

A winning situation from US-India trade deal

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Amid the ongoing positive developments in the India-US trade deal, speculations to replace the practice of blanket price caps for high-end medical devices and opt for Trade Margin Rationalisation have surfaced online. If media reports are to be believed, there has been substantial progress on the trade negotiations with a win-win situation for both the countries. This comes as a relief for healthcare professionals who have always vouched for the quality and innovation of medical devices as both suffered a backlash due to price control. With focus on innovation resulting in better clinical outcomes, through this deal, the government is enabling an innovation-friendly and sustainable environment to ensure access to affordable and quality healthcare.

Many healthcare experts are of the opinion that Trade Margin Rationalisation lays the roadmap to create a robust healthcare ecosystem ensuring patient safety and promoting innovation. Many believe that this is a step in the right direction and will lead to the revolution in the medical devices industry (safeguarding safety is more of a regulatory function performed by the Health Ministry before a product reaches the market). The trade deal once finalised will be a huge contributor towards reforms in the medical devices industry by ending downstream mark-ups and other unethical business practices. By using landing price as the base for trade margins there will be more transparency in the pricing of the technology and would usher in more market stability through enhanced predictability, making India a more attractive and stable market once a clear and consistent pricing mechanism is brought in by the government.

It help both Indian and global manufacturers get level-playing field thus, resulting in the overall growth of the economy. Considering the on-going developments, 'Indo-US trade deal' will also help resolve the pre-existing glitches and differences over price capping. Rationalising the trade margin of medical devices will not only allow to bring in affordability but also accessibility to latest technology and paving way for premium devices into the Indian market which had been blocked

"The recent development in the India-US trade deal would act as a catalyst for foreign direct investment in India. It will also create an enabling environment for global medical device and diagnostics industry to promote their innovative and

technologically advanced products in India, undoubtedly with focus on patient safety. This deal brings us closer to an innovation equilibrium between the current and future needs of Indian citizens. It will help to overcome challenges in providing access to innovation, quality and affordable healthcare in the country based on current discoveries, an opportunity to increase investment in research and development. To sustain this equilibrium, let's ensure to preserve the incentives to innovate. Continuous deliberation between experts from medical device industry and government on price control, led to the recognition of the term – Trade Margin Rationalization (TMR) which is nothing but the difference between maximum retail price and the price at which the manufacturers sell the drugs to stockiest /distributors,” said Dr. Gajendra Singh, Public Health Expert.

The significance of trade relations between both the countries can be adjudged from the fact that the US was the second-largest trading partner for India in goods in 2018 and the single largest export destination for Indian exporters. The bilateral trade between both the countries reached \$142.1 billion by 2018 when the US had the trade deficit of \$24.2 billion with respect to India. As per the National Trade Estimate Report on Foreign Trade Barriers 2019, India's tariff rates on other members of the WTO remain the highest of any major economy.

Dr. Amir Ullah Khan, Development Economist, stated, “With the ongoing US-India trade deal and the combined efforts of PM Modi and Trump, a balanced policy approach seems to be the only solution for the two nations, with focus on quality treatment and patient safety. The government of India should adopt a holistic TMR approach toward improving the overall health infrastructure and not just follow a narrow approach when calculating margins. Considering the difference between manufacturing cost and the retail price, the price capping mechanisms have been regularly hitting the pharmaceutical and medical devices industry. A country that meets 80% of its demand for medical devices through imports cannot suddenly disregard the innovative capabilities of the imported technology over cost.”

The nuances of medical device industry— innovation, transparency, quality, the clinical and technical support of the manufacturers, accounting for massive investments cannot be outrightly ignored. Only a robust and balanced TMR will address the hardships of end-users, address the commercial and industrial concerns of hospitals and providers, be remunerative to vendors and help the government in its quest for universal healthcare for all at affordable prices. TMR is undoubtedly a win-win solution.