

## **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**