



## **Voluntary price reduction vs. mad rush for drug price control**

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### **Introduction**

Minimal Government (MG) Thinkers is one of 25 member-NGOs and people’s organizations (POs) that comprise the Coalition for Health Advocacy and Transparency (CHAT). The coalition was officially formed only a few months ago, it is the civil society partner of the Medicines Transparency Alliance (MeTA), and it is probably the biggest coalition of NGOs and POs in the country today that are engaged in health policy advocacy issues and related topics. Some member-NGOs are themselves network of NGOs, while others have actual village pharmacies.

Yesterday, CHAT issued an official statement on the drugs maximum retail price (MRP) or price control and drugs discount cards. The statement is attached below.

There are 4 points emphasized in that official CHAT statement: (a) urging the President to sign the draft Executive Order (EO) issuing MRP to certain medicines; (b) scrapping of the drug discount cards; (c) long-term measures like the development of local pharmaceutical industry by local industries; and (d) deploring the use of public hearing by some politicians for their political campaigns.

This paper is produced mainly to clarify why MG Thinkers, a private think tank advocating less government, less taxes, free market, rule of law and individual responsibility, has suddenly become sort of a “co-signatory” to a

statement advocating that the State, not the private producers and suppliers, will set and control the price of certain commodities. In this case, the price of some medicines.

As an independent think tank – independent from government, independent from any political party, and from any statist political movement – that has produced several papers arguing that the producers and consumers themselves, not State politicians and bureaucrats, will set the price of the commodities being supplied and bought in the market, the appearance of our name in the CHAT official statement may raise some curious or confused questions.

## **The 1<sup>st</sup> Draft**

Three days ago, July 14 afternoon, CHAT held a lecture then meeting on the two subjects of (a) drugs MRP and (b) discount cards. The event was co-sponsored by the Affiliated Network for Social Accountability (ANSA) and the Transparency and Accountability Network (TAN), and it was held at the conference hall of the Ateneo School of Government, Ateneo de Manila University, Katipunan, Quezon City.

In the meeting after the lectures, it was decided that CHAT will issue an official position paper on those subjects, and I was requested to write the first draft of the statement, to be discussed and revised in the CHAT discussion list, to be finalized and released to media within two days. There were 8 NGOs represented in the meeting, and all the leaders of those groups spoke to explain their stand on the two subjects.

There was diversity in opinion and sentiments among the 8 of us there, so I tried to capture those points where there was near or total approval, and at the same time keeping the draft to only one page, in order to give allowance to more additions and suggestions later.

Below is the 1<sup>st</sup> draft statement that I prepared and subsequently posted in the CHAT discussion list.

## **Coalition for Health Advocacy and Transparency (CHAT)**

### **Statement on Drugs MRP and Drug Discount Cards**

Since the cheaper medicines law (RA 9502) was enacted more than a year ago, medicine prices on average have been going down, thanks to the entry of new players in both generics manufacturing and drugs importation and retailing that brought in new and more generic drugs. We believe this is among the early gains of the new law.

But prices of a number of necessary and popular medicines remain high and beyond the reach of many poor Filipinos. Thus, some legislators who authored the law pushed for the issuance of maximum retail price (MRP) for certain medicines, and the Department of Health (DOH) has recommended 21 molecules with their respective brand names for mandatory price cut by 50 percent.

While some of us, member-NGOs of CHAT, directly and openly support the issuance of MRP by the President, others do not see the move as the priority action. Even the DOH has some reservations in such move mainly because of the huge logistical requirements for its enforcement nationwide on a sustained basis.

We welcome therefore, the agreement between the government and the pharmaceutical companies whose products are among those in the 21 medicines for issuance of MRP, for voluntary price reduction by the latter of those medicines by at least 50 percent. We feel that this is a win-win solution for all. Patients will get cheaper medicines, the government will not further strain its limited resources and manpower in monitoring for compliance or non-compliance, and drug stores and drug manufactures will not be harassed by government personnel checking if labels like “retail price shall not exceed P\_\_\_\_\_” were indeed put on each and every single bottle and capsule packs of the affected drugs in all drugstores in all cities or municipalities across the archipelago. Only if the voluntary price reduction by some pharmaceutical companies is not honored properly, will the issuance of MRP for their medicines will be made.

If the voluntary price reduction is done on those drugs identified by the DOH, then the existing drug discount cards by some pharmaceutical companies will no longer be necessary and hence, should be discontinued. The discrimination against poor patients who seldom or do not see a doctor who distribute the discount cards, will be discontinued too.

Finally, we believe that over the long term, the local pharmaceutical sector should be developed by the private enterprises, and alternative drug distribution network should be developed as well. These twin moves will expand the competition among drug manufacturers and retailers, which will create a more lasting insurance for cheaper, safe and effective medicines to the Filipino people.

