

# Prices & Discounts on Drugs

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This is the second article in the series of 'Drug Regulation' in the UAE, where the author will explore the regulation of pricing and discounts to pharmaceutical preparations.

Article 64 of the Federal Law no. 4 of 1983 concerning the Profession of Pharmacy and Pharmaceutical institutions ("Pharmacy Law"), states the following:

"The Minister may at the recommendation of the committee stated in article 63 decide the following:  
3. Fixation of the price of any medicine or pharmaceutical preparation and consider pricing."

Accordingly, the main legislation governing the fixing of prices for drugs in the UAE is the Pharmacy Law. The sole authority to fix and consider the price of medicines and other pharmaceutical preparation is vested in the Minister of Health ("The Minister"). These fixed prices include the price sold by from the wholesaler to distributors to pharmacies. According to his authorities, the Minister has the power to fix the price of any medicine, and this should include the price through its different stages (Company to distributor, distributor to pharmacy and from pharmacy to customers).

Article 2, 3 and 4 of the Ministry resolution No. 834 for the year 2008 concerning the pricing of drugs, clarified how to calculate drug prices and accordingly divided this into two categories as follows:

First: the prices of selling imported drugs to the public shall be calculated as follows:

## 1. Drugs of chronic diseases and antiviral

Selling price to the public = CIF cost x Currency Exchange Rate + (profit margin to the agent (%15 of Cost, insurance and Freight in Dirham) + profit margin of the pharmacy (%18 of CIF in Dirham)

## 2. Concerning drugs not stated in item "First" (Non-chronic diseases and non-antiviral)

Selling price to the public = (CIF cost x Currency Exchange Rate) minus %10 + (profit margin to the agent (%20 of Cost, insurance and Freight in Dirham) + profit margin of the pharmacy (%24 of CIF cost in Dirham)

Second: the prices of selling local drugs to the public shall be set as follows:

Selling price to the public = ex-factory price + (profit margin of the agent (%20 of the ex-factory price) + profit margin of the pharmacy (%24 of the ex-factory price).

The profit margins of distributors and pharmacies are fixed as per to the Ministry Resolution No. 171 for 2011. According to this resolution, the discount on drugs must comply with the fixed profits stated above according to the resolution no. 834 of the 2008, as the following:

- Wholesalers/distributors must comply with the fixed profit margins and they are not allowed to offer bonuses /discounts to pharmacies that are lower than the fixed margins.
- The pharmacies must also comply with the fixed profit margins which must be applied when selling to patients. This means that pharmacies cannot offer discounts to the patients above the permitted margins. The MOH confirmed that any discount at any level is not permitted under the UAE laws unless complying with prices and profit margins set by laws & regulations of the UAE.

Drugs companies cannot offer their distributors a discount which exceeds the fixed margin in the

UAE laws. Also these companies can not waive any percent of the specific discount of laws in favour of the distributor; as this would be considered as a direct violation of pricing Law & regulations as per to laws and the above two resolutions.

Commissions, Incentives or any other financial benefits given to distributors are subject to the aforementioned regulations. As a general rule, any discount other than the permitted discount by law, at any level, is not permitted under the UAE laws and regulations.