NPPA vs DoP

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Why in news?

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The Department of Pharmaceuticals (DoP) has ruled in favour of drug companies, prohibiting the National Pharmaceutical Pricing Authority (NPPA) from reducing prices of medicines that are selling below the capped prices.

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Why there is tussle between NPPA and DoP?

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- The pricing authority monitors prices of both scheduled drugs, the prices of which are capped by it, as well as non-scheduled drugs, which are allowed to hike prices annually on the basis of an increase in WPI.
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- The matter was taken up by the DoP after the Indian Pharmaceuticals Alliance (IPA) made a submission to against an order passed by the NPPA in March last year. The NPPA revises ceiling prices with effect from April 1 each year.
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- This issue had added to the increasing friction between the NPPA and the pharmaceutical industry, which has been fighting orders issued by the authority, including capping of prices of essential medicines under existing laws.
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What IPA says?

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- IPA, in it’s appeal to the DoP had said the order, which directed

manufacturers to reduce prices of drugs that were selling below capped prices, was "arbitrary and high handed and that such a directive by NPPA is in excess of the powers and authorities vested in it under DPCO, 2013," the DoP order said.
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What NPPA has contended?

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- The NPPA had contended last year that under the rules "all manufacturers are required to reduce Maximum Retail Price as per decline in WPI (wholesale price index)."
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What DoP has contended?

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- The DoP, however, said the NPPA has "erred" in its interpretations of the rules.
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- "The companies already selling their scheduled formulations lower than the ceiling price may not be required to further lower the prices of their products by applicability of negative WPI," the DoP has said in an order, taking away from of the teeth from an earlier order passed by the NPPA last year in March.
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- According to the DPCO, 2013, "In case of decline in wholesale price index, there shall be a corresponding reduction in the maximum retail price and in case of scheduled formulations produced or available in the market before the date of notification of revised ceiling price, the manufacturers shall ensure within a period of forty-five days of the date of such notification that the maximum retail price (MRP) of such scheduled formulation does not exceed the revised ceiling price (plus local taxes as applicable)..."
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- The DoP, however, has said the National Pharmaceutical Pricing Policy, 2012, stipulates a decrease in ceiling prices if there is a reduction in the WPI, and the NPPA is expected to take action against companies selling drugs over that cap.
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- As per DoP’s order, “It is the ceiling price that has to be changed in respect of a scheduled drug by NPPA, that is, those manufacturers selling their products above ceiling price are required to bring the price to the new level of ceiling price fixed by NPPA in the light of new WPI”.
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Source: Business Line

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