

**GOVERNMENT OF INDIA
CHEMICALS AND FERTILIZERS
LOK SABHA**

UNSTARRED QUESTION NO:678

ANSWERED ON:11.11.2010

VARIATION IN PRICES OF MEDICINES

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Will the Minister of CHEMICALS AND FERTILIZERS be pleased to state:

- (a) whether pharmaceutical companies are selling the medicines at different rates;
- (b) if so, the details thereof alongwith the reasons therefor;
- (c) whether the difference in the rates has been found upto 59%;
- (d) if so, whether the companies have earned more than rupees 1,400 crores as a result of this difference;
- (e) if not, the facts in this regard;
- (f) whether the Government has received spate of representations on variation of prices of medicines and also on Government order of 2004-05 to reduces prices; and
- (g) if so, the action taken by the Government on such representations and the manner in which the Government proposes to remove variations in prices of medicines?

Answer

MINISTER OF STATE IN THE MINISTRY OF CHEMICALS AND FERTILIZERS (SHRI SRIKANT KUMAR JENA)

(a) to (e) : Under the provisions of the Drugs (Prices Control) Order, 1995 (DPCO, 1995), prices of 74 bulk drugs, specified in its First Schedule, and the formulations containing any of these Scheduled drugs are controlled. National Pharmaceutical Pricing Authority (NPPA) / Government fixes or revises prices of Scheduled drugs/formulations as per the provisions of the DPCO, 1995. No one can sell any Scheduled drug/formulation at a price higher than the price fixed by NPPA / Government.

There is no control on the launch price of medicines/drugs which are not covered under the Drugs (Prices Control) Order, 1995 i.e. non-Scheduled drugs. Therefore, there is bound to be price variation in selling prices of medicines of different brands of non-scheduled drugs/medicines. In respect of non-scheduled drugs/medicines, manufacturers fix the prices themselves without seeking approval of Government / NPPA. Such prices are normally fixed depending on various factors like the cost of bulk drugs used in the formulation, cost of excipients, cost of R&D, cost of utilities / packing material, sales promotion costs, trade margins, quality assurance cost, landed cost of imports etc.

As a part of price monitoring activity, NPPA regularly examines movement of prices of non-Scheduled formulations. The monthly reports of ORG IMS and the information furnished by individual manufacturers are utilized for the purpose of monitoring prices of non-Scheduled formulations. Wherever a price increase beyond 10% per annum (20% before 01.04.2007) is noticed, the manufacturer is asked to bring down the price voluntarily failing which, subject to prescribed conditions action is initiated under paragraph 10(b) of the DPCO, 1995 for fixing the price of the formulation in public interest. This is an on-going process.

Based on monitoring of prices of non-scheduled formulations, NPPA has fixed prices in case of 28 formulation packs under para 10(b) and companies have reduced price voluntarily in case of 65 formulation packs. Thus in all, prices of 93 packs of non-scheduled drugs have got reduced as a result of the intervention of NPPA.

(f) & (g): Government/NPPA receives representations on variation of prices of medicines and high trade margins from time to time. It is generally observed that pharmaceutical companies are providing high margins to the wholesalers and retailers for certain categories of non-scheduled medicines resulting in price increase and wide variation of prices for consumers.

For scheduled medicines, no company can sell medicine at a price higher than the price fixed by NPPA/Government as prices of scheduled medicines are fixed taking into account a margin of 8% to the wholesaler and 16% to the retailer as per the provisions of DPCO, 1995.

For non-scheduled medicines, with the intervention of the Government, three industry associations, namely I DMA, OPPI and IPA have agreed that all higher trade margins, other than those as exist for scheduled packs (8% to 16% at wholesale and retail level) and for non-scheduled packs (10% and 20% at wholesale and retail level) would be revised downwards to ensure that margins not exceeding 15% and 35% are extended to wholesalers and retailers respectively.

During the year 2006, with the intervention of Government, the Pharma Companies agreed to voluntarily reduce the prices of certain categories of 886 formulation packs with effect from batches manufactured from 2nd Oct. 2006 onwards. Out of the list of 886 packs, 97 packs were scheduled formulations and the rest were non-scheduled formulations. On further examination of the 97 packs of scheduled formulations, NPPA referred 39 cases of violation under Para 8 of DPCO, 1995 to the concerned State Drug Controllers for taking action for prosecution. In the remaining 58 cases, overcharging by companies under para 13 of DPCO 1995 was detected and demand notices for overcharged amount were issued to the companies who were found not complying with the notified ceiling price. So far, Rs. 38.42 lakhs have been recovered from the defaulting companies.