No need to re-invent the wheel on syringe price cap, says MTaI

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New Delhi: The Medical Technology Association of India (MTaI) has stated that there is no need to revisit ex-factory or landed cost-based price capping as it is akin to trying to re-invent the wheel.

The Association's statement issued to the press on the evening of 22nd December coincided the announcement made by domestic syringe manufacturers on voluntarily reducing trade margins to 75 percent.

Explaining why it felt that there is no need of price capping, MTaI mentioned that it has been a strong supporter and endorses the recommendations made in the Report of the Committee on High Trade Margins in the Sale of Drug, 2016 prepared by Department of Pharmaceuticals (DoP). "The report rightly indicates an escalation of Trade Margin due to competitive reasons and hence leads to an escalated MRP. So instead of capping Maximum Retail Price (MRP), Trade Margins should be capped. Further, as per the report, the definition of Trade Margin is "Trade Margin is the difference between the MRP and Price to Trade (PTT)". Price to Trade as per the DOP report is defined as the price at which the manufacturer/importer will sell to the first point of distribution/ sale."

The MTaI's statement is also in the background of a meeting held on December 18, 2017, between NPPA and some of the member companies of MTaI to discuss various concerns relating to disposable hypodermic syringes and disposable hypodermic needles.

MTaI while justifying its logic cited the trade margin rationalization vs cost based price capping (over ex-factory/ landed cost). "Till 2012, DPCO 1995, advocated a cost based Price Capping where a Maximum Allowable Post manufacturing Expense (MAPE) was allowed over ex-factory/ landed cost, This produced a disastrous result and National Pharmaceutical Pricing Policy 2012 (NPPA 2012) discarded cost based price capping citing the process is manipulative, manufacturing cost varies due to production process, does not have any basis for verification, new companies will not come, innovation will not happen and the same is not good for industry and Patients," it stated.

The Association further pointed out that the IPDMS data submitted in June 2017, available with NPPA and the recent data on prices published on Fortis Hospital by NPPA, clearly indicates the escalation of Trade Margin is the reason for MRP escalation. "Hence, the intention of Government of India to make healthcare affordable should be done on "Trade Margin" and not on the periphery of Cost of manufacturing/ landed cost which may be disastrous as envisioned in NPPP 2012."

MTaI in its statement also highlighted that the further cost of medical devices also depends on services and support required to be provided: like In-clinic support, equipment support, training of healthcare professionals. "These costs are not covered by the ex-factory/ landing cost," it said.

Another argument presented by MTaI is the mandated traded margin rationalization vs self-regulation. It elaborated: "Self-regulation based on decision of a small group is not sustainable," it explained while adding, "we have seen out of 26 manufacturers of syringes and needles only 12 companies gave "whats-App" confirmation with already one member dissenting and others non confirming, clearly illustrates that self-regulation will not sustain."