Overview of Global Pricing and Availability

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INTRODUCTION

- Medicines account for 20-60% of health spending in developing and transitional countries compared with only 18% in countries of the OECD countries
- Up to 90% of the population in developing countries must buy medicines through out-of-pocket payments, making medicines the largest family expenditure item after food.
- Medicines are unaffordable for large sections of the global population and a major burden on government budgets.

WHO/HAI Medicine Pricing Project

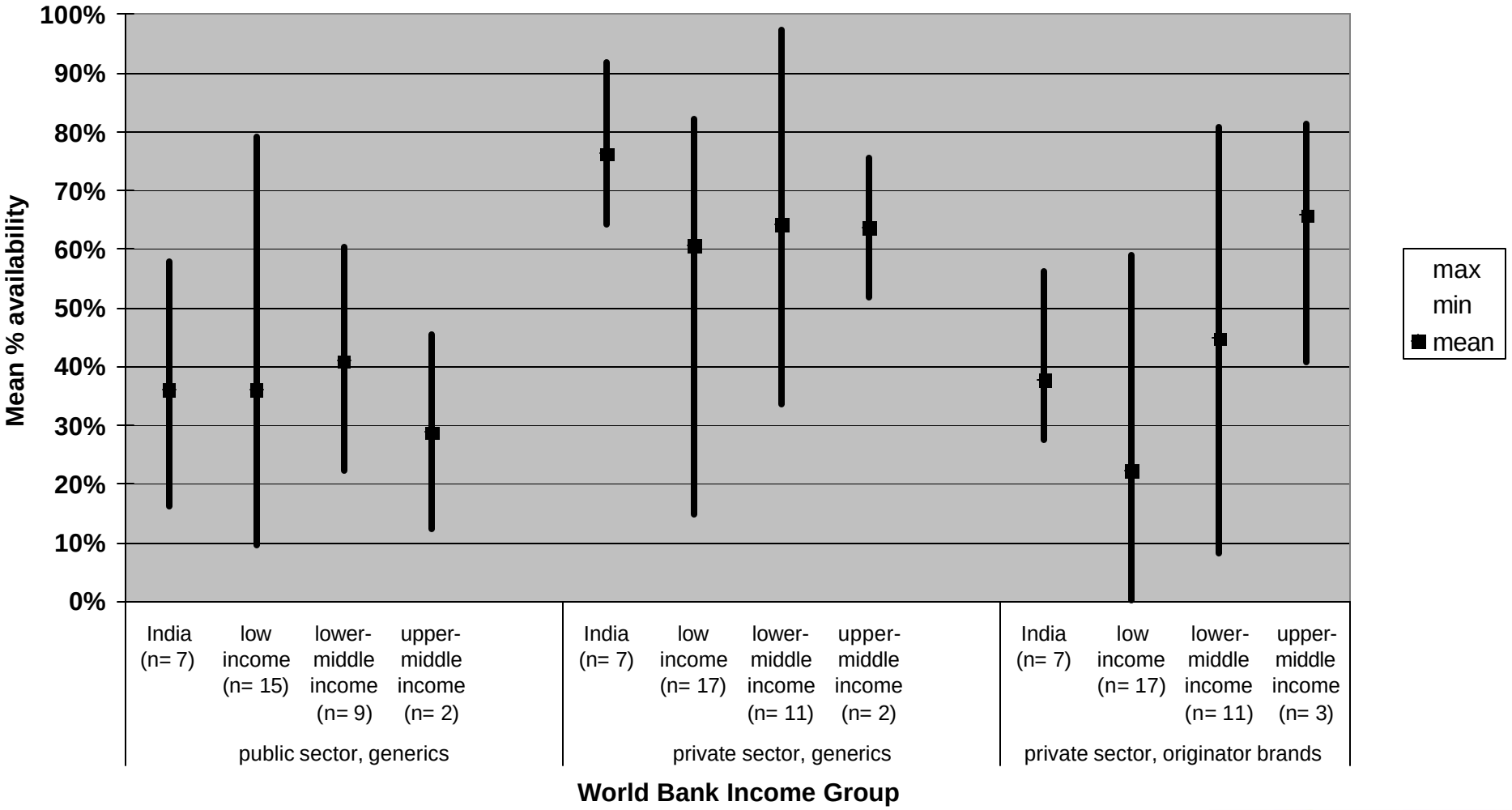
- Focused on developing a standardized methodology for measuring medicine prices, availability, affordability and price components.
- Numerous national and state medicine pricing surveys were conducted, with results published on the HAI website with the goal of improving medicine price transparency.
- Over 50 medicine price surveys have been conducted to date, generating reliable information on the prices, availability and affordability of medicines in a number of countries in all WHO regions.

