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Pharma pricing norms set to be tightened

Regulator studying pricing models in various nations; draft legislation likely by end of March

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Pharmaceutical companies might be up for stricter price regulations. The government is planning to bring in a legislation that would take into consideration pricing models across the US, European Union (EU), China and 14 Organisation for Economic Co-operation and Development (OECD) countries.

The National Pharmaceutical Pricing Authority (NPPA), which regulates prices of medicines in the market, has already initiated work in that direction. NPPA Chairman Jitendra Srinivas said the agency plans to come up with the first draft of the legislation by the end of this financial year.

"We have started dialogue with some institutions to commission a study that would look into pricing models of different countries. We are also internally exploring areas that this study should focus on and terms of reference etc. In two-three months' time we will formally commission the study," Srinivas told *Business Standard*. He added the

proposed legislation will cover all kind of medicines, including patented, imported and even non-scheduled drugs.

At present, medicine prices are regulated under the Drug Price Control Order (DPCO), 2003, emerging out of the National Pharmaceutical Pricing Policy, which was cleared by the previous government.

The proposed legislation would also provide more teeth to NPPA, enabling it to penalise companies flouting the law or overcharging consumers for medicines.

"An Act is much superior instrument to merely rule-making power. Our endeavour would be to move towards a progressive legislation based on international models, which will be reasonable while providing more powers to NPPA to keep a check on prices," Srinivas said.

Currently, around 30 per cent of the total ₹79,000-crore domestic pharmaceutical market is under regulation, where prices of 348 essential medicines are capped at the average of all drugs in a particular segment with more than one per cent market share. Prices of



PRICE CONTROL MECHANISM

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these medicines are allowed an annual hike based on Wholesale Price Index. For all other medicines, companies are free to raise prices up to 10 per cent annually. While the new government at the Centre is expected to keep a stringent check on prices of medicines and make them affordable for the common man, the NPPA, of late, has taken some stringent steps in the direction. For instance, for the first time, the regulator has attempted to cap the launch price

of medicines. In a recent notification, the regulator said prices of new brands of existing medicines will have to be at par with the most expensive drug in the segment. In another such notification, using a public interest provision in the DPCO, 2003, the regulator has said it would monitor the difference in prices between various brands of medicines used in treatment of cancer, HIV, tuberculosis, malaria, cardiovascular diseases, diabetes and asthma.

Price