

Pharmaceutical Industry Funding Challenges

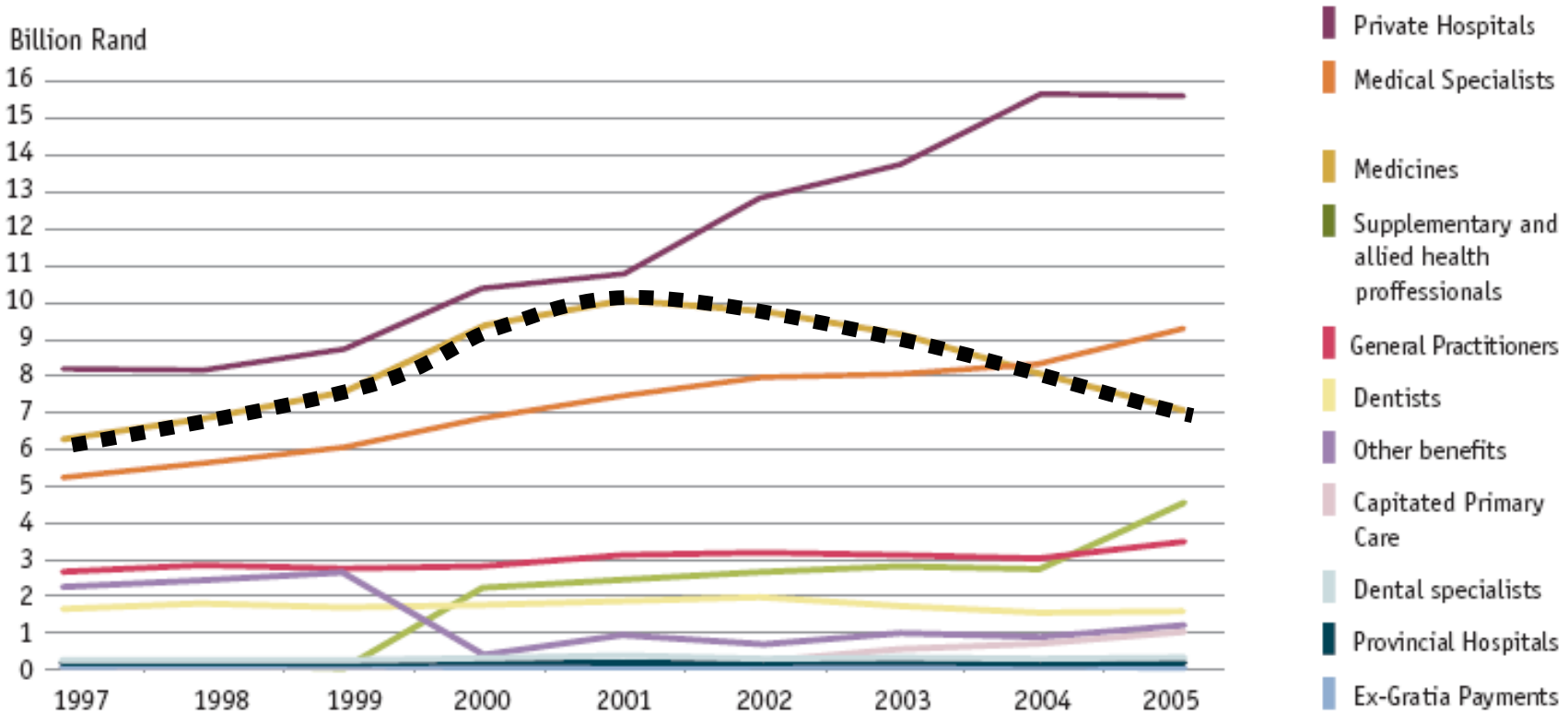
Val Beaumont
July 07



Innovative Medicines
South Africa

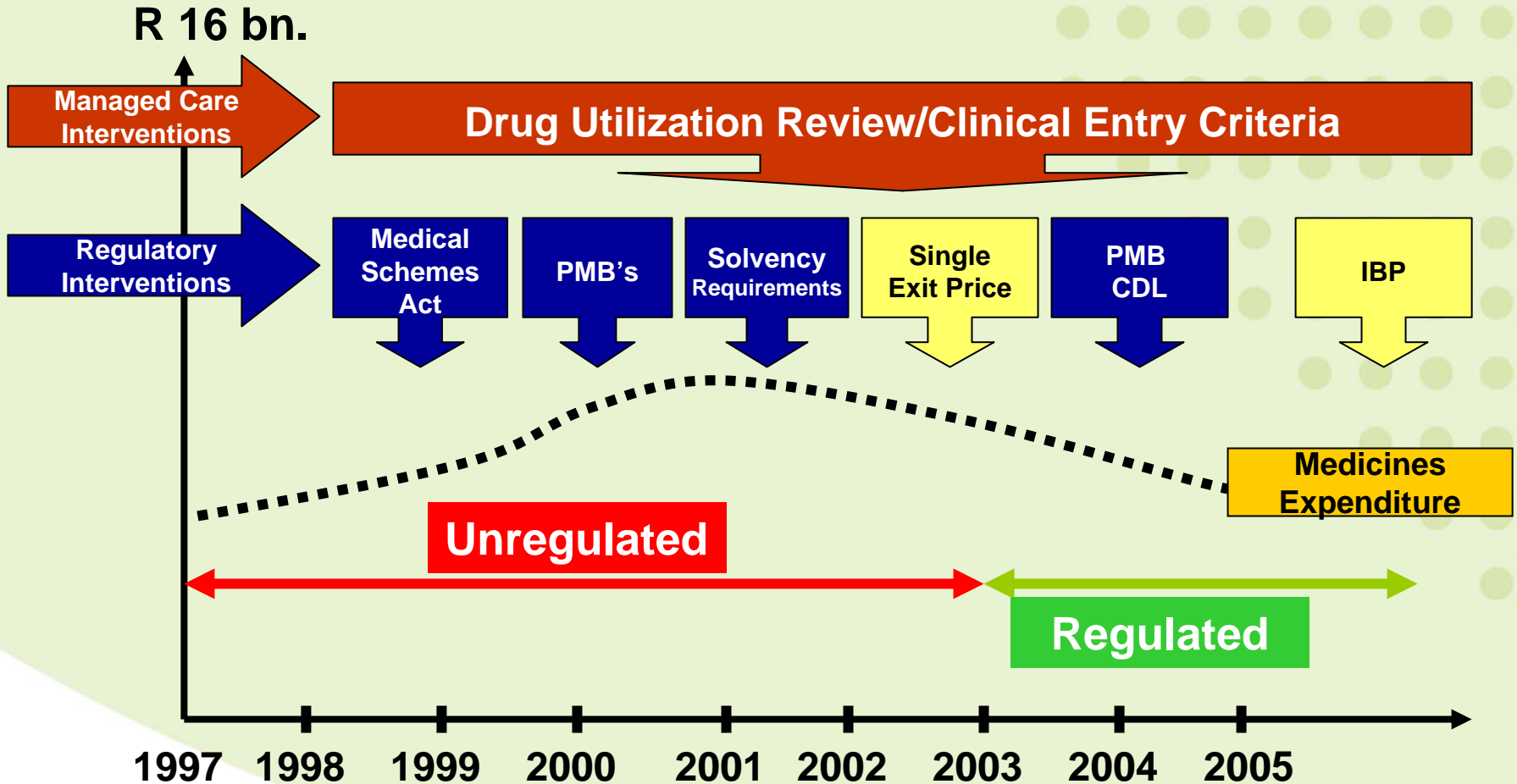
SA Healthcare Component Cost Evolution - 1997-2005