http://www.haiweb.org/medicineprices/

RESULTS Availability

- In the public sector, the mean availability of the basket of 15 generic medicines was low, ranging from 9.7% in Yemen to 79.2% in Mongolia.
- High (> 90%) private sector availability of generics was observed in Syria (97.5%) and Chennai, India (91.8%),
- Low (< 40%) private availability was found in Chad (14.8%), Kuwait (36.3%), Philippines (33.6), and China (34.6% in Shandong and 38.3% in Shanghai).

Figure 1. Mean of country-level mean % availability of medicines, by World Bank Income Group

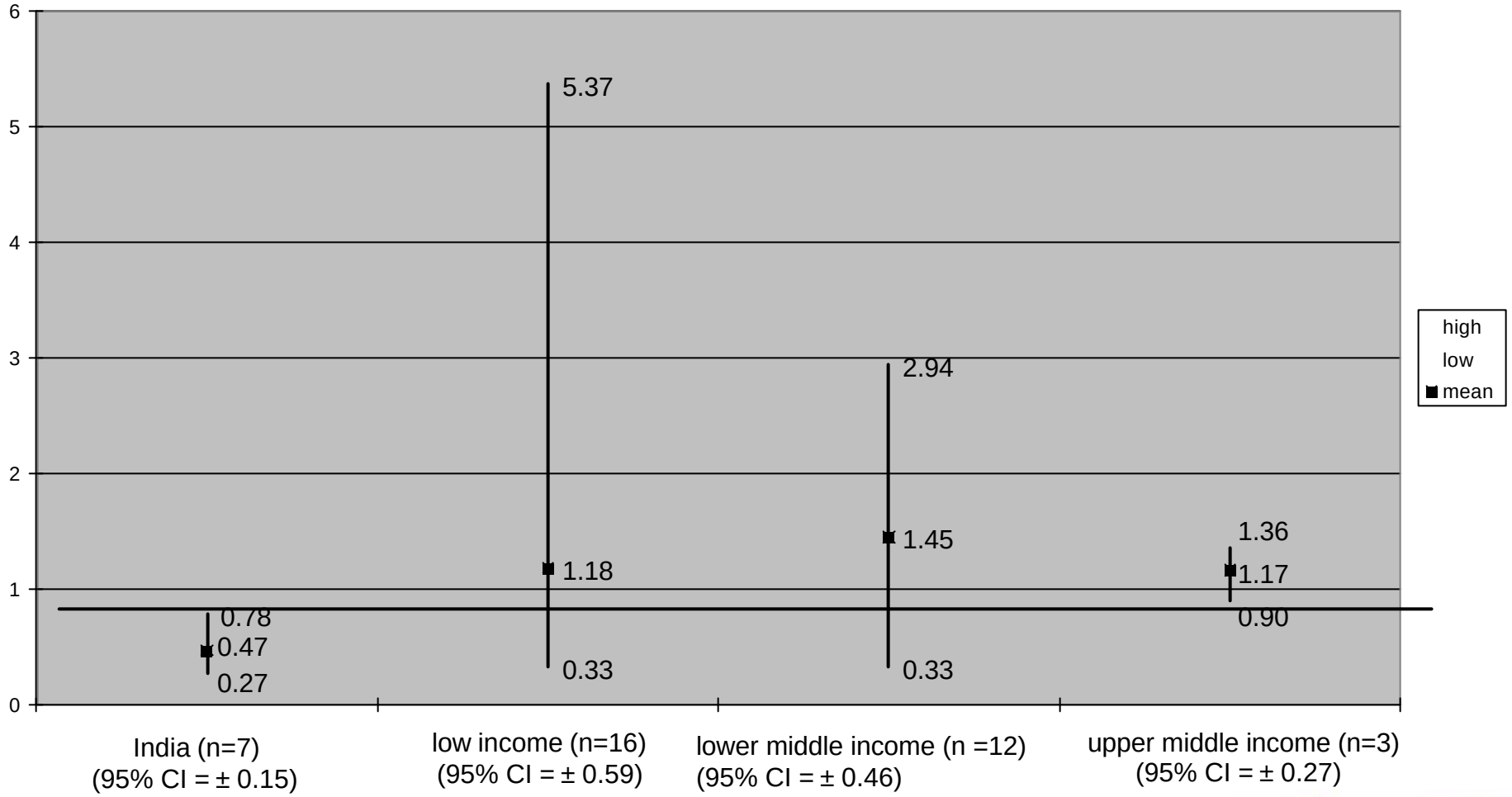


RESULTS Price

Public sector procurement prices

- For the basket of 15 medicines studied, the public sectors in EMR and SEAR were procuring lowest price generic medicines at prices lower than international reference prices, while AFR, AMR, EUR and WPR were paying 34-45% higher than international reference prices.
- Results vary across individual medicines with competitive procurement prices being achieved for salbutamol in all regions except AMR, while the procurement of ciprofloxacin was relatively inefficient in all regions (average median MPRs ranged from 1.55 in EUR to 4.58 in EMR).

MPR for lowest priced generics in public procurement, by WB Income Group



Patient prices in the public and private sectors

- In public sectors where patients pay for medicines, even lowest price generics can cost many times the international reference price; for the basket of 15 medicines studied, regional median MPRs varied from 3.18 in AMR to 11.99 in WPR
- Public sector patient prices are generally lower than patient prices in the private sector.
- In EUR and WPR, lowest priced generics showed similar prices between public and private sectors, while originator brands in the private sector were more highly priced.

