



NPPA's Role in Fixing Drug Prices

For Prelims: NPPA, Wholesale Price Index.

For Mains: NPPA and its Role in Price Fixing of Drugs.

Why in News

National Pharmaceutical Pricing Authority (NPPA) may allow a **price hike of over 10% in the drugs and devices listed under the National List of Essential Medicines (NLEM)**.

- The escalation which is expected to have an impact on nearly 800 drugs and devices is propelled by the rise in the [Wholesale Price Index \(WPI\)](#).

What is NPPA and its Mandates?

▪ About

- NPPA was **constituted by the Government of India in 1997 as an attached office of the Department of Pharmaceuticals (DoP), Ministry of Chemicals & Fertilizers** as an independent Regulator for pricing of drugs and to ensure availability and accessibility of medicines at affordable prices.
- It was made to fix/revise prices of controlled bulk drugs and formulations and to enforce price and availability of the medicines in the country, **under the Drugs (Prices Control) Order, 1995-2013 (DPCO)**.
 - A **bulk drug — also called Active Pharmaceutical Ingredient (API)** — is the chemical molecule in a medicine that lends the product the claimed therapeutic effect.

▪ Mandates

- To implement and enforce the provisions of the Drugs (Prices Control) Order in accordance with the powers delegated to it.
- To deal with all legal matters arising out of the decisions of the NPPA.
- To monitor the availability of drugs, identify shortages and to take remedial steps.
- To collect/maintain data on production, exports and imports, market share of individual companies, profitability of companies etc., for bulk drugs and formulations and undertake and/ or sponsor relevant studies in respect of pricing of drugs/ pharmaceuticals.

How does the Pricing Mechanism work?

- All **medicines under the NLEM are under price regulation**. The NLEM lists drugs used to treat fever, infection, heart disease, hypertension, anaemia etc and includes commonly used medicines like paracetamol, azithromycin etc.
 - The Health Ministry prepares a list of drugs eligible for price regulation, following which the **Department of Pharmaceuticals incorporates them into Schedule 1 of DPCO**.
 - The Standing Committee on Affordable Medicines and Health Products (SCAMHP) will advise the drug price regulator the National Pharmaceutical Pricing Authority (NPPA) on

vetting the list. The NPPA then fixes the prices of drugs in this Schedule.

- As per the Drugs (Prices) Control Order 2013, **scheduled drugs, about 15% of the pharma market, are allowed an increase by the government as per the WPI (Wholesale Price Index) while the rest 85% are allowed an automatic increase of 10% every year.**
 - The **annual change in prices of scheduled drugs is controlled and rarely crosses 5%.**
 - Under the **Drugs and Cosmetics Act 1940, the drugs are classified in schedules** and regulations are laid down for their storage, display, sale, dispensing, leveling, prescribing etc.
- The **pharma lobby is now asking for at least a 10% increase for scheduled drugs too** rather than going by the WPI.
 - As over the past few years, input costs have flared up. One of the reasons is that 60%-70% of the country's medicine needs are dependent on China.

[Source: TH](#)

PDF Refernece URL: <https://www.drishtias.com/printpdf/nppas-role-in-fixing-drug-prices>