Figure 15: Total benefits paid - 2005 prices



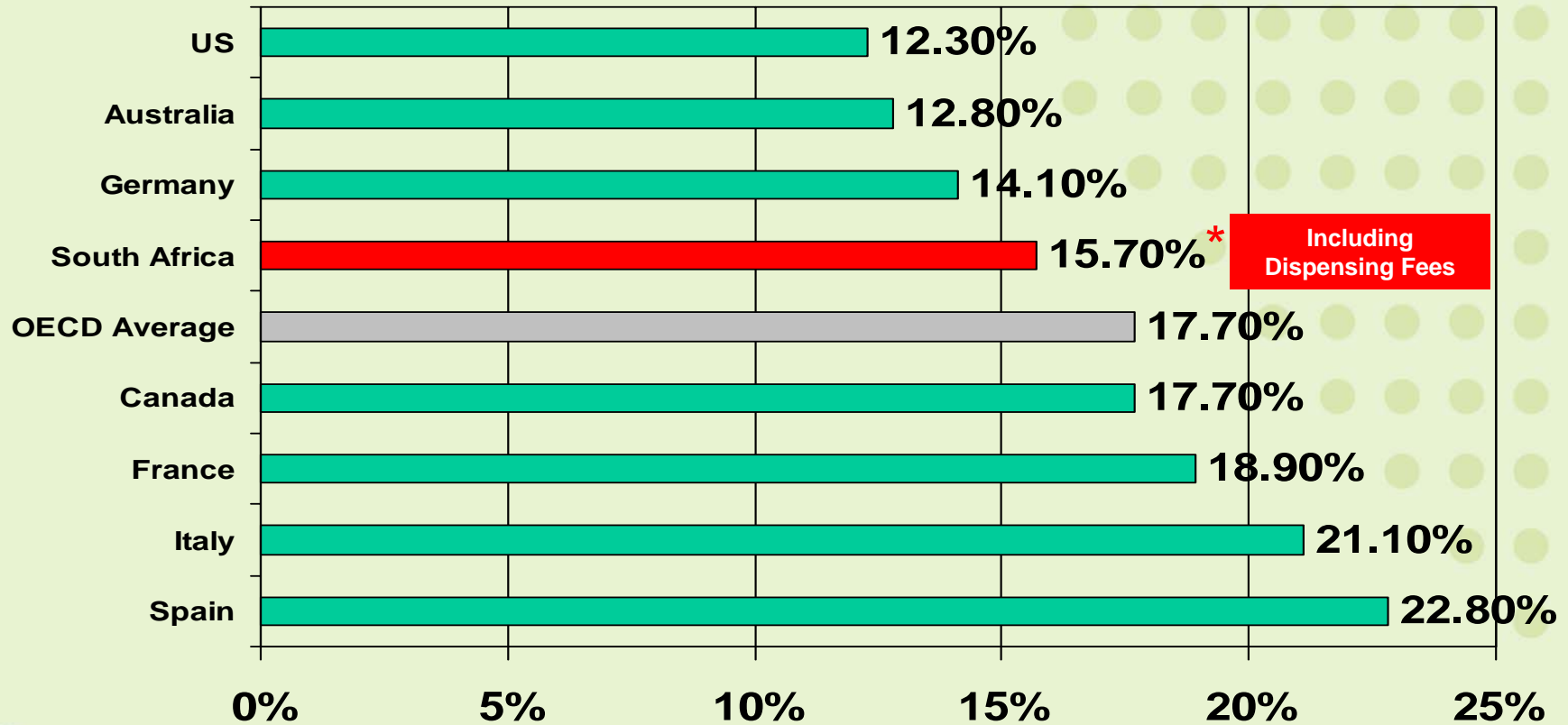
CPIX-adjusted re-stated figures for 1997 – 2005; bargaining council schemes' data are excluded

Regulatory And Managed Care Impact On Medicine Expenditure – 1997 To 2005



**SA Spend On Medicines In Line With International Benchmarks
& OECD Benchmarks**

Benchmarking Medicines As A Percentage Of Healthcare Spend. (2004 OECD Data)