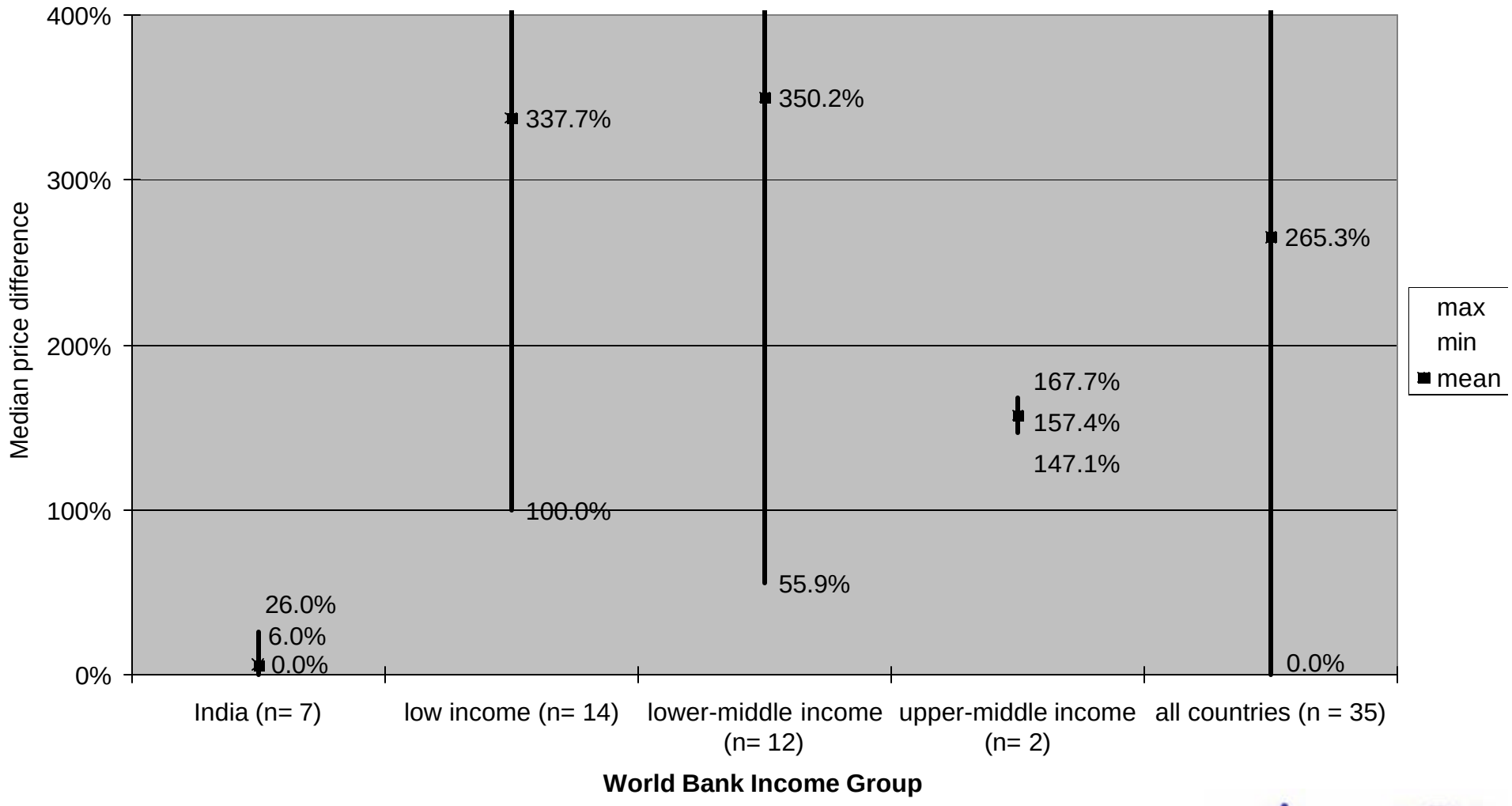
Median Price Ratios of 15 common medicines by Region adjusted for PPP

	Private	Private	Public
	OB	LPG	LPG
AFRO	63.13	21.23	6.79
AMR	47.5	10.28	3.18
EMR	24.96	14.35	7.04
EUR	25.1	8.74	8.21
SEAR	21.38	9.61	6.84
WPR	34.29	11.28	11.99

Prices Individual Medicines

- For individual medicines, ciprofloxacin 500mg cap/tab showed consistent high prices, with median MPRs for originator brands of over 50 in all regions.
- Salbutamol 0.1mg/dose inhaler showed more reasonable prices, with MPRs for lowest priced generics of less than 5 in the public and private sectors of all regions except AFR (private sector MPR = 7.19).

