



06 June 2009

SEN. MAR ROXAS

Co-Chairman
Quality Affordable Medicines Oversight Committee
Senate of the Philippines
GSIS Building, Financial Center
Roxas Blvd., Pasay City

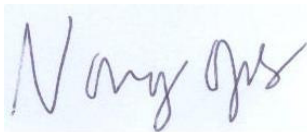
Dear Sen. Mar Roxas,

We would like to submit to the Congressional Oversight Committee on Quality Affordable Medicines our position on the issuance of maximum retail price (MRP) for some medicines, attached. We do not support such action now because there is no apparent national health emergency, prices of many medicines now are indeed declining, thanks to other provisions of RA 9502, and there is a big challenge to widen further the level of competition among pharmaceutical manufacturers and distributors in the country.

Finally, we would to inform you that the DOH, through USec. Alex Padilla, is doing a good job in inviting a diverse number of stakeholder participants in the DOH-sponsored Advisory Council meeting for price regulation. So they get a more balanced view of the various debates on the subject.

Thank you very much.

Sincerely yours,



Bienvenido Oplas, Jr.
President

**Position paper on the implementation of
Maximum Retail Price (MRP) provision of RA 9502**

June 6, 2009

Although the maximum retail price (MRP) or price control provision was incorporated in the Cheaper Medicines Law or RA 9502, it should be used only as a last resort. This is because price control is a draconian measure that can discourage the entry of more players that can otherwise add to more competition, and/or result in exit of some of players in the economy, which will ultimately lead to a monopolistic or oligopolistic industry structure, which is contrary to public interest.

There have been indicators that medicine prices are coming down – PCPI, PHAP and some drug store associations’ figures would show – and this is already one proof that other provisions of RA 9502 were successful. We just have to encourage the entry of more players, especially among generics manufacturers, distributors and drugstores, to mature. Thus, draconian measures like MRP should be used only as a last resort, not to be implemented without apparent national health emergencies.

The eyes of the public are on the few multinational pharmaceutical companies in the country. Many or all of these are suspected by the public of “price gouging” and “ultra-high profit” through transfer pricing and high patented medicines prices.

Table 1. Multinational pharma companies in the Philippines

1. Abbot Laboratories, Inc.	14. Novartis Healthcare Phils.
2. Alcon Laboratories, Inc.	15. Pfizer, Inc.
3. Astra Zeneca Pharma	16. Roche Phils., Inc.
4. Baxter Healthcare Phils., Inc.	17. Sanofi Pasteur
5. Bayer Schering Pharma	18. Sanofi-Aventis Phils. Inc.
6. Boehringer Ingelheim Phils., Inc.	19. Schering-Plough Corp.
7. Catalent Pharma Solutions	20. Schwarz Pharma Phils. Inc.
8. Eli Lilly Phils., Inc.	21. Stiefel Phils., Inc.
9. Glaxosmithkline Phils.	22. Swisspharma Research Lab, Inc.
10. Hi-Eisai Pharma, Inc.	23. Takeda Chemicals, Inc.
11-. Janssen Pharmaceutica	24. Wyeth Phils.
12. Johnson & Johnson Medical	25. Zuellig Pharma Corp.
13. Merck, Sharpe & Domme Phils.	

But there are so many innovator pharmaceutical companies in the world that are not in the Philippines yet. And even plentier are good generics manufacturers from other countries . Even if just 10 percent of those big innovator and generics companies abroad that are not yet here would come, that will greatly expand competition and the public, Filipino patients especially, will benefit with wider choices of more effective and safe medicines at competitive prices.

In a sense, it can be said that high medicine prices is a function of or determined by – aside from high and multiple taxes on medicines – lack of competition. Although there may be 2 or 3 dozen innovator companies in the country, not all of them compete on each and every medicine products for all types of diseases. It is possible that for a particular disease, there are is only 1, or 2 or 3 medicine manufacturers and sellers. This is like there are several dozen bus companies in the Philippines. True, but they do not compete with each other in all or most routes. The bus companies plying the north-west Luzon provinces do not compete with bus companies in north-east Luzon, with bus companies in southern Luzon, in the island-provinces of southern Luzon, in the Visayas, in Mindanao.

In the initial list of drugs made by the DOH that are “candidates” for MRP issuance, a number of those medicine products indeed have only 2 to 4 suppliers, both innovator and generics. This is a thin field for competition. If the government will impose an MRP on the price of the most popular medicine, then the manufacturer or distributor of that medicine may pull out because it will be losing money. That leaves with only 1 to 3 suppliers, making the field of competition even thinner. And the options for the patients become narrower.