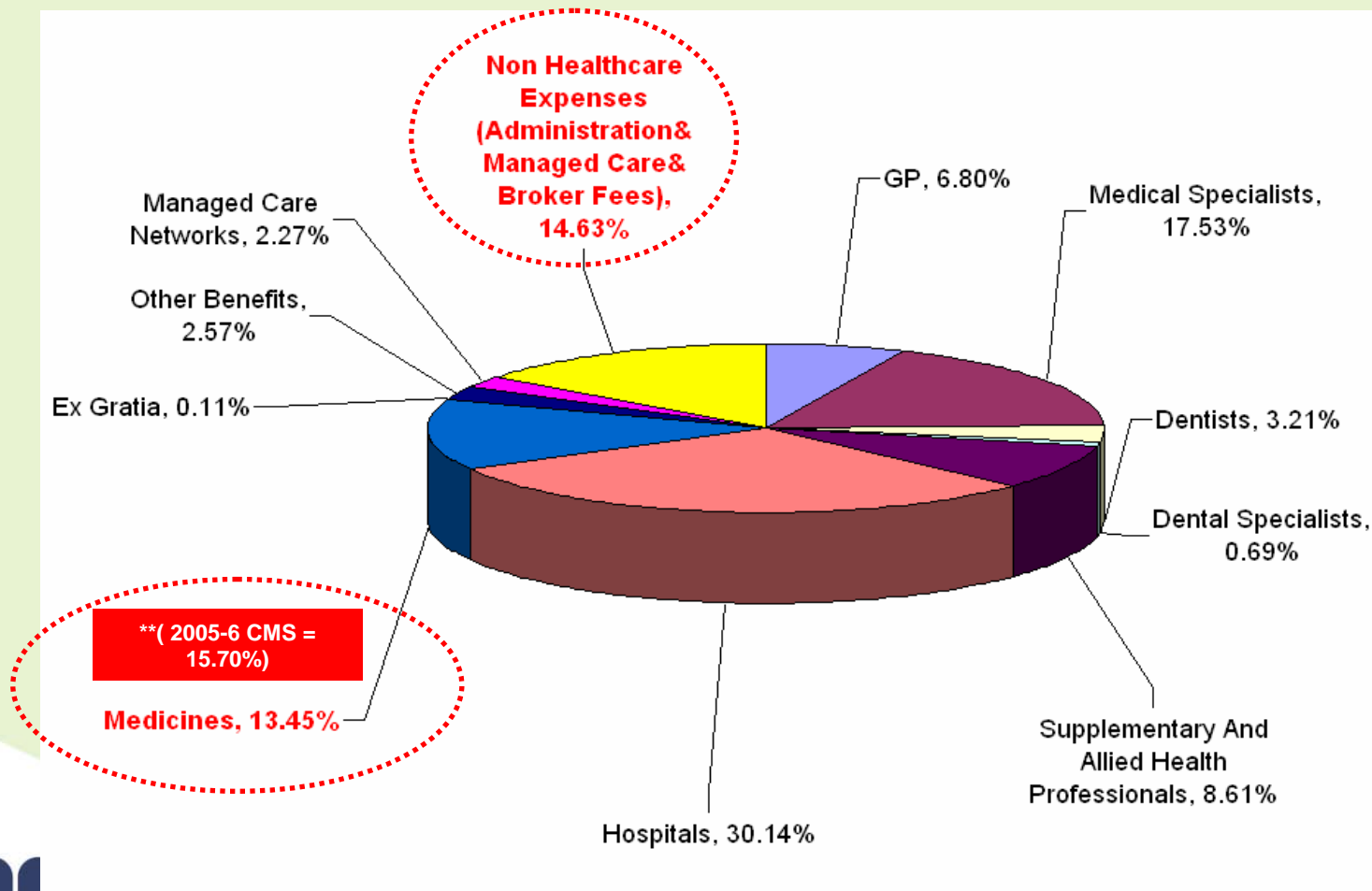


Sources: OECD Health Report 2006 (Data 2004), *South Africa 2005-6 CMS Annual Report Figure 12, Pg 50 (Includes Dispensing Fees), ** South Africa 2005-6 CMS Annual