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Increasing Profits by Reaching Pharma's Silent Majority

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34 comments

We hear a lot in pharma about the voice of the customer, but the drug industry can't hear the voices of millions of people around the world who might become its customers. Many die each year because they can't afford to buy the medications they need to treat their illnesses.

The pharmaceutical industry must be aware of this silent majority of global citizens. There are strong altruistic reasons for responding to them, but let's focus on a strong business case: increasing profits and restoring the industry's troubled image.

Inflated drug prices are responsible, not only for pharma's negative public opinion and for drug shortages, but also for depressed market demand.

Price controls or socialized solutions are not the answer.

What is needed, instead, are economies of scale, and better, innovative manufacturing technologies.

I've often written about these solutions in the context of improving efficiency and product quality, and reducing costs. But they're also the key to increasing demand for pharmaceuticals.

I thought of these issues this week, when I read about India's [rejection of Roche's patent](#) for the breast cancer treatment herceptin, and the fact that Roche had previously lowered the price of the drug in India by 31%, to around \$1,366 per month.

Great news! After all, the medication used to have a price tag of over \$20,000 per year in India.

There's just one slight problem: \$1,366 is the *annual* salary for a very large portion of the country's working class. An average middle class salary would only be about five times more than that per year. There is no healthcare insurance, as exists in the US, in India. Anyone outside of the wealthiest sectors would have to mortgage everything just to buy the medication.

Let's analyze, rationally, pricing's ripple effects. High prices keep medications out of the reach of many people, who content themselves with taking lower dosages of the drugs they need, or none at all. This artificially lowers demand for each drug, and keeps it low.

Lower demand, in turn, skews production forecasts, which are usually hedged on the low side anyway, to keep inventories and related costs low. When "real" demand suddenly shows up, as it can during sudden disease outbreaks, there are shortages.

Artificially depressed demand leads to insufficient global manufacturing capacities. Currently, the industry doesn't have enough capacities, or technologies to produce active pharmaceutical

ingredients and their formulations in dispensable doses, to meet the global need for essential products.

Thus, manufacturers are not prepared to meet any significant increases in demand. (Of course, the counter-argument could be made that, since the true demand for the drugs is not known, why be prepared?)

How would it be if the industry decided unilaterally, to increase its global customer base by 20 percent? That would mean an additional 1.4 billion people buying and using pharmaceuticals.

This growth is impossible to achieve using current technologies and methods.

Let's look at one individual market sector: diabetes treatment. What would happen if just 60 percent of the diabetics in the world, roughly 370 million people, decided, or were able, to seek treatment for the condition? Insulin and other drugs are likely priced way out of reach. But if they wanted to use metformin hydrochloride, suppliers could not ramp up production of the active and its formulations to meet the demand.

Current metformin hydrochloride capacity can barely meet the needs of 60 million people. If pharma companies could supply this patient subgroup, they could add about 162 million additional customers to their customer base.

Manufacturing this drug, using the best available technology and economies of scale, would cost less than a penny per tablet.

However, today, even at Wal-Mart, the lowest-cost option still runs 5.5 cents per 500 mg tablet, well out of reach of most of the world's patients.

In developing nations, many people cannot even afford to pay one quarter of this price for many treatments, whether for diabetes, high blood pressure, HIV/AIDs, tuberculosis, or any other disease.

Governments, including regulatory bodies, cannot and should not force drug manufacturers to supply medicines to those who cannot afford them.

But currently the industry cannot ramp up production, due to insufficient raw material availability, production capacity and manufacturing technologies, while regulators could not monitor, review or inspect the number of facilities that would result.

This means that most people in the world will never receive the medicines they need, even if more of them could afford them. And, even if the drugs did become available, there would be a time gap between demand and supply.

In this day and age, does this scenario even make sense?

What tools and technologies would make it possible for us to supply drugs to the world at prices that global citizens could pay?

Solving this problem will require brainstorming and new thinking, and a whole new business model.

Maybe it requires some basic research into innovative platforms. What are your thoughts?

It would not only boost profits but generate tremendous good will. Who in the public or private sector is willing to tackle this problem?