Essential Drugs

Susan Foster & Nick Drager

How community drug sales schemes may succeed

Almost all of the problems that communities encounter when setting up drug sales schemes can be anticipated by giving careful attention to political, social, economic, managerial and financial factors.

Many communities have tried to establish schemes to ensure the availability of low-priced essential drugs. Unfortunately, these initiatives have often failed within a year or so. The key to success is to design a system that recovers significantly more money than it costs to operate without charging prices that the people cannot afford. A drug sales scheme needs skills that may be scarce in rural communities, e.g., price-setting, accounting, and stock management; good prescribing and consumption habits are also necessary. The complexity of setting up such a scheme may not be appreciated, with the result that avoidable errors are made. Careful planning is therefore vital.

The political environment

The problems that give rise to demands for community-based drug sales schemes are often attributable to the inability of governments to provide drugs and to the private sector's unwillingness to sell or distribute them where purchasing power is low. But community-based schemes are unlikely to go unnoticed by either governments or the private pharmaceutical sector. Governments can take one of three stances:

- they can support schemes by providing start-up funds, access to low-cost drugs, training, transportation, and so on;
- they can tolerate schemes, taking no action either for or against them;
- they can oppose schemes by insisting on the distribution of drugs by registered pharmacists, prescription by qualified medical staff, and price maintenance, among other things.

Likewise, the private sector may:

- lend support by such measures as distributing a line of low-cost essential drugs, selling drugs at reduced margins, and providing training opportunities;

Ms Foster is with WHO's Action Programme on Essential Drugs. Dr Drager is with the Programme for External Coordination, World Health Organization, 1211 Geneva 27, Switzerland.
— adopt a neutral position by treating schemes as it would any other customer and selling drugs at the regular price;
— mount opposition by urging governments to pass restrictive legislation on prices and on the location of sales outlets, manipulating the dispensing of drugs, persuading wholesalers and importers to ensure that the schemes do not have access to cheap drugs, urging prescribers not to recommend the drugs provided by the schemes, and creating doubts about the quality of these drugs.

The introduction of community-based drug sales schemes may result in gains or losses for various interests, which should be identified at the outset. The identification of different groups (see table) showing the costs and benefits for each one may help to indicate whether a proposed scheme is politically sound. It may also suggest the need to create a coalition or identify potential leaders to back the proposed venture.

Defining objectives
Once the political environment has been assessed and the judgement made that it is possible to proceed, planning a cost-recovery scheme can begin in earnest. The first step is to decide what are the problems of drug supply in the community and their underlying causes. What gives rise to the need for a cost-recovery scheme? Is the community very remote and underserved in respect of government or private drug distribution? Are prices too high? Are people too poor to be able to pay for drugs, no matter how low the price?

When the problems have been defined, the objectives should become clear. Most community drug sales schemes have as their main objective the provision of essential drugs at the lowest possible prices. They may also be designed to change consumption or prescribing habits, focus on certain high-priority diseases, provide preventive care, or give assistance to children, pregnant and nursing women, the very poor, the chronically ill, and other specially targeted groups.

The community also has to decide what type of payment it will institute. In the remainder of this article it is assumed that the scheme will attempt to recover all its costs — the base cost of the drugs plus a

### Participation of various groups

<table>
<thead>
<tr>
<th>Group</th>
<th>Benefits</th>
<th>Costs</th>
<th>Possible role</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ministry of health (high level)</td>
<td>Drugs available for population</td>
<td>Loss of prestige, opposition of medical groups</td>
<td>Sale of drugs through central medical supplies</td>
</tr>
<tr>
<td>Government health staff</td>
<td>Drugs available for patients</td>
<td>Loss of control over drugs; no private use</td>
<td>Prescribing, recommending</td>
</tr>
<tr>
<td>Private wholesalers</td>
<td>Possible new clients</td>
<td>Possible loss of market share</td>
<td>Sale of cheap line of drugs</td>
</tr>
<tr>
<td>Retailers</td>
<td>Possible new clients</td>
<td>Possible loss of market share</td>
<td>Sale of cheap line of drugs</td>
</tr>
<tr>
<td>Private health practitioners</td>
<td>Drug availability</td>
<td>Profit from selling samples</td>
<td>Prescribe drugs provided by the scheme</td>
</tr>
<tr>
<td>Traditional practitioners</td>
<td>Drug availability</td>
<td>?</td>
<td>Support</td>
</tr>
<tr>
<td>Community</td>
<td>Drug availability</td>
<td>?</td>
<td>Support and manage the schemes, buy their drugs</td>
</tr>
</tbody>
</table>
margin to cover administration, transport and other elements. However, the community may receive support from outside or from the government for such items as the transportation of the drugs or even for the drugs themselves.