Report Pg 88,89,90 Annexure I, Pg 99 Annexure K (Includes Dispensing Fees)

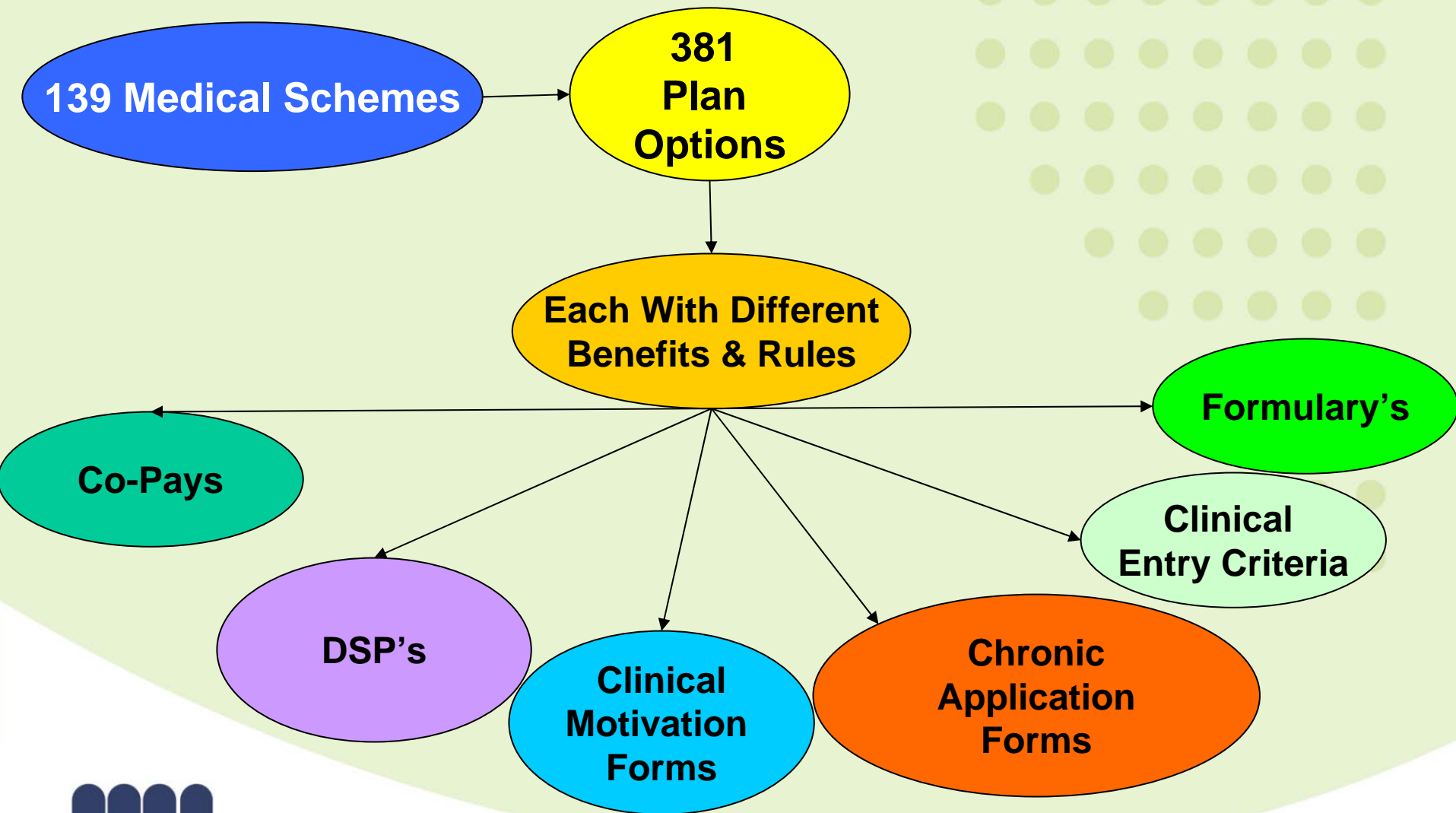
***SA Spend On Medicines In Line With International Benchmarks
& OECD Benchmarks***

