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CASE STUDY

Asia • Philippines

UNILAB's RiteMed Initiative: Making Medicine Accessible to the Poor

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Sector • Health

Enterprise Class • Local SME (Southern MNC subsidiary)

Summary

United Laboratories, Inc. (Unilab) is the oldest pharmaceutical company in the Philippines; after starting in 1945, Unilab continues to be one of the largest. It has manufacturing, distribution and licensing arrangements in nine countries, including China. Its financial success stems from a deliberate strategy to offer high-quality and affordably priced healthcare products. Seizing an opportunity to support the Philippine government's campaign to make lower-priced drugs available to the population, Unilab set up RiteMed in 2002, a subsidiary whose main mission was to market and distribute generic medicines. Through economies of scale, the company was able to sell generic products 20 to 75 percent cheaper than its branded counterparts,[1] profitably meeting revenue targets of US$20 million within five years. It successfully leveraged the reputation of its parent company to convince Filipinos to use generics, making quality drugs more accessible to the poor.

The Philippine Health Situation

Prevailing poverty conditions for about 40 percent of Filipinos (35 million people)[2] is evidenced by the high incidence of preventable diseases. Diseases such as tuberculosis and measles afflicted a significant number of the population, even as new threats were confronted— dengue fever, diabetes, hypertension, HIV/AIDS and others. The poor could not easily afford healthcare goods and services. The majority of Filipinos had to apportion meager resources to meet their basic needs.[3] The priorities were food, livelihood and water (in this order), with health ranking fourth.

Those who were very poor rarely saw a doctor and could not afford medicines. Tuberculosis patients in an urban slum area, for example, had one check-up with the community centre doctor to confirm their condition then proceeded to six-months' medication by asking for free drugs from the center once a week or as frequently as it was rationed out among TB patients in the area. In the rural areas, patients were even more desperate for quality health care.

The Social Security System in the Philippines, although in place, does not provide sufficient medical services to the poor. Ultimately, low-income families have to bear the cost of health services. Fifty-five percent of Filipinos health expenses were paid out of pocket, 37 percent from the government and eight percent from social programmes[4]. Dr. Jonas Policarpio explained that, given the need for personal financing for drugs, "*only about two million Filipino households will be able to comfortably afford such expenditures…About 45 to 50*

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[1] RiteMed study, "Effect of RiteMed Launch to Cost of Drugs in the Philippines."

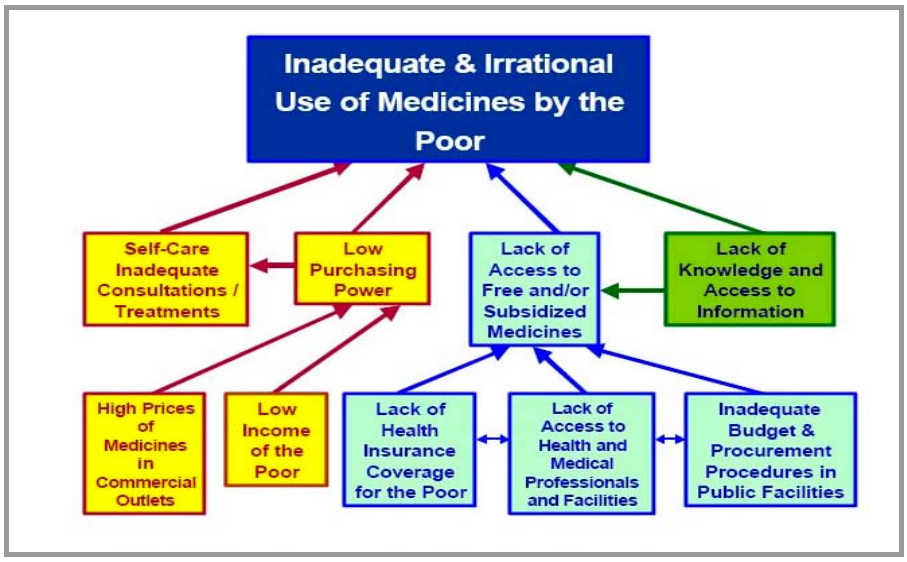
[2] As of July 2006 estimates. CIA World Fact Book. Available at: www.cia.gov/publicatins/factbood/geosp/rp.html.

[3] National Health Survey, 1991 presented in the study, Understanding Filipino Patients' Economic Coping Behavior, by Jonas D. Policarpio, MD, MBA, of the UERM Memorial Medical Center and RiteMED/United Laboratories

[4] Source: 2003 Philippine Pharmaceutical Handbook

percent of patients undergoing drug therapy for chronic illnesses are having compliance problems primarily because of financial reasons." Policarpio's estimate was substantiated in a survey by AC Nielsen that looked at compliance attitudes of diabetic and hypertensive patients across socio-economic classes.[5] Low-income patients cited financial reasons as the most important in the failure to comply with medicine intake. The World Bank also studied the main contributors to inadequate and irrational use of medicines by the poor, illustrated in Figure 1.[6]

Figure 1: Factors Leading to Inadequate and Irrational Use of Medicines by the Poor



Source: World Bank (2002)

The High Cost of Medicines

According to the Philippine Department of Health, the market price of medicines in the Philippines was one of the highest in the world - 40 percent to 70 percent more than other ASEAN countries. Some drugs cost ten times more in the Philippines than the exact same drug (and brand) sold in India, Thailand, and Pakistan.[7] One outraged Government official compared the market to a "*cartelized*" distribution system of medicines with multinational corporations controlling the prices.

