To curb rising drug prices, regulators in many countries have implemented, or plan to implement, various forms of price regulation, including mandated price ceilings for individual drugs. A recent major policy shift in the Chinese pharmaceutical market—the elimination of longstanding ceilings on retail drug prices—offers a unique opportunity to quantitatively examine the impact of these price regulations. We collect point-of-sale price and characteristic data on nearly 7,000 drug SKUs from a leading pharmacy chain in China for the years before and after the elimination of price ceilings. We use statistical jump detection methods to identify drugs that experience discontinuously higher or lower prices in the year before and the year after the policy shift. We find that price ceilings are effective in achieving their intended purposes of containing drug prices only in some drug markets. However, in other markets, price ceilings, particularly uniform ceilings set nationally, could lead to the unintended consequence of significantly inflated prices potentially due to focal point pricing by retailers and regulators' lack of accurate information on production costs. Consistent with this view, we find that low- and middle-income markets are more likely to observe inflated prices under price ceilings, as ceilings are less likely to be binding in those markets. Moreover, drugs with highly concentrated production and less elastic consumer demand face heightened risks of inflated prices under price ceilings as well. Overall, this paper documents the unintended perverse effect of price ceilings and sheds lights on the ongoing debate of drug price regul