Medicine Expenditure Benchmarked Against Other Healthcare Expenditure Components

If We Include Non Healthcare Expenses In The Healthcare Pie For 2005



Complexity Of Member Access To Medicines - Influencers Of Patient Medicine Choices

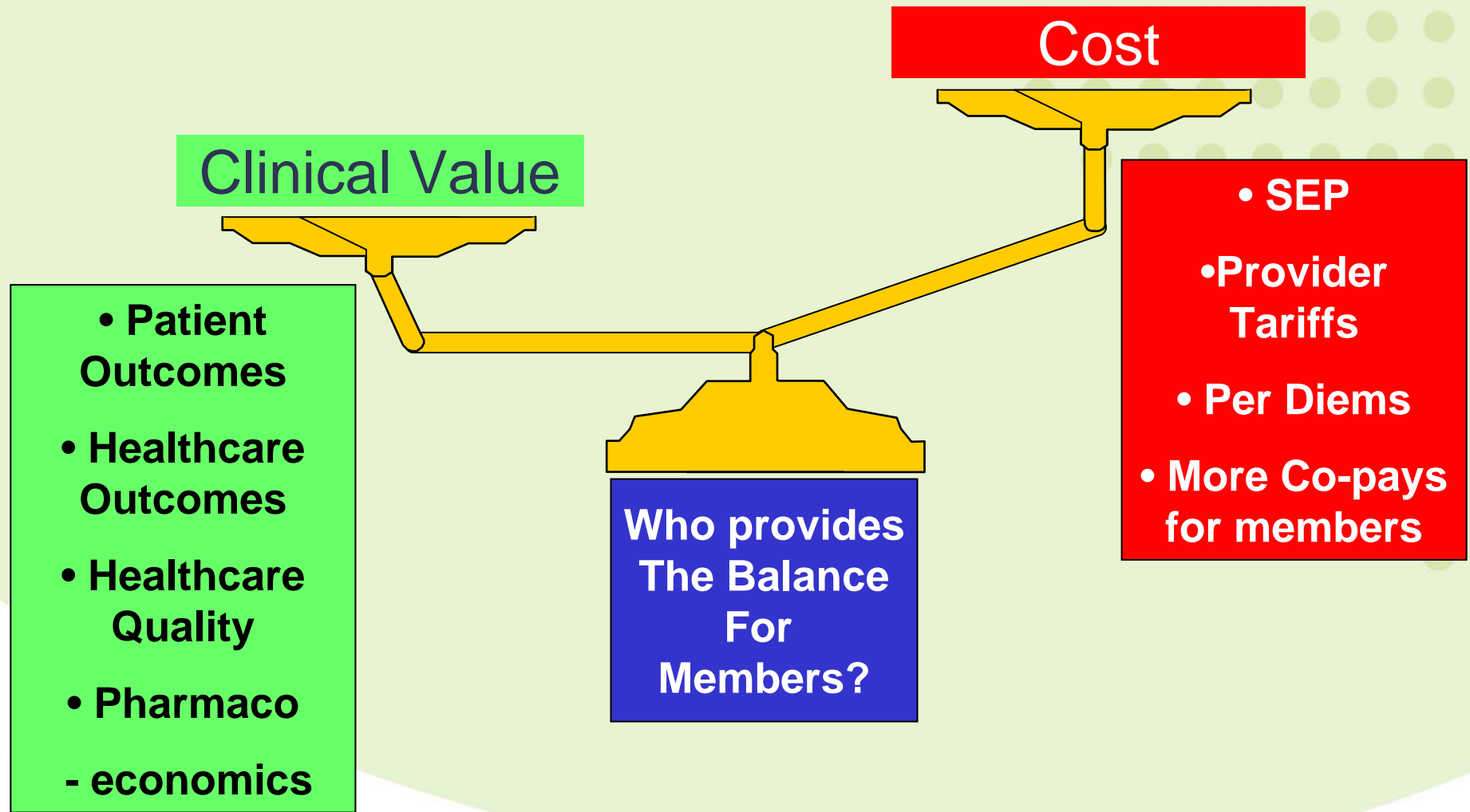


Innovative Medicines

Do These Member Access Barriers Lead To Healthier Members?

Key Challenge For Entire Healthcare Sector

- Focus On Cost Versus Clinical Value



Cost Of Pharmaceutical Innovation In South Africa

- Focus On New Medicines

