



PHARMACEUTICAL PRICE ASYMMETRY AND NEED FOR A POLICY FRAMEWORK

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ABSTRACT

This paper is an opinion in the form of a letter to the editor. Here the authors highlight the issue of pharmaceutical price asymmetry in some countries. The letter explains the need for a comprehensive policy framework in the pricing of pharmaceutical drugs.

Key words: Pharmaceutical products, Price, Policy, Consumers

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1. OPINION

Asymmetrical information is commonly observed in market economies and is generally considered as a cause for concern as it might lead to adverse selection and moral hazard [1]. In certain countries like India, Philippines and Iran, price control is imposed on essential drugs. However, in other countries such as Malaysia, Korea and New Zealand, a free market system is practiced. In countries with a free market system apprehensions on the availability and affordability of medicines do exist. Manufacturers, distributors and retailers are given freedom to set the price in such countries leading to considerable price variations [2] and high markups [3] in medicines.

Though such price variations are common across the world, consumers in certain countries like Malaysia differ from the US and German consumers who prefer generic medicines due to price advantages. This situation leads to potential exploitation of the consumers in countries where there is no price control. In contrast, India and Australia require the pharmaceutical companies to register the recommended retail price in a database [4]. As this approach ensures that the consumers have better access to essential drugs some [5] even argue that that exceptions should be made for the medical field though certain governments prefer a free market system.

In the economies where price control is not enforced the governments should at least take measures to improve the transparency in pharmaceutical pricing. However, transparency alone may not improve the situation in free market economies and hence the governments should take cognizance of the WHO recommendations on regulation of markups in pharmaceutical supply and distribution. It is recommended that the cost of medicines should be taken into consideration while computing the profit markups and fixed percentage markups should be avoided to prevent price escalation. Overall, consumers would benefit from better availability and affordability of medicines if transparency and regulatory controls are ensured in pharmaceutical pricing.

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