Teasers/Pointers

Arun Jha
Member Secretary, NPPA
arunjha01@gmail.com

❖Is Price Control an effective instrument for containing and regulating the cost of Pharmaceuticals in the absence of complimentary and critical policy measures such as :

- *Prescription Guidelines and Audit*
- *Standard Treatment Protocols*
- *Existing and continuing proliferation and promotion of irrational combinations of drugs which are both in the controlled and non-price controlled segments.*
- *No limits on profits (non-scheduled medicines) and promotional expenditure*
- *No mechanism for controlling the launch price of non-scheduled formulations (nearly 80% of the Pharma Market)*

Arun Jha
Member Secretary, NPPA
arunjha01@gmail.com

❖Unlike some developed and developing countries, in India we do not resort to *reference pricing* particularly international reference pricing in respect of drugs which are imported into India by trans-national companies . Besides, the possibility of *transfer pricing* by TNC's manufacturing drugs for export from India and re importing them to India can not be ruled out. How do we address this problem . Some domestic companies have articulated demands for adoption of international reference pricing for pharma products which are imported at a high price but are sold to the institutional buyers in India at a price lower than those of the domestic companies.

Arun Jha
Member Secretary, NPPA
arunjha01@gmail.com

❖Health care cost is a major cause of poverty in India. Within healthcare, the cost of medicine is the major cost driver which constitute *nearly 60-70 percent* of the total healthcare cost. 80-90% of healthcare in India is out of pocket without intermediation and risk buffer of health insurance. *This scenario underscores the criticality of containing drug costs for affordable healthcare .* To achieve the objective of affordability what are the directions in which price control should move:

- Do we allow lesser markups in the cost-plus system than what is presently done.
- Do we further control transaction costs (VAT, Excise Duty etc.)
- Do we expand price control on the non-scheduled segment also as recommended by Health Ministry's Report on Macroeconomics and Health (2005)

Arun Jha
Member Secretary, NPPA
arunjha01@gmail.com

- Should we have more rigorous control on chronic and lifestyle disease segment (hypertension, diabetes, asthama etc.)

- More extensive policing against malpractices.

- Should we resort to *equity pricing* under which need and not the capacity to pay determines the policy of drug accessibility. In practice this may mean price based on proportionality with income per capita, human development index or similar indicators .

- Do we promote generic generic medicines through incentives to doctors and retailers .

Arun Jha
Member Secretary, NPPA
arunjha01@gmail.com

- We have a system of subsidized food grain delivery to the poor through a vast network of Public distribution Shops which is aimed at food security and stability of food grain prices . Should we not treat health care security on par with food security and make available essential medicines to the poor at a subsidized rate through a network of fair price shops on the lines of the PDS.

- How do we define and benchmark affordability . Should it be based on the WHO model where cost of treatment is seen in the light of minimum wages earned by a worker . What about chronic and ultra poor who do not earn wages and have to depend on social security .

- Are bulk purchasing and competitive tendering effective in reducing prices in many different environments in combination with many other equitable pricing mechanisms.

Arun Jha
Member Secretary, NPPA
arunjha01@gmail.com

❖How do we address the problem of knowledge asymmetry which skews competition and makes pharmaceutical market imperfect. What kind of pricing system will promote competition by addressing and minimizing barriers to competition.

❖In the light of Product Patent regime commencing from 2005, should Government establish a national formulary and a list of essential medicines. Should it go for purchase of low priced quality generics and not expensive originator brands. What will be the policy prescription for equitable prices.

❖Will country wide Pharmaceutical retail chains have positive impact on drug quality. Will they drive down prices. Will they promote generic drugs.