**Pricing options**

Once it has been decided whether the full cost will be charged, the form of payment will need to be chosen. Two of the many possibilities are a flat fee for each course of therapy with a single drug, and a flat fee for a prescription that may contain several drugs. An advantage of the first system is that overprescription is held down by the patients themselves; furthermore, planning is easier. Schemes adopting the second system run the risk of bankruptcy through overprescribing.

It also has to be decided whether the same fee will be charged for every drug, irrespective of cost. An advantage of this system is simplicity of accounting; another is fairness, since people who need relatively expensive treatment are not placed at a disadvantage. A problem may arise, however, if other drug outlets are nearby; people may use the scheme for expensive drugs and get the cheaper drugs elsewhere, thus gradually causing the scheme to go bankrupt. A compromise might be to set three or four price levels so that the average cost of a drug would be recovered, while the scheme would still be easy to administer.

**Keys to success—and pitfalls**

Once the type of fee has been chosen, a number of other decisions have to be taken. As can be seen in the figure, drugs do a lot of travelling before reaching patients in a village. The figure shows the typical path from purchase to delivery. At each stage, arrangements must be made for handling the drugs in the most rational and economic way, to ensure that they arrive in good condition at an affordable price and that the costs are recovered so that the scheme will survive.

**Selecting drugs and estimating needs**

A key step in implementing a community drug scheme is to decide what drugs are needed and in what quantities. Those who prescribe drugs will, of course, be involved in the decision-making process. They can provide information on what the most important diseases are, how many cases can be expected, and what drugs are used. They can also indicate how they prescribe, so that quantitative estimates can be made for each drug selected.

A problem can arise, however, if prescribing habits are excessive or irrational. Many schemes have foundered because of overprescribing, resulting in drugs being used up too soon, or because the drugs prescribed cost more than could be afforded by the population. For quantification to be done with any accuracy, prescribers must adhere to standard treatment schedules for the main diseases. It is then possible to estimate, for a given period of time, the necessary amount of each selected drug. It is important to remember when selecting
The path of drugs from source to patients

Source
- Government drug depot
- Private wholesalers
- Mission drug outlets
- Local producers
- Foreign suppliers

Transport
- Public services, postal service
- Private transporters
- Individuals

Community drug depot
- Use existing facility: house, dispensary, store
- Create/build new depot: availability of funds?
- Paid vs. "volunteer" staff

Prescriber
- May or may not handle drugs
- Standard treatment schedules and drug selection
- Explains use of drugs to patients

Patients
- Fees: flat rate or according to drug cost?
- Provision for children, indigents?
- Provision for preventive care, chronic illness?

Options
- Stability reliability of supply?
- Low price, good quality?
- Agrees to sell small quantities?
- Which drugs to carry?

Joint responsibility
- Selection of drugs
- Estimating drug needs
- Setting standard treatment schedules

Problems and considerations
- Frequency of resupply?
- Proper transport conditions?
- Cost of transport, alternatives?
- Reliability? Losses?
- Availability of insurance?
- Management of stocks?
- Management of funds?
- Setting prices correctly?
- Linking incentives to performance?
- Finding seed money?
- Correct diagnosis?
- Correct prescription using agreed treatment schedules?
- Excessive prescriptions?
- Can they afford to pay?
- Do they agree to pay?
- Do they accept scheme's drugs?
- Do they use drugs correctly?
drugs that managing a stock of many drugs is much more complex and costly than managing a few essential drugs. In the latter case, book-keeping is simplified, larger quantities can be purchased at lower prices, and losses due to expiration of the shelf-life are reduced.

Start-up money

The purchase of an initial stock of drugs requires an amount of money that is difficult to find at community level. In many cases, funds are provided by external donors. A community without access to such funds can raise money by organizing festivals, dances, concerts, lotteries, voluntary contributions, and so on. It is not easy to estimate how much money is required. The amount available is often limited and the drug order must be designed around it. If funds are very scarce, it will probably be more economical to order relatively large quantities of a few key drugs rather than small quantities of a number of drugs for which frequent resupply trips will be necessary.

