

Drug Makers Innovate with Financing Schemes for Cheaper Treatment

Strategy of experimenting with attractive offers allows pharma companies to protect their key products from compulsory licensing, price controls and also generates sales

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Mumbai: Faced with mounting criticisms over the high price of lifesaving drugs, pharma companies are devising financing models that would let them have their cake and eat it too. The strategy allows the companies to protect their key products from compulsory licensing and price controls, as well as generate sales by making treatment more affordable for patients.

Companies such as Merck Sharp & Dohme (or MSD as US-based Merck & Co is known outside its home market and Canada), Medtronic, Roche, Eisai and Dr Reddy's Laboratories are experimenting with offers such as monthly installments, free diagnostic tests, discounts and even tailor-made insurance schemes to make treatment affordable at a

Spreading the Cover

Dr Reddy's offering EMI options for Hepatitis C drug Resof & cancer medicine Rituximab

Roche exploring EMI scheme for its cancer drug and a tie-up with insurance firm

Medical device firm Medtronic offering flexible payment schemes for stents

Japanese drug maker Eisai offering tiered pricing in India



time when echoes of high drug prices are reverberating from Asia to the Americas. MSD was one of the first to do this as the company experimented with a monthly instalment scheme for its Hepatitis C injections, wherein it allowed patients to pay in EMI for the drug with an about 12% interest rate.

Fullerton India, MSD's financing partner, said it lent to patients below its usual rates because the drug maker subsidised the interest component. "We believe this market continues to remain underserved due to the complexities that exist," said Rakesh Makkar, executive vice president and

head of business and marketing at Fullerton India, adding that the company felt complexities should not be a deterrent to grant credit.

Hyderabad-based Dr Reddy's has tied up with medical financing firm Arogya Finance to push its brand of Hepatitis C drug Resof through a similar EMI scheme. The drug costs ₹95,000 for a six-month course and under the scheme, can be paid for over 24 months at an interest of 12%. Reddy's, according to people in the know, plans to extend this to its bio-similar cancer drug Rituximab.

Lack of insurance is one of the key reasons that makes some patented drugs unaffordable in countries like India. Most people in India spend on healthcare out of pocket, which becomes a problem and push many into poverty when the cost of drug is high and the treatment is prolonged.

"Each year, nearly 30-40 million people fall into the poverty line because of unexpected health shocks, and insurance schemes sometimes really do not address the immediate need," said Jose Peter, one of the founders of Arogya Finance. The financial institution said it is targeting people with an income of ₹90,000 to ₹2 lakh a year, who are neither covered under government insurance schemes because they don't fall below the poverty line to avail of the benefit, nor can afford to make bulk medical payments. In the case of the Hep C market, drug companies are also offering free diagnostic tests to patients, in an attempt to create future customers for their drugs.

Swiss drug maker Roche, which over the years has faced criticism for the high price tag attached to its cancer drugs (which start above ₹90,000) has initiated Project

Blue Tree to help patients look for potential sources of funding for treatment, reimbursement documentation and possible insurance options. In some cases, it even offers low priced drugs. Roche has a tie up with world's second largest

reinsurance company, Swiss Re, to offer cover for cancer treatment.

Often, lack of insurance makes some patented drugs unaffordable

"We understand that 80% of healthcare in India is out of pocket, and that puts a serious burden" on the patient, Maturin Tchoumi, India head at Roche, told ET in October. "We want to do something."

Japanese drug maker Eisai for its breast cancer drug Halaven has introduced a tier-pricing within India, where the price of the drug is fixed according to the income level

of the patients. However, despite these "innovation" in improving accessibility, the worry still lingers about such offers replacing the role of government in addressing the healthcare needs of the population.

Globally, it is recognised that out of pocket is the most regressive form of financing, as access to healthcare depends on household's ability to pay. A financing system which depends heavily on out of pocket payment denies access to care to the poor, pushing them to avoidable deaths, poverty and indebtedness, Indranil Mukhopadhyay of Delhi-based Public Health Foundation said in an October interview. "India has the highest rate of out of pocket healthcare spending in the world, and the lack of financial protection is a consequence of public spending," Mukhopadhyay had said.

Industry