Capping Prices of Drugs

Why in News?

There was move made in December 2019 to allow a one-time hike of 50% in the price-caps of 12 drugs in the essential list.

What was the move?

- The price capping of these 12 drugs which consists of 21 drug formulations seemed like the government was finally reading the signals from the market right.
- The **high-API (Active Pharmaceutical Ingredients) costs** were pushing up costs for manufacturers, and thus, the price cap effectively would translate into poor availability of these drugs.
- The draft pharmaceutical policy of 2017 recognised that price caps pushed up cheap imports at the cost of domestic API manufacturers.
- Based on this, one would imagine that the NITI Aayog-headed Standing Committee on Affordable Medicines and Health Products (SACMHP) would steer India away from pharma price-policing.
- But, the government seems to be too reluctant to give up control.
- The National Pharmaceutical Pricing Authority (NPPA), along with the department of pharmaceuticals, is finalising a proposal.

What is the proposal?

- The proposal is to **limit the trade margins** of non-scheduled drugs and medical devices that are not supposed to be under the price control.
- However, the government has moved to control prices of medical devices such as cardiac stents while non-scheduled medicines remain under a quasi-price-control regime, with yearly increase of their prices capped at 10%.
- The NPPA has used the special powers under the **Drugs (Price Control) order 2013** to slash ceiling prices of some non-scheduled drugs.
- The Government needs to realise that **price-controls are bad idea**.
- The willingness to expand this idea will make shortage and poor quality of drugs meant for the domestic market a chronic affliction.
- Apart from hitting domestic API manufacture hard, the price-control regime has meant that the Indian pharma production has become more export focussed.

- This is evident from the trend of a falling share of the domestic market in drug-company revenues since capping came into force.

What is the 2013Order?

- The Drugs (Price Control) Order 2013 provides for price-hikes, but only based on revisions in the WPI, without considering the actual cost of manufacturing such as the rising prices of APIs.
- So, even the relief from periodic hikes may not be timely.
- This will only be to the detriment of the patients, if there are not enough drugs to serve the demand or efficacy is poor because quality has been undermined.

Source: Financial Express

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