

PRESS CLIPPING SHEET

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Drugs tail the list of price increases and the poor, as usual, are most affected

On 16 May, the Egyptian government approved raising the prices of a large number of medicines all at once—in the first collective increase of drug prices since 1995.

Views of experts, producers, and pharmacists were divergent. Some deemed the increase appropriate,

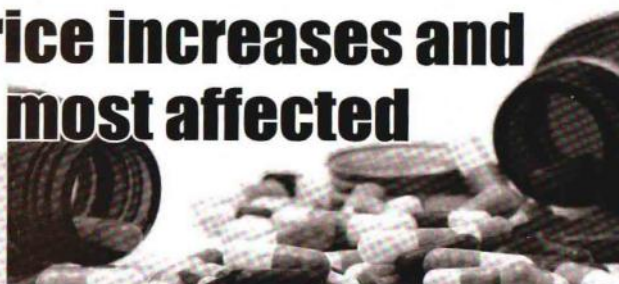
others said it is not enough, while many believe it to be excessive.

However, the fact remains that the increase will happen and the poor will bear a new burden, of higher prices, after many other commodities' prices were increased already, especially in light of the absence of health insurance.

that secures drugs at affordable prices.

The increase of drug prices comes amid other price increases in gas, electricity, foods, and various goods, as well as services and feed—putting Egyptians in a tighter economic state.

By Hisham Salah



Decision to increase prices of several medicines prompts divided opinions

The increase is excessive and the poor will be most affected, says former head of Holdipharma

The decision to raise the prices of medicines last week is "completely wrong" and only indicates the ignorance of those who issued it, said former chairperson of Holdipharma, Galal Ghorab.

Contrary to this, chairperson of the drugs section at the Federation of the Egyptian Chambers of Commerce, Ali Ouf, said that the increase is a "kiss of life" to Egypt's pharmaceutical industry that has been suffering due to the instability of prices and the devaluation of the Egyptian pound.

According to Ghorab, the increase was imposed without a real study of the nature of the drugs and the proportion of their imported components, explaining that imported active ingredients forms 5% to 25% of all drugs manufactured in Egypt.

Prices should have only been increased by 14% to offset the devaluation of the local currency, he said, pointing out that the increase should be set based on the 25% ratio of the imported ingredients. The Central Bank of Egypt (CBE) secures the US dollar needs of pharmaceutical companies.

The price increase should have only included drugs costing less than EGP 10, which did not suffer much loss after the devaluation of the Egyptian pound, said Ghorab.

The minimum rate of increase was set at EGP 2, so, for example, a EGP 1 drug will be sold at EGP 3—triple its original price. "The decision will make pharmaceutical companies millions," Ghorab said. "But the poor will suffer the most."

Justifying the increase by the deval-

uation of the Egyptian pound should have been interpreted as an increase of a few piasters—not pounds, said the former chairperson.

However, according to Ouf, the increase should have been set at 50% of the original price, saying that this would restore the companies' original profit margins. "However, 20% is not bad," he said. He explained that the sector can bear the current conditions for a maximum of three years before needing a further price increase.

Ouf explained that the domestic industry covers 85% of Egypt's requirements for drugs through 140 factories. He noted that locally produced drugs require 95% of imported materials, including active ingredients, packaging, and even the medication data. He added that the pharmaceuti-

A 20% increase is not enough as it should be closer to 50%, says head of federation's drug section



HOLDIPHARMA

Medicine prices have not changed since 1995 despite increased production costs for raw materials and labour

cal sector would have suffered significantly from the US dollar scarcity if it was not for this price increase.

Medicine prices have not changed since 1995, despite the price hikes in production costs, raw materials, and labour.

The state should provide the poor with social security and medical insur-

ance so they can buy medicine at the new prices, said Ouf. Producers have endured decreased profit margins to the point of suffering losses, prompting them to halt production of several drugs. "This increase will encourage companies to resume production," he said. "It will serve in the best interest of patients."

Medicines price increase does not commensurate with devaluation of Egyptian pound against US dollar

The decision includes increasing prices of 70% of local and imported medicines

The increase applied to medicines does not commensurate with the devaluation of the Egyptian pound, said deputy head of Chamber of Pharmaceutical Industries at the Federation of Egyptian Industries Osama Rostom.

Rostom described it as a slight increase. However, he believes that it will encourage pharmaceutical companies to resume production of the drugs they stopped providing due to financial losses.

The Egyptian pound depreciated by about 62% against the US dollar, noted Rostom, adding that prices increased by only 20%. Thus, the increase does not suit the high prices, as the pharmaceutical industry highly depends on the US dollar. The increase in the US dollar price amounts to 82% in the informal market, according to Rostom.

"The increase will encourage the manufacturers of medicine because it will increase the profits of some products, which will compensate the losses caused by other products in the same companies," said Rostom.

He explained that the profit margin of some medicines will slightly increase, covering the losses caused by some other medicines.

The Ministry of Health approved the decision of medicines prices increasing on the 17 May, after receiving many complaints from medicine manufacturers and the disappearance of some of their products from the market as a result of the losses.

The decision includes increasing the prices by a 20% ratio with a minimum of EGP 2 and a maximum of EGP 6.

