LOCOST: bringing medicines within the common man's reach

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Levofloxacin, a drug used to treat bacterial diseases has an MRP cost of Rs. 95. It's generic, unbranded version costs Rs. 6.82, a 1392% reduction. Glivec, an anti-cancer drug, costs Rs. 1,30,000 per month for 1 person if branded. The unbranded generic comes at Rs. 10,000 per month. Medicines make up 50-60% of healthcare costs in India, and they are unaffordable for most. About 2 lakh people fall below the poverty line every year due to one health shock, and the biggest expense here usually turns out to be medicine.

Cartoon courtesy: AIDAN

Which explains the existence of LOCOST (Low Cost Standard Threrapeutics), the only low cost drug manufacturing company in India. When it started in 1983 in Baroda, LOCOST wanted to prove a point – that it is possible to make and sell drugs at affordable prices. Besides making available essential medicines at affordable rates to the urban and rural poor, LOCOST has also been active at advocating for pro-poor pharmaceutical policies at both regional and national levels. We speak to Mr S. Srinivasan ("Chinu"), Ashoka fellow, co-founder and managing trustee, LOCOST, about why drugs are so expensive in India. **What prompted you to start LOCOST?** LOCOST is a collective effort, started by a group of like-minded people many of whom were doctors practising community medicine in remote rural areas. Healthcare accessibility to the poorest of the poor was always a concern for us when we started looking at the issue of medicines, their pricing and accessibility. We conducted seminars and workshops to create more awareness in the early 1980s but we soon realised that we need to do more. **How is LOCOST able to manufacture market and sell drugs at a low price?**

We have our own manufacturing setup that reduces cost. The machines and raw materials are sourced from India. Only recently have we started using Chinese raw-material due to cost benefits. There is very little marketing and distribution expense. LOCOST supplies only to NGOs, Voluntary health organisations and government organisations. LOCOST has a good network. We are not doing anything wonderful. It is not the right way to run a company with no conventional marketing effort. Most pharma companies do what can be called deceptive marketing. It didn't seem ethical for us and thus we decided not to do any. Paracetamol is paracetamol, why should we market it? But we are now more realistic – even if you make good products, people need to know about it. Our single criterion for choosing clients or partners is that *they should be serving the poor*. We do our background checks on the organisation before deciding *Low cost drugs supplied by LOCOST* to supply to them. **What distinguishes this effort from other drug developing companies?** We combine drug production with a non-profit philosophy and large scale advocacy for pro-poor policies and rational drug therapy. Money has not been a reason to do LOCOST: we are deeply interested in changing the bigger picture, the unfriendly political economy of medicines. We are very particular about ethical practices; which often meant that while a bigger company would get their approval in one day, we might have to wait for six months. We factor that into our costs. **Does the Drug Price Control Order (DPCO) that caps medicine prices seem inadequate to you?** In India, only 76 drugs are under price control. Most of these medicines are not relevant for our disease pattern. Useful drugs are not price controlled and continue to remain unaffordable and inaccessible. Medicines in India are expensive and overpriced. In the last three years, the price of Crocin has increased from Rs 6 per strip to Rs 20. One would think the cost of raw-material has increased proportionately so much; but raw-material increased by 50% or at best 100%; it didn't triple. In a normal market situation, say for example automobiles, competition will bring the price of commodity down. And also 80% of the consumers will buy the cheaper product and 20% will buy the expensive ones. But laws of normal market do not work in the medicine market. People tend to prefer and buy the costlier versions on the advice of doctors who in turn go by the 'advice' of medical representatives and pharmacy companies. Doctors usually promote branded drugs saying they are better and that they cannot assure the quality of an unbranded (or "generic") drug. Since decisions about medicines are usually made under crisis, market forces are not efficient; the patient has no choice. It is this skewed symmetry of information between patients and sellers of medicines that leads to pharma market failure. Price control is needed to address the disastrous effects of this market failure. **How do you decide which medicines to focus on?**

Since most of the trustees were doctors working with poor people in remote areas, they have domain knowledge about what was needed. LOCOST initially started with a focus on primary health care and has now expanded to about 100-120 medicines. LOCOST is also involved in the advocacy and education of end users and prescribers of medicines, how do you do that? LOCOST and our associates in the All-India Drug Action Network (AIDAN) run campaigns to educate people about the rational (that is scientific) use of drugs. We are also closely concerned with policy issues at national and regional levels and participate in various government meetings and discussions. We have also moved courts. Currently we have a drug pricing case ongoing in the Supreme Court as well as a case against the closure of vaccine PSUs. **You say social accountability is the strength of LOCOST. How is this social accountability ensured/ evaluated?** LOCOST does not have a shareholder meeting or an annual GBM, but we have periodic meetings with our consumers/partners, people in public life and people concerned with health and pharma issues in India. As an organisation, LOCOST is very particular about ethical practices – no bribes, no under-the-table dealings – transparency in the organisation and ethical production, marketing and other functions is must.

Labels on LOCOST drugs

We have fewer than 30 (paid) people with a very open structure that respects and allows everyone to express their viewpoint. **LOCOST soon turns 30. What has been the biggest change that you have seen?** 30 years ago, when we talked about over pricing of medicines, prevalence of unsafe and harmful medicines, and lack of accessibility to the poor, we were laughed at. But now most people – the media, academia as well as policy makers – have come to accept that something is very wrong in the way the pharma industry is currently working in India and in the world.

Comparing the prices of essential medicines between LOCOST and regular brands.

There are a couple of organisations that work in similar ways to us – CMSI in Chennai and All India Mission Tablet Industry near Bangalore. To meet the gap between the supply and demand of medicine, there is a need for many more such initiatives. But more of LOCOST like organisations is not the solution. The solution is to have policies where people matter. Reformation of our public health services and public health centres, making public hospitals function better than anything the private sector can provide, stocking them with medicines and staffing them with doctors, nurses and other important personnel and making them free is the answer. **Is such a revamp of the Public Health infrastructure even possible?** Yes, it is possible. Currently the Tamil Nadu government has demonstrated a medicine delivery system where public health centres are preferred over private doctors and so drugs are available at low costs. The government of India is now going to replicate the same system – free medicines for all in all public health facilities – across the country. The state also needs to ensure that there are effective, transparent and accountable regulatory bodies to regulate the quality of products we are making and their pricing. *All pics courtesy: LOCOST*
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