[5] Socioeconomic classifications commonly used by marketing researchers and market research agencies in the Philippines cover four classifications: AB (upper), C1 (upper middle), C2 (lower middle), and DE (lower)

[6] World Bank, Health Policy Note, Improving the Poor's Access to Affordable Drugs, Health Policy Note, by J. Kanavos, J. Lim, C. Pascual, June 2002

[7] Quoted from Secretary Roberto Pagdanganan as cited in The Philippine Star newspaper column of Butch Gamboa, "Botika ng Bayan: All set to liberate the sick Pinoy." January 20, 2007.

Secretary Roberto Pagdanganan, head of the Philippine International Trading Corporation (a government agency), was tasked with producing more affordable drugs for nationwide use. He estimated that foreign multinational companies (MNCs) controlled as much as 75 percent of the US$2 billion market. Even if 80 to 90 percent of medicines were already off patents, the prices of medicines were kept high by the distribution system.

Multinational companies advertised aggressively, associating brand name medicines with the best medicines and reinforcing a public mentality of a "*pill for every ill*." MNCs also sent representatives to doctors to "*share drug information*." Meanwhile, the pharmaceutical representatives were encouraged to build relationships with the doctors and had fat expense accounts to send them on foreign trips or give them expensive home appliances. Of course, the marketing expense was factored into the product price, for which the consumer paid. "*Many countries around the world have regulated this interesting practice of drug detailing*," noted Dr. Kenneth Hartigan-Go, Executive Director, Zuellig Pharma, Inc "*but not in the Philippines*."[8] Appendix A looks at the breakdown of drug costs based on findings from the Philippine Center for Investigative Journalism, claiming that for every peso that the Filipino consumer spends for a medicine, they pay 20 centavos for "*promotions*."

The World Bank recommended future directions for the country to improve the poor's access to drugs and medicines in a 2002 report:[9]

- Ensure high quality assurance in the pharmaceutical market
- Improve availability of inexpensive, quality generic drugs in public facilities and community-based outlets, which are more affordable to the poor and in commercial outlets, which are more accessible to the general public
- Raise the poor's effective demand for drugs through social insurance

It was precisely in these areas that government efforts were lacking in the Philippines, resulting in pharmaceutical prices remaining high, and the poor having very limited access to affordable medicines.

Government Attempts at Health Sector Reform

The Philippine government has grappled with the challenge of low-cost drugs for decades. In 1988, the Government passed the Generics Act,[10] requiring the scientific name (as opposed to brand name) of all drugs to be prominently labeled in packaging, written in prescriptions and displayed in public information boards. "*One of the purposes of this Act was to educate everybody on rational drug use and provide options to the consumers to choose the products that they can afford*," Dr. Hartigan-Go explained. The Department of Health was charged with enforcement of the Generics Act. But compliance slipped from 100 percent in 1988 to 40

[8] Interview with Dr. Kenneth Hartigan-Go, February 13, 2006.
[9] World Bank, On Improving the Poor's Access to Affordable Drugs, Health Policy Note, by J. Kanavos, J. Lim, C. Pascual, June 2002, p.85
[10] Republic Act no. 66751

percent in 2006 due to weak monitoring systems and the lack of enforcement of penalties and suspensions. Other roadblocks and major governance issues undermined the efficacy of the Act's intent, resulting in limited realization of increased availability of high-quality, low-cost drugs in the market.

Generic drugs earned a bad reputation in the Philippines. They became synonymous with low-quality or ineffective medicines. Reported incidents about ineffective generic drugs in the market scared doctors and patients alike. Generic drugs were perceived to be "*made of flour or starch*" or be substandard in some other way. The drugs were produced by fly-by-night drug manufacturers, encouraged by the enactment of the Generics Act. Doctors hesitated to prescribe generics, which could result in their loss of control over the complete cycle of patient care when substandard drugs may cause treatment failure. Any company planning to market a generic drug line needed to gain the public's trust to be successful over the long term.

Box 1: About generic drugs

What is a generic drug?

By definition, it is a drug sold under the name of its active ingredients or its International Non-proprietary Name (INN) as approved by the World Health Organization. *Generic drug* also refers to a drug that has been introduced into the market, usually after the patent on the branded innovator drug has expired.

Why are generic drugs cheaper than their branded counterparts?

-Less money is spent on advertising, promotions, marketing, research and development
-Narrower profit margins than those of branded equivalents
-Competitive pricing (among the different generic versions produced by different providers)

Source: About Generic Drugs, Lafayette Pharmaceutical Laboratories, Inc. website, www.lafayette.com.ph

"GMA50"[11] was one point of the Government's 2001 ten-point development agenda which aimed to reduce the price of drugs by 50 percent to address the lack of access to medicines for the poor. The Government employed a two-pronged strategy: 1) a drug importation programme focused on a 50-percent price reduction of essential drugs from 2001 prices, to be made available in government hospitals and Department of Health Botika ng Bayan using generic products imported from India;[12] and 2) encouraging the pharmaceutical companies already active in the Philippines to reduce the prices of drugs. The first available medicines under the GMA50 campaign were anti-asthmatics, anti-hypertensives and anti-diabetic agents. By the end of 2001, 72 government hospitals and three local government units were using and distributing 42 essential generic drugs worth US$2 million, significantly more than

[11] GMA is the initial of President Gloria Macapagal-Arroyo.

