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NPPA rejects IPA request for upward price revision of five per cent on all drugs

According to DEA analysis concluded that some spike in import prices of certain APIs have been witnessed in the post-COVID-19 period, but it does not validate the claim of IPA for a price increase



By Usha Sharma

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The National Pharmaceutical Pricing Authority (NPPA) has dismissed a request by the Indian Pharmaceutical Alliance (IPA) to allow five per cent upward price revision for all drugs in the scheduled and non-scheduled category corresponding to increase in the prices of active pharmaceutical ingredients (APIs) due to the COVID-19 situation.

Recently, a meeting of the authority (overall), under the DPCO 2013, was organised under the Chairmanship of Shubhra Singh, Chairman, NPPA. It was attended by Dr Vinod Kotwal, Member Secretary; A K, Saha, Adviser (Cost), O/o Chief Adviser (Cost), Department of Expenditure, A Srija, Economic Advisor, Department of Economic Affairs, Dr V G Somani, DCG(I), A K Pradhan, Deputy Drug Controller, CDSCO, along with the NPPA officers namely; N I Chowdhury, Advisor, S S Ojha, Joint Director-Pricing, Manjesh Porwal, Deputy Director – Monitoring and Evaluation, Prasenjit Das, Assistant Director-Pricing and Alok Ranjan, Assistant Director- Medical Devices.

One of the things in the agenda of the meeting was to deliberate on the IPA representation and during the meeting, the authority highlighted that IPA has sought to revise the ceiling price on the basis of Consumer Price Index (CPI) rather than Whole Price Index (WPI).

Besides this, the Economic Adviser, Department of Economic Affairs (DEA) also furnished a note examining the representation of IPA and noted that price change analysis has been done based on customs data on the APIs. Therefore, the claim of IPA doesn't seem to be substantiated.

The authority further informed that the NPPA has constituted a committee to monitor export/import trends of APIs, formulations and medical devices, which are needed for COVID-19. The committee, after examining the price movement of 15 APIs, recommended that with respect to 13 APIs, there is no compelling situation for an increase in the ceiling price of its formulations. The committee recommended for a price increase of Heparin injection and ascorbic acid 500 mg tablet and the NPPA has already initiated the action with respect to these two drugs.

It also pointed out that in the case of paracetamol, IPA has claimed 51 per cent increase in the price of API, while the data analysis by DEA indicates a negative change of one per cent in the price.

Accordingly, based on the analysis, DEA has observed that some spike in import prices have been witnessed in the post-COVID-19 period in certain APIs, however, whether it warrants a rise in the ceiling price is not clear. It also pointed out that data does not seem to indicate a clear upward trend. Its further analysis also signalled that the Wholesale Price Index (WPI) would be more appropriate than the Consumer Price Index (CPI) for revising ceiling prices.

The authority appreciated the detailed analysis made by DEA and concluded that it does not validate the claim of IPA for a price increase. Accordingly, the authority has disposed of the representation of IPA.

Commenting on the decision taken by the authority, Vivek Padgaonkar, Independent Healthcare Consultant Ex-Director OPPI, Ex GSK said, "NPPA has been always transparent in its operations for making the essential medicines available to the needy patients in the country. However, the NPPA is expected to follow the guiding principles of the National Pharmaceutical Pricing Policy 2012."

Highlighting the objective of NPPP 2012, he mentioned, "It is to put in place a regulatory framework for the pricing of drugs so as to ensure availability of the essential medicines at reasonable prices even while providing sufficient opportunity for innovation and competition to support the growth of the industry, thereby meeting the goals of employment and shared economic well-being for all."

"Stable pricing policies will help the Indian pharma industry to invest in R&D and innovation which are key drivers of any economy. Generally, the contribution of API to the overall cost is close to 40 per cent, but in certain cases, it may go up to 80 per cent depending on the prevailing API prices. When the input cost is higher than the final price of the product, if there is no legitimate consideration which has been offered vide para 19 to the DPCO 2013 and the regulators do not consider it, it leads to a financially unviable business proposition for the industry. The contribution from IPA member companies is over 60 per cent to the size of the industry. And IPA is an authentic, reputed and major pharma industry association that cannot make claims on the data which is not reliable and cannot be substantiated. And therefore, the NPPA should make available in the public domain the price change analysis done by the Economic Adviser, Department of Economic Affairs (DEA)."

When reached out to Sudarshan Jain, Secretary-General, IPA, he refused to comment on this issue.

usha.express@gmail.com
u.sharma@expressindia.com