## **The main debate**

There were a lot of exchanges that followed. Most were comments and additions directed to the above draft, a few were directed at me, personally attacking me for producing such wordings.

The main debate was whether to allow voluntary compliance for unilateral price reductions by some multinational pharmaceutical companies, or disregard such voluntary compliance and the President should go ahead sign the draft Executive Order (EO) issuing the MRP for those medicines identified by the DOH.

There was no more debate on the drug discount cards because if the affected pharma companies will bring down the price of their top-selling drugs listed by the DOH by at least 50 percent, whether voluntarily or coercively, then there is very little or no more room for further discounts and price marketing promos.

On the part of MG Thinkers, price-setting by the politicians and government officials, meaning politicized pricing or pricing by coercion, is not acceptable. We go for voluntary pricing by both producers and consumers. So long as alternative generic medicines with assumed bio-equivalence to the branded ones are available, so long as product competition exists, then consumers have the option to not buying, even move for coordinated boycotting, of the more expensive drugs. No political coercion involved. And adjustments by both producers and consumers are quicker and spontaneous, unlike slow adjustments by both producers and consumers under a rigid and politicized pricing. The higher the political drama and circus, the slower the adjustment in both price and quantity of the commodities in question.

## **Logistical requirements in implementing drugs price control**

Aside from the economic and philosophical principles involved in voluntary exchange vs. forced exchange, in voluntary compliance vs. forced compliance, there are logistical and administrative considerations of choosing either voluntary compliance or politicized compliance.

Dr. Robert So, the DOH official who spoke during the CHAT lecture that afternoon, expressed some reservations over the capability of the DOH to fully enforce the MRP very quickly. Such reservation was also discussed by more people during the 5<sup>th</sup> DOH Advisory Council meeting on price regulation last June 26 this year. And I would assume in similar other fora and public consultations.

The logistical requirements for full MRP enforcement via government intervention and forced compliance is huge.

The DOH, BFAD and other government agencies will have to assign many of their personnel both at the central and regional or provincial offices, to check if the sticker, “price not to exceed P\_\_\_” was indeed put in ALL medicine bottles, in ALL blister packs, in ALL capsule/tablet packs, of the medicines under MRP, in ALL 10,000+ drugstores in many cities and municipalities in the country, at ALL times until the MRP is withdrawn, if ever. It is estimated that it will take at least 2 to 3 months AFTER the President has signed the EO issuing the MRP, before the DOH can enforce and implement the MRP.

Thus, assuming that the President will sign the EO by tomorrow, July 18, the soonest time that the DOH can implement that EO will be September 18 to October 18 (ie, 2 to 3 months after the signing of the EO). That's how messy the implementation of the MRP is.

Some civic groups, NGOs and POs can definitely help in such kind of price monitoring. Then the DOH and BFAD will have to conduct training and accreditation for these private initiatives so that the drugstores will not be harassed by just anyone who can arrogantly appoint themselves as “MRP watchers”.

Some DOH and BFAD people will be possibly horrified by such task, because they will receive all sorts of attacks and criticisms by the public, the media and the legislators in the Congressional oversight committee should there be loopholes and inefficiencies in their implementation.

Some leaders of the Filipino-owned pharmaceutical companies are also not in favor of drastically issuing the MRP, partly because of that logistical issue.

## **The Final draft or Official statement**

The 2<sup>nd</sup> draft was prepared by another NGO leader, from the National Pharmaceutical Foundation (NPF), after taking into consideration the various comments and additions posted in the discussion list.

I think she sent it to the ExeCom of CHAT – composed of representatives from HealthWatch, AGAP, 3CPNet, WomanHealth and ProcurementWatch – and the ExeCom made the 3<sup>rd</sup> and final, official statement.

And the forced compliance, politicized pricing sentiment won. That the President should sign the EO issuing the MRP of certain medicines. There are 3 other calls in that statement, posted below.

All the 25 founding members of CHAT were listed in the statement. There was no explicit message that all of them have “approved and endorsed” the statement. The list of those organizations were simply attached to the 2-pages official statement.

**It is true that MG Thinkers is one of the 25 founding members of CHAT. But it is not true that MG Thinkers approved the politicized pricing proposal.**

This clarification is necessary for two important reasons.

One, MG Thinkers is not making a U-turn on its belief in the free market and its despise of ever-bigger government interventions, regulations and taxation.

Two, MG Thinkers respects the opinion and sentiment of the majority of fellow organizations in CHAT. The coalition was formed on the basis of health and medicines transparency, not on State control of health enterprises. That is why we joined the coalition and staying in the coalition.

The defeat of our argument within the coalition that voluntary compliance is a better, less bureaucratic scheme to bring down medicine prices for the Filipino people, is only a temporary setback.

On very-very rare occasions that we applaud the decision of the President of the country, her move to allow voluntary compliance by some multinational pharmaceutical companies to drastically bring down medicine prices is one such very few decisions she made that we respect.

