

Importers Lobby misleads Govt on affordable healthcare

22 November 2018 | News

Wants MRP to be increased by 18% for all medical devices, simultaneously wants Govt to rationalize the trade margin but doesn't want to rationalize their own margins, on the contrary wants it to be increased.



Reacting to a press statement by the Importers lobby asking one-time increase of upto 18% in MRPs of medical devices, including stents and orthopedic knee implants, Rajiv Nath, Forum Coordinator of Association of Indian Medical Device Industry (AiMeD) said that it is shocking to see how Importers Lobby on one side states that Trade Margins are excessive & need to be rationalized and capped and at the same time they wish MRP on Medical Devices to be increased by 18% for all devices.

Nath lashed out at the Importers Lobby for misleading Govt against its mission of making Healthcare Affordable in India. If trade margins are not rationalized including the importers margin the consumers will suffer and if MRP is increased then also the consumers will suffer as the MRP is already excessively high. "Importers lobby is least concerned about making healthcare affordable for Indian consumers & Indian Medical Device Industry but thinks only for protecting their own profits" added Nath.

As Govt doesn't control import price or importers price to hospitals, so what's stopping the importers to increase that to compensate themselves for cost increase?

The reason behind it is the competition from domestic manufacturers whose prices are not up which importers wish to counter by keeping retailers and traders satisfied with higher remunerative MRP and trade margins.

According to the recent estimates of the National Pharmaceutical Pricing Authority (NPPA), patients across the country have saved around Rs 15,000 crore under the government's initiative of ensuring affordable, quality medicines for all.

Much more can be saved by patients if Niti Aayog and PMO act on AIMED's recommendations on price controls. The question Parliamentarians should be asking the government is what's the opportunity cost of higher costs borne by patients for not acting on AIMED's recommendations to cap trade margins to 75% over the import landed price and Indian manufacturers ex-factory price.

Indian manufacturers seek Preferential Market Access by preferential pricing as is permissible under WTO, reasonable Tariff Protection, Price Controls and strong deterrents like punishment to errant companies engaged in unethical marketing practices to boost domestic manufacturing.

Price controls can be done in a calibrated manner through:

- 1% GST Cess on MRP as a Tax based disincentive;
- Capping Trade Markups to a Rational Level; &
- Price Caps on few Priority Devices

Make in India of medical devices is already suffering and following MTAI recommended formula will make Indian Mfg at a further competitive disadvantage - Govt needs to take policy decisions to give strategic advantage to domestic Mfg while safeguarding consumers or India will remain 70-90% import dependent. Only when it will be advantageous to manufacture in India only then will these importer / Overseas manufacturers move manufacturing to India to retain market share and gain from that competitiveness created and initially enjoyed by domestic manufacturers.

We welcome the induction of the new NPPA Chairwoman Shubhra Singh. We hope she will have the freedom to provide leadership to NPPA as done by respected Bhupendra Singh and usher in reforms and much needed amendments to DPCO as currently it doesn't address huge price disparity among similar medical devices and in fact increases it year over year.

"There is an urgent need for an integrated and calibrated development policy to put 'Make In India' initiative in medical devices sector in top gear and reduce high import dependency on foreign made devices in order to promote indigenous manufacturing of drugs and devices which would go a long way in making healthcare affordable." Said Nath.

There have been enough reports in newspapers of unaffordable hospital bills and exorbitantly priced medical devices used in treatment which has created distrust in healthcare industry. In the absence of fair competition to drive down pricing and options of choice of brand to consumers as is usually the case in a free market space, reasonable Price Controls are desired and one possible solution is keeping Trade Markups at a Rational Level along the Supply Chain.

What's to be seen is, does Govt listens to this powerful lobby who wish to retain their market share or thinks about the needs of Indian consumers by ensuring affordable access to reasonably priced Medical Devices and is serious about having a robust domestic medical devices industry who is refraining from proportionately increasing ex-factory prices in hope to gain market share.