

Speaking for Myself

Low-Cost Pharma

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Professor DS and I work in the same hospital. He is senior to me and I respect him for his quest for evidence-based medicine. He retired nearly 12 years ago from a government medical college as a Senior Professor of Gastroenterology. He was popular among his students as well as patients for his sincerity and forthrightness. These were also the qualities that drew me to him. Since my retirement from the Armed Services when I came to work in this corporate hospital, I have often turned to him for advice.

Earlier today I went to request him to cover my patients during the 3 days' casual leave that I had applied for. He was writing a prescription for his patient who was sitting on a stool. He asked me to sit in the chair opposite him and continued writing. In a few minutes, the patient collected his prescription, thanked the doctor and walked out.

'Yes, AC, what can I do for you?' He said with a smile.

'Sir, I...' Before I could say anything more, the door to his chamber opened behind me and a smartly dressed man with a maroon necktie peeped in and said, 'Sir, there is no patient waiting for you and my CEO is waiting outside. Can I bring him in?'

The professor's face indicated that he was not happy with this intrusion. He was possibly going to ask them to wait outside. But before he could say anything, a giant fat person in his early fifties pushed the door and walked in. He was in a blue lounge suit and brought with him a whiff of a smoky expensive perfume.

He loudly addressed Professor DS, 'Good afternoon, doctor!' Then that man glanced at me, hesitated for a second and decided to move in regardless. He pulled a chair alongside mine, and looked at me in the eye and said, 'Good afternoon, Dr Anand.'

I was surprised that he knew my name. He extended his large hand towards me and took mine to give a firm handshake. He presented a visiting card and introduced himself, 'I am RBA, owner and CEO of Low-Cost Pharma.' I noticed that his subordinate who had walked in with him quietly slipped out of the door. Perhaps he was trained to do so when big boss talked to doctors.

Professor DS said with a laugh, 'Ruchir is a "big" man in more ways than one. He's a crook of the highest order, beware of him.' Obviously, Professor DS knew him well enough to call him by his first name and to call him a crook to his face.

Ruchir retorted playfully, 'Sir, have I ever caused you any harm?'

DS changed his tone, 'No, no. This man is extremely helpful and super resourceful. If you want anything done in Delhi, you just have to tell him and it will be done.' Turning to Ruchir, he added, 'Happy?'

Ruchir looked at me and said, 'Sir, I was planning to see you in your chamber later if you permit me. And apologies for barging in like this. Professor DS is like my elder brother. I came in just

to tell a story I heard today about a very hard-working government servant called Banwari Lal.'

He paused to look at both of us by turn—both ex-government servants.

Professor DS smiled, apparently tolerating his impertinence. I was perplexed.

Ruchir continued, 'As a reward for his hard work, his boss presented him a bicycle on New Year. Banwari Lal was grateful but hesitatingly requested his boss, "Sir I have a small daughter, I would like this cycle to be fitted with a carrier so that I can take her around for a ride." The boss said, of course it will be done as you say. And in 4 hours' time, he was handed over his gift once again—this time the bicycle with a carrier attached behind the seat. But now, Banwari Lal noted that the stand of the bicycle had been removed, which was there in the morning. So, Banwari Lal went to his boss and said, "Sir, I don't understand; the carrier has been fitted, but the stand has been removed. Am I supposed to pay for that?'"

Ruchir paused for effect and added, 'The boss replied, "Banwari Lal! In government service, you can either take a stand or you can have a carrier [sic]. You can't have both"! He laughed loudly at his own pun and abruptly got up to go.

Turning to Professor DS he said cryptically, 'Sir, I'll wait for your response and come back again next week.'

As he exited, Professor DS laughed again. He looked at my puzzled face and said, 'This man is an enigma. Every time I have met him, I have regretted meeting him.'

I asked, 'You didn't like his jibe about government service?'

DS replied, 'No, that is just harmless banter. In fact, he was trying to give me a message.'

'Message?' I was curious but not sure whether DS would share such things with me.