Below is the official statement of CHAT, released yesterday, July 17, 2009.

# **COALITION FOR HEALTH ADVOCACY AND TRANSPARENCY**

## **OFFICIAL STATEMENT**

With the enactment of Republic Act No. 9502 (popularly known as the Cheaper Medicines Law) a year ago, hopes were high that access to the most commonly prescribed medicines at affordable prices would, after decades, now become a reality, especially to the economically marginalized.

To be fair, many positive changes have become evident in the pharmaceutical marketplace. But while there is now a growing acceptance of generics resulting in a downward push on prices, and heightened consciousness among citizens asserting their rights to access, we are impatient with the pace at which the measures identified in the law are being implemented.

The Coalition for Health Advocacy and Transparency (CHAT), a group of civil society organizations (CSOs) and people's organizations (POs) concerned with issues on access to medicines, public health, and good governance, calls for the immediate implementation of concrete measures that will bring down prices of the most commonly prescribed and essential drugs now, not later.

The Coalition

- Calls on the government to sign the Executive Order (EO) mandating Maximum Drug Retail Prices (MDRP) on an initial 21 molecules, and supports its speedy implementation. While we recognize the difficulties of enforcement, we strongly believe that the benefits to the public far outweigh the disadvantages.

CHAT and its member-organizations are committed to assist the government in monitoring compliance, as well as in ensuring continued and effective enforcement of the MDRP across the supply chain by reporting validated observations.

The current list must continue to be expanded or revised, as the situation warrants. MDRP is temporary, and should remain only while it continues to serve the interest of public health. It is acknowledged that there is wide room for modification, addition or withdrawal should the results prove detrimental.

- Supports the scrapping of discount card schemes disguised as patient education programs. These schemes are merely being used by some leading pharmaceutical companies as a bargaining chip to evade MDRP implementation.

Discount card schemes are discriminatory and repressive. CHAT views these as marketing ploys to mask unreasonably high medicine prices, and is strongly against measures such as these that stand to benefit only a few.

CHAT therefore calls on the concerned pharmaceutical companies to finally grant the discount to all Filipino patients, whether or not they have the means to consult with private doctors, or patronize participating drugstore outlets.

If the discounts can be given to a few, then certainly they can be enjoyed by all.

- Believes that such measures as the MDRP or price regulation are palliative and its effects, short term.

CHAT believes that an integrated and longer term solution to the problem of high medicine prices is necessary, and calls on all sectors to take a hard and serious look at, among others, strengthening the manufacturing capabilities of the local pharmaceutical sector, the development of an effective alternative distribution network that will reach even far flung communities, and improving the social health insurance program in the country.

These multiple initiatives will provide permanent solutions by encouraging healthy competition that will result in a downward push on prices, and create a more lasting impact on the market that will ensure safe, effective and quality medicines for all Filipinos now and in the years ahead.

- Deplores the use of these issues and the ensuing discussions in the public arena as a political tool and a means to gain media mileage.

For many Filipinos, especially the marginalized, the problems brought about by high medicine prices are very real.

We call on all sectors, in the spirit of social accountability and partnership, to work together on addressing this challenge that continues to plague the economically marginalized segment of the Philippine population.

## **FOUNDING MEMBERS OF THE COALITION FOR HEALTH ADVOCACY AND TRANSPARENCY**

1. National Pharmaceutical Foundation, Inc. (NPF)
2. Cut the Cost, Cut the Pain Network (3CPNet)
3. Integrative Medicine for Alternative Health Care Systems (INAM) Philippines, Inc.
4. Ayos na Gamot sa Abot-kayang Presyo (AGAP) Coalition
5. Foundation for Healthcare Alternatives, Inc. (Alt\*Health)
6. Pinoy Plus Association
7. SM-ZOTO, Inc.
8. Procurement Watch, Inc. (PWI)
9. Woman Health
10. TRIDEV Specialist Foundation, Inc.
11. Philippine HealthWatch Initiatives, Inc. (HealthWatch)
12. Botika ng Bayan Multi-Purpose Cooperative (BnBMPC)
13. Linangan ng Kababaihan (LIKHAAN)
14. Philippine Legislators' Committee on Population and Development (PLCPD) Foundation, Inc.
15. Government Watch (G-Watch)
16. Affiliated Network in Social Accountability – East Asia and Pacific (ANSA-EAP)
17. Minimal Government Thinkers, Inc.
18. Philippine Society of Experimental and Clinical Pharmacology
19. Cancer Warriors Foundation, Inc. (CWFI)
20. Medical Action Group, Inc.
21. Kabalikat ng Botika Binhi, Inc. (KBB)
22. Health Action Information Network (HAIN)
23. Kapisanan ng mga Kawani ng Koreo sa Pilipinas (KKKP) – Philippine Postal Workers Union (PWU)
24. Trade Federation 2 – Kilos Damit
25. National Movement for Free Elections (NAMFREL)