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## Global Forum on Competition

### COMPETITION ISSUES IN THE DISTRIBUTION OF PHARMACEUTICALS

#### Contribution from Kazakhstan

-- Session III --

*This contribution is submitted by Kazakhstan under Session III of the Global Forum on Competition to be held on 27-28 February 2014.*

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## COMPETITION ISSUES IN THE DISTRIBUTION OF PHARMACEUTICALS

### -- Kazakhstan --

1. Development of competition and antitrust regulation were among the priority directions of economic development of Kazakhstan. Long-term development targets, strengthening competitive economy laid in 1997 in the Strategy of Development of Kazakhstan till 2030.

2. This session is an important issue affecting society "supply affordable and safe medicines end users". The issue in question is also relevant for Kazakhstan and has a number of complex problems.

3. Thus, according to results of the competition authority's 2012 market analysis identified the following medicines.

4. Market sale of medicines is currently characterized by such problems as:

- **on the market of medicinal products,**
- Lack of concepts and clear criteria for determining the interchangeability of medicines.

Worldwide drugs that have the same international nonproprietary name (hereinafter - INN) are used interchangeably, in Kazakhstan the appointment of so-called similar preparations, and purchase their statement at the discretion of the attending physicians and pharmacists.

At the same prescriptions are written by doctors with specific brand names of drugs, not the INN. Moreover, the recipe does not include interchangeable with each other drugs, and that is a problem. After all, the price of various analogues, produced by different pharmaceutical companies under different brand names may differ at times and even orders.

5. This problem is typical not only for Kazakhstan, but also post-Soviet space.

- Ineffectiveness of the current pricing mechanism for drugs;

In order to support socially vulnerable and the poor, as well as to ensure the affordability of the population to drugs, the Ministry of Health annually sign a memorandum to curb rising prices of medicines, involving price fixing on the individual names of drugs (for example, 2012 year for 200 drugs).

In the basis of price regulation, implemented by memoranda, there is no method of calculating the pricing of medicines. Prices 200 pharmaceutical products do not reflect the real cost of drugs and do not take into account regional peculiarities (the costs of transporting products, especially supply and demand, income level, etc.).

The adoption of the memorandum of drug prices since the end of 2010 shows an annual growth of prices for certain drugs.

Thus, in practice, the establishment of thresholds retail prices for drugs does not lead to containment and unreasonable growth, due to the fact that retail implementers adjusted their selling prices to an extreme level, a certain memorandum.

- Incorrect medical community interaction with pharmaceutical companies;

As noted above, in Kazakhstan there is no definition of interchangeability of medicines. This circumstance allows medical professionals to prescribe the appointment of treatment drugs on your own. So, as a result of incorrect interaction with pharmaceutical companies in the medical community last formed a material interest in the prescribing of certain pharmaceutical companies to the greatest possible number of patients. A significant part of the medical community has a contractual relationship with one or more pharmaceutical companies, according to which permanently receives payment for services rendered compensatory.

In many countries, incorrect practice physicians interaction with pharmaceutical companies prohibited establishes liability, including criminal, for stimulating the medical community in the appointment of certain medications. However, in our country against the doctors and the pharmaceutical business is not yet settled properly.

- Imperfect competition on the retail market in pharmaceutical countryside.

At the moment there is a problem in the country not only undeveloped competition in the retail market of medicinal products in the countryside, but also insufficient supply drugs.

The reason for the lack of pharmacies in rural areas is a low margin business, which, in turn, arises mind the limited market.

6. These problems in the market of medicines undoubtedly affect the end consumers of medicines in Kazakhstan.

7. In this connection, according to results of analytical work Antimonopoly Agency sent to the Government of the Republic of Kazakhstan proposals to improve the situation on the market and competition, in particular:

- **on the interchangeability of medicines**

1. to amend the Code of the Republic of Kazakhstan "On people's health and the health care system", in part to its addition :
  - The concept of "interchangeable drugs" and clear criteria for determining the interchangeability of medicines;
  - The duty of doctors to prescribe prescription forms with the international non-proprietary names of drugs prescribed, rather than specific trade names;
2. Maintain a special list of interchangeable drugs.

- **on the issue of price regulation in the pharmaceuticals market**

1. amendments to the existing legislation , in part to its addition to a specific list of persons who may carry out wholesale distribution of medicinal products ( domestic producers and importers of medicines ) , in order to exclude organizations dealing exclusively reselling drugs;
2. development of a technique ( order) pricing Memorials to curb rising prices, the Ministry of Health concluded by the Republic of Kazakhstan with professional associations in the field of medicines and providing for fixing retail prices of certain drugs .

- **on the medical community interaction with pharmaceutical companies**

8. Amendments to existing legislation regarding supplement its prohibitions on medical workers and pharmacy institutions in the exercise of their professional activities (except as related to the conduct of clinical trials of medicinal products):

1. Prohibit medical professionals in the exercise of professional activity

- Accept gifts, cash (except interest on contracts in clinical trials of drugs) from pharmaceutical companies, including payment of entertainment, recreation, travel to a place of rest, as well as participate in recreational activities conducted at the expense of companies;
- Enter into agreements with pharmaceutical companies for prescribing or recommending patients medications (except contracts for the implementation of clinical trials of medicinal products);
- Receive samples from pharmaceutical companies for delivery of drugs to patients (except as related to the conduct of clinical trials of medicinal products);
- Provide the appointment of treatment the patient false, incomplete or misleading information about the medicines used , including hide information about the presence in circulation similar drugs with lower price;
- To carry out reception of representatives of pharmaceutical companies, except as related to the conduct of clinical trials of medicinal products,
- To prescribe drugs on letterhead containing advertising information, as well as prescription forms, which pre-printed name of the drug.

2. Prohibit employees of pharmacies in the exercise of professional activity

- Accept gifts, cash (except interest on contracts in clinical trials of drugs) from pharmaceutical companies, including payment of entertainment, recreation, travel to a place of rest, as well as participate in recreational activities conducted at the expense of companies;
- Enter into agreements with pharmaceutical companies for prescribing or recommending population medicines (except contracts for the implementation of clinical trials of medicinal products);
- Receive samples from pharmaceutical companies for delivery of drugs to patients (except as related to the conduct of clinical trials of medicinal products);
- To carry out reception of representatives of pharmaceutical companies, except as related to the conduct of clinical trials of medicinal products;
- To provide people with false, incomplete or misleading information on the availability of drugs that have the same international nonproprietary name, including withholding information on the availability of drugs that lower price.

• **Underdevelopment on competition in the retail pharmaceutical market rural**

1. To ensure drug small territorial entities , making amendments to the State Programme for the Development of Health of the Republic of Kazakhstan "Salamatty Kazakhstan " for 2011-2015 development measures pharmacies in remote villages as well as in cities and areas with low population size and density ;
2. To consider the possibility of providing drugs in rural areas through public- private partnerships ( for example , the provision of pharmacies rental benefits ) .

9. In this connection, the Antimonopoly Agency believes that the measures outlined will promote competition in the market of drugs and thereby increase the level of supply end-users affordable and safe medicines.