Sources of drugs

A scheme must have a reliable source of low-cost essential drugs. Failures have occurred because the only drugs carried by the supplliers were too expensive for the rural population or because drugs were supplied by a foreign donor who withdrew without having established an alternative, permanent source. Possible sources include government medical stores, mission drug depots, and private sector wholesalers who agree to carry a line of essential drugs at very low prices. Since the quantities ordered are likely to be small at first, it is not usually feasible to purchase drugs abroad. However, if the quantities are large, UNICEF might be requested to provide the drugs at a low price.

Transportation

If the community has no suitable transport of its own, it may be possible to use postal or other public facilities, or private carriers. Clearly, the more frequent the deliveries, the greater will be the costs. Consideration has to be given to security in transit and the prevention of serious losses.

Community drug depot

Once the drugs have arrived in the community they must be kept in a suitable depot, for which someone, or a group of people, must take responsibility. Training in accounting and stock management is needed. Order blanks, stock-recording forms, and so on have to be designed and provided. Storekeepers and depot managers require remuneration in cash or kind, and this has to be planned for.

Price-setting

Perhaps the most difficult problem, and the most crucial for the survival of the scheme, is getting the prices right. If they are set above the people's ability to pay, the scheme
Information on essential drugs

If you are interested in obtaining more information about how to manage community drug sales schemes, you could consult the following publications.


— *Logistics and cold chain for primary health care*

  Volume 6: *How to estimate requirements for the first time*

  Volume 11: *How to estimate essential drug requirements for the first time*

  (Information on these booklets can be obtained from the Expanded Programme on Immunization, World Health Organization, 1211 Geneva 27, Switzerland.)

— *Essential drugs monitor* is a newsletter providing information on many aspects of drug management. It is available free of charge by writing to *Essential drugs monitor*, World Health Organization, 1211 Geneva 27, Switzerland.

will not succeed; if they are set too low, costs will not be fully recovered. Key information on ability to pay can be gathered through an informal survey, which
can also reveal where people are in the habit of buying their drugs and why, what they purchase, and what they think about drugs in general.

In setting prices, the following factors must be planned for by adding a margin to the base cost of the drugs:

— the cost of transport and insurance;

— administrative costs, including staff salaries, incentives for volunteers, stationery, office equipment, rent and training;

— the expected cost of drugs lost, stolen or past the expiry date;

— allowance must be made for price rises between purchase and sale, so that the funds recovered are enough to replenish the stock;

— it is advisable to plan for expansion by adding a small percentage to the cost so that increasing quantities can be bought;

— overprescribing should be allowed for, especially if a fee-per-prescription system has been chosen, since the cost of the drugs prescribed can easily exceed the charges made.

There will probably be people in the community, including the very poor, children, and the chronically ill, who cannot
pay for drugs. The community has to decide how to handle this situation, one possibility being to estimate the percentage of the population concerned and to add the same percentage to the base cost.

To cover these factors and keep the scheme functioning a significant percentage has to be added to the basic cost, estimated as follows:

<table>
<thead>
<tr>
<th>Description</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Transport and insurance</td>
<td>25%</td>
</tr>
<tr>
<td>Other administrative costs</td>
<td>25%</td>
</tr>
<tr>
<td>Loss, theft, expired date</td>
<td>20%</td>
</tr>
<tr>
<td>Inflation</td>
<td>10%</td>
</tr>
<tr>
<td>Expansion</td>
<td>10%</td>
</tr>
<tr>
<td>Overprescribing</td>
<td>15%</td>
</tr>
<tr>
<td>Indigent persons</td>
<td>10%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>115%</strong></td>
</tr>
</tbody>
</table>

The price of a drug costing US$ 0.10 at source would have to be set at over $ 0.20 to recover the cost of its delivery to the patient and to allow for various eventualities. Once a scheme has been in operation for a while, the percentage estimates can be adjusted and the prices lowered or raised as required.

**Money management**

The problem of managing the money generated by drug sales schemes has to be studied by each community in its own context. However, unless there are incentives for managers to handle the money properly, things are likely to go badly wrong. Revenue must be used for drug purchase and related costs, and not drained off for any outside purpose. Otherwise a community's confidence will evaporate, the drug supply will vanish, and the scheme will die. If the staff share in the risks of the scheme, they will have an incentive to work for its survival.

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**Organized screening reduces cervical cancer**

It seems clear that spontaneous screening does not catch the population who would really benefit from regular screening for cervical cancer—middle-aged and older women of high relative risk. The experience of the Nordic countries shows that a well-organized screening programme with a sufficiently wide target age range can be far more successful in this respect and consequently very effective in reducing both the incidence and the mortality of invasive cervical cancer.