But, as usual, DS was forthright, 'AC, this is my third major business encounter with Ruchir.'

And then he added, 'First one was about 35 years back, when I was an Associate Professor and was trying to establish a gastroenterology section in the Department of Medicine at our Government Medical College. There I saw him as a young medical representative with a multinational pharmaceutical company. Even then he was obese but smartly dressed. I was a hothead then.'

I kept looking expectantly at him.

He added, 'One day he came to meet me late in the evening. Other medical reps had long gone. I was finishing some paperwork to initiate a demand for an endoscopic equipment for my department. Those days, my head of department was an old-timer and was against my starting gastroenterology as a subspecialty. I was preoccupied with thoughts about options I had to convince him to recommend my requirements to the dean. That day Ruchir had patiently waited and politely requested for "just two minutes".'

When I called him in, he said, “Sir, I am carrying something that rightfully belongs to you”.’

DS paused for a moment and then continued, ‘Just two people know about this, you are the third. He opened his medical rep’s bag and took out something wrapped in an old newspaper. I asked him “What is this?” In reply he said, “Sir, don’t open it here, open it at home.” But I was very suspicious and I opened it there and then. It contained ₹20 000 in old 100 rupee notes.’

I was taken aback by Professor DS’s candid narration, ‘Did you shout at him?’

DS answered, ‘Of course I did. I kept abusing him for good 5 minutes. He quietly listened. Then in the end, he said: “Sir, this is what my marketing department gives me to promote the sale of human serum albumin. You have been instrumental in its purchase in this college hospital. It is on your demand that purchase department buys it. In my honest opinion, it is your share of the sale”.’

I looked at Professor DS questioningly to know what he did.

DS narrated further, ‘After some time, my anger settled down and I was curious to know his modus operandi. I asked him, “What if I do not take it?”

‘And Ruchir had coolly replied, “Someone up the chain who recommends it will get it”.’

I wanted to know more.

DS said, ‘I was too scared. I knew I was being bribed. And I refused it point blank. I asked him to get out of my office. He quietly picked up the bundle, put it back in his bag, and walked out with a pained expression. I remember he had turned after reaching the door, and pleaded, “Sir, I was being honest by giving you your share, don’t punish me by stopping purchase of this item. This is how business works.” I was too angry at that time to say anything else. I told my wife about it later in the evening and she supported me.’

‘Then what happened?’ I asked him.

DS said, ‘I saw him outside my Head’s office the next day. I do not know what conspired between them, but my life changed after that day.’

I asked, ‘You must have felt good rejecting the temptation of this money, which was a huge amount then.’

DS replied, ‘Feeling good was temporary. My life changed because from that day onwards, my Head became my close friend and well-wisher. He strongly recommended every proposal of mine to buy new equipment and new drugs. I was able to get everything I wanted for my department. In years that followed, my Head became angry with me only once. That was when I had asked for a separate department. It was much later that I realized that the money or you may call it commissions from pharma companies and from equipment manufacturers had been indirectly facilitating my effort of building my department and I felt somewhat ashamed.’

‘What about Ruchir?’ I asked.

Professor DS laughed again. ‘He never met me after that for a few years. About 6 years later, he came to see me briefly once, to thank me. He had become Regional Sales Manager (North) and had put on another 20 kg. He was transferred to Chandigarh. I advised him to lose weight by hook or by crook, the way he managed his sales. He told me a joke like he did today and buzzed off in no time.’

‘And when did you see him again?’ I was interested in the story.

Professor DS went ahead. ‘About 15 years back he again came to me. Now I was Head of Gastroenterology and he was Head of marketing in another pharmaceutical company. He weighed 140

kg and had come for professional advice. I suggested bariatric surgery to him and directed him to the surgeon who was good at it.’

Professor DS said, ‘He listened to me carefully. Then, he told me a joke and vanished again.’

