PRESS INFORMATION BUREAU
पत्र सूचना कार्यालय
GOVERNMENT OF INDIA
भारत सरकार

Economic Times , Delhi
Wednesday 23rd July 2014, Page: 16
Width: 14.57 cms, Height: 17.81 cms, a4, Ref: pmin.2014-07-23.39.87

Growing Healthcare Costs Force Govts Globally to Cut Drug Prices

NPPA cuts prices of more than 100 diabetes & heart-disease drugs under a provision that allows govt to cut prices in extraordinary circumstances

DIVYA RAJAGOPAL
MUMBAI

It is not the Indian regulator who is the only one after drug companies to cut prices. Across the world, pharmaceutical companies are coming under pressure to reduce prices as concerns over growing healthcare costs force governments to target drugmakers. Countries like Germany, the UK and the US are all monitoring the prices of life-saving drugs.

Last week, India's National Pharmaceutical Pricing Authority decided to slash the prices of more than 100 diabetes and heart-disease drugs under a provision that allows the government to cut prices in extraordinary circumstances.

"Governments have realised that pricing policy of drug companies has no relation to their actual cost, including no relation to research cost," said S Srinivasan of the All India Drug Action Network, a non-governmental organisation working to increase access and improve the rational use of essential medicines. "This present pricing model of companies needs to go."

Germany – it was the first one to announce massive price cuts in Europe – wants drugmakers to publish the list of rebates that they pass on to insurance providers. With Germany being a reference market for many governments to fix drug policy, pharma companies fear this might push them to cut prices elsewhere. In the UK, the National Institute for Health and Care Excellence, the body that advises the country's drug regulator, has proposed to introduce a "value-based assessment" that would look at the burden of disease and wider social benefit while fixing the price of new drugs. It had earlier proposed a value-based pricing which would consider possible benefits of a drug, instead of its production cost.

The biggest debate on price cuts is happening in the US with patients, insurers and the government joining in. It has got heated up as drug maker Gilead priced its Hepatitis C drug at ₹$84,000, or about ₹50 lakh, for a 12-week treatment.

"What happens when the innovators take advantage of the system to drive their prices to unsustainable levels? This practice is actually becoming a troubling trend. And, no drug better exemplifies it than Sovaldi – a new Hepatitis C treatment that costs $1,000 per pill," says a blog posted on the website of America's Health Insurance Plan, the largest insurance payer group in the US. The Sovaldi debate has spilled over to other therapy areas like cancer, where patients are challenging the prices charged by drug companies.

In the Indian context, a study by Public Health Foundation (PHF) has shown that reduced cost of drugs does lead to improved public health. "Drugs form the major portion of out of pocket expenditure. Hence, by reducing the cost of drugs, OOP gets reduced a lot" said Dr Giridhar Babu, associate professor at PHF.

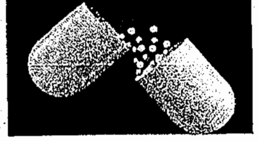
Drug companies say that they are not objecting to the control of healthcare costs, but it is the high-handed approach that is harming the industry.

Global Scenario

GERMANY–First one to announce massive price cuts in Europe–wants drugmakers to publish the list of rebates that they pass on to insurance providers

DRUGMAKERS' FEAR
With Germany being a reference market for many governments to fix drug policy, pharma companies fear this might push them to cut prices elsewhere

UK MARKET
The body that advises the country's drug regulator has proposed to introduce a "value-based assessment" that would look at the burden of disease and wider social benefit while fixing the price of new drugs



INDUSTRY VIEW
Price rationalisation globally is a well-known phenomenon. But irrational price cuts after a well-thought policy just a year ago certainly bring instability for the pharma industry. It needs multiple stakeholder dialogue before being ordained

RANJIT SHAHANI
MD, NOVARTIS INDIA

Ri'U4