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MTaI lauds NITI Aayog on TMR asking a Non-Discriminatory approach

19 June 2018 | News

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Medical Technology Association of India (MTaI), which represents leading research-based medical technology companies with significant manufacturing investments in India, has commended NITI Aayog for floating a concept note on the much-awaited trade margin rationalization and committed to provide all support in forming a balanced policy on the subject.

“We laud the inclusive approach and continual efforts of the government to rationalize the trade margins. MTaI has been actively involved in deliberations with the government on bringing down the cost of medical treatment for patients. We had expressed our support to trade margin rationalisation as suggested in Report of The Committee on High Trade Margins in the Sale of Drugs, 2016 as early as August 2017. We believe it is an effective alternative to price capping.

“We have seen its adoption in Delhi Government’s draft policy to control trade margins. We continue to be committed to a balanced policy at the level of the union government,” the association said in a press release.

“Taking advantage of the government’s concerns on ‘profiteering’ in healthcare, a great deal of misinformation is being spread about subsidiaries of MNC device manufacturers regardless of their track record. The fact that these subsidiaries are adding value to the supply chain is being pushed under the carpet through the falsity of these claims,” MTaI said.

MTaI members perform a lot of value-added services in India which help in introduction of innovative technologies for improved clinical outcomes for patients. The value-added services include the following:

1. In-clinic support through trained clinical experts.
2. Proctor support of expert healthcare professionals in new therapies.
3. Therapy awareness programs among healthcare professionals in primary healthcare centres.
4. Skill development of clinicians in new technologies, through product training.
5. Continuous Medical Educational Programs (CME) and clinical research.

6. Maintain the global quality standards of the products by ensuing apt storage facility
7. Necessary equipment supports to use disposables.
8. Servicing of the equipment.
9. After sales support to customers.
10. Generation of employment for professionals from marketing, sales, clinical experts, regulatory, quality, logistics, financial technical, engineering fields.

“More than 75% of medical devices and more than 85% of critical care medical devices are currently imported and sold by MNC subsidiaries after the above mentioned value additions. Considering this, any regulation needs to be non-discriminatory in its approach as far as treatment of these companies vis-à-vis indigenous companies is concerned. We expect NITI Aayog to see through the false claims and consider our views in earnest. This will also act as an enabling factor for Aayushman Bharat by ensuring the uninterrupted supply of vitally important critical care devices” the association said.

MTaI said that calculation of trade margin should consider the Price to Trade as suggested in Report of The Committee on High Trade Margins in the Sale of Drugs, 2016 and not the landed cost, as the latter is the prelude to a lot of other expenditures incurred by importers on training the value chain as mentioned above. On the other hand, Price to Trade criterion takes into account all relevant expenditures.

“Toward this, we support the formula of ‘MRP = Price at the First Point of Sale (distributor) + % age of Trade Margins’. We believe a level-playing field will emerge from this criterion while reducing the MRPs substantially. Using data mentioned in the NPPA report on MRPs of medical devices sold by a leading hospital, issued earlier this year, and assuming a reasonable trade margin of 50% we have seen that this formula will result in a reduction of as much as 73% in MRP,” it added. The association has submitted its response to NITI Aayog.

“Landed cost approach to trade margin calculation is retrogressive and doesn’t incentivize efficiency. Landed cost depends on Transfer Price. As the name suggests, Transfer Price is the price at which the devices are transferred internally between the parent company to its subsidiary and hence is not comparable with the Price to Distributor, which is the market price,” MTaI said.

“Also, if we set the norm of using landed cost for trade margin determination, not only will the imports of life saving drugs and devices will suffer but the indigenous industry’s exports of drugs and devices will be severely affected as other countries importing Indian drugs and devices are likely to start using the same methodology for determining the selling price there. Moreover, cost-based approach has long been discarded by National Pharmaceutical Pricing Policy (NPPP) 2012 as it thwarts the industry’s ability for capacity building and innovation,” it added.