[12] Dayrit, Manuel (Secretary), Speech given at the 3rd University of the Philippines Lecture Series: "Twelve Herculean Labors and the Accomplishments of the Department of Health under the Arroyo Administration, 2001-2004," available at www.doh.gov.ph

the US$100,000 dispersed in 2000. Appendix B includes a price comparison between imported drugs from India sold in the Department of Health Botika ng Bayan and their locally-sourced counterparts manufactured by local and multinational companies.

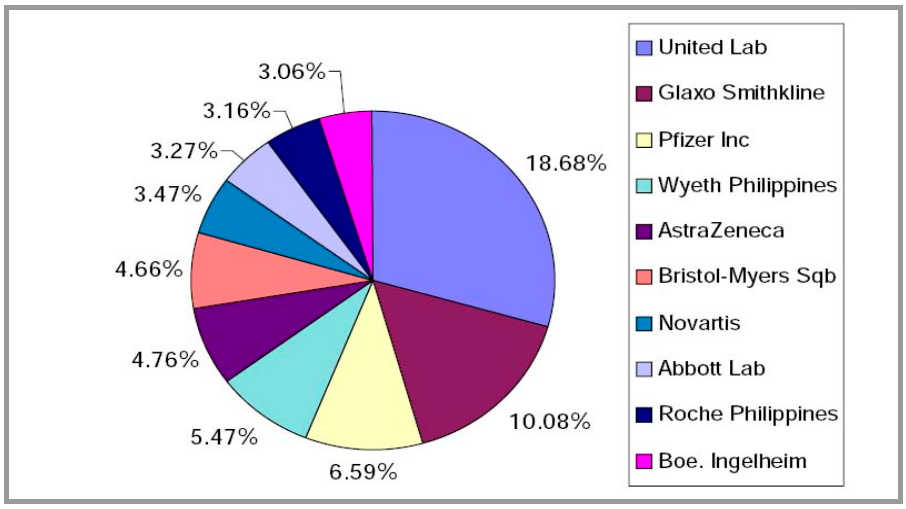
Despite the growing availability of generic drugs in the market through the importation programme, their public appeal did not improve. They were still viewed as substandard; a position upheld by media reports and preconceptions. Hints of corruption and shady government deals also clouded the GMA50 programme.

About Unilab

Unilab produced and marketed over 300 market-leading pharmaceutical brands. Its therapeutic coverage offered anti-infectives, somatics, cough-cold, cardiovascular, gastrointestinal, anti-asthma, endocrine metabolic, anti-tuberculosis, dermatologicals, vitamins/minerals, dietetics and women's health drugs.

After 62 years of operations, Unilab dominated the pharmaceutical industry with about 19 percent market share in the Philippines (See Chart 1 for breakdown of market share). Its winning formula— high quality medicines at affordable prices for the population— has been replicated in nine countries[13] where it has manufacturing and licensing arrangements with partners. (See Appendix C: Unilab's Operations in Asia).

Chart 1: Market Share of Top 10 Pharmaceutical Corporations



Source: 2003 Philippine Pharmaceutical Handbook

[13] Sri Lanka, Singapore, Laos, Cambodia, Thailand, Indonesia, China, Hong Kong and Malaysia

Unilab Finds a Strategic Market Position in Generic Drugs

In 2001, the Government called on private companies to join the campaign to reduce the prices of essential drugs under GMA50. Unilab responded with its Afford-a-Med programme. About 65 frequently prescribed drugs were sold in drugstores at prices reduced by ten to forty percent. The company launched a wide publicity campaign, meant to attract multinational corporations to follow their lead.[14] Glaxo Smithkline responded with a line of products ten to fifty percent less than their regular prices.[15] The Afford-a-Med programme was successful but unsustainable for Unilab to support. In 2002, Unilab set up its generics line subsidiary, RiteMed, in order to seize an opportunity to expand into the low-cost medicine market. RiteMed was the company's response to the Government's effort to make drugs accessible to the poor. The milestones in the development of RiteMed are outlined in Table 1.

Table 1: Milestones of Unilab's Development of Generics Line Subsidiary RiteMed

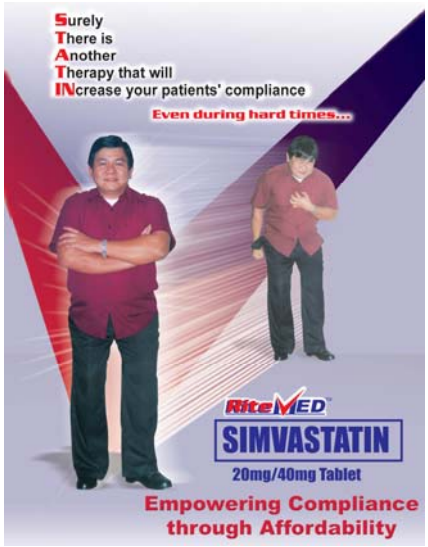
Year	Milestone	Change Introduced	Impact
2000	Afford-a-Med programme launched	Price-reduction programme of 65 frequently prescribed drugs by 10 to 40 percent	Essential branded drugs made more affordable for the poor
2002	RiteMed subsidiary established	Manufacturer and market agent of off-patent pharmaceuticals that were priced 20 to 70 percent lower than equivalent branded drugs, marketing 20 essential drugs	"Right medicine, priced right" established a business to produce quality and affordable medicines in a sustained way; enabled the mother company, Unilab, to support the "GMA 50" government programme
2004	More drugs made affordable through RiteMed	Added 15 generic drugs (35 total) for treatment of chronic diseases 35 drugs available in 65 dosage formats	More drugs priced affordably for the poor and made accessible through Government hospitals/clinics and through commercial distribution channels.
2002 - 2006	Advocacy, research, marketing, distribution programmes scaled up	Pharmaceutical innovation and effective engagement of stakeholders (patients, doctors, pharmacists, trade entities) for use of generic drugs	Poor are better informed of option to choose less expensive generic drugs. Doctors and pharmacists offer generics. RiteMed gained a positive reputation, brand goodwill, and market share while contributing to social responsibility objectives

