

National Conference on Pharmaceutical Policies in India
Balancing Industrial and Public Health Interests

Drug Pricing: Implication of DPCO 2013

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Drug Pricing: Implication of DPCO 2013

- ❑ Enlarged Span of Control
- ❑ Deeper Price Cuts
- ❑ Trade Margin: Industry in Limbo
- ❑ Retrospective Price Changes
- ❑ Future Availability at Stake

Enlarged Span of Control

Projected v/s Actual

Particulars	Total IPM Rs Cr	NLEM 2011		
		Value Rs Cr	No of Medicines	Span of Control %
As Projected in May 2012*	48,200	8,758	351	18.17
Actual As of Sep 2013^	67,261	9,977	291	14.83

*Source: Draft NPPP 2011 (Pg 13) and IMS Health MAT Mar 2011

^Source: NPPA Notifications and IMS Health MAT May 2012

Total No. of Medicines in NLEM is 654

Enlarged Span of Control

Inclusion of NDDS Products

- ❑ *“The Span of Price Control shall be as per the dosages and strengths as listed in NLEM 2011”*
[Para 4 (iii) of NPPP 2012]
- ❑ NDDS Products Specified in NLEM 2011 are:
 - Acetyl Salicylic Acid as *Dispersible* Tabs,
 - Nifedipine as *Sustained Release* Tabs/Caps,
 - Glyceryl Trinitrate as *Sublingual* Tabs
- ❑ However, Inclusion of All Non-specified NDDS Products will Enlarge Span of Control

Blow to Innovation and R&D

Deeper Price Cuts

Distribution Analysis of Price Reduction

Reduction from Highest Price	As Projected in May 2012*		Actual As of Sep 2013 ^	
	No.	%	No.	%
Upto 5%	140	52	9	3
Between 5% and 10%	19	7	20	7
Between 10% and 15%	14	5	30	10
Between 15% and 20%	11	4	27	10
Over 20%	86	32	205	70
Total	270	100	291	100

Reduction from Highest Price	Actual As of Sep 2013 ^	
	No.	%
Between 20% and 35%	94	32
Between 35% and 50%	74	26
Over 50%	37	13

*Source: Draft NPPP 2011, Page 28

^Source: NPPA Notifications and IMS Health MAT May 2012

Deeper Price Cuts

Analysis* of Price Reductions

Particulars	Total	Reduction	Impact
No. of SKUs	6,307	2,521	40%
MAT May 2012 Value (Rs Cr)	9,199	6,461	70%

* Covers Prices Notified Up to July 2013, i.e. 291/652 Products

Revenue Loss to Industry for 291 Products Only: Rs 1,614 cr

Deeper Price Cuts

Impact on Profitability

Based on Notified Prices of 291 Medicines Only	Rs Cr
PAT Net of P&E Before Price Reduction	13,469
Price Reduction	1,614
PAT Net of P&E After Price Reduction	12,862
Loss of Profit	12%

Impact of 291/654 Medicines Only

Trade Margin: Industry in Limbo

Loss of Trade Margin

No	Particulars	Sales Value - Rs Cr		Trade Gain/(Loss) Rs Cr
		@ MRP	@ PTR	
1	Coming-In: 319 Products (approx 9,000 SKUs)	12,409	10,697	-1,176.70
2	Going-Out: (6,094 SKUs)	10,806	8,645	687.00
3	Net Loss	1,603	2,052	-489.70
4	Net Loss as % of Sales @ MRP			-3.95%

Source: IMS Health MAT MAY 2012

Raise Margin to Support Small Chemists

Trade Margin: Industry in Limbo

Coercive Action by Trade Impacting Access

- ❑ The Boycott of NLEM Products and Selective Boycott of Companies by the Trade for Inadequate Margin is Hurting the Patients as the Supply of Essential Medicines is Affected.
- ❑ All Efforts by the Government to Discipline the Trade have not Succeeded as Small Chemists are Unable to Absorb the Loss of Margin

DoP Should Reconsider the Retail Margin

Retrospective Price Changes

A Messy Exercise, Benefits None

"...in case of scheduled formulations produced or available in the market before the date of notification of ceiling price, the manufacturers shall ensure within a period of forty-five days of the date of the notification that the maximum retail price of such scheduled formulation does not exceed the ceiling price (plus local taxes as applicable)." [Para 24 (i) of DPCO 2013]

- Unlike Past Practice, the Price Changes are Made *Retrospective*.
- Manufacturers are Obligated to Reduce Prices of Goods Cleared on Payment of Excise Duty and VAT.
- By This Logic, in Case of Price Increase, Authorities can Demand Differential Excise Duty & VAT on Cleared Goods Also.
- Logistical Nightmare for Trade & Industry.
- No Gain for Consumer, as Old Stock is Sold at Old Prices.

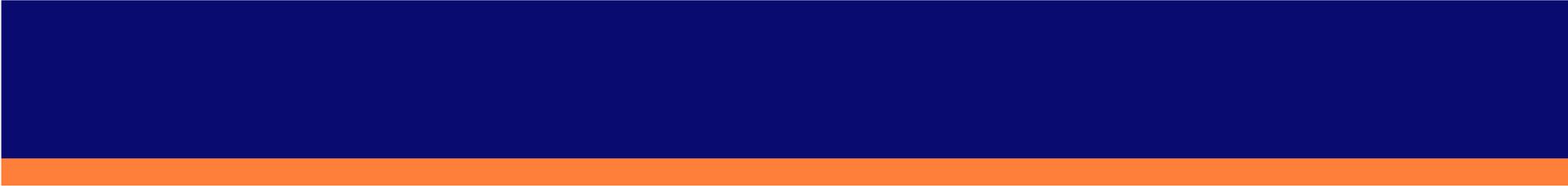
All Price Changes Should be Made Prospective

Future Availability at Stake

Questions to Ponder

- Universal Healthcare, Better Infrastructure and Population Growth Will Drive Demand for Essential Medicines.
- How Will Supply Keep Pace with the Growing Demand?
- Would Companies Make New Investment for Raising Production of Essential Medicines?
- Is Supreme Court Going to Ensure Availability?

70% of Price Fixation Orders Forced Reduction Exceeding 20%



THANK YOU

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