Table 2: The key indicators of medicine expenditure for the period 2004 to 2006

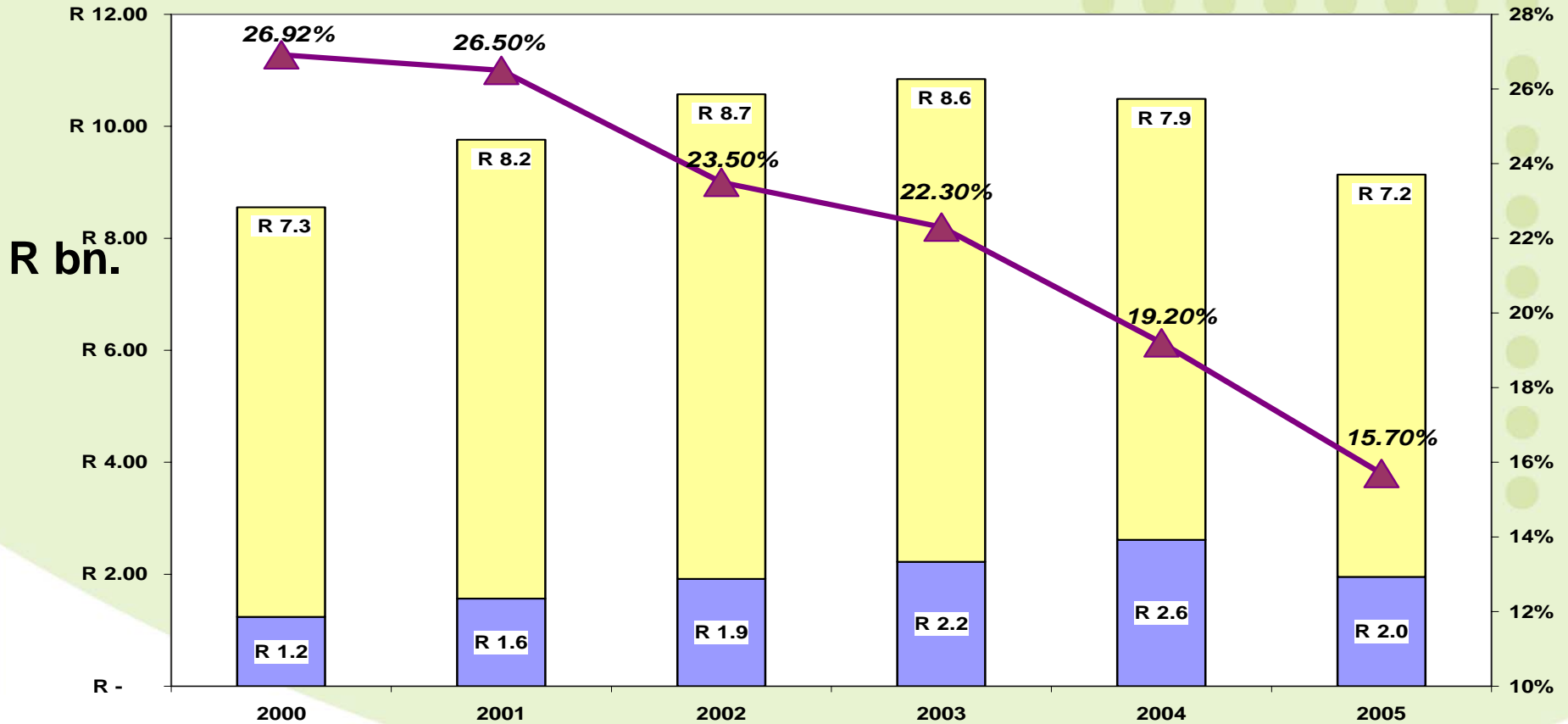
Total expenditure (average cost per beneficiary)		
Medicine category	% change 2005 versus 2004	% change 2006 versus 2005
All medicines	↓ 9.7%	↑ 5.5%
Existing medicines (Registered before 2004)	↓ 10.8%	↑ 3.9%
New chemical entities (Registered after 2003)	↑ 1.1%	↑ 1.6%

“New chemical entities that entered the South African Healthcare market after 2003, resulted in annual increases in medicine item cost of 0.7% and 1% for the respective periods.”

