

**Pharmaceutical Sector  
Presentation for Private Health  
Sector Indaba**

September 21<sup>st</sup> 2007

**Pharmaceutical Sector**

# Pharmaceutical Industry

Including:

**IMSA, NAPM, PIASA,  
SMASA**

Muhammad Bodhania

Chairperson: NAPM

# Pharmaceuticals Cluster

## – The Basis of Our Presentation

- Any potential competition law infringements need to be clarified and on this basis our participation cannot delve into issues of pricing or any other issues that could potentially be interpreted as collusive, restrictive or anti competitive
- We are approaching the indaba with the spirit of openness and a constructive approach to realising common objectives of broadening access to healthcare provision
- Need to understand the ToR, objectives and process framework of the Indaba and in particular how this process feeds into existing policy and initiatives eg Health Charter, MSA, NHA
- Therefore no “mandate” has been sought from our constituency until the above is clarified

# Key Challenges in affordability debate

- Achieving balance between affordability and industry viability and maintaining security of supply
- Consideration of the impact of regulating a supply chain where price response to supply factors is muted
- Ensuring that entry into and continued presence in the sector is attractive and sustainable
- The cost of regulation and of compliance with legislation and regulations have to be considered and measured for all parties and should not hinder access

# Interventions to Date on Medicines

# Transparent Pricing Regulations to Date

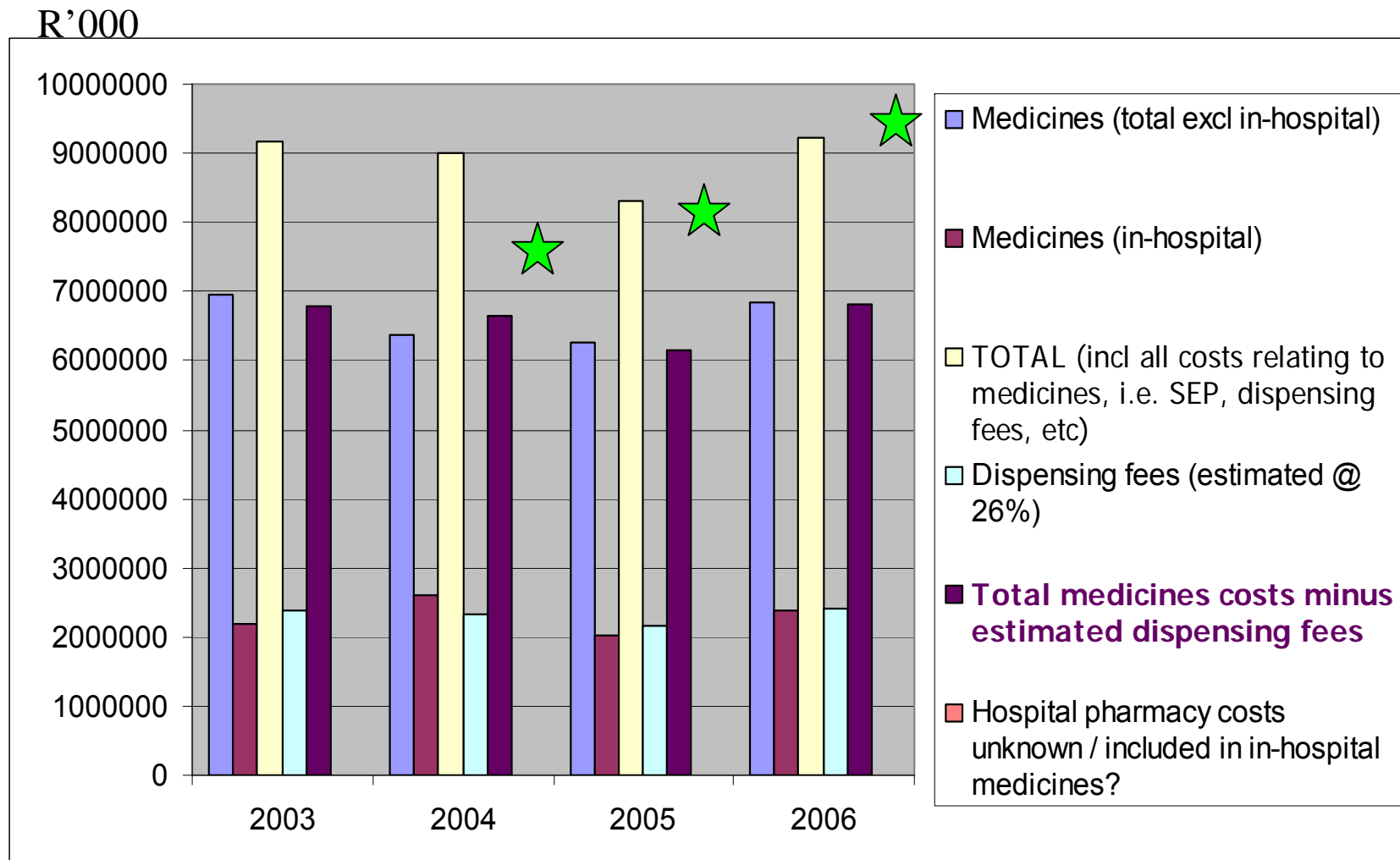
- Banning of sampling (2002) ✓
- Mandatory generic substitution (2003) ✓
- Removal of discounts, bonuses and rebates ✓
- Introduction of SEP (2004) ✓
- Dispensing fee (not yet implemented) ?
- No price increases 2003-2006 ✓
- Capping of price increases ✓
- Capping of logistics fees (not yet implemented)
- IB?

