

**GOVERNMENT OF INDIA
MINISTRY OF CHEMICALS & FERTILIZERS
DEPARTMENT OF PHARMACEUTICALS**

LOK SABHA
UNSTARRED QUESTION NO. 3861
TO BE ANSWERED ON 16th July, 2019

Pricing of Medicines

3861. DR. M.K. VISHNU PRASAD:

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

- (a) the details of the methodology adopted to fix the prices of essential medicines;
- (b) the likely impact on the prices of essential medicines due to the new drug policy;
- (c) the steps taken by the Ministry to ensure that doctors in both public hospitals and private clinics are prescribing medicines from the National List of Essential Medicines;
- (d) whether the Ministry has implemented the Supreme Court directive to stick to cost-based pricing formula; and
- (e) if so, the details thereof and if not, the reasons therefor?

ANSWER

MINISTER IN THE MINISTRY OF CHEMICALS AND FERTILIZERS

(SHRI D. V. SADANANDA GOWDA)

(a): The National Pharmaceutical Pricing Authority (NPPA) fixes the ceiling price of scheduled medicines specified in Schedule-I of the Drugs (Prices Control) Order, 2013 (DPCO) and retail price of new drugs (as defined in para 2(u) of the DPCO) in accordance with the provisions of paragraph 4, 5 and 6 of the DPCO. Under the DPCO, ceiling price of scheduled medicines is fixed based on the market-based data, inter alia, by taking simple average price to retailer (PTR) of all brands and generic versions of the medicine having market share more than or equal to one percent of the total market turnover on the basis of moving annual turnover of that medicine. The ceiling price is arrived at by adding 16% margin for retailer on the simple average PTR for the specified medicine. As provided in the DPCO, the local taxes if actually paid, wherever applicable on actual basis, will be added to the ceiling price to arrive at the Maximum Retail Price of the medicine.

(b): All medicines specified in the National List of Essential Medicines, 2011 (NLEM, 2011) were included in the Schedule-I of the DPCO for the purpose of price regulation. The NPPA fixed the ceiling prices of 530 scheduled formulations on market-based pricing methodology. The details of reduction in prices of scheduled formulations effected due to fixation of ceiling prices as compared to the highest prices prevailing prior to the price fixation is as below:

Reduction with respect to Maximum Price (In Percentage)	No. of formulations
0-5%	80
5-10%	50
10-15%	57
15-20%	43
20-25%	65
25-30%	49
30-35%	26
35-40%	34
Above 40%	126
Total formulations in NLEM 2011	530

Further, Schedule-I of the DPCO was amended by adopting NLEM, 2015. Accordingly, the NPPA fixed the ceiling prices of 857 scheduled formulations on market-based pricing methodology. The details of reduction in prices of scheduled formulations effected under the DPCO as compared to the highest price prevailing prior to the price fixation is as below:

Reduction with respect to Maximum Price (In Percentage)	No. of formulations
0-5%	234
5-10%	138
10-15%	98
15-20%	100
20-25%	93
25-30%	65
30-35%	46
35-40%	24
Above 40%	59
Total formulations in NLEM 2015	857

(c): The National List of Essential Medicines (NLEM) is a list of essential medicines prepared by the Ministry of Health and Family Welfare. The Indian Medical Council (Professional Conduct, Etiquette and Ethics) Regulations, 2002 prescribes "Every physician should prescribe drugs with generic names legibly and preferably in capital letters and he/she shall ensure that there is a rational prescription and use of drugs". In April, 2017, Medical Council of India issued instructions to all Medical Colleges/ Hospitals/Director, Medical Education/Health Secretary of all States/State Medical Councils/Director, Health Services to direct the registered medical practitioners to comply with the provisions of above mentioned Regulations.

(d) & (e): There is no such direction of the Hon'ble Supreme Court to stick to cost-based pricing formula.
