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Letter to Editor **18 May 2017**

Our high medicine prices are killing patients
Control astronomical prices of medicines now

Expenditure on medicines comprise a large share of total health expenditure. The Ministry of Health (MOH) expenditure on medicines has been steadily increasing from RM1.61 billion in 2010; to RM1.76 billion in 2011; RM1.98 billion in 2012 and RM2.2 billion in 2013. This was an increase of 36.5% in the span of 3 years.

Medicines expenditure will only increase in the future with an ageing population, the shift to chronic diseases, new patented medicines at monopoly prices, and the increased demand for health care.

Ensuring universal access to medicines and meeting the health needs of the population will be a major challenge.

Most of the medicines expenditure is paid out of pocket (OOP). One study (Babar 2003) revealed that 79% of patients obtained their medicines from private sources, implying that a large number of consumers pay for medicines out of their own pocket.

Astronomical drug prices are making expensive medicines inaccessible to patients and in the process may be killing them. There is a shortage of affordable HIV drugs and very expensive cancer treatments create financial catastrophe among cancer patients, making them quit treatments altogether. One study estimated that 19% of them stop treatments.

There is an immediate need to control drug prices as they are spiralling upwards, out of control. CAP looks at why drug prices are shooting up and what needs to be done.

Privatisation of Medicine Supplies Pushes Up Prices

In 1994, procurement of medicines and the MOH's medical store was privatised to Remedi Pharmaceuticals, a subsidiary of United Engineers Malaysia, a construction company, which led to the cost of medicines doubling the following year.

A study in 1997 subsequently showed that prices increased by 3.3 times after privatisation. Remedi Pharmaceuticals was renamed Pharmaniaga. Pharmaniaga holds the exclusive concession which is renewable to distribute medical products to Government hospitals and clinics for 10 years expiring 30 November 2019.

Recent studies have confirmed the sustained increasing trends in the price of certain essential medicines (like anti-infective and cardiovascular agents) after privatisation in the public sector was disproportionate to the rate of inflation.

High Mark-Ups in the Private Sector

In a study by Babar et al (2007) the authors noted that the high costs of medicines were due to the high mark-ups in the private healthcare sector.

In private pharmacies patented products were on average priced 16 times higher than the recorded international reference prices (IRPs), while generics (medicines whose patents have expired) were priced about 6.6 times higher.

Dispensing doctors' clinics also had higher prices, 15 times higher than recorded IRPs while generics were 7.5 times higher.

For retail pharmacies mark-ups were 25-38% for patented products and 100-140% for generics.

The huge differences between local and international prices in the different sectors and between patented medicines and generics suggest that prices can be brought down significantly.

The authors commented that a "price deregulation system" in which manufacturers, distributors, and retailers set medicine prices without Government control (or interference) have seen medicine prices escalating even faster than in the developed world, indicating high medical costs.

Very Low Usage of Generic Drugs

The 2007 study also found the availability of medicines in the public sector was very low, only 25% of generic medicines were available.

Interestingly a WHO-HAI study (2005) found many examples of off-patent medicines available only as patented brands in the public sector (e.g. beclometasone inhaler, phenytoin and prozosin).

This shows that there is a preference for costlier patented brands instead of cheaper generics in the procurement of medicines in the public sector. In 2015, less than half of the medicines used in MOH facilities were generics.

Shortage of Affordable HIV Drugs

Low availability of HIV medicines such as indinavir, nevirapine and zidovudine was found in public hospitals, private pharmacies and dispensing doctors' clinics.

This should not be the case in public hospitals as the Malaysian government had issued a compulsory licence in 2003 for 2 years under "Government Use" and allowed a local company to import generic versions of didanosine, zidovudine and lamivudine fixed dosed combination HIV medicines from the Indian generic manufacturer Cipla for use by MOH.

Low availability of medicines at public hospitals forces patients to buy these medicines from private pharmacies or dispensing doctor clinics. Private pharmacies carry fewer generic medicines and prefer to dispense more expensive patented brands which are less affordable.

Drugs Too Expensive for Public

In terms of affordability, the study also revealed that a large part of the population are unable to pay for their medications in the private sector.

Treatment for heart disorders, high blood pressure, and diabetes using patented brands were expensive and was equivalent to a few days wages.

