

ASSOCHAM pushes for market-based drug pricing in India

21 November 2012 | Opinion | By BioSpectrum Bureau



Bangalore: The Associated Chambers of Commerce and Industry of India (ASSOCHAM) apprehends that the Supreme Court ruling (held on October 03, 2012) will result in 70 percent of the Indian pharmaceutical market being put under the inconsistent and inefficient cost-based price control mechanism of Drug Price Control Order (DPCO) 1995. It also feels that all molecules associated with the order will be crippled by disastrous repressions.

However, the weighted average price (WAP) of all brands, having greater than one percent market share formula will result in over 20 percent price reduction in 60 percent of the NLEM medicines.

The chamber spokesman said that the order will severely impact the availability of essential medicines for patients as it will be nearly impossible for the industry to supply essential medicines.

In a memorandum submitted to the Finance Minister Mr P Chidambaram, ASSOCHAM said the weighted average price (WAP) mechanism to control the price of essential medicines will achieve twin objectives of public health and industrial growth.

The chamber further said that the existing cost-based policy reveals lack of relevance in current market conditions, significant limitations and adverse impact on the industry and patient access. It has shifted bulk drug production out of India to countries like China, escalated prices for select medicines, reduced the number of industry players, reduced innovation in cost control medicines and limited new introductions. Furthermore, it failed to help medicines reach patients located in rural areas.

The cost-based policy has created an inefficient and inconsistent mechanism of price calculation not aligned with India's needs. A drug price control policy must be carefully calibrated to avoid adverse trade-offs in achieving key drug policy objectives of striking a balance between ensuring quality, affordable and reasonably priced to patients and enabling industry growth and competition.

The ASSOCHAM memorandum says given the severe handicaps of cost-based pricing, a market-based pricing policy would

best suit India's needs as it would not only improve affordability but also availability and encourage competition, innovation, and growth and help harness the export potential.

Market-based pricing will encourage investment in quality and hence patient safety. This is extremely important given the problem of counterfeit drugs plaguing the country and the lack of confidence in generic drug quality in the medical community and amongst patients. Besides, market-based pricing would be based on widely available information in the public domain as against individual manufacturer level production costing data would result in more transparent and fair pricing.

This new policy will also ensure continuous availability of price controlled medicines by preventing medicines from going off the market on account of an unviable manufacturing environment which happened in the case of cost-based pricing.

Moreover the new policy recommended will harness export potential and help the government achieve its target of \$25 billion worth of exports in the pharmaceutical sector.