

Tackling the affordability factor meaningfully

Essentiality of drugs, market-based pricing (from cost-based pricing), and controlling formulation prices are the main features of the proposed National Pharmaceuticals Pricing Policy (NPPP) 2011 draft, which if approved will replace the Drug Policy of 1994. We try to decipher the pros and cons of this controversial draft.

Parita Dholakia and Chandreyee Bhaumik

The Department of Pharmaceuticals (DoP) recently announced the draft policy that was open to feedback, and received a mixed bag of responses from the industry. After giving 'due respect' to all the received suggestions, the final policy will be

forwarded soon. Although the much needed reforms in the drug policy is something to cheer about, the rationale and reach of this policy in improvising the healthcare industry in India is much debated.

What the policy offers?

The draft policy envisages bringing the 348 (from the current 74) National List

of Essential Medicines (NLEM) – 2011 and associated medicines under price control. With the Indian advantage of low cost for drug prices, introducing more control of over 60 per cent is uncalled for. It may result in slow industrial growth in the long term and leaves a window open for the manufacturing of non-essential and irrational medicines. Further, experts believe that the pharmaceutical companies may suffer sales loss of ₹ 3,000 crore if the government's span of control increases. Also, reduction in drug prices will have corresponding impact on export realisation as the importers benchmark their purchase price to the domestic market.

The proposal of ceiling prices only for end-use formulations, based on a Weighted Average Price (WAP) of top three brands, where the capped



Mandar Kubal

Consultant - Infectious Diseases and HIV AIDS, Infectious Diseases and Pulmonary Care (IDPC)

The pricing based on formulations rather than bulk manufacture would encourage entry of new players in the manufacturing segment. Due to stiff domestic competition in the highly competitive therapeutic segments, the present pricing of the Indian formulations are not too far away from the 'ceiling price' and hence they are not expected to have major impacts. The NPPP 2011 thus seems to address many issues of the common man and at the same time does not bleed the industry too much.



Nidhi Saxena

President & CEO, Karmic Lifesciences

Pros:

Rationalising of taxes and duties on pharma products could work in favour of balancing drug prices to a small extent.

Cons:

The proposed drug pricing policy is an attempt to liberalise pricing issues and is likely to hurt the lower class as most companies will increase their brand prices to match up to price limits set by a competitor company. In a country like India, it is vital that drugs be affordable and easily available in rural areas.



Vikram Gupta

Founder & Managing Partner, IvyCap Ventures Advisors Pvt Ltd

This policy is largely driven by several deals that are taking place in this industry in the last few years. Personally, I feel that this deal will definitely have a positive impact. If one considers on short term basis it might appear to have negative impact but in the duration of 4-5 years it will have strong impact.

This policy will make the pricing of the drugs much more structured. Now, the drugs can easily be identified in to two categories ethical and Over-The-Counter (OTC) drugs.

prices would be inflation indexed for manufactured goods will make calculating ceiling prices of the many medicines not in NLEM a wearisome task. If the ceiling price is fixed at a higher rate, this would only scale up the drug prices as companies selling drugs at a cheaper rate would also sell their products at a rate close to or equal to the ceiling price. However, some industry experts believe this move will ensure quality as well as price control, since taking WAP of low-selling drugs could be a compromise on quality. On the contrary, most companies making top-selling drugs will be hit and have a high domestic market share. For drugs that are not under proposed price control, the policy allows manufacturers to increase price up to 15 per cent annually, from the current limit of 10 per cent. This may lead to irrational prices of medicine. Will this also go against encouraging R&D in pharma space?

Left out

Associations such as Indian Pharmaceutical Alliance (IPA) have

appreciated the decision to exempt bulk drugs from the purview of price control. It will also boost investment in local production of bulk drugs and thus reducing reliance on imports. At the same time, this move may lead to cartelisation if there are less manufacturers of a particular bulk drug.

The policy does not cover patented products. It recommends the formation of a separate committee to fix the prices of patented drugs. This announcement is like a double-edged sword for several MNCs who are in the phase of launching new patented molecules in the market. It will negatively impact the overall investment climate. MNCs majorly dependent on domestic formulations and premium pricing policy, will have a higher impact.

The futile long wait?

The overall impact of this draft seems limited in all terms. Intense competition in the industry shall hopefully ensure that the drug prices remain at par with ceiling prices for most of the therapeutic segments.

The policy does hint at adopting a more practical and transparent approach for drug pricing, and this may be a benefit in the long run, and at the same time it gives a unfinished and hurriedly done appearance.

The announcement of this draft policy aroused hope from the policy paralysis that had gripped the centre. However, with several questions being raised and the 'affordable and accessible medicine to all' factor still seemingly out of reach, it leaves a bitter taste.

Along with drug pricing, the government should focus on bringing out a comprehensive healthcare policy that includes prevention, improving the health infrastructure, increasing the healthcare spend of Gross Domestic Product (GDP), expanding health insurance, and reducing the transaction costs. The one-third population living below the poverty line and the uninsured section of the population will be much happier with that. In the next few weeks, the final approved policy shall be announced and let us hope that the wait will be worth it. **MPh**

(parita.dbolakia@infomedia18.in)

An invite that rewards as well...

Dear Reader,

'Modern Pharmaceuticals' solicits original, well-written, application-oriented, unpublished articles that reflect your valuable experience and expertise in the pharmaceutical industry.

You can send us Technical Articles, Case Studies and Product Write-ups. The length of the article should not exceed 1,500 words, while that of a product write-up should not exceed 100 words.

The articles should preferably reach us in soft copy (either E-mail or a CD). The text should be in MS Word format and images in 300 DPI resolution & JPG format.

The final decision regarding the selection and publication of the articles shall rest solely with 'Modern Pharmaceuticals'. Authors whose articles are published will be sent a complimentary copy of that particular edition.

Published by Infomedia 18 Ltd, 'Modern Pharmaceuticals' is one of the leading monthly magazines exclusively meant for producers and user fraternities of the pharmaceutical industry. Well supported by a national readership of over 80,000 and our strong network of 26 branch offices across India, this magazine reaches out to key decision makers among the Indian manufacturers of pharma products, machinery and allied sectors. Brought out in association with Hong Kong-based Ringier Trade Media Ltd (one of the world's largest trade publishing houses with more than 200 special interest titles and offices in every major country), it ensures that advertisers are able to promote their products and services across the globe at no extra cost.

So get going and rush your articles, write-ups, etc...

Thanking you,

Yours sincerely,

Manas R. Bastia

Modern Pharmaceuticals

Infomedia 18

Manas Bastia
Senior Editor

Infomedia 18 Limited

X'Wing, Ruby House,

J K Sawant Marg, Dadar (W)

Mumbai 400 028

India

T +91 22 3024 3000

D +91 22 3003 4669

F +91 22 3003 4499

E manas@infomedia18.in

W www.infomedia18.in

