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Two markets, two rules?

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In the context of access to life-saving medication, this is a rhetorical question. Of course there are many markets, and in all markets there is only one overarching rule: to adjust prices to accommodate fluctuations in supply and demand in order to achieve as economists say “allocative efficiency”. If this does not work, one speaks about a market failure. “Market” is a macro-economic term, and not a term from moral science, and therefore markets do not have the objective to meet a demand in the sense of reducing a burden of disease, but simply meeting the demand of those, who are able to pay for a product or a service. In addition the health market has the specific feature both in the industrialized as well as in the developing world that the customer/patient does not really have a choice over their “demand” for a life saving medication.

The global pharmaceutical market is a multifaceted body, where one cannot just oppose industrialized versus developing regions. Indeed there are many quite different, more or less regulated markets, often defined along national borders. Differential pricing – one of the many nightmares of the pharmaceutical industry when thinking about providing drugs to the developing world - is already a reality next door, as a comparison of drug prices in Switzerland and Germany clearly shows. Differential pricing is obviously feasible provided the right legal, technical and political environment can be secured.

In the health sector market forces do not always serve the perceived public interest – not only in developing countries. To counterbalance these market failures external interventions are necessary. An example of this is the treatment of sleeping sickness, where the continuity of treatment and R&D for new treatments has been secured. Today there are numerous initiatives to bridge the gap between cost effectiveness and the need to secure access to life saving medication. These initiatives mostly have a “palliative” character and they rarely address the complexity of health problems in countries with limited resources, as these go far beyond the availability of drugs. These have to be addressed by governments in countries with limited resources as well. For example in many countries

import taxes on medications are one obstacle for the financial accessibility of drugs.

The respect of standard sets concerning the development and production of medicines, which are in the interest of the consumer and patient seems to be obvious and will be discussed by others today. However, the dimension of the usefulness and appropriateness of drugs in the context of life-saving medication is often neglected. In the developing world as well as in industrialized countries unfortunately not all medicines prescribed and used are useful or necessary. Progress is not always progress in medical terms, but rather in terms of market share, increasing or at least securing it. This is the way our economy works, but it is not the way to secure access to life saving medication in countries with limited resources.

The answers to these “market failures” are complex, but basically stakeholders have to be called to account. In spite of these developments a pharmaceutical market analyst recently stated: “As growth in mature markets moderates, industry attention is shifting to smaller, developing markets that are performing exceptionally well.” This argument for increasing demand on the pharmaceutical industry to provide should be encouraging for partners in the South and pressure groups in the North to ask for more. There is not a single major pharmaceutical company without a smaller or larger drug donation programme or a foundation for development, indicating that they have seen the signs on the wall, and not just for altruistic, but also for marketing and long term commercial interests.

Governments – not all – declare easily that health is a basic human right and that it is a global public good. This does not keep them from reducing or freezing their financial contribution to partner countries and global initiatives to counterbalance the market failures described above.

Hopefully – not too far away in the future – companies and affluent societies and governments in countries with limited resources will live up to their stated social responsibility in their mission statements and governments to their promises. To do that, would be a truly valid rule.