PRESS INFORMATION BUREAU
पत्र सूचना कार्यालय
GOVERNMENT OF INDIA
भारत सरकार

MINT, Delhi
Thursday 28th August 2014, Page: 23
Width: 29.42 cms, Height: 26.95 cms, a3r, Ref: pmin.2014-08-28.57.92

theirview

Making healthcare affordable

Increased role of the government alongside a competitive market structure is the need of the hour

Vasudha Wattal
is a researcher at ICRIER, New Delhi.

Much to the disappointment of the Indian pharmaceutical industry, the latest development on the block is the imposition of price ceilings on 108 non-scheduled formulations comprising anti-diabetics and drugs for cardiac ailments. The National Pharmaceutical Pricing Authority (NPPA) justifies its move that these drugs, though outside the list of essential medicines, display significant inter-brand price differencials (and thereby market failure), resulting in tremendous financial burden on the common man. But what is worth thinking about here is whether such a measure has any long-term viability in dealing with the miseries of the masses, especially when we have failed to address another equally pertinent issue—state failure.

The role of the state in delivering as essential a service such as health cannot be emphasized enough. This is apparent from the world average statistic for public expenditure on health (as a percentage of total health expenditure), which stood at 60% in 2012. Unlike most developed as well as developing countries, India has little to offer as far as its public health budget is concerned and its share of public health expenditure in 2012 was only 33%.

The Economic Survey of India 2013-14 shows that the central government's expenditure on health and family welfare as a percentage of total government expenditure has been hovering around 2% since 2008-09. Of this figure, the percentage spent on provision of essential medicines would be less than 1%. As a proportion of India's gross domestic product, the expenditure on health is even lower at 1.4%. When such numbers are put alongside a population figure of 1.2 billion, there seems little hope for affordability and accessibility of medicines, more so when the bulk of the population (more than 80%) is without any form of health insurance coverage. It is not hard to realize that this sector is plagued with utter state failure in the sense that not only is there poor public health provision but also scarce regulation of private health providers. While price control is a valid regulatory mechanism for essential services such as health, it proves to be less powerful when it is supported by an otherwise weak regulatory system.

Let's consider the present scenario where there would now be greater pressure on firms to increase their sales volume to make up for the loss in margins for non-scheduled formulations. This pressure will be felt through the medical representatives of these firms who play out their role in influencing prescription choice. In the absence of regulations on prescribing behaviour, firms with deep pockets might be able to recoup their losses and possibly drive out the smaller players from the market.

The often cited counter view to the problem of prescription-driven demand is that the consumers, as per law, can ask their pharmacist to substitute the prescribed medicine with the cheaper generic alternative. However, this seldom actually happens due to several reasons including patients' trust in their doctors to be more knowledgeable than the pharmacist, limited choice when the purchase is made from hospital pharmacies and finally, selective stocking by pharmacists.

In addition to the problem of supply-driven demand, the price control policy itself has loopholes that might create more problems than it rectifies. The presenr policy on single ingredient formulations might give rise to additional unnecessary fixed dose combinations, thereby amplifying the problem that we're already dealing with in this sector.

The kind of state failure that we are at present battling stems from both poor state of health financing and weak regulation of the entire healthcare system. The approval processes for manufacturing as well as clinical trials are slow; the prescribing and dispensing practices remain unregulated and our quality control to some extent is questionable. With such a weak foundation, if the NPPA is considering this move to be a long-term solution, then it might he treading the wrong path. Across the world one or the other form of price control is exercised but such a policy is based on a well functioning public health system with widespread social insurance.

A multi-pronged strategy aimed at an increased role of the government alongside a competitive market structure is the need of the hour. One such way may be a strong public procurement system at the national level that would ensure competitive tenders coming in from the private firms. The Tamil Nadu State Medical Corporation (TNMSC) is an excellent example at the state level and has often been suggested for replication at the national level. The problem of affordable medicines can also be addressed if public sector undertakings are revived as efficient enterprises that give quality assurance as well as fair prices. But strengthening of the existing regulatory structure still remains the most crucial issue and is a prerequisite to a well performing healthcare sector.

With inputs from Ali Mehdi, consultant, ICRIER.

Comments are welcome at theirview@livemint.com

Pr. C.I.