Source :Mediscor Medicines
Review 2006

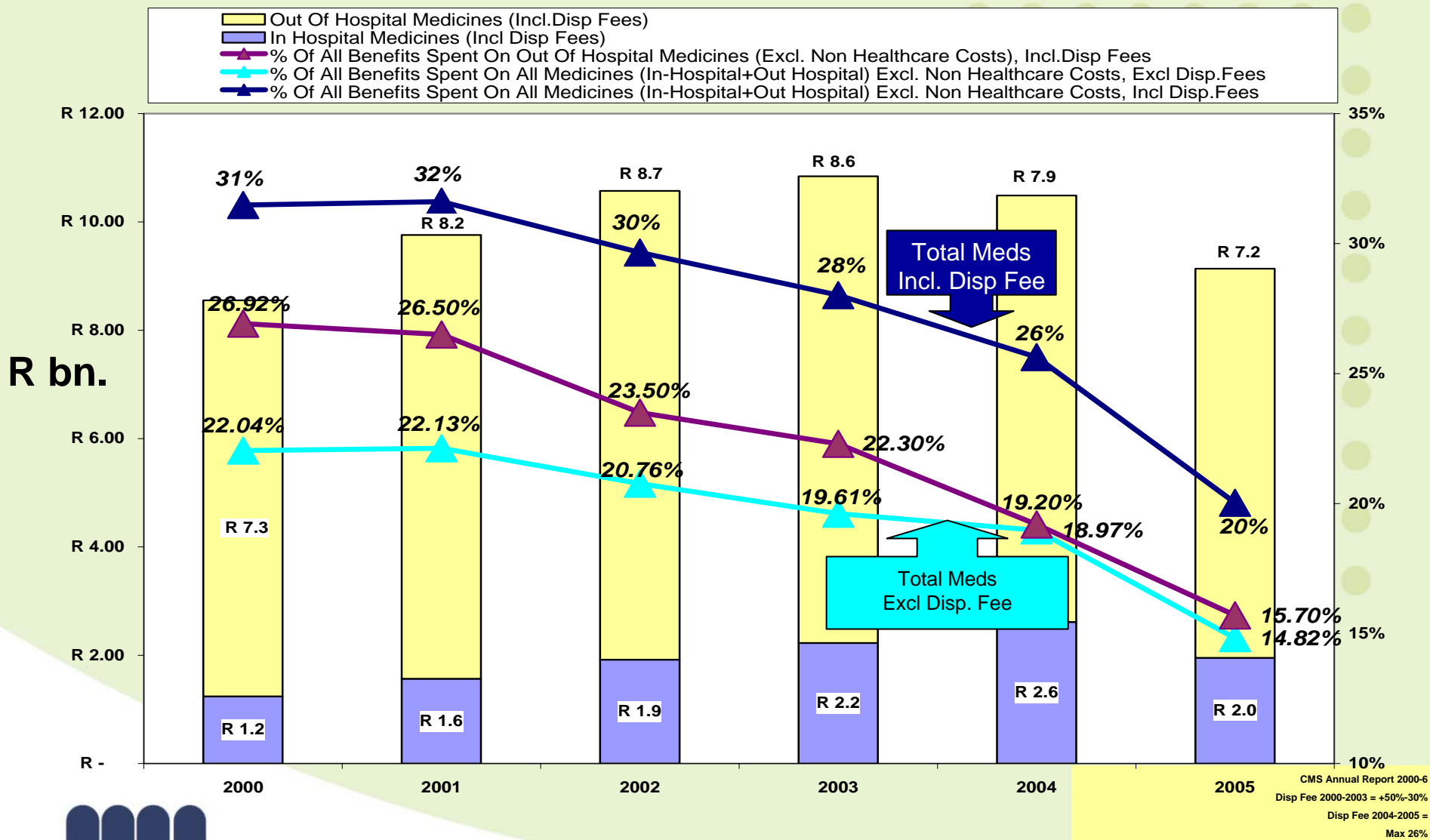
Incremental Cost Of New Medicines Has A Marginal Impact On Medicines Expenditure

Understanding Reported Medicines Expenditure - In Hospital & Out Of Hospital Medicines 2000-2005