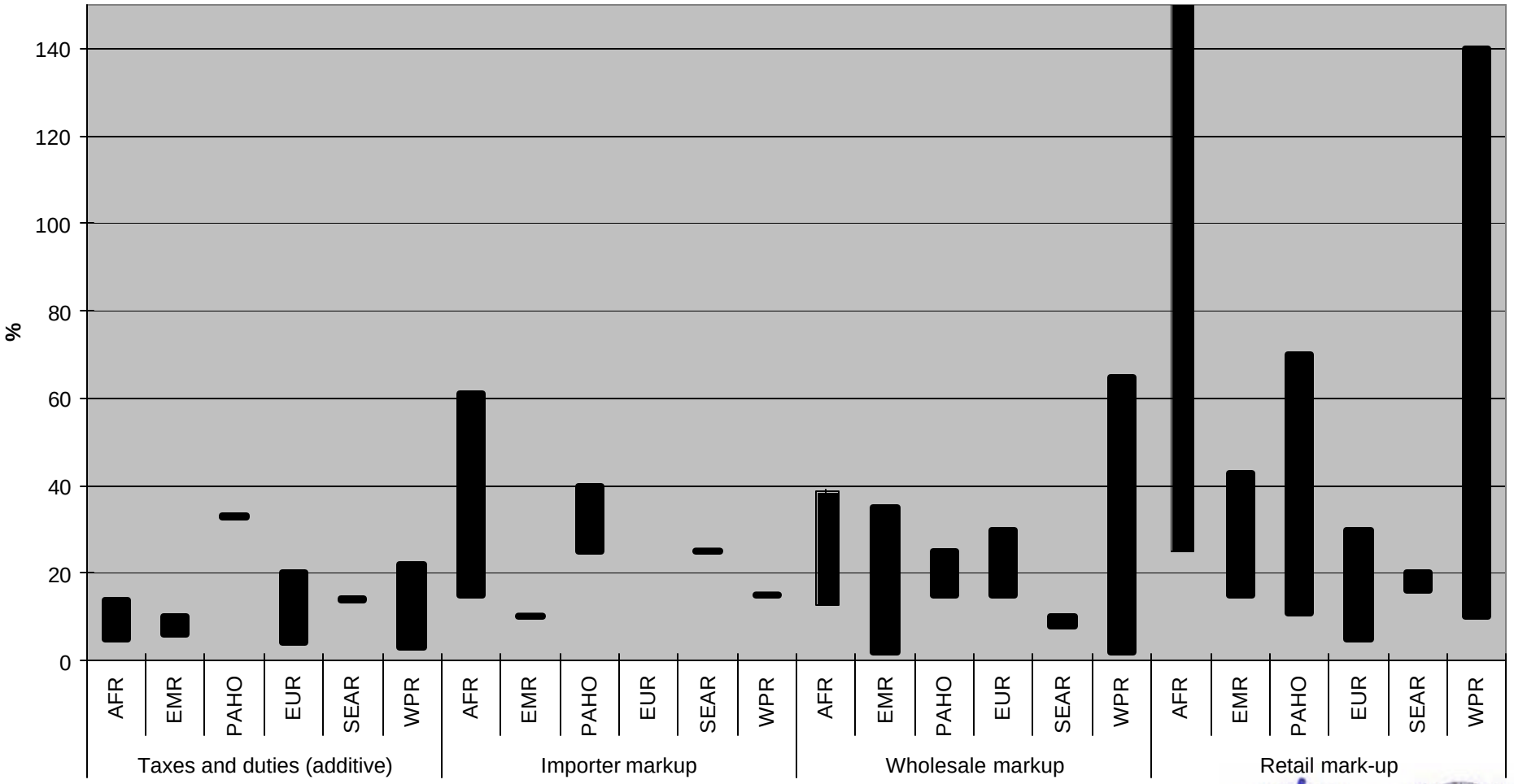
Figure 3. Median price difference between originator brands and lowest priced generics for matched pairs of medicines, private sector, by World Bank Income Group



RESULTS Price components

- In some countries multiple duties and taxes were applied.
- In countries where Value Added Tax (VAT) was applied, the amount charged varied from 6% in Tunisia to 20% in Tajikistan.
- Importer's mark-ups ranged from 10% in Lebanon to 61% for generics in Uganda.
- Wholesale mark-ups ranged from 2% for originator brands in Uganda to 65% in the Philippines,
- Retail mark-ups ranged from 10% for originator brands in Mongolia to 720% for generics in Uganda.
- Different wholesale and/or retail mark-ups were applied to originator brands as compared to generics in many countries with generics generally subject to a higher mark-up.
- In several countries, wholesale and/or retail mark-ups were also applied in the public sector, which suggests that medicine sales are being used as a revenue generating mechanism