He continued, ‘But I was to have a second encounter with him one year later. That year, as Head of Gastroenterology, I had organized a professional conference and had called three foreign speakers for the same. This was done on assurance of sponsorship by a multinational corporation (MNC) with a big presence in India. But just a month before the conference, the MNC had some legal trouble in India and started thinking of withdrawing operations from this part of the world and also withdrew the offer of sponsorship.’

‘That must have been terrible!’ I said.

‘I was left with no option but to inform my foreign friends about this, cancel their talks and lose face. But then I was informed that tickets and stay had already been booked by my residents by paying an advance. Even if I was to cancel all arrangements, it would still lead to huge financial loss. I was extremely tense those days because I was not good at collecting sponsorships.’

‘What did you do?’ I asked.

‘I discussed with my wife and she suggested that we pool in all our savings to get out of this situation.’

‘Did you do that?’ I asked.

‘Thankfully no. It was during that time that Ruchir came to thank me again after a successful bariatric surgery. He had lost 40 kg. And during our two-minute talk he sensed my tension and asked me about the problem. I told him everything.’

‘What did he do?’ I asked.

‘He laughed out very loudly and told me another joke. And ended his discourse with “What are friends for?”’

‘Did he agree to sponsor the speakers?’ I asked.

Professor DS said, ‘He not only agreed to sponsor the speakers, he insisted that he will organize the banquet in a hotel. I remember that I had protested, because I was not buying anything from his company then. He just said, “Sir, you don’t have to. My company is doing well, and I am buying goodwill from some good people”.’

‘So, he bailed you out in difficulty,’ I said.

‘I think he did more than that. In that banquet, he arranged a musical evening and sang himself. That’s when I learnt that he sings very well.’

Professor DS went on, ‘And my conference was remembered for a long time for that banquet. I was even invited by my friends to Europe and USA in reciprocation.’ After a short pause he added, ‘Much later, when I retired and I was looking back at my career, I felt good about everything I did, except two occasions when I was helped by Ruchir. He somehow made me feel corrupt, where I accepted things that I did not deserve. He says he runs his business on goodwill, and I remember someone has said “*Never underestimate the allure of the Goodwill.* (Stacey Jay, *Romeo Redeemed*)”.’

I wanted to take him out of the pensive mood. ‘You said third encounter, that means you kept in touch.’

‘No, not at all. I think he survived in the industry by creating goodwill, like he did with me. About 5 years back, he has started his own pharmaceutical company in Ahmedabad. He called it “Low-Cost Pharma”, keeping his maximum retail price lower than some other companies. As an entrepreneur, he sold an idea to and borrowed money from 25 popular physicians and cardiologists. He made them his partners in this company and gave them company shares. “Low-Cost Pharma” started marketing

drugs that are commonly prescribed by physicians and cardiologists for hypertension, coronary artery disease and diabetes.'

I commented, 'That's an interesting idea. Those physicians and cardiologists will now be prescribing medicines only from his company.'

Professor DS said, 'Yes. It is a win-win situation. Patients get cheaper medicines, doctors a share of sales and the company is growing by leaps and bounds.'

'And what was your third encounter?' I asked.

Professor DS laughed, 'He is planning to meet you. You can hear it from the horse's mouth.'

I could not wait, 'Please let me know. I will be mentally prepared when he comes.'

DS relented, 'He is now moving into gastroenterology drugs and has come out with low-cost proton pump inhibitors (PPIs), probiotics and new gastrointestinal drugs.'

I asked, 'So a CEO is coming to market drugs?'

DS looked at me, 'He is not here to promote his drugs. He is here to disrupt the market!'

I had heard this word 'disrupt' in connection with two people. One was Baba Ramdev, who was making all fast-moving consumer goods (FMCG) companies nervous and second was Mukesh Ambani's communication enterprise Jio, which had sent ripples through the industry. I asked, 'How can a late entrant disrupt the market, when there are about 25 000 brands of PPIs in the market and everyone is doing everything to sell it?'

'Just hear him out!' said DS and pulled my leave application from my hand and signed on the dotted line above the space marked 'locum'.

