Drug Price Hike

Why in news?

The government used the Drug Price Control Order, 2013, to increase the price ceiling (rise in prices) for 21 formulations or medicines by as much as 50%.

What is the rationale?

- The decision was prompted by repeated petitions by the pharmaceutical industry.
- They pointed out that the increasing cost of imports had made the production of some of these drugs unviable.
- Prices of bulk drugs and active pharmaceutical ingredients have, in fact, gone up by up to 88%, and are largely imported.
- There was a risk that the non-viability of prices would affect the availability of drugs.
- Lower prices would have further limited the availability of these drugs, some of which include those used for malaria, leprosy and allergy.
- This would have forced the public to look for other expensive options.
- The increase in price ceiling thus comes as a move to make production viable and ensure the availability of drugs in the market.

What are the concerns involved?

- The bureaucratic process that led to the decision is contentious.
- The National Pharmaceutical Pricing Authority (NPPA) was getting applications for price revision for about 2 years.
- The NPPA looked at some of the applications only in January 2019.
- A committee was constituted in March 2019 to look into a set of formulations that could be considered for increasing prices.
- Subsequent meetings at various levels eventually led to the decision, which allowed a one-time increase in prices.
- This raises a basic question that if the government should control drug prices in the first place.

Is government control over prices questionable?

- In some of the developed countries, most of the population has insurance coverage or medical facilities are provided by the state.

- Unlike this, medical expenses in India are borne by citizens, largely through out-of-pocket expenses.
- Therefore, the state intervenes by keeping prices of some drugs in check to contain such spending.
- However, the unintended consequence is that it affects the supply of drugs and can potentially make citizens worse off.
- Although all pharmaceutical companies may not stop producing drugs with price control, they may limit the supply.
- Further, the government usually may be slow on price hike decisions due to political considerations.
- So, the risk of non-availability of drugs is a key concern in price regulation remaining with the government.

What could be done?

- It is better that the government stays away from dictating prices and allow the market to function.
- Competition in the marketplace will ensure that no company is able to make supernormal profits in basic and essential drugs.
- Since the state has limited capacity, it should focus on regulation.
- It should also ensure that the quality of drugs supplied in the market is not compromised at any point.
- On the other hand, it should address the gaps in providing health care services, including at the primary level.
- This would reduce out-of-pocket expenses for the poor.

Source: Business Standard

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