

BOOK REVIEW

Profits over people?

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Anant Phadke, *Why Medicines are so Costly in India*, Publisher: The Hindu Centre for Politics and Public Policy, Policy Watch no. 20, 2024. pages 36. Available free online from: <https://www.thehinducentre.com/publications/policy-watch/why-medicines-are-so-costly-in-india/article68941667.ece>

The book, *Why Medicines are so Costly in India*, delves into a fundamental paradox that perplexes India: why are medicines so costly in the country regarded as the "Pharmacy of the World," and is the largest supplier of affordable generic drugs and vaccines to the world? The pharmaceutical industry in India has witnessed remarkable growth in volumes and profitability, driven by low manufacturing costs, and skilled manpower; yet, medicines continue to remain unaffordable for many Indians. Can the country be lauded for its much-acclaimed economic performance while it keeps affordable healthcare out of reach of the majority of the population? The book dives deeper into this issue from the perspective of affordable health provision.

Authored by medical professional and health activist Anant Phadke, the book is divided into five concise chapters. It demonstrates, unequivocally with empirical data, that critical measures to achieve affordable healthcare have yet to be implemented. It explains how the pharmaceutical industry contradicts the principles of traditional market economics. Medicines are "unique products" where the prescriber (the doctor) is neither the payer nor the buyer, and the decision-maker (the buyer) often lacks sufficient knowledge of the product. Information asymmetry, technical complexities, and fear are prominent features of this market-driven system. When such asymmetry persists, the author advocates for price controls as one of the ways to move forward, citing the monopolistic or oligopolistic structure of the pharmaceutical industry.

Empirical evidence in the book suggests that the pharmaceutical industry has missed the opportunity to provide affordable drugs, to the masses. Data reveals that Indian patients bear 60% of healthcare-related costs through out-of-pocket (OOP) expenditure, making India a country with one of the highest levels of OOP healthcare spending. Notably, 40% of this expenditure is on medicines, which significantly contribute to pushing over 3% of Indians into poverty annually. The book traces the phenomenal growth of India's pharmaceutical industry, especially over the last 30 years. During this period, the dominance of private healthcare has

risen to 70% of patient care. The book observes the parallel diminishing role of government support systems, with exceptions in a few states, such as Tamil Nadu, Kerala, and Rajasthan, where healthcare frameworks have been strengthened. In this transition, the book critiques how the accolades earned by the pharmaceutical industry have only minimally benefited patients.

It identifies a critical issue, ie, the tokenistic regulation of the pharmaceutical industry, which ought to have significantly impacted drug prices. While the number of drugs covered under Drug Price Control Orders has increased, the proportion of retail medicine sales under Market-Based Price Control has dropped to just around 11%. Meanwhile, pharmaceutical companies have reported substantial increases in profitability, legitimising price hikes. The book also examines policies such as price controls on "standard" dosages, automatic price increases based on the Wholesale Price Index (WPI) rather than cost-based formulas, and other mechanisms that contribute to rising drug costs.

The concept of "generic brands" is another focus, with the author citing the existence of 60,000 branded generic drugs across 60 therapeutic categories. This results in brand competition based on generic names, influencing both pricing and doctors' prescribing habits. Consequently, a few major companies dominate the generic drug market, exercising oligopolistic control. A striking example is the promotion of a specific brand name over the generic term "paracetamol," leading to brand loyalty and substantial profits. The reviewers also recollect that a particular generic brand name was popularised during the Covid-19 pandemic by the authorities, leading to a substantial increase in sales for a company.

Given the professional expertise of the author, the book effectively highlights the factors that have rendered medicines unaffordable for the larger public. To achieve "medicine for all," the book argues for comprehensive reforms. These include cost-based price controls on all marketed medicines, abolishing brand names in favour of generic names, banning irrational medicines, and strengthening regulatory bodies like the Central Drugs Standard Control Organisation (CDSCO) and State Food and Drug Administrations. Additionally, it recommends expanding Jan Aushadhi stores nationwide, replicating Tamil Nadu's generic medicine procurement and distribution model, and adopting an "Open Drug Discovery Approach" to bypass the patent system.

While the arguments are well-articulated, several broader issues must be addressed to ensure affordable healthcare for all. The reviewers firmly believe that healthcare is a social good and that the government must play a pivotal role as both policymaker and provider. There are wider lessons to be learned from other countries where the complete onus of providing primary healthcare has been owned by the State. As far as India is concerned, the disproportionate influence of the private sector, the rise of super-specialty services overshadowing primary healthcare, and the growing dominance of private medical education require urgent re-evaluation to establish an affordable healthcare system.

The overarching question, however, remains: how can a neoliberal environment, where neoliberal economics guides public policy decisions, address the challenges brought out by the book? The challenge seems to create a path where the government's programme for providing universal affordable healthcare is well-addressed despite the pressure from corporate interests on government programmes. The Covid-19 pandemic has underscored the urgent need to address the issue of affordable and universal health provision with affordable medicines. We must learn lessons from such pandemics. In this context, the book reminds us that the pharmaceutical industry must truly become a partner in health, rather than a distant, profit-driven entity.

The reviewers are of the view that universal healthcare is not just a social imperative but also an economic opportunity that can drive sustainable development and improve the quality of life for crores of people. We believe that the drug industry must play its part in this larger vision. There are examples elsewhere of how the government can take a lead in public health provision. The UK implemented the National Health Service (NHS) in 1948, where the latest figures show that patients contribute about 1% towards prescriptions and dental charges. Similar affordable universal health provision models elsewhere need to be studied to address the market asymmetries posed by the health sector in India.

There is a need to review the health infrastructure, including the availability of skilled manpower. Creating a cadre of super-specialty doctors does not seem to be the answer. Enabling institutional structures in the form of affordable health insurance, a National Health Service, addressing regional disparities through rural infrastructure, and provisioning skilled human resources appropriate to requirements may be areas the States need to work towards. Priority must be given to primary health infrastructure over privately-led super-specialty services. An enabling requirement will be to increase the health expenditure-to-GDP (Gross Domestic Product) ratio on a priority basis. We believe that these policy frameworks, along with the measures suggested for the drug industry by the author, will go a long way in ensuring affordable medicines, apart from reducing the OOP expenditure on healthcare and medicines.

To conclude, we believe the book is a compelling and timely contribution to the discourse on India's pharmaceutical industry. Its comprehensive analysis and actionable recommendations make it a must-read for anyone interested in healthcare policy and the pharmaceutical industry. Let us hope that pharma is "*not far maa*", as we have seen in a recent advertisement.

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