

# Community Perceptions On Likely Impact Of Decrease In Drug Prices & Health Care Access

R Bansal, B Mehta, N Panchal

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## Abstract

Interviews of 400 families in Surat city revealed that medicine costs were met as out of pocket expenses; 72 percent respondents were aware of government's contention to decrease medicine prices; sources of information were newspapers (45.6%), television (29.3%) and word of mouth (24.7%). 81 percent favoured price decrease as beneficial for people. 51.3 percent perceived that decreased prices wouldn't affect quality and quantity of medicines; 43.8 percent felt that it would lower quality. Majority opined 5 percent profit margins as ethically permissible for wholesalers and chemists; 46.3 percent favoured printing of MRP for consumer's interests; 86 percent perceived that decrease in medicine prices would improve cure rates and others listed various measures to improve treatment access. 96.3 percent were unaware of essential drugs; 45.6 and 37.8 percent perceived need for qualitative and quantitative improvement of govt. medical facilities and lastly 15.3 percent respondents favoured better regulations of private provider charges.

## INTRODUCTION

The issue of equity and ability to purchase medicines is an important and inevitable component of health care seeking process and often constitutes an important component of the total family expenditures. This is often met by families as out of pocket expenditure or through their own resources in Indian context. The percentage of families that rely on health insurance or are reimbursed by the government or other employers is abysmally small. Our average per capita earnings are meagre and with advent of modern medicine, treatment expenditures have mounted at a rate that a common man can ill afford. India still lacks universal provision of medical care by the state and experiences with state run medical care facilities reveal their pitiful state and point to an urgent need for their strengthening. Therefore, the majority of consumers prefer private healthcare facilities. In such situations, it should be the primary duty of the state to regulate and minimise the expenditures incurred by the common man on treatment of illnesses. The increasingly high cost of drugs and medicines in our country translates into an automatic relief or denial of medical care for a substantial percentage of our population.

This study was undertaken against the context of newspaper reports about the likely new pharmaceutical pricing policy that proposes to bring most of the 354 essential drugs under cost-based price control, from the current 74 drugs. Further,

the maximum retail price of all drugs, inclusive of all taxes, would be printed in bi-lingual instructions on the drug packages to increase transparency. Even patented drugs will be covered through negotiation. The prices of high-end drugs for cancer and transplants could fall by as much as 70 percent. It is indeed disturbing that for a medicine which actually costs 1.20 rupees, a consumer had to pay as much as 37 rupees earlier. All that will change now. Profit margins will fall by as much as 70 percent and maximum retail prices, inclusive of all taxes, will have to be affixed on all medicines. Drugs produced through local research and development could escape price control for five years, however on a long term basis such a step could be beneficial for the pharmaceutical R & D in our country.

## MATERIAL AND METHODS

This study report of interview schedules of 400 families over a three month period from 28<sup>th</sup> September 2006 to 28<sup>th</sup> December 2006 in the city of Surat through random sampling method. The aims and objectives of this study are to explore the medical treatment expenditures; explore the concept of essential medicines and the imminent decrease in the prices of medicines; explore their views towards improvement of the medical care process.

## RESULTS

The profile of the majority of our respondents is as follows:

were males (83.8%); had studied upto 12<sup>th</sup> Standard (73.5%); were employed or were in the service sector (59.4%); had a family income of Rs. 4,000=00 to Rs. 8,000=00 (44.3%); had a family size of 1 to 4 members (61.4%); had a per capita income of Rs.1,000=00 to 2,000=00 (40.3%) (1US \$= Rs. 50.22). The majority (69.4%) of the respondents had reported of spending up to Rs. 200=00 per month for purchasing of medicine, followed by Rs. 200=00 to Rs. 500=00 (19.3%) and lastly >500 Rs. (11.3%). Almost all (90.2%) met the expenditure for purchase of medicines as out of pocket expenses, other sources being re-imbursement from some non-government source (2%), partial re-imbursement (3%) and finally re-imbursement from the government (4.8%).

About three-fourth (72%) of respondents were aware of the government's contention to decrease cost of drugs and medicines in the coming months and the sources of information were newspapers (45.6%); television (29.3%); word of mouth (24.7%); and, lastly combined means (0.3%). Over three forth respondents (81%) had responded favourably towards this likely drug prices decrease and opined it as beneficial for general population. However 9.8 percent had perceived this alone as "not enough" and lastly an almost equal number (9.2%) had expressed no opinion. The majority of respondents (51.3%) opined that a likely decrease in prices would not affect the quality or quantity of medicines as opposed to 46.5 percent who believed that the quality or quantities will invariably deteriorate. 2.3 percent of the respondents had expressed no opinion.

The majority (43.75%) had opined that the quality is always affected or determined by the price; followed by the view that this depends upon the reputation of manufacturer (12%); upon government regulations (8%); and, that good things are not always costlier (5.3%). An almost one-third of the respondents (31%) did not offer any opinions on this issue. The vast majority (79%) opined that a likely decrease in the prices of the drugs or medicines is bound to increase their family savings, on the other hand 20.8 percent had opined that such decrease would not significant impact family savings. Over half of the respondents (56.5%) had opined that they would utilise probable savings consequent to decreased drug prices on their family requirement; followed by expenditure towards personal requirements (6.3%); children's education (10.3%); and for enjoyment as movies and sightseeing (6.5%). 20.5 percent of the respondents had not expressed any opinion. The majority (73.5%) had opined that the ethically permissible profit margin for the

wholesalers should range upto 5 percent, followed by 5 to 10 percent (9.8%) and more than 10 percent (16.5%). Similar opinions were observable for chemists with the majority (71.8%) opining that it should range upto 5 percent. 46.3 percent of the respondent's had opined that the decision to print maximum retail prices, inclusive of all taxes, on the prices of medicines (46.3%) was a step in the right direction towards protection of consumer's interests, whereas 47.3 percent felt that it would not make any significant difference.

