

## **Drug Price Hike**

### **Why in news?**

The government used the Drug Price Control Order, 2013, to increase the price ceiling (rise in prices) for 21 formulations or medicines by as much as 50%.

### **What is the rationale?**

- The decision was prompted by repeated petitions by the pharmaceutical industry.
- They pointed out that the increasing cost of imports had made the production of some of these drugs unviable.
- Prices of bulk drugs and active pharmaceutical ingredients have, in fact, gone up by up to 88%, and are largely imported.
- There was a risk that the non-viability of prices would affect the availability of drugs.
- Lower prices would have further limited the availability of these drugs, some of which include those used for malaria, leprosy and allergy.
- This would have forced the public to look for other expensive options.
- The increase in price ceiling thus comes as a move to make production viable and ensure the availability of drugs in the market.

### **What are the concerns involved?**

- The bureaucratic process that led to the decision is contentious.
- The National Pharmaceutical Pricing Authority (NPPA) was getting applications for price revision for about 2 years.
- The NPPA looked at some of the applications only in January 2019.
- A committee was constituted in March 2019 to look into a set of formulations that could be considered for increasing prices.
- Subsequent meetings at various levels eventually led to the decision, which allowed a one-time increase in prices.
- This raises a basic question that if the government should control drug prices in the first place.

### **Is government control over prices questionable?**

- In some of the developed countries, most of the population has insurance coverage or medical facilities are provided by the state.

- Unlike this, medical expenses in India are borne by citizens, largely through out-of-pocket expenses.
- Therefore, the state intervenes by keeping prices of some drugs in check to contain such spending.
- However, the unintended consequence is that it affects the supply of drugs and can potentially make citizens worse off.
- Although all pharmaceutical companies may not stop producing drugs with price control, they may limit the supply.
- Further, the government usually may be slow on price hike decisions due to political considerations.
- So, the risk of non-availability of drugs is a key concern in price regulation remaining with the government.

### **What could be done?**

- It is better that the government stays away from dictating prices and allow the market to function.
- Competition in the marketplace will ensure that no company is able to make supernormal profits in basic and essential drugs.
- Since the state has limited capacity, it should focus on regulation.
- It should also ensure that the quality of drugs supplied in the market is not compromised at any point.
- On the other hand, it should address the gaps in providing health care services, including at the primary level.
- This would reduce out-of-pocket expenses for the poor.

**Source: Business Standard**