Sure enough, Ruchir came to see me after about an hour. Once he was seated opposite me, his medical representative slinked out quietly as he had done in Professor DS's room.

He gave a two-line introduction about his company, that it was created to provide low-cost medicines to people.

I asked, 'Then how do you earn profits?'

His answer was simple, 'By selling large volumes. As Chinese businessmen do. I am supplying common medicines to all central and state government medical departments and by God's grace we are doing all right. Within 6 years of inception, we have become one of the top 10 pharmaceutical companies of India.'

Having listened to the story from Professor DS, I could guess how he was bagging all medicine tenders from government departments and how he was getting all quality tests cleared.

I wanted to close the discussion and politely said, 'It was a pleasure to meet you and hear about your company.'

He said, 'I knew it will be difficult with you. You see, when I go to meet a doctor, I do my homework.' Then he told me about my past work and my prescribing habits.

Before I could interrupt, he said, 'I have seen that you are driving a 7 years' old Honda City. It is time to change your car.'

I said, 'But I am quite happy with it. It doesn't give me any trouble.'

He added, 'It was okay when you were in the Armed Services. But in private practice a doctor is known by the car he drives. Your colleagues here are driving Audi Q7, BMWs, Jaguars and Mercedes cars. Why don't you buy a Jaguar?'

I was aghast at his attempt to pry into my private sphere but continued to be polite, 'Thanks for your advice. I cannot afford these cars.'

He laughed loudly, 'Sir, that is why I am here. These cars are available for a minimal down payment of about ₹35 000, followed by instalments over 3 years.'

I was now getting irritated, 'I told you, I cannot afford to pay the instalments.'

He said, 'Sir, what are we here for? You just make the down payment of ₹35 000 and get all car documents in your name and don't worry about the instalments. I will take care of that!'

Even though I had listened to DS for about 20 minutes, I wasn't prepared for this offer. He had not introduced any of his drug brands. And he was offering me this bribe for no reason at all.

I asked him directly, 'And what will I have to do for this favour?'

'Nothing at all.' He had a winner's smile on his face. 'Just adopt our Rabeprazole which you are so fond of prescribing. Just stick to our brand and you will not have to think of the instalments at all.'

So, he had done his maths. But he was not prepared for my answer, 'Sorry, I would not like to feel pressured to prescribe one brand as you request. Tomorrow if I stop getting patients, you might just stop paying the instalments.'

Now he was business-like, 'Sir, it will never happen. Besides, we have seven brands in gastroenterology, just give us 50% share of all your prescriptions and you will be giving us more than the monthly instalments.'

I was as scared now as DS was on his first encounter. 'Sorry, I am happy with my Honda City. And I want my freedom to prescribe whatever I want.'

He persisted, 'We have two more schemes if you do not want to buy a car. You can attend the Digestive Diseases Week (DDW), the Annual American College of Gastroenterology (ACG) Meeting and Annual European Association for Study of the Liver (EASL) meetings, which will be arranged by our travel agent.'

I told him, 'It is a punishable offence as per the new Medical Council of India (MCI) rules.'

He was exuberant again, 'Come on sir, MCI will never be able to touch you. You will give the cheque of the whole amount spent to our travel agent and we get the amount reimbursed to you in cash through a third party. Every famous doctor you can name is doing it even from government hospitals.'

I had made up my mind, 'I am sorry, but no, thank you.' And I got up to go.

He also got up. 'Sir, *ghar ayee laxmi ko thukra rahe ho!* (You are insulting the goddess of wealth). Anyway, these offers are open and my phone number is on my card. As DS had also said to you, I can be a great friend too. If you need any help at any time, just remember me.' And he walked out.

Within the span of an hour, I learnt how markets are disrupted. I also learnt that businesses are run on goodwill. And goodwill is created by investing money. The model was being sold to me as a win-win situation for everyone. I wonder if it really is. If quality tests are passed on goodwill, and medicine brands are selected on such goodwill, is the patient really a winner?