This has direct impact on morbidity and mortality, bearing in mind that non-communicable diseases (NCDs) i.e. cancer, diabetes, obesity, stroke and heart diseases have seen an alarming increase in

prevalence and is among the top 10 principal causes of death at Government hospitals. There is a need to increase the availability of these medicines in the public sector.

Cancer Patients Face "Financial Catastrophe"

According to an Asean study by the Australian George Institute for Global Health, about half (45%) of Malaysian cancer patients suffer from "financial catastrophe" a year after they were diagnosed.

Around 51% will be pushed into "economic hardship" with 49% of them already using up all their personal savings while 39% of all respondents could not pay for their medication.

Of the respondents, 35% could not pay for medical consultation fees, 22% could no longer pay for their rents and mortgages, while 19% of them quit treatments altogether.

The study found that patients become financially vulnerable from high OOP spending on loans, debts and depletion of assets; and high treatment and medical spending.

Cancer is the third biggest killer in Malaysia. About 100,000 Malaysians suffer from cancer yearly and 1 in 4 Malaysians get cancer by 75 years of age.

This illustrates the acute need for more affordable access to cancer treatment and care. High costs of essential medicines and the imperative to make them more accessible and affordable to the population challenges the Government to develop long term strategies and policy options to make it possible.

More Expensive Than International Prices

The study found that public sector procurement prices were high for patented original brands. For example, in procurement for the public sector, the median price ratio (MPR) of 14 patented medicines were 2.41 times the international prices, while for 26 most sold generic (MSG) and the lowest price generic (LPGs) products, median price ratios were 1.56 and 1.09 times the international price respectively.

The MPR of 4 patented medicines, fluoxetine, loratadine, amlodipine and simvastatin were more than 10 times the international price. The pattern of high prices in the public sector indicates that there are problems in procurement and distribution.

High prices in the private retail pharmacies and high prices in patented brands and high-priced generics in dispensing doctors' sector show that the market sets the price to what the market can bear. The large price difference between patented medicines and generics reveal that competition is not resulting in lower patent brand prices.

Expensive Patented Medicines Dominate Market

In Malaysia, there is a supplier monopoly of patented medicines with importation and distribution of patent medicines controlled by multinational pharmaceutical companies.

Patented medicines dominate the market with the largest market share of some 70%. High medicine prices are linked to the monopoly position of foreign pharmaceutical companies and patent protection in Malaysia.

The authors noted that higher mark-ups on generics in the study suggests that the prices of patent medicines are used as a marker for generic pricing. Thus high-patented medicine prices are incentives for dispensing doctors to overcharge on generic medicines.

Lack of Price Controls

Clearly, the lack of price controls has resulted in increasing medicine costs which in turn has led to rising medicine expenditure in both the public and private sectors.

When all players in the pharmaceutical industry including the manufacturer, distributor, wholesaler and retailer are free to set their own prices, this leads to high medicine prices and super profits.

The "free market" is detrimental to the access to affordable medicines and consumers pay excessive prices due to excessive mark-ups. Leaving the financing and supply of medicines to the market may fail to achieve public health objectives.

The market works well for society when there is price competition, comprehensive and accurate information, adequate supply of medicines and consumers can make informed choices. Under the prevailing price situation this is not the case.

Recommendations

Astronomical prices of patented medicines are a threat to health care systems both in the high-income developed and developing countries. As such, pricing regulations can be found in most European and Middle Eastern countries, Australia, New Zealand, Canada and East Asia. However, Malaysia has not implemented any price control and regulatory practices.

CAP was made to understand that price control is under the Ministry of Domestic Trade, Co-operatives and Consumerism and not the Ministry of Health. We suggest that special provisions in the law must be made to allow the Ministry of Health to control prices of medicines as it is a specialised field that is best handled by the MOH.

CAP calls on the Government to formulate a comprehensive medicine pricing policy. This should include monitoring and regulating medicine prices and access to medicines with price control mechanisms; set and regulate maximum wholesale and retail mark-ups; regulate the prices of patented medicines as these are the main contributor to the retail price; and regulate generic medicine prices.

It should also promote the use of safe and effective generics and ensure their use in the public sector by making generic substitution mandatory.

It must establish a comprehensive transparent procurement system in the public sector which includes open competitive tender with price transparency; and use of international reference prices or pharmaeconomics or guidelines.

The control of prices of medicines by the Government is essential to protect the poor, promote an equitable health system and achieve better health outcomes.

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