[14] Presentation on "Towards Rationalizing the Philippine Pharmaceutical Industry" by Dr. Isidro Sia, Philippine Council for Health Research and Development

[15] The GSK programme was institutionalized as "Value Health" programme.

RiteMed products offered the same efficacy and safety of leading brands at a 20 to 75 percent lower price. Its tagline was, "*Effective and Safe Medicines at Half the Cost*." RiteMed advertised as a "*branded generic*," building on its association with Unilab, an established manufacturer. Its advertising campaigns highlighted, "*Gawa ng Unilab ito*!" ("*This is made by Unilab!*"). It did not directly compete with the generic drugs imported from India; the Indian drugs were available only in the few Botika ng Bayan outlets and selected partner drugstores while RiteMed drugs were sold in all retail outlets nationwide including the Botika ng Bayan. Drugs that were available under the government's importation programme were limited in kind and quantity. Therefore, RiteMed tried to fill those gaps as well.

Pictures 1 and 2 illustrate some of RiteMed's marketing material. Picture 1 targets patients undergoing medication for cholesterol reduction. Picture 2 targets doctors, pharmacists and trade entities, showing the various discounted drugs available from RiteMed.



Picture 1: Advertising to patients

Picture 2: Advertising to Doctors, Pharmacists, Trade

The Business Model: Providing the Option to Use Generic Drugs

The Philippines is a US$2 billion pharmaceutical market, with a great deal of growth potential in meeting unmet needs of the poor. In this market, generic prescriptions accounted for 35 percent of prescriptions but with only 3.7 percent of total dollars paid in the market since few patients are able to buy full dose of what is prescribed by the physician. In the Philippines, most could only buy a day's supply; thus, compliance rate is very low. On top of this, generic drugs are less expensive, and this does not add up in dollar terms and the prevailing perception that generics are not as effective as the branded drugs. Global figures, comparatively, show better acceptability of generics- prescriptions account for 43 percent of total prescriptions with a ten percent value share.

The company envisaged that addressing the needs of the poor would not only bring positive social impacts through improved access to affordable medicines (leading theoretically to improved health and livelihood activity) but also bring about business benefits. Specifically, these benefits were increased sales and market share, strengthened brand positioning, enhanced corporate image and increased ability to attract and motivate employees because of the company's social mission. The business model was grounded by Unilab's Corporate Social Responsibility (CSR) commitment. RiteMed states its corporate strategy within the framework of its parent company's CSR:

> *"RiteMed is a tangible manifestation of Unilab's commitment in making healthcare accessible to most Filipino families. RiteMed actively endeavours to: enhance Filipino patients' quality of life by improving his economic viability; work with trade to allow them to be able to offer high quality but low priced products with adequate margins; assist medical practitioners in patient care by making high quality medicines within reach."*

Designing the business around the unmet needs of the poor was RiteMed's key challenge. There was a huge demand for quality, low-cost drugs, but the market was commercially untapped, and both the public and healthcare professionals remained skeptical. From the beginning, RiteMed focused on price point, product line and marketing.

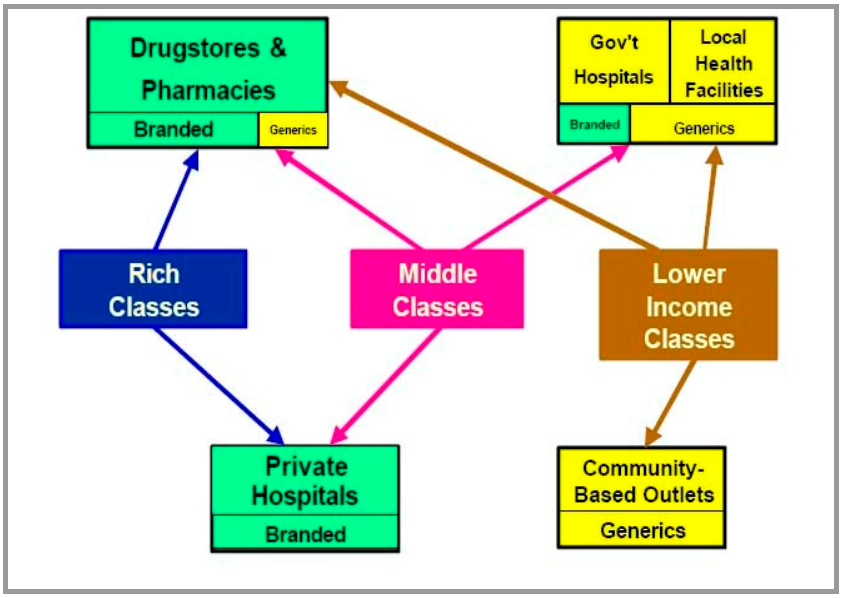
Developing the Market

RiteMed felt that success hinged on the right products portfolio, at the right price, with the right brand image for its target market. The target markets were seen as the following:

- ***Primary market*** – poor patients with chronic (or acute) diseases going to small hospitals, clinics and government health facilities
- ***Secondary market*** – other patients looking for value in medical treatment

Figure 3 shows how the rich, middle and lower-income classes segment the market, according to the World Bank study. The lower-income classes have more access to the public health facilities and generic drugs, precisely RiteMed's target market.