It was decided that the step would be implemented immediately without withdrawing the products from pharmacies and distributors and re-pricing them.



Deputy Head of the Chamber of Pharmaceutical Industries at the Federation of Egyptian Industries, Osama Rostom

viding a local product that costs much less than the imported one. The disappearance of local products from the market pushed patients to purchase the imported pharmaceuticals, which are relatively high in price.

He said that about 90% of the materials used in medicine production come from abroad.

"The decision of increasing the prices alone is not enough," said Rostom, adding that increasing the prices is a step that should be accompanied by the provision of foreign currency by the Central Bank of Egypt (CBE), especially to facilitate the import of materials and to reduce the cost of industry. Therefore, producers will not be forced to obtain the US dollar at a higher price through the informal market.

In terms of poor families, Rostom said the state must support them with health and social insurances, not to keep medicine prices as they are in the light of the devaluation of the Egyptian pound and put that burden on producers, which in turn reduces the profit margins that they began production with.

He said that the percentage of medicines in health care institutions does not exceed 15% to 20%, as there are tests, surgical operations, tools, and other items. Consequently, "the state should enable a protection system for the poorest classes," he said.

He explained producers will benefit from the price increases by only

90% of materials used in medicine production are imported

9.6% profit, while pharmacists and distributors will have the rest of the decided percentage.

Rostom stressed that the role of medicine manufacturers is to meet the needs of patients by working on providing pharmaceuticals in a global quality. However, the decrease in the value of the Egyptian pound and not changing prices pushed many producers to stop manufacturing certain medicines for the fact that the medicine specifications cannot be changed due to the price increases. They cannot reduce active substances in medicine or decrease the cost in other ways.

He pointed out that the ministerial decisions that regulate medicine prices stated that medicine prices should be reconsidered, if the value of currencies changed by 10% up or down. However, the decision has not been activated since 1995.

"We demand the profit margin that we agreed on," he said.

In terms of medicine with prices over EGP 30, Rostom said he is expecting the committee of medicine pricing to deal with each of them separately, and that the date of their price increases depends on requests and complaints that will be made by the producing companies.

He said that some companies submitted requests to re-price products before the current price increase decision, and that none of the companies submitted such requests after the decision.

Pharmaceutical companies stopped supplying their products before price increase decision: pharmacists

Pharmaceutical companies manipulated the description of the content of their products to benefit from the decision of the prices increase

Specialists' opinions on the feasibility of the decision to increase medicine prices are at odds. This discrepancy extends to include the owners of pharmacies and their staff. Despite the price increase lifting the profit margin of pharmacists, their opinions differ wildly on the decision.

The decision includes price increase of various drugs: different types of painkillers, tranquilisers, and medicines for chronic diseases, such as blood pressure, Diabetes, heart diseases, strokes, and cardiovascular diseases among others.

Some companies stopped supplying their pharmaceutical products before the decision was applied in order to acquire the new profit margin, which confirms that they were aware of the decisions before its issuance, says a pharmacist who asked to remain anonymous. As a result, the market suffered from a shortage of many types of medicines.

The pharmacist said that the prices of 2,000 types of medicine have increased in his pharmacy, and that other items are out of stock.

In terms of the profit margin increase influenced by the price increases, the pharmacist does not see any difference in the profits that represent 20% of the product price. He believes that consumers are suffering from a state of confusion due to this decision.

Some pharmacists believe that the increase is unjustified and that unsold should be sold with the old prices written on them. However, the decision states that the new prices will be applied immediately, as a result patients are confused and are obviously looking for alternative and cheaper medicines.

Another pharmacist, Mohamed Ammar, said he hopes that the company will fulfil its promise to provide medicine after the price increase, as availability of scarce medicines in the market is paramount.



Some companies stopped supplying their pharmaceutical products before the decision was applied in order to acquire the new profit margin

The profit margin is not more than 5% for pharmacists

The pharmacists' profit margin increases by only 5%, and no more than 1.5% for distributors, while business owners receive 13.5%, said Ammar.

He denied that the sales would be affected by this increase as medicines are basic commodities and their sales will not decline due to the higher prices. Patients will simply have to deal with the new prices.

Ammar said that the decision included types of medicines whose prices should not be increased. In previous years, there have been several decisions to increase the prices of many medicines. Sometimes a single decision would include 100 types of medicine.

This decision included 2,800 types of medicines in his pharmacy, and some of these medicines already had

their prices increased in recent years to remain profitable.

Some pharmaceutical companies manipulated the description of their products and changed the classification in order to include them in the list of medicines that would be up for a price increase, a pharmacist said under condition of anonymity.

The companies wrote the prices on tape instead of on the packaging. For example, if the price of a pillbox that has two strips of medicine is EGP 60, the company would write that the price of one strip is EGP 30 to obtain a price increase.

The medicines whose prices were manipulated reached EGP 12 per package. There should be some form of oversight for these products as these significant price increases will cause patients to suffer, said the pharmacist.

Some imported products are absent from the market. According to the pharmacist, domestically-produced medicines were also out of stock before the price increase, such as antibiotics, fertility drugs, and drugs for blood vessels and arteries.

Some medicines are absent because the companies stopped supplying them which means that the prices of these products will increase as well.