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Secretary
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Sta. Cruz, Manila

JOINT FOREIGN CHAMBERS (JFC) POSITION PAPER ON MAXIMUM DRUG RETAIL PRICE

In recognition of the importance of creating a population of healthy Filipinos in the country, access to medicines has been high on the agenda of the Philippine government. With the objective to achieve this outcome, in 2009, prices of 5 and over 200 products have been cut by 50% and 5-75% respectively, through the Maximum Drug Retail Pricing (MDRP) and Government-Mediated Access Pricing (GMAP). GMAP served as a response to MDRP, in which the pharmaceutical companies voluntarily reduced the prices of their products.

One of the past efforts of the Joint Foreign Chambers of the Philippines (JFC) in line with this approach is the submission of its position paper in May 2017 to Senators Juan Miguel Zubiri, Senate Trade and Industry Committee Chair, and Joseph Victor Ejercito, Senate Health Committee Chair. The position paper highlighted the group's support in promoting competition within the healthcare market, and recognition of price regulation as a reserve instrument in the absence of the former. Moreover, it expresses that price capping is retrogressive to the country's health objectives.

As a recent development, last March 2019, the Department of Health announced at the 3rd National Health Sector Meeting, that the agency is looking into:

- Expanding price regulations for **26-54% of the current list of 4,473** drug preparations in the market. The implementation of this renewed price regulation scheme through the release of a Presidential Executive Order is said to be scheduled for June 2019.
- Amending Republic Act No. 9502 or the Cheaper Medicines Act:
    - **Transferring the power of the Philippine President** to decide on the drug list and their maximum retail prices (provided under Section 17 of Republic Act 9502) **to a revived/institutionalized Drug Price Regulatory Board (DPRB).**
    - Making **price regulation the primary instrument** instead of competition in making medicines more accessible to the public. Section 2 of Republic Act 9502 states that:

> *"...Pursuant to the attainment of this general policy,* ***an effective competition policy*** *in the supply and demand of quality affordable drugs and medicines is recognized by the State as a* ***primary instrument.*** *In the event that full competition is not effective, the State recognizes as a reserve instrument the regulation of prices of drugs and medicines, with clear accountability by the implementing authority as mandated in this Act, as one of the means to also promote and ensure access to quality affordable medicines."*

Recognizing the potential implications of this proposal to the sector and the country, the Joint Foreign Chambers of the Philippines submits the following statements and recommendations. We look forward to the Philippine government's consideration of the below points in coming up with policies to help promote access to medicines:

1. MDRP or price capping is indicated under the Cheaper Medicines Act as a reserve instrument, while the creation of an **effective market competition should be the priority measure.** It has also been noted by the Philippine Institute for Development Studies (PIDS) that price capping has not proven effective in making medicines more accessible, especially to the poor population.[1]

2. The Philippine health market is characterized by **strong competition due to the availability of a wide spectrum of products with a range of prices.** The PIDS further discusses that generic products comprise of 70% of the market by volume and has been a continuing trend, which has greatly contributed to the decrease of its price by around 53.18% from 2006 to 2015.

3. Government health policies and their objectives shall be complementary and collectively help meet the national health goals. The recently passed Republic Act No. 11215 (National Integrated Cancer Control Act or NICCA) and Republic Act No. 11223 (Universal Health Care Act or UHC Act) both support the government's objective of easing access to health services and products. Meanwhile, the imposition of MDRP will serve counteractive of the aim of the said laws and the country's health objectives.

   Among the mechanisms towards access to medicines provided under these two laws are: **pooled procurement and price negotiation, drug reimbursement schemes and Health Technology Assessment institutionalization** which will ultimately help the Philippine government in the efficient delivery of health goods and services. We highly suggest that **looking into and working towards effectively implementing these proposed measures** be prioritized.

   These also support the World Health Organization's (WHO) access to medicines framework, which highlights the role **of equitable pricing and affordability, bulk procurement, and sustainable financing**, as some of the key mechanisms to improve access to medicines. The WHO likewise recognizes the importance of all health stakeholders – government, private sector, NGOs – working together to achieve optimal health outcomes.

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[1] think-asia.org/bitstream/handle/11540/7967/pidspn1723.pdf?sequence=1

4. At the rate of its movement, the industry, specifically the concerned companies that will be affected by the price control mechanism, will not be properly engaged and consulted. This **does not align with the principles of due process, transparency, evidence, and collaboration and consultation with all relevant stakeholders.**

5. Mechanisms such as the **MDRP cause concern among industry players and create an unpredictable business environment for companies,** whether local or foreign. Consequently, this may negatively affect the pace of the introduction of innovation into the Philippines, eventually altering the country's ability to meet the growing health needs, as well as the patients' access to life-saving medicines.

The potential impact of MDRP goes beyond access to medicines and the operations of pharmaceutical companies in the Philippines. In the event that the proposed price capping measure is implemented, employment, tax collection, and social services, are only among the areas that will be affected. This is further supported by the below data:

- MDRP will pose significant economic and social impact to the country. It is estimated that **the impact of MDRP, if implemented as proposed, is around PhP18.59 to PhP57.2 billion.**[2]
- The pharmaceutical industry was able to generate **a PhP181 billion revenue in 2017**, which increased by 10.3% to **PhP 200 billion in 2019.**
- A total of **PhP119 billion in taxes** from the pharmaceutical sector has been collected by the Bureau of Internal Revenue (BIR) from 2006 to 2012.
- Employment from the pharmaceutical industry is estimated to be more than 60,000 in 2010. Furthermore, the Philippine Statistics Office 2016 report shows that the Human Health and Social Work Activities sector is among the top 10 contributors in terms of employment,[3] **providing jobs to 178,905 people in 2016.**[4]
- The benefits from the pharmaceutical manufacturing subsector spills over to almost 100 other industries. Each peso that the pharmaceutical manufacturers spend translates to a **PhP2.50 generated output in other local industries.**
- By the end of 2017, USD1 invested for R&D brought about a **median of USD14.50 in sales income.**
- **Investments in research and development reach up to P1 billion**. In 2014, Philippines was third after Singapore and Thailand in the number of industry clinical trials. Pharmaceutical industry continues to do research and development on new medicines and vaccines, building capability, creating employment, and nurturing the local scientific community.

In line with the above points, the JFC appeals that the Philippine government stand by a **considerative process and appropriate consultation with the industry** and specific concerned companies prior to the release of advisory on MRDP.

[2] Computed based on DOH proposed plan of implementation using current value of ethical pharmaceutical industry
[3] psa.gov.ph/content/2016-annual-survey-philippine-business-and-industry-aspbi-economy-wide-establishment-total
[4] psa.gov.ph/content/2016-annual-survey-philippine-business-and-industry-aspbi-human-health-and-social-work-0

More importantly, as manifested through the pharmaceutical companies' voluntary reduction of product prices in 2009, the **JFC remains committed to closely working with the Philippine government** in implementing effective and fair measures that support access to quality medicines amongst as many Filipinos as possible. To this end, we look forward to having a dialogue with the relevant government agencies to present in detail its proposed approaches towards better access to medicines, in lieu of MDRP.

The JFC is a coalition of the American, Australian-New Zealand, Canadian, European, Japanese, and Korean chambers and PAMURI. We represent over 3,000 member companies engaged in over US$1 00 billion worth of trade and some US$ 30 billion worth of investments in the Philippines. The JFC supports and promotes open international trade, increased foreign investment, and improved conditions for business to benefit both the Philippines and the countries the JFC members represent.

Sincerely,

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