

Low cost Generic Drugs Initiative in Rajasthan

World over two billion people lack access to essential medicines mainly due to their high cost. As a result, thousands of people die every day, majority of them being children below five years of age. Their avoidable deaths are a shame for the humanity. A planning commission survey has reported that out of 120 crore people 37.2 per cent live below poverty line. Thus, India accounts for huge morbidity and mortality burden due to treatable diseases because of large number of deprived and extremely poor people. World Health Organization (WHO) says that 65 per cent of the population still lack regular access to essential medicines, with the rise in health care cost; over 23 per cent of the sick do not seek treatment because they are not having enough money to spend. Expenditure on drugs constitutes about 50 per cent of the health care cost which shoots up to as much as 80 per cent in rural areas. In fact, expenditure on health care is the second most common cause for rural indebtedness in the country. In India 80% of the money spent on health is private out of pocket expenditure.

Drugs are not Costly, They are overpriced

India has one of the best developed pharmaceutical industry and produces about 20 per cent of the world's drugs. Over 74 manufacturing plants in the country have US FDA approval which is second only to US. 733 companies are WHO approved. Currently many top Indian companies are exporting generic drugs worth Rs.45,000 Crore every year to many countries including US and Europe. But ironic as it sounds, drugs are beyond the reach of people, especially the poor because their prices are very high. It is not that the cost of R&D and manufacturing is high, but because the profit margins are exorbitant and in many cases exploitative. The fact is that the number of active pharmacological ingredients is about 550 and these are manufactured by about 20,000 drug companies in the form of about 1 lakh different formulations, still drugs are getting away from the people. The large scale drug production and steady increase in sales of pharmaceutical companies have not had any significant improvement in the availability and accessibility of drugs to meet the country's health needs.

It is said that in a free market economy, price competition and other market forces keep the prices under check, but in case of drugs it is not true. In fact the same drug (salt) is manufactured by dozens of different companies by different brand names and they still manage to keep the prices very high. This is a failure of market and the reason is that drugs are different from other consumer items. Instead of the patient, it is decided by the doctor as to which brand is to be purchased. Branding creates artificial monopoly and enables drug companies to put very high MRP despite existence of competitors. Drugs laws prohibiting substitution of brands of same generic drug further enable the pharma manufacturers to assign any price whichever suits to them.

Moreover, drug consumers are highly vulnerable and their requirement is urgent, hence they are not in a position to compare prices, bargain or choose. The pharmaceutical companies are operating in a manner which keeps prices of drugs (including the essential drugs) very high so that profitability is maximized. This happens because there is no control over prices of most of the drugs. Under DPCO 1979 total 347 essential drugs were brought under price control. Subsequently, drug companies have succeeded in reducing the basket of price controlled drugs to 142 drugs in 1987. In 1995, this came further down to 76 and at present only 74 out of about 550 commonly used drugs are under statutory price control. It means that for the remaining drugs there is no ceiling on drug prices and the companies are free to fix the maximum retail price (MRP) of their choice, which could be 5 to 10 times or even more the actual production cost.

Reasons for Project Initiatives

Despite the abysmal health status and poor paying capacity of the people in India, it is unfortunate that medicines are priced exorbitantly high. WHO, WB, NFHS and other studies show that there is inadequate access and supply of even essential drugs to the poor despite adequate production. Adding to this misery is the poor functioning of public health system. While the sales of branded drugs are increasing steadily, drugs are getting away from the people, more so for the poor. Share of drugs to total treatment costs can vary from 50 to 80 per cent depending on rural / urban locations and inpatient/outpatient treatment.

In the pharmaceutical sector, manufacturing the cost of a drug is relatively low, compared to the price it is sold at. The actual drug prices are usually 2.20 per cent of the prevalent MRP. If medicines can be made available free of cost or at low cost, the cost of treatment for most illnesses could be reduced many times. Thus, there is a need to provide medicines free or at affordable prices, especially for the poor and there is a scope for this because the cost of production of most drugs is very low.

Purpose of the initiative

- To reach the unreached that is to make medicines available, accessible & affordable to the poor, assetless and disadvantaged sections of the society. For example - A pneumonia patient is not able to purchase injection of Amikacin 500mg, as it is sold in the market at about Rs.70 (MRP) and therefore many poor patients are forced to die for want of this injection. (It just cost Rs.6 to manufacture it, the Govt. supplies it free.)
- To provide about 400 commonly used essential drugs, surgical & sutures free of cost to OPD and Indoor patients in all Govt. hospitals.
- Those drugs which are not given free are to be provided at fair price medicines shops much below market prices.
- To save and to reduce out of pocket expenses of people on health care
- To increase the accessibility of drugs specially in the remote rural areas.
- To promote rational use of drugs by minimizing prescription of unnecessary drugs by adopting Essential Drugs List and Standard Treatment Guidelines.

Why does the patients get drugs at high prices?

We knew that the actual cost of most of the drugs is very low. But, these are not available to patients at low rates because of four major reasons:

1. There is no regulation on prices of drugs by the Government (except for few DPCO drugs). Thus the pharmaceutical companies puts very high MRP on drugs and reap huge profits.
2. The doctors prescribe medicines by brand name of a particular drug company. This prevents competition and creates monopoly in the drug market and enables the drug company to put a very high MRP, despite the same drug being produced by many companies.
3. As very high MRP is printed on the drugs, the chemists charge the same amount from the patient.
4. Generally, consumers are not aware that the actual cost of production of most of the drugs is very low. Moreover, once a doctor has prescribed a particular brand, the patient has no option, but to buy it, even when other low cost brands are available in the market.