There are various reasons for the non-entry of other multinational and innovator pharma companies into the Philippines in the past. Current policies therefore, should not add to such undesirable factors that can discourage or scare them further from entering the Philippine market and its 92 million citizens, growing at 1.8 million people per year, net of death and migration. The MRP or price control provision without apparent national health emergencies can be subject to abuse. Politicians, health regulators, media and the public, can clamor for price control of any popular and effective medicines if they wish to, and the manufacturers and distributors of such medicines will suffer revenue cuts if not losses. This should be one of the factors that can scare those foreign pharma companies from entering the Philippine market.

Below is a list of other pharmaceutical companies in some rich countries. We are not sure if all of these companies are medicine manufacturers or biotech and research companies doing work for innovator pharmaceutical companies The pharmaceutical industry associations referred to by the websites indicated are affiliated with the International Federation of Pharmaceutical Manufacturers Association (IFPMA, www.ifpma.org). Many of these companies can be found in other rich countries too. In order to eliminate duplication of counting, companies that are listed in the US below for instance are no longer mentioned or listed in Canada, UK, Sweden, etc. even if these companies have branches or subsidiaries there.

Table 2. Innovator pharma company in selected rich countries which have no branches or subsidiaries in the Philippines yet

From the US (www.phrma.org)	From UK (www.abpi.org.uk)
<ol style="list-style-type: none"> 1. Amgen, Inc. 2. Amylin Pharma, Inc. 3. Astellas Pharma US, Inc. 4. Bristol-Myers Squibb Co. 5. Celgene Corp. 6. Daiichi Sankyo, Inc. 7. EMD Serono 8. Endo Pharma, Inc. 9. Genzyme Corp. 10. Hoffmann-La Roche, Inc. 11. Lundbeck Inc. 12. Millenium Pharma Inc. 13. Otsuka America Inc. 14. Purdue Pharma 15. Sigma-Tau Pharma Inc. 	<ol style="list-style-type: none"> 1. A. Menarini Pharma UK Ltd. 2. Actelion Pharma Ltd 3. Ajinomoto Pharma Europe Ltd. 4. Alexion Pharma UK 5. Alizyme Therapeutics Ltd. 6. Allergan Ltd. 7. Alliance Pharma Ltd. 8. Almirall Ltd. 9. Ardana Bioscience Ltd. 10. Basilea Pharma Ltd. 11. Bausch & Lomb Ltd. 12. Biogen IDEC Ltd. 13. Britannia Pharma Ltd. 14. Cambridge Laboratories Ltd. 15. Cephalon UK Ltd. 16. Chugai Pharma Europe Ltd. 17. CV Therapeutics Ltd. 18. Dainippon Sumitomo Pharma Europe Ltd. 19. Daval International Ltd 20. Eisai Ltd. 21. Elan Corporation plc 22. GE Healthcare Ltd. 23. Genus Pharma Ltd. 24. Gilead Sciences Ltd. 25. Brumenthal Ltd. 26. Ipsen Ltd. 27. IS Pharma Ltd. 28. Leo Pharma 29. Lily & Co. 30. MedImmune Ltd. 31. Merck Serono 32. Merz Pharma UK Ltd 33. Napp Pharma Ltd 34. Norgine Ltd 35. Novex Pharma 36. Nycomed Ltd 37. Orion Pharma 38. Pharmion Ltd 39. Pierre Fabre Ltd 40. Pliva Pharma Ltd 41. Procter & Gamble Pharma UK Ltd
<p>From Canada (www.canadapharma.org)</p>	
<ol style="list-style-type: none"> 1. Aetna Zentaris Inc. 2. Ambrilia Biopharma Inc. 3. Axcan Pharma Inc. 4. Charles River Laboratories 5. E-Z-EM Canada Inc. 6. Genome Canada 7. i3 Canada 8. Ikaria Canada Inc. 9. Inemix Pharma Inc. 10. Janssen-Ortho Inc. 11. Medicago 12. Merck-Frosst Schering Partnership 13. Neurolmage Inc. 14. Nucrotechnics Inc. 15. Oncolytics Biotech Inc. 16. Paladin Labs 17. Patheon Inc. 18. Pharmanet LP 19. Ropack Inc. 20. Sanofi Pasteur Ltd. 21. Shire Canada Inc. 22. Therapure Biopharma Inc. 23. Theratechnologies Inc. 	