# Pricing Regulation Impact

<b>Intervention</b>	<b>% Savings</b>	<b>Rand Savings</b>
SEP net pricing impact (removal of discount, rebates) ( <i>ref IMS Aug 2005</i> )	↓ 19%	R2.8bill
Loss of 2004 price increase based on 2003 IMS actual	↓ 9.0%	R1.0bill
<b>SEP savings via capped logistics fees (PTG model)</b>	Possible further savings	Possible further savings
<b>Savings via IB (<i>GT study</i>)</b>	?	?

# Medicines Expenditure Trends in Medical Schemes Sector

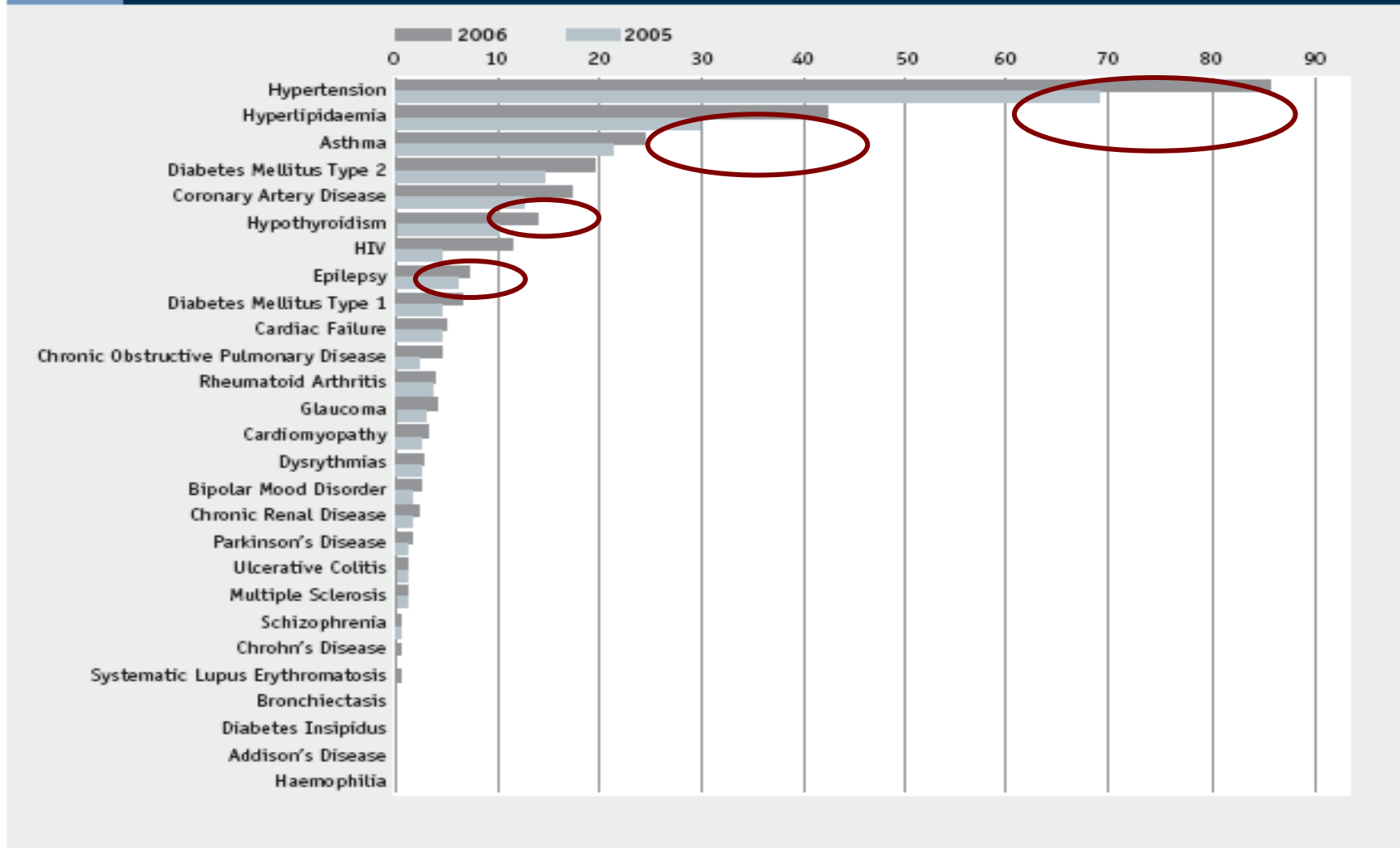
# Medicines Spend in Medical Schemes Environment has been Stable