TAILPIECE

Medicines are expensive. Most patented medicines are research products of western countries, where the problem of costs is much worse. A recent article reviewed thousands of studies from January 2005 to July 2016 to explain what has caused the crisis in the price of drugs and how to solve it.¹ The key findings of this study were: (i) drug manufacturers set their own prices, possibly, to recover the cost of research for other failed drugs; (ii) 'government-protected monopolies' were allowed for patented drugs, and the laws prevent generics from coming to market to reduce prices; (iii) The Food and Drug Administration takes a long

time to approve generic drugs. Thus, a hepatitis C drug marketed at US\$ 1000 per tablet does raise a lot of eyebrows, but from a business point of view, this pricing policy is similar to the price of any 'object of desire' such as an iPhone X which may cost less than US\$ 300 to manufacture but is marketed well above US\$ 1000.

Manufacturers often argue that developing a new pharmaceutical is an incredibly complex, extraordinarily expensive and risky endeavour.² For a drug to reach the market, it has to pass through the ordeal of stringent safety and efficacy tests which involve expensive clinical trials. Only 0.1% of the drugs that begin preclinical testing ever make it to human testing. Of these, only 20% ever get approved for human use. Only 2 of the 10 marketed drugs are able to earn research and development (R&D) costs. Average R&D cost of developing a new drug is estimated to be about US\$ 5.5 billion over 15 years.

The public wants pricing of drugs to be based on 'cost' of producing the end-product. Manufacturers base the price on: (i) the 'value' the drug may have to the consumer; (ii) to earn enough to provide for incentives to shareholders to support its additional R&D programmes; and (iii) profits to the tune that markets can bear.^{3,4} The outcome has been described as 'Eroom's Law' (*Moore's Law*:^{5,6} *spelt backwards*), suggesting that drug discovery is becoming slower and more expensive over time, despite improvements in technology (such as high-throughput screening, biotechnology, combinatorial chemistry and computational drug design).

The situation in India is more complex as successive governments have had a policy to encourage indigenous medicines,^{7,8} which is less expensive, even though untested from the scientific viewpoint.⁹ Thus, a manufacturer can put a product in the market stating that the indigenous preparation contains 'some rare herbs' as its ingredients, while in fact it may only have 'cow dung'. It sounds shocking but the fact remains we have no way of finding out if the said herbs are there in the marketed product or not. Besides, there is no supervision of the manufacturing process. The label of indigenous medicine is enough to bring it to the market and promote it. Its marketing is facilitated by the government because it is cheap and indigenous.¹⁰⁻¹²

Despite so much hue and cry about expensive medicines in India, western drugs have been relatively cheap as there was no patent protection in India before 2005.² Once India joined the World Trade Organization, the Indian Patent Act of 1970 had to be amended to fulfil its obligations under the TRIPS agreement.¹³ The modified Act also has some interesting provisions such as 'Compulsory Licence u/s 84' in transfer of patents. It allows an involuntary contract between a willing buyer (e.g. NATCO Pharma Ltd., Chennai, Tamil Nadu, India) and an unwilling seller (e.g. Bayer Corporation, USA, as in the case of Sorafenib) and it can be enforced by the government under some provisions. So, in India, generics produced locally are being marketed with different brand names apart from the original product.

Taking a cue from indigenous medicines, some pharmaceutical companies partially or entirely outsource the basic chemicals to unreliable sources, relegating the quality of the product to the lowest priority. These companies may invest a large amount of money in marketing and promotion as Ruchir had done with 'Low-Cost Pharma', with a view to outsell genuine products by lowering prices. When drugs are tested in various regulatory laboratories, the outcomes can be influenced by dubious means to clear all tests. The ultimate result is that, for the unsuspecting poor public, scientific medicine has been reduced to the level of alternative medicine in many instances. One is not sure if people of India deserve that! While commenting on the cost of scientific medicines, we often ignore the real issue, i.e. the purchasing power of an average Indian.¹⁴

Note: The names of persons mentioned in the anecdote are imaginary, but conversations and issues are real.

Conflicts of interest. None declared

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