

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

LOK SABHA  
UNSTARRED QUESTION NO. 5879  
TO BE ANSWERED ON 03<sup>rd</sup> April, 2018

**Price Fixation under DPCO**

5879. SHRI M.B. RAJESH:

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

- (a) the basis for fixing the ceiling price of medicines and medical devices under the Drug Price Control Order (DPCO);
- (b) whether the Government proposes to fix the prices on the basis of cost of manufacturing; and
- (c) if not, the reasons therefor?

**ANSWER**

**MINISTER OF STATE IN THE MINISTRY OF ROAD TRANSPORT AND HIGHWAYS;  
MINISTRY OF SHIPPING AND MINISTRY OF CHEMICALS AND FERTILIZERS  
(SHRI MANSUKH L. MANDAVIYA)**

(a) to (c): Pursuant to the announcement of National Pharmaceutical Pricing Policy, 2012 (NPPP, 2012), Government notified the Drugs (Prices Control) Order, 2013 (DPCO, 2013) on 15<sup>th</sup> May, 2013. All the medicines specified in the National List of Essential Medicines 2011 (NLEM, 2011) prepared by the Ministry of Health and Family Welfare were included in the Schedule - I of DPCO, 2013 and brought under price control. The National List of Essential Medicines 2015 (NLEM 2015) has been included in the DPCO, 2013 as Revised Schedule – I replacing the Original Schedule – I vide S.O. 701(E) dated 10.03.2016. National Pharmaceutical Pricing Authority (NPPA) follows the methodology defined in the para 4 and 6 of DPCO, 2013 for fixation of the ceiling prices of essential drugs, whereby ceiling price is fixed on the basis of the average 'price to retailer' plus sixteen percent of retailer margin.

There is no proposal to fix the prices on the basis of cost of manufacturing. Under NPPP, 2012, the regulation of prices of drugs is on the basis of regulating the prices of formulations through Market Based Pricing (MBP). This is different from the earlier principle of regulating the prices through Cost Based Pricing (CBP) under the Drug Policy, 1994; wherein ceiling prices of drugs were fixed through a cost-plus-margin method using cost data provided by individual drug manufacturers.

The reasons for the shift in the methodology for price fixation from cost based to market based are as follows: Unlike cost based method, it is based on reliable and authentic data set available on regular intervals, hence accuracy and validity is maintained in the process. Also the entire procedure of ceiling price fixation is available in the public domain which ensures transparency and accountability of the process. Further, under Market Based Pricing, the interests of both consumers and producers/suppliers are protected by keeping a wider price band in comparison to cost based method. Not only that, the ceiling price fixed is subjected to annual revision on the basis of Wholesale price index (WPI) thereby maintaining price stability and ensuring un-interrupted supply of essential medicines. The new principle of price fixation has resulted in enormous amount of savings to the general public in terms of reduction in out - of - pocket health expenditure.