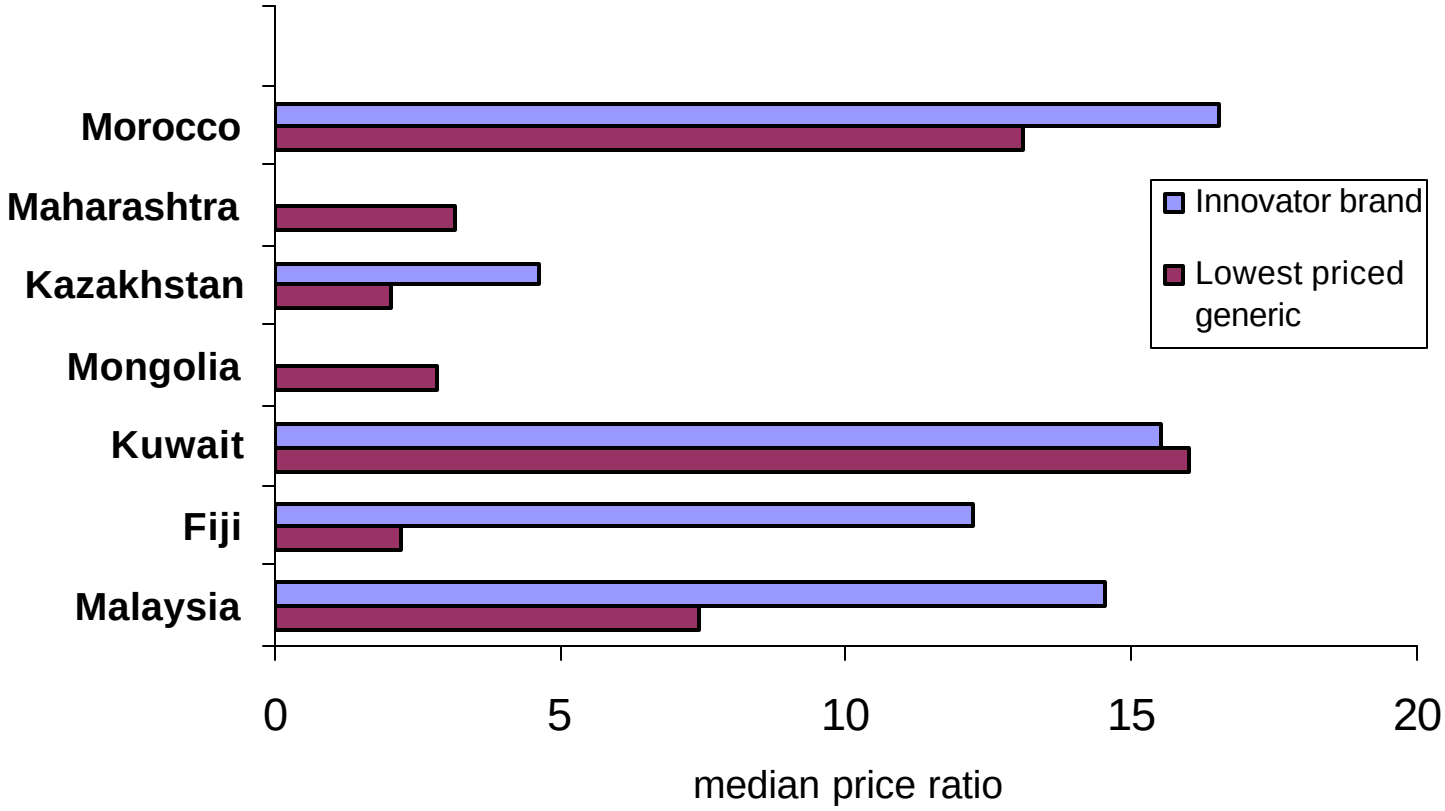
Figure 4. Ranges of additional charges applied to medicines in the private sector, by WHO region