Strategy Adopted

The price monopoly of drug manufacturers was broken by procuring drug by tender system & by pursuing doctors to prescribe by the **generic (salt) name**. These medicines were made available at Government hospital's **free drug distribution counters** and **fair price generic medicine shops**. Patients were made aware that generic medicines are of the **same quality** i.e. in identity, purity, strength & effectiveness as branded medicines.

1. Doctors - prescribe drugs by generic (salt) name

The state government has issued various circulars / orders, which direct all the government doctors to use generic names, instead of the brand names. "Code of medical ethics" framed by Medical Council of India directs prescription by generic name (Rule 1.6). Doctors were sensitized about the plight of the poor. They were shown a documentary depicting how patients die as they are unable to afford costly medicines.

2. Essential generic drugs are given free of cost by the Govt. of Rajasthan.

About 400 essential drugs, etc are provided free of cost at about 15000 Drug Distribution Centre located in Govt. hospitals, right from medical college hospitals to PHCs and Sub Centers. These medicines are procured by generic name through transparent open tender and pharmaceutical manufacturers supply them to the state govt. at unbelievably low prices.



COST COMPARISON WHEN DRUGS ARE PURCHASED BY GENERIC NAME AND BY BRAND NAME					
Disease/ use	Generic/Salt Name of Drug	Pack Size	Generic drug Tender Price (Rs)	Equivalent Popular Brand	MRP of Branded drug (Rs)
Pain killer	Diclofenac Sodium Tablets IP 50 mg	10 Tab strip	Rs 1.24	Voveran (Novartis)	31.73
Cholesterol lowering drug	Atorvastatin Tablets IP 10mg	10 Tab Blister	Rs 2.98	Atrova (Zydus)	103.74
Heart disease	Clopidogrel Tablets IP 75 mg	14 Tab Strip	Rs.8.54	Plavix (Sanofi)	1615.68
Diabetes	Glimepiride Tablets IP 2 mg	10 Tab Strip	Rs.1.95	Amaryl (Aventis)	117.40

3. *Drugs which are not in the free category are provided at low prices at Government Generic Medical Stores –Fair price medicines shops (life line drugs stores)*

Most of the commonly use drugs are given free of cost but other drugs, short supply drugs, surgical, implants etc are provided much below MRP at these life line drug stores. These are operated by the Rogi Kalyan Samiti which invites bids to purchase the drugs generic companies from the local stockiest at competitive prices. After preparing comparative statement and finding out the most economical price the generic medicines are made available for sale. There are 72 such stores in all medical college hospitals, district, sub-district & satellite hospitals in Rajasthan.



The medicines are sold at a 10 per cent profit margin to the patients. This money goes to the RKS (Called RMRS in Rajasthan) which makes the project self sustainable. Thus, medicines of reputed drug manufacturers (which are very economically priced) are made available at government life line drug stores for sale. Price lists are displayed outside the shops to advertise the rates and educate the patients. Computerized bills are essentially issued to every customer. Examples of few drugs made available from these stores are cited below:

Disease / use	Generic name of Drug	Pack Size	Generic drug store Price (Rs)	Printed MRP (Rs)
Antibiotic	Inj. Vancomycin 500 mg	1 vial	73.17	350
Anti malarial	Inj. Arteether 150 mg	3 x 1 vials	28	310

Some fair price shops are also operated by the Co-operative department as Co-operative medical stores.

4. *Patient awareness*

The consumers were made aware by pasting list of free medicines outside the free drug distribution centers. Similarly, comparative price lists are displayed outside fair price medicine shops. Local electronic and print media were positively capitalized to highlight the price difference between

generic and branded drugs. Hoardings were displayed outside the hospitals and important locations. Pamphlets were also distributed to patients and their attendants or to the general Public as well.

Once choice of low cost drugs is available to the consumer, market competition ensures that private medical shops also reduce their prices.

Results and Outcome

1. Increase in number of patients in government hospitals. Now the patients can get the treatment free of cost.
2. Fall in out of pocket expenditure. Huge cost saving for the patients.
3. Increased affordability for those drugs which are not distributed free, as these drugs are made available at generic drugs shops at low prices.
4. Increased Accessibility to medicines as generic drugs are distributed throughout the state via 15000 Free Drug Distribution Centers, most of which are in rural areas.
5. Use of irrational and wasteful non-essential drugs have come down.

Replicability

To provide most commonly used essential drugs free of cost a state level centralized procurement agency like Rajasthan Medical Services Corporation, TNMSC, KMSCL etc has to be constituted which procure drugs directly from manufacturers and supplies them to Govt. hospitals for free distribution.

As no government in the world gives all drugs, surgicals etc free of cost, the remaining drugs, surgicals, sutures, consumables, implants like eye lenses, orthopedic implants, cardiac catheters & stents etc can be provided much below the prevalent MRP at fair price medicine shops.

Existing government hospital pharmacy counters, life line drug stores, cooperative stores, etc., may adopt this model without any extra cost. It simply requires procurement by open tender and the low cost drugs and other items so procured are made available for sale below the MRP.

Conclusion

The Governments, Corporate hospitals, Rogi Kalyan Samitis, NGOs etc can provide medicines and health consumables at an affordable cost and improve medicine accessibility. Just good intentions, strong will and sensitivity for the poor, the ailing and the sick patient is required.