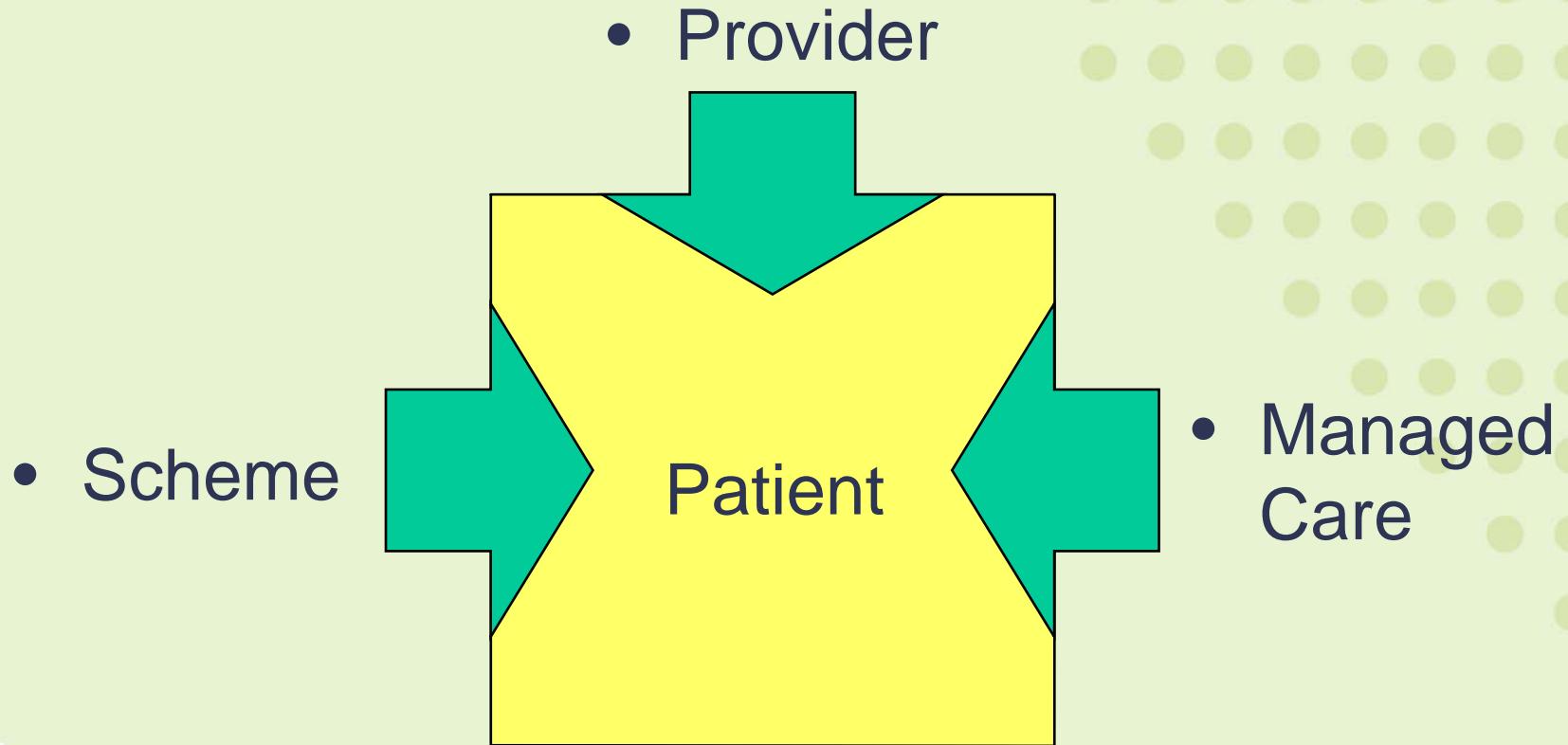
CMS Annual Report 2000-6

True Cost Reflection Of Medicines As A Component Of Healthcare Expenditure



When Excluding Dispensing Fees A Lower Medicines Contribution To Healthcare Component Cost Is Seen

Are Our Interests Aligned For The Benefit Of Healthy Members?



Can We All Do A Better Job In Ensuring Members Are Seeing Value In Our Products And Services?

Conclusions: A More Member Focused Approach

① Medicines No Longer A Cost Driver In SA Market Due To Regulatory And Managed Care Interventions

② Medicines Costs In Line With International Benchmarks

③ Members Access To Life Saving Medicines A Complex Process Which Might Not Be Incorporating The True Value Of The Medicine

④ New Innovative Medicines Have Been Proven Not To Drive Total Medicines Costs For Schemes

⑤ Balancing Cost With Clinical Value For Members Best Interest Should Be The Focus Area For All Stakeholders