From Sweden (www.lif.se)

1. Abcur AB
2. AGA Gas AB/Linde Healthcare
3. Air Liquide Gas AB
4. Alcon Sverige AB
5. Biovitrum AB
6. B. Braun Medical AB
7. Ceva Vetpharma AB
8. CSL Behring
9. Diamyd Medical AB
10. Ferring Läkemedel AB
11. Fresenius Kabi AB
12. Galderma Nordic AB
13. Grunenthal Sweden AB
14. Hospira Nordic AB
15. Intervet AB
16. Ipsen AB
17. IRW Consulting AB
18. Janssen-Cilag AB
19. McNeil Sweden AB
20. Merial Norden A/S
21. Mundipharma AB
22. Nordic Drugs AB
23. Novo Nordisk Scandinavia AB
24. Octapharma AB
25. Pierre Fabre Pharma Norden AB
26. G. Pohl-Boskamp GmbH & Co.
27. Quintiles AB
28. Santen Pharma AB
29. SBL-Vaccin AB
30. UCB Pharma AB

42. ProStrakan Ltd
43. Rosemont Pharma Ltd
44. Servier Laboratories Ltd
45. Siemens Plc
46. Smith and Nephew Ltd
47. Solvay Healthcare Ltd
48. Teikoku Pharma UK Ltd
49. Trinity-Chiesi Pharma
50. UCB Pharma Ltd
51. Vernalis
52. Vifor Pharma-Aspreva

From Finland (www.pif.fi)

1. AKELA Pharma Oy
2. Algol Pharma Oy
3. Alk-Abello Finland
4. Ayanda Oy
5. Berlin-Chemie/A. Menarini Suomi Oy
6. Biotie Therapies Oy
7. Crown CRO Oy
8. Eläinlääketeollisuus ry,
9. Encorium Oy
10. Ferring Laakkeet Oy
11. Oy Ferrosan AB
12. Finn Medi Tutkimus Oy
13. Fit Biotech Oy
14. Fresenius Kabi Ab
15. Galderma Nordic AB
16. Hormos Medical Oyj
17. Oy Leiras Finland Ab
18. Medfiles Oy
19. Oriola Oy Panfarma
20. Parexel Finland Oy
21. Sanquin Oy
22. Oy Stada Pharma Ab
23. Suomen Punainen Risti
24. Tamro Oyj Pharmacon
25. Oy Verman Ab

The list of potential innovator players that can come into the Philippines is indeed very big. Even if just 10 percent of the above list would enter the Philippines, that would mean 15 additional innovator pharma companies here, with their wide range of effective and safe medicines, giving additional choices for Philippine-based patients. Not included above are innovator pharma companies from Germany, France, Switzerland, Japan, Korea, China, India, etc.

The above table also suggests that the level of competition among innovator companies in the Philippines, even among multinationals, is very limited. There is a big challenge, therefore, for the Philippines to provide a welcome mat for many of those companies, innovator or generics, from anywhere in the world to come here, to further expand competition and choice for the public.

Some Philippine-based pharma companies, innovator or generics, multinational or domestic, may find this a “bad news”. But this is not entirely so. Wider playing field means that the government’s interventionist and bureaucratic hands are staying away, allowing companies to focus more on improving their products and services for their customers, and they spend less time on complying with old and new regulations, they spend less on taxes and fees.

It is a win-win situation for all – pharma companies, drug stores, patients and the government. Pharma companies will have more leeway for innovation and services improvement. Drug stores will have more drugs to choose and sell. Patients will have more choices among so many suppliers of effective and safe medicines. And government will have more time to focus on its core functions like maintaining peace and order, justice administration, less resources and bureaucracies to be spent on medicine procurement and health regulations and monitoring.

When there is a wide field of competition among pharma manufacturers and distributors, foreign patients abroad will notice this. Thousands of them, as well as Filipinos based abroad, who are seeking quick and quality health care will come to the Philippines because they know that there is a wide range of safe medicines available here from so many innovator companies from around the world.

This will help the local "medical tourism" industry, many private hospitals will also be put up, which will create thousands of jobs for Filipino nurses, physicians, pharmacologists, and other health professionals. Many of these Filipino professionals then need not work abroad as foreigner and "kababayan" patients are coming here by the thousands.

If we have to extend the discussion, in the absence of any clear and compelling national health emergencies, government should keep at bay the provisions not only on MRP, but also of compulsory licensing (CL).

The main goal of RA 9502 is to bring down the price of safe and effective medicines. If this can be achieved by greater competition among players – and there are good indicators that competition is kicking in slowly that results in lower prices of a number of medicines – then the above-mentioned provisions like MRP and CL should indeed be kept as last resort measures.