Background

Essential medicines save lives. But many people, especially the poor cannot afford them. The medicines needed for high disease burdens are expensive in Vietnam. In the public sector, patients pay 46.58 times the international reference prices (IRPs) for innovator brands and 11.41 times for the lowest priced generics (LPGs)\(^1\).

What is unique in Vietnam is that, public sector prices are higher than in the private sector. This is probably due to the high procurement prices of medicines by government facilities. As compared to the IRP and countries within the Western Pacific Region (WPR), the procurement prices of some medicines are higher in Vietnam. And this is particularly true for medicines that are needed for chronic and infectious diseases such as insulin, ranitidine, nifedipine, amoxicillin + clavulanic acid and ceftriaxone.

While the prices of medicines in the private sector are slightly lower, wide price variations exist. The price of branded 500 mg Paracetamol for instance ranges from 500–2000 VND while its generic counterpart costs from 100–200 VND\(^2\).

**Figure 1. Procurement prices of selected medicines in Vietnam**

Source: Data from the medicines price information exchange system, Western Pacific Regional Office (WPRO)
High prices of medicines make people sicker

When prices of medicines are high, people may not afford to buy them. They would then resort to buying only a portion or a few tablets of their required medicines or end up not buying at all. Some would find inappropriate alternatives and use medicines irrationally. Inadequate treatment will make illnesses become more severe, and prolonged. Complications may also set-in and some patients may even die.

Inadequate treatment and irrational use of medicines particularly for infectious diseases (such as antibiotics and antivirals) will lead to antimicrobial resistance and would make infectious diseases more difficult to treat.

High prices of medicines make people poorer

A large portion of the income of people goes to medicines. For instance, a month's treatment for ranitidine (innovator brand) will cost 21–22 days of the salary of the lowest paid government employee. But when a generic medicine is used, it will cost only 1.3 days wages for a whole month course³.

In chronic diseases, such as diabetes, people pay for insulin at an average of 17 US$ per month or 204 US$ per year⁴. The mean cost of care for a person with Type I diabetes in Hanoi is 121% of the GDP per capita. Families with diabetic patients would need to get a loan (51.5%) or sell their assets (21.2%) in order to fund diabetes care and treatment⁵.

High prices of medicines take away government resources

High prices of medicines take away government resources for health. In Viet Nam, around 40–50% of health insurance expenditure went to medicines⁶. The recent review on the use of medicines in 14 hospitals in Vietnam showed that of the total cost per visit and admission, medicines take a share of 41% and 79.8% for in-patients and out-patients respectively⁷. When the government spends much of its budget paying for expensive medicines, resources are lost, and less people are served.

High prices of medicines are caused by many factors

Medicines are priced as high as the market can bear. And when the demand side is less informed, and governments do not provide appropriate interventions to control them, medicines prices will remain high. Some of the factors that contribute to high prices of medicines are:

1. Multiple mark-ups added along the medicines supply chain. Previous studies undertaken by WHO indicated that in the private sector, wholesale mark-ups range from 2% to 380%, while retail mark-ups ranged from 10 to 552%⁸.
2. Incentives for prescribing, procurement and dispensing add up to the price the patient pays for medicines.

3. Inefficient procurement practices also make medicines prices high. In Viet Nam, the suggested tender prices for anti-diabetes medicines for instance, are 1.12–6.60 times higher than IRP’s.⁹

4. Taxes for medicines, such as duties, tariffs and value-added tax (VAT) contribute to high prices of medicines. In Vietnam import taxes (5–10%) and VAT are imposed on medicines. Taxing medicines means taxing the sick and this contributes to large inequities on the part of the poor.

5. Patents grant monopolies to innovator brands for a period of 20 years, during which time, prices for such medicines are particularly high.

6. Low availability of quality assured, safe and affordable generic medicines, and the lack of information for consumers and health providers on these medicines make market competition weak.

**High prices of medicines can be reduced by combined strategies**

Legislated drug price control alone can not bring down prices, and will not assure that the poor will have equitable access to medicines. It is important that parallel strategies that can improve competition promote rational use and ensure efficiency of procurements and utilization of resources is put in place. The following strategies are proposed to be adopted for Viet Nam:

1. **A National Generic Policy:** Adopt a national policy that will ensure the availability and access to quality assured, safe and affordable generic medicines. It is recommended that the government should adopt a comprehensive National Generic Law that will mandate the labeling, registration prescribing, procurement and re-imbursement of generic medicines. Studies from other countries has shown substantial savings for using generics (Table 1 and 2).¹⁰

<table>
<thead>
<tr>
<th>Country (n= number of medicines)</th>
<th>Total potential cost savings (2008 USD)</th>
<th>Average percentage savings across individual medicines*</th>
</tr>
</thead>
<tbody>
<tr>
<td>China, public hospitals (n=4) §</td>
<td>$86,492,276</td>
<td>65.1%</td>
</tr>
<tr>
<td>Colombia (n=9)</td>
<td>$3,229,092</td>
<td>88.7%</td>
</tr>
<tr>
<td>Ecuador (n=12)</td>
<td>$3,066,407</td>
<td>63.2%</td>
</tr>
<tr>
<td>Indonesia (n=9)</td>
<td>$6,405,597</td>
<td>84.2%</td>
</tr>
<tr>
<td>Jordan (n=11)</td>
<td>$887,202</td>
<td>55.9%</td>
</tr>
<tr>
<td>Kuwait (n=8)</td>
<td>$64,261</td>
<td>9.3%</td>
</tr>
<tr>
<td>Lebanon (n=8)</td>
<td>$4,397,432</td>
<td>67.5%</td>
</tr>
<tr>
<td>Malaysia, private hospital and retail sectors (n=10)</td>
<td>$7,419,942</td>
<td>67.2%</td>
</tr>
</tbody>
</table>

