

## Curbing drug abuse

Govt does well to curb NPPA, but needs to do more

**G**iven how the National Pharmaceuticals Pricing Authority (NPPA) has been spreading its wings, the government has done well to ask NPPA to withdraw its May 29 guidelines that sought to bring a huge swathe of the industry under its draconian controls. Around a fifth of production already falls under the National List of Essential Medicines (NLEM) where margins are wafer-thin. There is then the rule that puts a 10% cap on the annual price rise for all other drugs. If this wasn't enough, on May 29, the NPPA came up with a guideline which said that 'in the public interest' it could regulate 'inter-brand price differences' as well. That is, if the price of any brand was over 25% the simple average price of all brands in a group, its price would be brought down. For an industry already reeling under all manner of controls, this was probably the last straw, and is the reason why the government asked the NPPA to withdraw this notification. The problem here, and this has been confounded by a government clarification, is that there is no clarity on what happens to the 108 medicines brought under price control by the NPPA on July 10 using this very circular. A ministry clarification says the May 29 order has been withdrawn but the NPPA has not 'been directed to withdraw the orders dated 10.07.2014'. You'd think that, if the basic order of May 29 has been withdrawn, so would the price control orders based on it, but bureaucrats think differently from most of us—presumably this means the producers of this medicine will have to petition the courts separately on this.

While the reason given by the government for asking NPPA to withdraw its May 29 guidelines is that they have been challenged in the Bombay and Delhi high courts, the government needs to think of the larger consequences of its actions, particularly at a time when it is telling the world to come and invest in India. India has one of the most competitive pharmaceuticals markets in the world—and among the lowest prices—thanks to the fact that there are on average around 60 manufacturers producing drugs under even the NLEM. Thanks to this, the top 10 firms in the industry account for just 41% of the industry's turnover, a lack of consolidation unheard of in any industry. As a result of such hyper-competition and intensive monitoring, Indian industry simply doesn't have the money, or interest, in investing enough in R&D to search for cures for Indian ailments—they will cost a lot more, and there is no guarantee firms will be allowed to charge this from customers. Striking down the May 29 guidelines is a welcome step, but the government needs to do a lot more to restore the industry's health.

Prity