

Medicines bought in bulk by govt can help cut costs

Generics Can Be Distributed Through Health Centres

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By spending just Rs 6,000 crore, the government can make a huge dent in the treatment of all sick people across the whole country — currently, people are spending as much as Rs 25,000 crore on buying essential medicines. This was the strong message sent out from a National Consultation organized by several civil society groups at New Delhi on Tuesday. Officials of the

health ministry and the Planning Commission were also present. Indian families spend over Rs 95,000 crore per year on getting medical treatment for a slew of ailments. Over 40% of those hospitalized met the costs by either borrowing or selling assets. As a result, 3.25 crore people were pushed below the poverty line. And, because of dire poverty, 23% of sick people simply avoid going to a doctor.

India, which has the largest pool of patients in the world, largely depends on citizens paying their own way through diseases. Households incur 71% of the total expenditure on health — about 3.3% of the country's GDP. State and central governments together spent about Rs 26,000 crore on health, that is, about 20% of all spending on health. This amounts to a measly 4.2% of all gov-

Will Govt Swallow This Pill?



ernment spending and just 0.9% of the country's GDP.

The cost of medicines can be drastically brought down if the government procures generic drugs in bulk from manufacturers and distributes them directly to the people through its health centres, said Dr Amit Sengupta of the Jan Swasthya Abhiyan. The additional expenditure would barely increase government spending by 2% of the GDP, which is small compared to about 6% in upper-middle income countries like Brazil or 10% in high income countries.

Why is there such a big difference between the present expenditure done by people buying prescribed drugs and government procured distribution? According to research presented by experts at the meeting, current prices are highly

inflated because of violation of official price-control orders, huge mark-ups by traders and middlemen and prescription of irrational and useless drugs by doctors who get commissions on prescribing from drug companies.

Prices of the same chemical marketed under different brand names vary by 60% to an eye-popping 1,500% and many of the costlier drugs are heavily prescribed, said Dr CM Gulati, editor of the

drugs index MIMS. He presented data showing the huge margins being pocketed by traders. The cost price of a cough syrup is Rs 7 but its MRP is Rs 24. Similarly, the cost price of progesterone is Rs 18 but it sells for Rs 180, he says. There are over 90,000 drug formulations in the market, whereas the actual number of essential drugs is a few hundreds.

Patent rights also give a boost to prices as shown by the case of Glivec, an anti-cancer drug. Novartis, the patent holder sells 120 capsules at Rs 1,14,000, but Indian companies Natco and Cipla are selling it for about Rs 10,000. Even here, the profit margins are huge — Cipla supplies it to Indian Railways for just Rs 6,500. Several irrational drugs are witnessing huge growth in sales according to Amitava Guha of the medical representatives federation.