BUSINESS RECORDER
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## Drug prices

Drug prices undergo an extremely lengthy process and typically take from between one to two years, so maintained a recent State Bank of Pakistan (SBP) report, a practice indicative of a time lag that several industrial units may simply be unable to sustain from a financial perspective. Pharmaceutical industry relies heavily on imported raw material and therefore is very susceptible to a rupee erosion vis-a-vis major international currencies, while raising utility tariffs, including electricity and gas, would automatically raise costs, the SBP report further acknowledged.

The current state of the economy is a source of serious concern not only to the Khan administration but also to industrial units struggling to meet costs and obtain a profit which in turn would determine their future investment decisions. It is a foregone conclusion that with the economic managers currently seeking an International Monetary Fund (IMF) package the possibility of yet another rise in utility rates is high which would imply higher costs of production for all industrial units, including the pharmaceutical sector. At the same time, the market consensus is that the rupee has not yet stabilised, a desirable condition that is expected to gain traction once the country is on an IMF bailout package; however in the meantime, the public is struggling with not only shortages of medicines (life saving and others) but is compelled to pay higher prices than those approved by the Drug Regulatory Authority of Pakistan (Drap) due to the time lag in raising prices. Refusal to pay the higher price by consumers is one of the reasons for shortages of several drugs in the country.

On April 8 this year, the federal minister for National Health Services Aamer Mehmood Kiani announced that 226 drugs costing tens of millions of rupees, manufactured by 59 companies, "had been confiscated as they were selling medicines at prices higher than the maximum retail prices due to which DRAP was directed to act against these firms. We will not tolerate price hike as it directly affects poor people." Compassionate sentiment indeed but, unfortunately, one that does not go to the root of the problem facing the sector and therefore does not contain a viable solution for either the patients or the industry: availability of drugs at prices that meet input costs.

The question is what is the solution to this recurring problem? The Khan administration has launched a health card scheme with Minister Kiani stating that 65,000 cards are being printed daily and by the end of the year 55 million people would be able to get free medical treatment. Implicit in these cards is the fact that the government would subsidise medical care and one would assume that medicine prices may also have to be subsidised to enable the health card holders to pay their share of the costs, as and when due.

Without holding any brief for the pharmaceutical companies for raising rates above those approved by the government or creating shortages due to inability to meet costs as a consequence of domestic as well as imported inflation impacting on the costs of production there is a need for some greater understanding of the genuine problems of the pharmaceutical sector by the government. It is therefore recommended that the relevant ministry take appropriate measures to determine price of specific medicines based on their actual costs (input as well as tariff costs) with an appropriate profit margin (or else domestic output would shrivel) and undertake this exercise on a regular basis instead of deferring the decision for a couple of years.

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