

'Price variation among same drugs is a major concern'

Last month, a parliamentary panel wanted the government to put a "cap on the profitability" of pharmaceutical companies to keep the prices of essential medicines under check. A few days later, the commerce and industry ministry raised the issue of high medicine prices and a "near non-availability" of several imported medicines due to high cost. Medicine price regulation is once again a hot topic of discussion. In an interview, S M JHARWAL, chairman of National Pharmaceutical Pricing Authority (NPPA), the drug price regulator, talks to Joe C Mathew about the legal position and NPPA's role in managing prices. Excerpts:

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Q&A

S M Jharwal

Chairman, National Pharmaceutical Pricing Authority

What are the price monitoring mechanisms in NPPA? Can there be a cap on the company's profitability?

There are two categories of price monitoring. While NPPA fixes and monitors the prices of all drug formulations, including the imported ones that come under the first category, the non-scheduled medicines are just monitored for

the price increase. Only those products whose prices are increased by more than 10 per cent in a year, which have an annual turnover of over ₹1 crore, come under such scrutiny. Further, such medicines should have at least 20 per cent market share, or the product should be among the top three drugs in that therapeutic group. Whenever we notice an abnormal price increase in such medicines, we have the powers to fix the prices. The profitability is not a criterion under the current law — Drugs Price Control Order (DPCO) of 1995 — that governs NPPA.

Is there any mechanism under the current DPCO to

control the prices of patented medicines?
No.

There are 74 drugs under the current list of price-controlled medicines. How many are available in the market? What will be the percentage of medicines that remains under price control?

Out of the 74 bulk drugs under price control, only about 45 are produced in the country. The remaining have either outlived their life or are not being produced. Thus, of the total annual turnover of about ₹1 lakh crore of the pharma industry, approximately eight per cent is under price control. This accounts for about 20 per cent of



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the domestic retail sales.

How does NPPA view the huge price variation among different brands of same medicines?

It is a major concern and is especially true in the case of

non-scheduled drugs. This issue is being examined in the case of certain drugs, in pursuance of an order passed by the Nagpur Bench of the Bombay High Court in June. The matter is related to high variation in the prices of formula-

tions of a similar composition and disparity in the prices of different manufacturers.

How many times have you used the public interest clause enshrined in DPCO to control the prices of medicines? Are any products to be added soon?

NPPA has fixed the prices of 28 formulations using this clause. In 64 cases, the companies have voluntarily reduced the prices after receiving our notice. So, due to NPPA intervention, prices of 92 packs of medicines that are normally out of price control have got reduced. Monitoring is an ongoing process, so we cannot give a definite number on the possible additions.

Most of the high-value imported medicines are being sold through non-traditional channels such as distributor and patient sales. How do you estimate the price or volume of such

medicines to ascertain the affordability or availability factors?

At present, the only source of information to track price fluctuations of medicines is the ORG-IMS data, which capture the price data of approximately 60,000 formulation packs. Medicines sold through other channels (institutional sales) are not covered for monitoring.

What is the trend in the pricing pattern among the medicines that you track?

NPPA has no control on the prices of newly-launched products in the non-scheduled category. However, as part of monitoring activity, we regularly examine the price movement of all medicines. Our analysis shows that the price increase was almost nil, as only 1.18 per cent of packs showed a price increase during April 2009-May 2010. In the case of 0.88 per cent, it decreased and prices for the rest 97.94 per cent packs remained unchanged.

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