Figure 3: Market Segmentation in the Pharmaceutical Market[16]



PRODUCT

The RiteMed product line needed to reflect the list of life-saving and essential drugs; its target market would not afford "lifestyle" drugs. The first products chosen included: anti-asthma, anti-cholesterol, anti-Diabetes, anti-infectives, anti-Tuberculosis, cardiovascular, cough-cold, endocrine, gastrointestinal, somatics and vitamin-minerals.

PRICE

The price reduction needed to be truly affordable to the poor. RiteMed followed the lead of the Government's GMA50 programme in determining the price point at an average 50 percent reduction.[17] (See Appendix D for a list of RiteMed drugs with comparative prices).

To accommodate the target prices, RiteMed adopted a different manufacturing strategy. RiteMed products were produced in smaller batches together with bigger batches of the same product for the branded Unilab counterpart. In this way, the costs of raw materials and manufacturing were minimized, while set-up costs were negated.

An innovative marketing strategy also helped lower overall costs. Traditionally, drug companies spent hundreds, even millions of dollars to market one product. RiteMed marketed a whole product line as RiteMed brand- the cost of marketing was distributed to a line of 65 products. This drastically brought down marketing expenses, which enabled the company to decrease the cost of medicine.

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[16] World Bank, Health Policy Note, Improving the Poor's Access to Affordable Drugs, Health Policy Note, by J. Kanavos, J. Lim, C. Pascual, June 2002

[17] Interview with Dr. Jonas Policarpio, February 2007.

RiteMed's General Manager, Mr. Willie Verzosa, explained that after lowering manufacturing and marketing costs, "*at an average 50 percent price reduction of the drugs, meaning lesser income margins, other business operational strategies followed suit*." These strategies are listed below:

- Customer relationship programme to drugstore owners for wider trade availability
- Lower manpower resources and promotional activities
- Partnerships with medical societies for generics advocacy in mass media (radio, print and billboard) to have expanded reach even in rural areas

MARKETING

RiteMed developed a marketing strategy designed around reaching out to the poor and to healthcare professionals. It needed to overcome the negative perception- on the part of patients, doctors and pharmacists, alike- of generic drugs.

Aside from the newspaper, radio, and television campaign for generic drugs launched by RiteMed, the company showed proof of compliance with regulatory requirements for generics.[18] RiteMed included Bioavailability/Bioequivalence studies in its applications for product registrations to the Department of Health's Bureau of Food and Drug. Although this was not required by Philippine regulatory agencies, it was a very important parameter specified by the World Health Organization as a testament of being equal to, or interchangeable with, the branded product. As mentioned previously, RiteMed also leaned on the trusted brand of its parent company, Unilab.

RiteMed had to build relationships with the drug outlets (including government outlets) to persuade them of the business opportunity in selling generic drugs at higher volumes, albeit with a lower profit margin. The campaign aimed to convince trade entities that good profit could be earned with a higher sales volume plus sustained business in meeting the huge market for affordable drugs. The main hurdle to overcome was the deeply ingrained expectation of trade entities to choose specific generics based on the deepest trade discount offered by the manufacturers. Existing practice provided drugstores discounts ranging from 25 percent to 60 percent. RiteMed was offering only up to a maximum of 35 percent. Pharmacists and sales clerks were given incentives by branded drug companies to meet sales quotas on branded products, even if the prescriptions were written in generics. RiteMed overcame this challenge by marketing directly to the pharmacists and educating them on the provisions of the Generics Act mandating that pharmacists must educate patients (at the counter) and provide the choice of branded or generic drugs where available. In this way, pharmacists were ethically and professionally bound to consider RiteMed's products as an option to the customer. This is a significant departure from the traditional practice where doctors prescribed specific brands even when they are expensive and patient are compelled to buy.

[18] Interview with Dr. Jonas Policarpio, February 2007.

As a result of its strategy, RiteMed estimated the following efficiencies, compared to an average multinational corporation (MNC) by selected indicators, shown in Table 2.

Table 2 Comparison of RiteMed versus MNC Generic Drugs

Particulars	RiteMed	Average MNC
Sales	20,780,000	31,160,000
Discount	33 %	10%
Net Sales	13,922,600	28,044,000
Cost of Sales	51%	25%
Gross Margin	49%	75%
Total Operating Expenses	19%	40%
Operating Income	30%	35%

Source: Interview with RiteMed General Manager and Staff, November 2006

Partnerships with Stakeholders

RiteMed developed a partnership with the Philippine International Trading Corporation to supply generic drugs to the government hospitals and Botika ng Bayan stores. The quality drugs from RiteMed were marketed to Government as complementary to foreign wholesalers who may not have the complete line of drugs needed by the Government. In some cases, it also provided the community a choice if patients preferred local medicine as opposed to foreign made medicines.

