

Demand Needs and Subsidies in Pharmaceuticals: The Experience of the *Remediar* Program in Argentina

Daniel Maceira, Ignacio Apella and Eugenia Barbieri

Abstract

Between 2001 and 2002, as a consequence of the Argentinean economic crisis, the existent gap between potential and effective demand for pharmaceutical products increased, especially in low income households. As a result, the Ministry of Health launched the *Remediar* Program, consisting in the public provision of medicines among houses under the poverty line and without formal health coverage. A Program based on a demand subsidy requires the presence of three elements: effectiveness and homogeneity in the distribution, quality of the goods or services provided, and satisfactory levels of information among beneficiaries. By implementing a subsidy for pharmaceutical products, families can substitute their own purchases by free medicaments, shifting their incomes to alternative uses. Considering that *Remediar* acts as an indirectly subsidy for the demand of medicines through primary health care posts (CAPS), the main propose of this paper is to know the ability of the Program to reduce the gap between potential and effective demands under the poverty line, as well as its effects over welfare in terms of generated savings. By using two Household Surveys on Expenses and Utilization at the CAPS level during 2003 and 2004, designed for this research, the paper develops a probit model, estimating the probability of accessing to free prescriptions, as a function of household incomes and socioeconomic characteristics, formal health insurance coverage levels, and the participation of each CAP into the Program. The results were compared to the data provided by the National Household survey of Expenses and Utilization in Health developed by the Ministry of Health in 2003. Results show the effectiveness of *Remediar* in increasing the access to medicines of patients at the lowest income quintiles. Estimations also suggest a potential redistributive effect due to the Program, by improving equity on expenditures on pharmaceuticals, which may imply a reduction of the Gini coefficient from 0.11 to 0.08. In addition, population under the first and second income quintile might reach saving of their expenses in drugs of 22.5 and 6.7 per cent, respectively.

Daniel Maceira, Ph. D. in Economics

danielmaceira@cedes.org

Senior Researcher

Ignacio Apella, MA in Economics

ignacioa@cedes.org

Assistant Researcher

Eugenia Barbieri, BA in Economics

eugeniabarbieri@cedes.org

Assistant Researcher

Center for the Study of the State and Society (CEDES)

Sánchez de Bustamante 27 (C1173AAA), Buenos Aires, Argentina

Phone: (54-11) 4861-2126