The majority of the respondents (86%) had opined that a decrease in medicine prices should improve cure rates as more people could afford to purchase prescribed medicines (96.7%). 13.5 percent respondents perceived this step alone as inadequate due to high charges of private doctors (48.3%); followed by very costly pathological investigations (28.1%); and lastly, very high hospitals charges (20.3%). Half of the respondents (58.3%) favoured strict regulation; monitoring and enforcement of the whole implementing process of the medicine prices, in case the government is serious about decreasing medicine prices. 22.5 percent respondents favoured handing out strict punishments as essential deterrents to curb corruption, otherwise the government would be unsuccessful in its intention to decrease prices of medicines. Almost all respondents (96.3%) were unaware of the concept of essential drugs. 45.6 percent respondents had opined that for improving the health of the people, the government should improve the quality of their medical services, for e.g. the staff strength, behaviours, availability of medicines and 37.8 percent had opined the need to increase the number of govt. medical care facilities. Lastly, 15.3 percent respondents favoured better regulation of private providers in the context of fixing of their charges.

## **DISCUSSIONS**

This study documents the respondent's favourable reactions towards the government's proposed intervention for cut in the prices of the drugs and regulation of the pharmaceutical sector. These reactions need to be viewed in the backdrop of treatment expenditures vs. family income and potentials on easing of health care expenditures and improving of treatment access to our population. An Indian study<sup>2</sup> had documented unacceptable variability among the prices of different trade names of medicines, such as antihistaminics, sold in India. It was in 1996 that the Doctors in India have been praised for successful scheme on ensuring easy access to cheap and effective medication for the poor and the World Health Organisation had hailed the Delhi Essential Drugs Programme as "very successful" and an example to others in

the developing world. The programme was aimed to tackling essential medicines shortages in state hospitals and reducing use of expensive drugs and eliminating erratic prescribing<sup>3</sup>. Under the scheme, doctors only prescribe medicines from an essential drugs list. These are bought in bulk at prices 30 percent below that for the government supplies<sup>3</sup> and there is a need that the govt. should also consider operationalizing such a scheme of generic drugs.

The statement of the Technical Advisor for India, WHO-HAI on Medicine Prices Project on the chemist's profit of over 1500% for the drug Ceticad and the Times of India newspaper reporting of profit margins upto 800-3000% on certain products is indeed mind boggling and defies any logic of market regulation<sup>4</sup>. It has been abundantly documented that the doctor-patient relationship is characterised by a huge information asymmetry and hence the need for regulation<sup>2</sup>. The move by our pharmaceutical industry to agree to cap margins of wholesalers at 15% and limit trade incentives to retailers at 35% for generic, which includes painkillers like Nimesulide and anti-allergic formulations like Cetirizine should have been done years ago. It needs to be mentioned that this self-imposed discipline on margin caps, effective from October 2, came after the government threatened to increase price controls. Surprisingly on April 3, 2007, there was again a news item which had reported that prices of certain medicines had gone up instead of going down. The industry has argued that they were forced to increase the prices due to material cost hikes. In such situations, the concept of self-imposed discipline by the pharmaceutical industry appears to be a farce and the government should step in for rigid regulation. It is a sad fact that in India even our government often needs a rejoinder from the courts for carrying out their constitutional duties<sup>5</sup>.

In 2003 government had appealed to the Supreme Court against an order of the Karnataka High Court restraining the Government from implementing its new drugs policy to bring more drugs outside price control. The list of drugs coming under price control has whittled down over the years from 359 to 74 now.

This case was subsequently taken up by the Supreme Court on November 7, 2003. Such a stance could be detrimental to less costly drug's availability and the need for equitable access to medicines, especially essential medicines of citizens cannot be over-emphasized in the context of the International Covenant on Economic, Social and Cultural

Rights (article 12), the Universal Declaration of Human Rights (article 25.1), the International Covenant on Civil and Political Rights (article 6), the Convention on the Rights of the Child (articles 6 and 24) and the UNCHR in the framework of the right of everyone to the enjoyment of the highest attainable standard of physical and mental health and such concerns and probable mechanisms have been brought out in earlier<sup>167</sup>.

Bulk generic actives manufacture though a large source of revenue, causes conflicts for companies with their more lucrative field, namely the custom manufacturing of intermediates for patented drugs<sup>8</sup>. The statement by Mr. Richard Barker, Director General of the Association of the British Pharmaceutical Industry<sup>9</sup>, calling for integrated partnership programmes seems to be prudent idea, provided that all sides keep the issue of consumers central to their discussions. The respondent's views that the reduction in the costs of the drugs as a stand alone decision would not suffice in making the access to treatment facilities universal also needs to be thought of. Their suggestions on the regulation of other components of the medical care cycle should be explored<sup>2</sup>. Fat drug profits should not be allowed to jeopardise the lives of poor citizens in the guise of democracy and self regulation. Let us pray, as Park JE had rightly commented, for the ushering in the dawn of an era of an environment that would allow genetic potentialities to become phenotypic realities.

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**Author Information**

**R.K. Bansal, MD, MPH**

Professor and Head, Department of Community Medicine, Surat Municipal Institute of Medical Education & Research,  
(Surat Municipal Corporation)

**Bikesh J. Mehta, MBBS**

Compulsory Rotatory Houseman, Department of Community Medicine, Surat Municipal Institute of Medical Education & Research, (Surat Municipal Corporation)

**Niranjan P. Panchal, MBBS**

Compulsory Rotatory Houseman, Department of Community Medicine, Surat Municipal Institute of Medical Education & Research, (Surat Municipal Corporation)