To advocate for wider use of generic drugs, RiteMed engaged medical organizations like the Manila Medical Society, Philippine Medical Women's Association, Philippine Hospital Association, Private School Health Officers Association, Association of Municipal Health Officers of the Philippines and others. RiteMed positioned itself as a corporate entity that assisted them in taking care of their patients by making highest-quality medicines affordable and accessible.

Pictures 3 and 4: RiteMed's advocacy campaign for increased health awareness by all

Limitations and Internal Challenges

In the course of developing the market, RiteMed also faced challenges from within the Unilab Group of Companies. Its business was not meant to collide with or impinge on any of the existing businesses of the major marketing divisions of Unilab.[19] However, there were incidents of collision and conflict. The branded divisions of Unilab felt threatened by the fact that cheaper generic versions of their products were to be marketed by another division, and Unilab acknowledged the emergence and growth of "*pure generic*" prescriptions by doctors in the country. It was a trend that was brought about by young practitioners, especially from doctors practicing in the government facilities complying with the Generics Act. There was an undeniable market niche that was not accessible to the Unilab branded divisions.

Over time, the various dissenters of Unilab accepted the unique positioning of RiteMed and began to support it as complementary rather than conflicting to the Group's business growth. The profitability of RiteMed was convincing. Further, more than half of those surveyed by AC Nielsen, on behalf of RiteMed in 2005, indicated a willingness to substitute branded drugs with their generic counterparts.[20]

Commercial Success

Unilab had invested in RiteMed's incorporation an initial capitalization of US$0.17 million and asset base of only US$1.16 million. By the end of 2005, current capitalization had reached US$1.13 million and the asset base had grown to US$1.8 million. Its staff had increased gradually but still numbered a lean 64 in 2005, keeping staff operating expenses to a minimum. The company registered profits after only six months of operations, and thereafter, consistently showed respectable profits. General Manager Mr.Verzosa predicted a continuous increase in RiteMed's profitability; he expected that, in time, RiteMed would be one of the top income earners from among the Group. Table 3 shows the early financial performance.

Table 3: RiteMed 4-Year Financial Performance, in millions, US$ (or percentage where indicated)

PARTICULARS	2002	2003	2004	2005
Sales Target	7.9	11.8	13.8	14.9
Actual	8.02	10.8	12.5	16.4
Performance	100.40 %	91.17 %	90.40 %	110 %
- Sales growth		34.56 %	15.90 %	31.72 %
Assets	1.16	2.22	2.8	1.8
Capitalization	0.17	0.51	0.82	1.1

[19] RiteMed briefer: Market Situation and Perceptions Prior to Launch

[20] Willingness to Substitute Brand with Generics, AC Nielsen market study done for RiteMed

- Capitalization growth		195 %	59,24 %	37.19 %
Net operating profit before tax	(0.011)	0.50	0.45	0.45
Net operating profit after tax	(0.011)	0.34	0.30	0.30
Return on capital	-7 %	67 %	37 %	27 %
Return on total assets	-1 %	16 %	11 %	17 %

Source: SEC financial statements from RiteMed briefer *Market Situation and Perceptions Prior to Launch*

A look at RiteMed's first three-year record shows that from July 2002 to September 2005, RiteMed topped its competitors in sales, sales growth and market share. Its market share has increased steadily, from 19 percent in 2002 to 32 percent in 2005. Table 4 gives the market share, highlighting competition among the bigger companies producing generics (the Government is not included, because it is not considered a competitor of RiteMed).

Table 4: RiteMed and Top Competitors' Market Share, in percentages

Company	2002	2003	2004	2005
RiteMed	19	27	31	32
Pascual Labs	17	23	28	26
Organon	4	6	5	4
Pharmawealth (Drugs from India)	Not available	2	4	4
Others/Private	Not available	42	32	34

Source: RiteMed Briefer - Market situation and Perceptions Prior to Launch

In recognition of its innovative work and growing strategic partnerships, RiteMed won nine industry awards, including the 2005 Most Innovative Pharmaceutical Company Award given by the Philippines Business Achievers, for consumer welfare, company reputation, brand goodwill, corporate social responsibility and market acceptability.

Positive Outcomes for the Poor

ACCESS TO AFFORDABLE AND QUALITY MEDICINES FOR THE POOR

By offering products that were priced 20 to 75 percent lower than leading brands, RiteMed made access to affordable medicine a reality for millions of Filipinos. For example, a recent product addition of intravenous fluid costs 50 percent less than Euromed. The company expects to add 17 more drugs to its present list of 35 by the end of 2007 and to continue to add to the list in the future.

INCREASED HEALTH AWARENESS

As part of the company's corporate citizenship values, RiteMed conducted community-based, as well as institution-based, education campaigns to raise awareness that health is a right and every Filipino has the right to access affordable health services and medicines. People have the right to information on all available healthcare products in the market, and they have the option to choose cheaper generic drugs. The company also educated the public in general, and the poor specifically, about disease prevention through marketing campaigns and community outreach programmes.

