Promoting E-pharmacies

What is the issue?

Entry of e-pharmacies will bring down the price of medicine for Indian patients.

What are E-pharmacies?

- Nearly 8.4 lakh pharmacists run the brick and mortar pharmacies in neighbourhoods across India.
- E-pharmacies operate through websites or smartphone apps on the Internet with the convenience of home delivery of medicines to one's doorstep.
- They offer medicines for sale at a discount of at least 20% when compared to traditional pharmacists.
- For scheduled drugs, patients can submit photographs of prescriptions while placing orders.
- However, despite operating in India for at least four years now, the legal status of these e-pharmacies is not clear because the government is yet to notify into law draft rules that it published in 2018.

What are the views against e-pharmacies?

- The fiercest opponents of e-pharmacies are trade associations of existing pharmacists and chemists.
- They argue that their livelihoods are threatened by venture capital backed e-pharmacies and also the employment that the sector generates.
- They also argue that e-pharmacies will pave the way for drug abuse and also the sale of sub-standard or counterfeit drugs, thereby threatening public health.

What are the barriers for the entry of e-pharmacies?

- A free market is efficient only if all sellers are competing with each other to offer the lowest price to the customer.
- Entry of e-pharmacies will promote competition which will have the effect on lowering the price of medicine for Indian patients.
- However, over the last decade, trade associations of pharmacists are providing platforms for cartelisation where pharmacists are basically rigging the market.
- Pharmacists prefer to enter into agreements with each other to fix the price

at which they will sell medicines to patients.

- This has resulted in an artificial inflation of medicine prices, making pharmacists to gain higher profits at the cost of the patient who now has to pay higher prices.
- Also, regional trade associations require pharmaceutical companies to apply for a no-objection-certificate (NOC) before they appoint new stockists in a region to sell a particular drug.
- This has the effect of artificially restricting competition in certain markets because more stockists mean more competition.
- By creating such artificial, extra-legal barriers to the free trade of medicines within India, these trade associations create huge distortions in the Indian market.

What does the competition commission of India say in this regard?

- The CCI in its recent policy note pointed out that unreasonably high trade margins contribute to high drug prices in India.
- It also noted that self-regulation by trade associations contributes towards high margins for them.
- This is because these trade associations control the entire drug distribution system in a manner that mutes competition.
- Hence, the CCI proposed that more e-pharmacies should be encouraged.
- Electronic trading of medicines via online platforms, with appropriate regulatory safeguards, can bring in transparency.
- It can also spur price competition among platforms and among retailers, as has been witnessed in other product segments.

Source: The Hindu

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