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Wrong medicine

Widening the price control on drugs is misguided

The reported move of the ministry of chemicals to put most of the 354 'essential drugs' under price control would do incalculable harm to our pharma industry, especially small and medium firms. Worse, it would seriously hurt the patient-consumer, for whose welfare the change is contemplated. Essential drugs, as listed by the government, are mostly old ones whose prices have already been beaten down, thanks to a multitude of players and substantial penetration of generic (unbranded) drugs. In most such cases, ex-factory expenses do not exceed the proposed mandatory 200%, more so of generic drugs. Of the 74 drugs under price control, more than a third do not find a place in the official National Essential Drugs List. These 74 are, however, "mass consumption drugs," exactly why their prices are controlled. So, the proposed policy shift would mean removal of a few such mass consumption drugs from price control.

Even in the essential-and-mass-consumption drugs that would remain under price control, the proposed doubling of maximum allowable ex-factory expenses would mean major price increases. For drugs priced above the proposed ceiling, the small and medium pharma companies who promote generic drugs or lesser-known brands by giving tough competition to popular ones might find price control affecting their viability. Bigger firms with considerable exposure to global markets (more than half of Ranbaxy's turnover is from global sales), however, have the escape route—discontinuing production/domestic sale of drugs that have become unprofitable/less profitable due to price control. Generic drug markets in the west continue to be lucrative to leading Indian companies. The prospect of phenomenal gains, too, is not unreal, given exclusivity windows like the Paragraph IV facility that are available.

Leading companies such as Ranbaxy, Dr Reddy's, Wockhardt and Sun Pharma are already on an acquisition spree in Europe, the US and Latin America. So, the proposed policy, apparently designed to protect consumer interest, might make mass consumption not only costlier but, in many cases, make drugs unavailable. SMEs, a major chunk of pharmaceutical production in India, would close. The model is, therefore, eminently avoidable. Instead of embarking on such micro-management of drug prices, the government must focus energy on improving the public health infrastructure and delivery system. It could also have a catalytic role in establishing a robust medical/health insurance system.