EARNING THE PUBLIC'S TRUST ON GENERIC DRUGS

When the company entered the generics market, it was an insignificant market, since very few people used generic drugs. The effective education and awareness raising campaigns of the company helped break the myth about the inefficacy of generic drugs. RiteMed contends that they have data indicating more acceptability of generics by the public, more consciousness by the sick of the need to comply with medications (especially for chronic diseases) and more consciousness that not all generics are made equal— that quality generics meet or exceed the regulatory requirements, proven by Bioequivalence & Bioavailability tests.

COST SAVINGS TO THE CONSUMERS

Considering that medicines are expensive, RiteMed provides an alternative to help people buy quality medicines at non-prohibitive costs. A study done by RiteMed comparing the list prices of 20 products with branded products revealed total reduction in cost of drugs with use of RiteMed products at about US$ 0.108 million (PHP 5.413 billion) during the past four years.

COST SAVINGS IN THE HEALTHCARE SYSTEM

RiteMed also cited cost savings to the overall health care system as another positive outcome for the country in general. With improved health of the populace due to better access to high quality medicines, billions of pesos in savings in the healthcare system is being realized.

Future Prospects

With RiteMed continuing to advocate for the use of quality generics, there is greater attention on the problem of how to meet the still unmet need for quality, affordable medicines and healthcare for the poor.

RiteMed is eyeing opportunities to embed the community in its core business operations by learning from Unilab's experience. For many years, Unilab has partnered with the communities surrounding its plants to re-pack medicines in small amounts or in sachet-like packaging to make it affordable for the poor. Most of the time, the poor cannot afford to buy medicine packed in large quantities. The company provides training on handling and sanitation and offers apprenticeships in working stations in the community. This initiative has provided permanent and long-term livelihood for the community for over ten years. The programme has also tapped the services of people with disabilities through Tahanang Walang Hagdan, a foundation for the handicapped that participate in the packaging processes of

medicines. RiteMed is looking into the possible replication of this model to provide added value to the community.

Unilab is also studying how to replicate the RiteMed model in other countries where it has operations. Emerging markets such as Cambodia and Vietnam, where poverty remains a problem and basic health services are not as effective and efficient as compared to other Southeast Asian countries, would benefit tremendously. This would offer the opportunity for Unilab to grow.

Conclusion

RiteMed was able to penetrate the US$2 billion pharmaceutical market in the Philippines. The key to this achievement was the decision of its owner to respond to the Government's call to make more medicines accessible to the poor and look into the enormous potential of the poor as a market. It developed an innovative marketing and advocacy campaign by addressing three key client groups: the consumers of medications, the health providers and the network distribution of drugs. That strategy also not only convinced people to exercise the option to purchase lower-priced drugs but also increased the awareness of Filipinos that health is a right.

While the social impact of RiteMed's increasing participation in health care is still to be assessed and seen in the next few years, there are indicators of its growing potential to serve the public good:

- Increasing number of outlets in government hospitals and Botika ng Bayan, which are the most accessible outlets to the poor
- Increasing number of products of RiteMed
- Ongoing partnership with the Philippine International Trading Corporation to provide the Government's trading arm with the option to buy generics or sources of low-cost but high-quality drugs like RiteMed, instead of procuring foreign drugs under procurement practices that may be influenced by unethical practices, resulting in procurement of cheap undetermined quality of drugs; and finally
- Ongoing advocacy campaign to exercise the option to choose generic drugs.

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All pictures courtesy of RiteMed

Appendix A: Cost Structure of Pharmaceutical Multinational Corporations (MNCs)[21]

COST (in centavos)	NATURE OF EXPENSES	DESCRIPTION
40	Product transfer price	price of the medicine as bought by the subsidiary from its "mother company" based abroad (almost all the foreign drug companies are merely into distribution and no longer engage in drug manufacturing in the country)
20	Promotions	expenses incurred by drug companies for sponsoring doctors' seminars, conferences and foreign trips, as well as advertisements and other endorsements to sell their products
15	Sales force expenses	mainly for the salaries, vehicles and other benefits provided to medical representatives
12 to 18	Distribution costs	discounts offered to pharmacies and drugstores
5 to 8	Medical expenses	clinical trials, market research and surveys

Source: Philippine Center for Investigative Journalism, September 2006

[21] "New Rx Needed for the Generics Movement," by Alex Pabico, Philippine Center for Investigative Journalism, Special Feature, September 2006.

Appendix B: Price Comparison Between Parallel Imported Drugs and Locally-Sourced Counterparts

GENERIC NAME	BRAND NAME	DOH BOTIKA	Average Market Price	% Price Reduction
Cotrimoxazole	Bactrim DS 800/160 mg tab	5.07	24.03	79
	Bactrim Adult 400/80 mg tab	2.80	13.50	79
Co-amoxiclav	Augmentin 375 mg tab	51.19	69.75	27
	Augmentin 625 mg tab	63.47	87.33	27
Cefalexin	Phexin 250 mg cap	11.81	18.17	35
	Phexin 500 mg cap	21.53	33.70	36
	Phexin 250 mg/5 ml, 30 ml susp	99.75	165.90	40
Nifedipine	Adalat Retard 20 mg tab	5.72	36.02	84
Diltiazem	Ionozem 30 mg tab	9.62	25.43	62
	Ionozem 60 mg tab	15.23	35.68	57
Metoprolol	Betaloc 50 mg tab	4.67	9.60	51
	Betaloc 100 mg tab	8.19	17.68	54
Atenolol	Tenormin 50 mg tab	8.69	20.67	58
Mefenamic acid	Ponstan 250 mg tab	5.40	11.03	51
	Ponstan 500 mg tab	8.65	20.87	59
Diclofenac	Voveran 50 mg tab	5.85	17.25	66
	Voveran SR 100 mg tab	10.40	33.43	69
Gliclazide	Diamicron 80 mg tab	9.45	11.53	18
Glibenclamide	Euglucon 5 mg tab	5.20	9.25	44
Glibenclamide	Daonil 5 mg tab	3.10	8.90	65