Pricing Policy Issues depend on who pays and for what

- If the government or insurance organization pays, able to dictate prices from position of strength
- If the patient pays, governments have limited tools as price controls can result in shortages (EM's in China) or overpricing e.g. Ciprofloxacin in India
- Internal reference pricing frequently leads to higher generic prices

Brand vs generic prices in relation to international reference price for captopril 25mg tabs, private pharmacies



Policy Issues – Public sector

- Procurement prices usually good unless requirement to purchase from local manufacturers or suppliers
- Availability generally poor meaning that poor patients are forced to go to private sector at far higher prices.
- Reasons for low availability in public sector vary but generally relate to underfunding
- Where fees are charged these may exceed procurement costs many times and be a tax on the sick

Prices and Availability
Private sector

- In the private sector, lowest price generics were more widely available than originator brands in LICs and LMICs, while in UMICs originator brands were more widely available.
- As originator brands are generally more expensive than generics, patients may be paying more to purchase the brand product when cheaper alternatives exist.
- Wide variability in the availability of originator brands and lowest price generics was observed across countries in all income groups.

Taxes and Duties

- Many countries still apply VAT and other taxes and tariffs to medicines. Given that these are essentially a tax on the sick, there is a strong argument to be made for making medicines tax and duty exempt
- While the percentage charge of taxes and tariffs are generally small, small percentage charges can have a large cumulative effect when applied early in the supply chain.
- After Iran, India has the highest tariff rates on medicines!

http://www.who.int/intellectualproperty/studies/tariffs/en/index.html

Mark-ups

- The regulation of mark-ups is another measure to avoid excessive add-on costs in the supply chain.
- However, maximum percentage mark-ups provide incentive to sell higher priced products to obtain a higher return.
- Regressive mark-up schemes, such as those implemented in Syria and Tunisia, provide higher mark-ups for lower-priced products.

Generics Policies

- Increased use of generics medicines can improve affordability in the majority of countries where generic products are priced substantially lower than their originator brands and are of assured quality.
- A range of options are available to promote the use of generics, including:
  - generic substitution
  - preferential registration procedures,
  - ensuring the quality of generic products,
  - encouraging price competition, and
  - increasing the confidence of physicians, pharmacists, and patients in the quality of generics
- A multi-pronged approach will generally be required in countries attempting to increase generic uptake.

Policy and programme options to address issues of high medicine prices and low availability.

- Low public sector availability can be addressed through:
  - improved procurement efficiency and
  - adequate, equitable and sustainable financing.
- Public sector support is often needed for chronic disease medicines which are often unaffordable through the private sector.
- Resource-constrained public sectors should provide widespread access to a smaller number of essential generic medicines, rather than attempting to supply a larger number of both originator brand and generic medicines.
- Medicine prices can be reduced by eliminating duties and taxes on medicines but this measure must be monitored to ensure the savings are passed on to patients.

Where governments or insurance organizations purchase medicines many policy options exist

- Internal reference pricing
- External reference pricing
- Evidence based pricing as per Australia PBS
- Prescribing budgets
- Formulary policies with audits
- Fixed dispensing fees without markups
- Promote generics e.g generic substitution

Personal Suggestions

- Campaign to remove duties and taxes on medicines
- Ensure quality of generics then promote with compulsory substitution of INN generics
- For new products that are patent protected and of public health significance, control prices on entry ideally using Cost Effectiveness comparative data or copying Australian PBS ratios. Review frequently as prices often go down.
- When controlled products come off patent and competition exists, remove price controls and publicise availability and quality
- For chronic diseases such as diabetes and asthma consider making publicly sourced products available at cost to registered patients possibly by mail order
- Continue to monitor market leader products in therapeutic categories using both IMS and WHO/HAI surveys

Conclusion

- Poor people are often ill and need medicines
- If they have to pay an excessive amount, this may be catastrophic event
- Governments can try to meet this need through supply systems
- Governments can also reduce medicine costs by pro generic competition policies including QA and regulating mark-ups while removing taxes and duties.
- In the long term health insurance can provide needed financing while controlling costs and ensuring rational use.