to do so). The map above indicates countries or states where surveys have been completed or underway.



Eastern Mediterranean Region: New report published

The East Mediterranean Regional Office of WHO has published a report on medicine prices, availability, afford-

ability and price components in the region using data from surveys in Jordan, Kuwait, Lebanon, Morocco, Pakistan, Sudan (Khartoum State), The Syrian Arab Republic, Tunisia and Yemen.

Key findings highlighted in the report include: availability of medicines in the public sector is lower than in the private sector, most govern-

ments procure a mix of originator brand and generic medicines; some governments charge patients for medicines in public sector outlets above an acceptable level; medicine prices in private retail pharmacies are generally very high for both originators and generics; medicines are exempt from import duties in some countries whereas others apply various fees and taxes (often high) on medicines for sale in the private sector. Using valid and comparable evidence, these snapshot surveys confirm well known problems and those that were previously less known e.g. the affordability of treatments and add-ons in the supply chain.

“Improving access to medicines is a work in progress for us. These surveys provide critical information to act both in terms of digging deeper into reasons for unaffordable prices and then assisting Member States to rationalize their medicine pricing policies – all leading to better access to medicines in the end”

Dr Zafar Mirza, Regional Advisor Essential Medicines & Pharmaceutical Policies, WHO EMRO
To order the report email EMP@emro.who.int

Contact

Interested in learning more about medicine prices or conducting a survey? Then contact the pricing project's coordinators:

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