Gemfibrozil	Lopid 300 mg	19.16	36.45	47
	Lopid 600 mg	38.33	67.65	43
ISDN	Isordil 5 mg SL tab	2.60	11.20	77
	Isordil 10 mg tab	3.51	9.83	64
Terbutaline sulfate	Bricanyl 250 mcg x 200 doses inhaler	217.14	437.85	50
	Bricanyl 2.5 mg tab	3.60	7.85	54
	Bricanyl 5 mg tab	5.85	18.25	68
	Bricanyl 1.5 mg/5 ml, 100 ml syr	80.85	194.05	58
Salbutamol	Ventorlin 100 mcg x 200 doses inhaler	159.60	314.63	49
	Ventorlin 2 mg/5 ml, 100 ml syr	72.08	182.70	61
Loperamide	Imodium 2 mg cap	4.73	9.73	51
Hyoscine	Buscopan 10 mg tab	4.83	9.05	47
	Buscopan 20 mg/ml inj	28.60	69.05	59
	Serenace 5 mg tab	8.09	17.35	53
	Serenace 20 mg tab	16.77	35.30	52
	Serenace 5 mg/ml inj	17.81	97.00	82
Carbamazepine	Tegretol 200 mg tab	6.05	14.88	59
	Tegretol CR 400 mg tab	11.13	37.35	70
	Tegretol 100 mg/5 ml, 100 ml susp.	119.18	328.50	64
Phenytoin	Dilantin 100 mg cap	4.81	20.60	77
		Average Price Reduction 56		

Source: PITC

Appendix C: Unilab Operations

SOURCE:
http://www.unilab.com.ph/about/operations_in_asia.asp

Appendix D: Sample List of RiteMed Products

A Public Health Service By:

RiteMED™
Right Medicine, Priced Right.™

Garantisado ng UNILAB

Sulit na Gamot, sa Sulit na Presyo!™

Product	Suggested Retail Price		% Savings vs. Leading Brand
ANTI-HYPERTENSION			
DILTIAZEM*	30mg Tab	9.30	65%
	60mg Tab	13.15	64%
METOPROLOL*	50mg Tab	3.15	16%
	100mg Tab	5.40	14%
PROPRANOLOL*	10mg Tab	2.50	73%
ATENOLOL*	50mg Tab	6.85	76%
	100mg Tab	13.50	72%
ANTI-CHOLESTEROL			
SIMVASTATIN*	20mg Tab	20.70	50%
	40mg Tab	28.00	32%
ANTI-DIABETES			
GLICLAZIDE*	80mg Tab	5.75	55%
METFORMIN*	500mg Tab	4.50	54%
	850mg Tab	7.00	55%
ANTI-ASTHMA			
SALBUTAMOL*	2mg Syr x 60mL	46.80	57%
	2mg Tab	2.05	61%
ANTI-TUBERCULOSIS			
RIFAMPICIN	300mg Tab	14.00	39%
	450mg Tab	20.00	49%
ANTI-INFECTIVES			
CEFALEXIN*	250mg Cap	11.00	46%
	500mg Cap	17.25	55%
	250mg Susp x 60mL	156.50	50%
	100mg Drops	89.50	35%
CEFACLOR*	250mg Cap	41.75	47%
	500mg Cap	78.75	40%
	125mg Susp x 30mL	135.00	50%
	125mg Susp x 100mL	332.00	27%
	250mg Susp x 30mL	235.00	19%
	250mg Susp x 100mL	573.75	28%
	100mg Drops	331.50	14%
CLOXACILLIN*	500mg Cap	16.85	68%
AMOXICILLIN*	250mg Cap	5.00	17%
	500mg Cap	7.00	30%
FOR MIGRAINE, TOOTHACHE & DYSMENORRHEA			
MEFENAMIC ACID	250mg Tab	3.65	69%
	*500mg Tab	5.50	76%
VITAMIN C			
ASCORBIC ACID	500mg Tab	1.40	72%
FOR FEVER & FLU			
PARACETAMOL	500mg Tab	1.05	67%
	120mg Syr x 60ml	29.25	62%
FOR DIARRHEA			
LOPERAMIDE	2mg Cap	4.05	65%
FOR COUGH			
AMBROXOL	15mg Syr x 60ml	44.20	44%
	15mg Syr x 120ml	82.10	33%
	30mg Syr x 60mL	56.80	51%
	30mg Syr x 120mL	101.10	42%
	30mg Tab	4.80	53%
GUAIFENESIN	100mg Tab	1.00	90%
BROMHEXINE	Syr x 60mL	50.00	42%

Available at:

mercury drug

*This product is classified by the Bureau of Food and Drugs as a prescription drug and should be bought only with a doctor's prescription. Consult your doctor.

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The information presented in this case study has been reviewed and signed-off by the company to ensure its accuracy. The views expressed in the case study are the ones of the author and do not necessarily reflect those of the UN, UNDP or their Member States.

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