§ Studies from other countries

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Essential Medicines and Pharmaceutical Policies. WHO, Geneva
The following countries in Asia have promulgated laws and orders mandating the use of generic medicines:


b. India: The Drugs and Cosmetics Act and Rules 1995, mandates the prominent labeling of the generic names.\textsuperscript{11}

c. Nearly all USA hospitals undertake procurement in generics. UK encourages prescribing of generics while Sweden and Finland mandates generic substitution.\textsuperscript{12}

d. Countries like Mexico, Argentina, Brazil, Colombia and Philippines apply fast tracked—generic registration.\textsuperscript{13}

2. \textbf{Cost-containment measures}: Cost-containment and the use of financing leverages can reduce the cost of medicines and save government resources. The Vietnam Social Security (VSS) currently reimburses at the price dictated by the service providers and a wide variation of re-imbursement prices exists between the same types of medicines.

The wide variation of prices of medicines in hospitals was demonstrated in the procurement and component price survey done by the Drug Administration of Viet Nam in 2009 and which was supported by WHO Country Office for Viet Nam. Figures 1 and 2 would show that the price difference of variation ranges from 89\% to 2,551\%. Currently VSS is reimbursing these medicines at these varying prices. WHO recommends that VSS should set a limit for the reimbursement and should mandate the
use of generic medicines, except in cases where only one innovator brand is available. WHO proposes that the cap for reimbursement should be the price of the third-lowest generics and that the use of generics in hospitals should be mandated.

**Fig. 1. Price variation of generics and branded Ciprofloxacin**

![Price variation of generics and branded Ciprofloxacin](image1)

Source: Procurement and Component Price Survey, 2009, DAV and WHO

**Fig 2. Price variation of generic and branded Omeprazole**

![Price variation of generic and branded Omeprazole](image2)

3. **Ensure good procurement practices:** The procurement system in Viet Nam is decentralized to hospitals and to the provincial and district levels. Decentralized procurements create many problems:

   a. Lack of transparency and accountability as tender, bidding and awards processes are not uniformly applied and not monitored. This results to the variation of procurement prices as
demonstrated in the above figures. Some hospitals procure generics while others procure solely branded and extremely expensive medicines.

b. Decentralized procurement systems cannot assure availability of supply at all times. The tedious procurement processes leave some hospitals with long stock-outs of essential medicines.

c. The quality of medicines is not always assured as suppliers are not prequalified and sources of medicines are difficult to identify and track. In addition, sampling of medicines are not enforced for procurement agencies, and thus increasing the risk of counterfeit and substandard medicines supplied at the local levels.

WHO recommends the establishment of a National Essential Medicines Facility to perform the following:

a. Conduct a national tendering system to control the wide variation of procurement prices among hospitals. International tenders are also encouraged.

b. Undertake supplier pre-qualification, selection and monitoring;

c. Undertake pooled procurement for highly critical and hardly available medicines. These may include medicines for emergency obstetric care and children, children and chemotherapies for cancer.

4. Exercise the right of the state to protect public health and use TRIPS flexibilities by:

a. Eliminating provisions in trade agreements and local circulars that promote extra-TRIPS requirements and monopoly for expensive imported medicines. The current Circular for the registration of pharmaceuticals in Viet Nam includes provisions of data exclusivity and patent-link aging. These provisions limit the registration and entry of generic medicines, therefore limiting generic competition.

b. Viet Nam should strengthen its policy on parallel importation, and define mechanisms for compulsory licensing.

Many countries in the world have used the TRIPS flexibilities to reduce prices and make medicines available. Some country examples include:

a. Thailand issued several compulsory licenses from 2006 – 2008 for antiretrovirals, and several anti-cancer drugs

b. Zimbabwe issued compulsory licensing for the local production and import of all HIV and AIDS related drugs (April 2003)

c. Mozambique: for local production of an FDC of lamiduvine, stavudine and nevirapine (April 2004)
d. Indonesia: for local production of an lamivudine and nevirapine (Oct 2004) efavirenz (March 2007)

e. Philippines undertakes parallel importation of medicines through the Philippine International trading Corporation (PITC) which supplies the government and the private sector medicines at 50% lower than market prices. It has also revoked the AO on patent linkaging issued in 2004.

5. Improve information systems on prices and make these publicly accessible.
6. Ban detailing of medical representatives to doctors, and mandate hospitals to disclose partnerships and sponsorships of activities supported by pharmaceutical companies.
7. Expand the current technical committee for drug price control to a higher level Medicines Price Policy Board with representation from DAV, MSA, VSS, Ministries of Trade and Finance and civil society groups.

Links

WHO Essential Medicines and Pharmaceutical Policies :
http://www.who.int/medicines/en
Medicines prices, affordability and availability in Vietnam:
http://www.who.int/topics/essential_medicines/en/
WPRO Access to Medicines:
http://www.wpro.who.int/health_topics/essential_medicines/

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E-mail: Media.VTN@wpro.who.int; Web: www.wpro.who.int

2 Medicines Price Check, WHO Office of the Representative in Vietnam
5 Ibid
6 MOH. Review of rational drug and consumables use and costs in hospitals.
10 Hogerzeil, Dr Hans, WHO/PSM, presented by Dr Richard Laing During the collaborative meeting on improving access to essential medicines in Viet Nam, 23 June 2010
11 Ibid
12 Ibid
13 Ibid
14 Timmermans, K, TRIPS and Access to Medicines: Selected Country Experiences, presented during the WHO-MOH First Collaborative Meeting on Improving Essential Medicines in Viet Nam