Standing Committee Report Summary

Review of Role, Functions and Duties of the National Pharmaceutical Pricing Authority

- The Standing Committee on Chemicals and Fertilizers (Chair: Mr Azad Kirti Jha) presented its report on "Review of Role, Functions and Duties of National Pharmaceutical Pricing Authority (NPPA) with Specific Reference to Increase in Prices of Medicines in the Country" on August 6, 2026. NPPA is an attached office of the Department of Pharmaceuticals. Key observations and recommendations include:

- **Trade margin rationalisation:** Trade Margin Rationalisation (TMR) limits the profit margin that distributors and retailers can add to the price of a drug. This prevents excessive price increases. The Committee noted that a pilot TMR has been implemented for certain anti-cancer medicines and COVID-19 devices. However, there is no set timeframe for integrating a permanent TMR framework into the Drugs (Prices Control) Order (DPCO), 2013. DPCO regulates the prices of essential medicines and ensures their affordability across the country. The Committee noted that several hospitals and retailers offer discounts ranging from 20% to 60% on maximum retail price. This indicates existence of large inbuilt margins. It also noted that 82% of the current market share belongs to non-scheduled formulations, which are subject to a restriction on increasing prices by more than 10% annually. These do not have a fixed government price, allowing manufacturers to fix arbitrary initial prices. The Committee recommended finalising a permanent TMR framework within a clearly defined timeline after a review and stakeholder consultation. It also recommended a comprehensive review of categorisation to curb loopholes that allow launching non-scheduled drugs at arbitrary or unjustified initial prices.

- **Recovery of outstanding overcharged amounts:** The Committee noted that as of 2025, Rs 8,526 crore (85%) of the total amount demanded for overcharging, remained unrecovered. Of this, 70% is under litigation, with some cases pending for over 20 years. NPPA issues overcharging demand notices to recover money from drug companies that sell medicines above official price caps. The Committee recommended instituting a fast-track dispute resolution mechanism for non-litigated cases. It also recommended setting up a dedicated legal cell within NPPA to ensure timely disposal of long-pending court cases.

- **Cost-based pricing mechanisms:** The Committee observed that relying solely on market data for the cost of drugs may fail to detect price distortions caused by market monopolies in multi-layered supply chains. It recommended that the Ministry examine the feasibility of reintroducing cost-based pricing through statutory amendments, in cases where abnormally high markups or significant price disparities are detected.

- **Broadening data coverage of sales:** The Committee noted that NPPA relies on data from a private agency, which covers about 70% of the pharmaceutical market. The data does not cover segments such as hospital sales, Jan Aushadhi stores, trade generics, and direct to e-commerce supplies. The Committee recommended: (i) incorporating these segments into the data collection framework, (ii) examining the feasibility of real-time inventory tracking for life-saving and critical care medicines to manage shortages during emergencies, and (iii) strengthening the existing government monitoring database to reduce dependency on third party sales data providers.

- **Public participation in price fixation:** The Committee noted that, for new drugs, NPPA uploads draft price worksheets for 10 working days to invite public comments. However, between 2022 and 2025, only 30 representations were received out of 1,426 draft worksheets. All 30 representations were from industry. The Committee recommended that NPPA take steps to increase public awareness and stakeholder participation in price fixation.

- **Vacancies in NPPA:** The Committee noted that 15 of the 48 sanctioned posts in NPPA are vacant, with contractual or outsourced staff being engaged to maintain essential work. It also noted that a proposal for 59 additional posts is under examination. It recommended filling existing vacancies through regular appointments and expediting approval for the 59 additional posts.

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