30% profit margin cap on cancer drugs

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New Delhi: The Centre on Wednesday announced a 30 per cent cap on profit margins on certain anti-cancer medicines, saying the move would help reduce their maximum retail prices (MRPs) by up to 70 per cent.

The 30 per cent cap on trade margins — the industry term for supply-chain profits — will apply to all non-scheduled anti-cancer drugs, covering branded, generic, domestic, imported, patented and non-patented medicines, officials said.

"This intervention would result in expected annual savings of about ₹2,500 crore and a reduction in out-of-pocket expenditure for patients undergoing cancer treatment," an official said. "It would also address the issue of profiteering at the cost of patients and correct distortions in the market, ensuring fair prices to people."

The move comes amid long-standing concerns about excessive mark-ups on medicines raised by patients' groups and state drug regulators and echoed by the Supreme Court last week. A mark-up is the amount by which the MRP exceeds the trade price at which a product is procured.

The court, citing steep mark-ups, including a case where an anti-cancer drug with a trade price of ₹2,700 had an MRP of ₹27,000, had asked the Centre to consider regulating such margins.

An expert panel will finalise the list of drugs to be covered by the trade margin cap rule, but will include all non-scheduled anti-cancer drugs, an official said.

In India, non-scheduled drugs are medicines not subject to ceiling prices set by the National Pharmaceutical Pricing Authority (NPPA), though they remain subject to other pricing rules. Anti-cancer medicines in the country have an annual turnover of ₹12,500 crore of which scheduled medicines account for about ₹2,500 crore.

A market analysis by the NPPA has revealed that the average trade mark-up for non-scheduled anti-cancer drugs is 170 per cent, with mark-ups reaching 700 per cent for some drugs. The analysis has also revealed significant price differences between the prices charged through retail hospitals and online pharmacies.



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Healthcare expenditure data suggest that cancer treatment imposes a high financial burden and significant out-of-pocket expenditure on households. The out-of-pocket expenditure in some cases could be as high as 75 per cent of the treatment cost.

The NPPA had similarly capped the trade margins on a set of 42 non-scheduled anti-cancer drugs in 2019, which, an official said, had resulted in substantial price reductions of up to 91 per cent on the MRPs. The 2019 move had resulted in annual savings of ₹984 crore across 526 brands.

A patients' rights group campaigning against what it described as arbitrary and excessive trade margins said on Wednesday that it would be cautiously optimistic about the announcement but cautioned that the impact on high-priced patented medicines is unclear.

"Some patented medicines are so exorbitantly priced that the 30 per cent trade margin cap is unlikely to significantly promote access," K.M. Gopakumar, a public health advocate with the Working Group on Access to Medicines and Treatment, told **The Telegraph**.

"The announcement today appears intended to be presented as a response to the Supreme Court's observations," Gopakumar said, adding that it is unclear how the government has estimated the annual savings of about ₹2,500 crore.

"To estimate annual savings, they would need to know roughly how many patients are consuming each medicine to be covered by the new trade margin cap," he said.