★ THE RIGHT RATIO? Non-healthcare costs : medicines

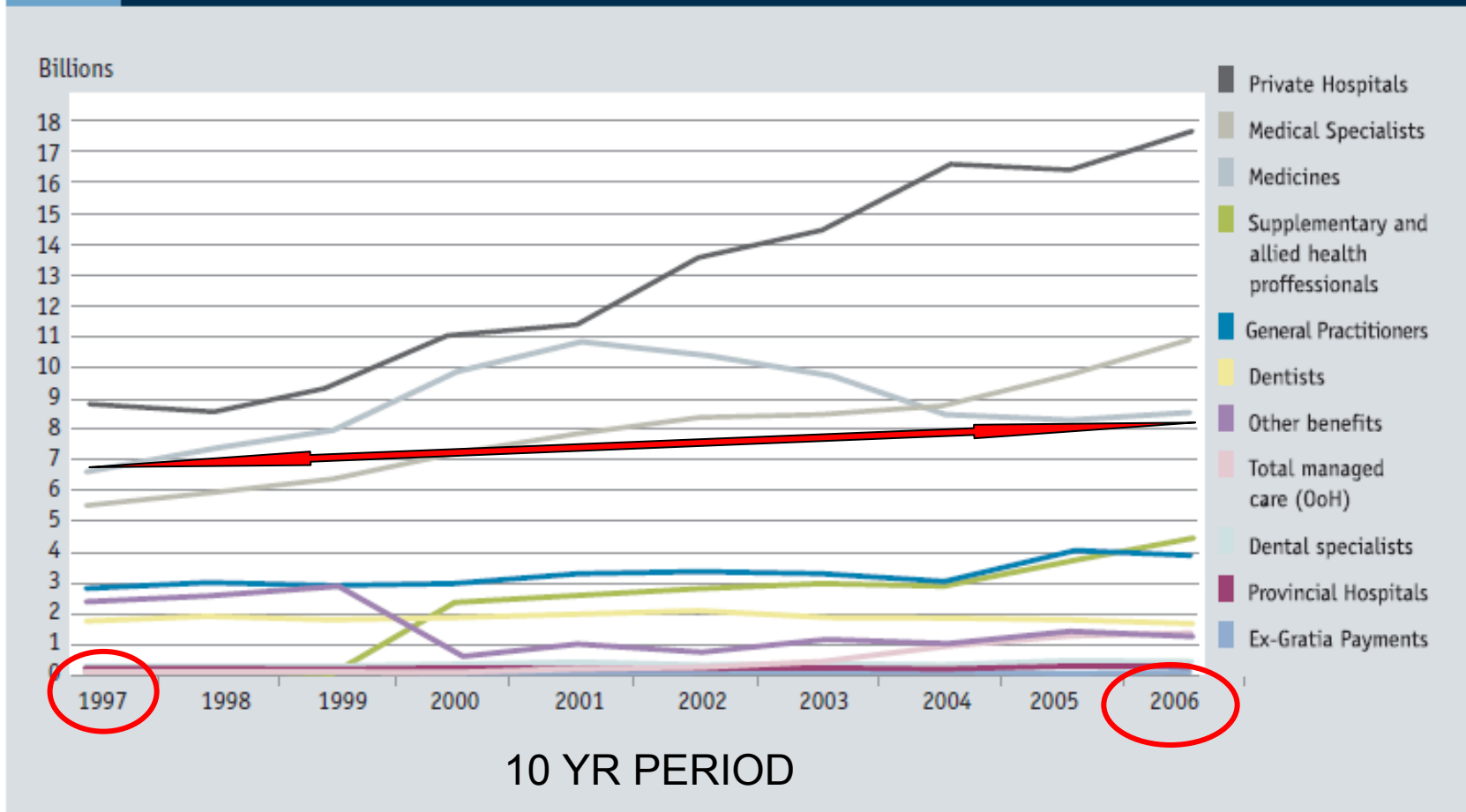
# ... in Spite of Increases in Chronic Disease Incidence in Medical Schemes

Figure 18: Prevalence of chronic conditions in registered schemes

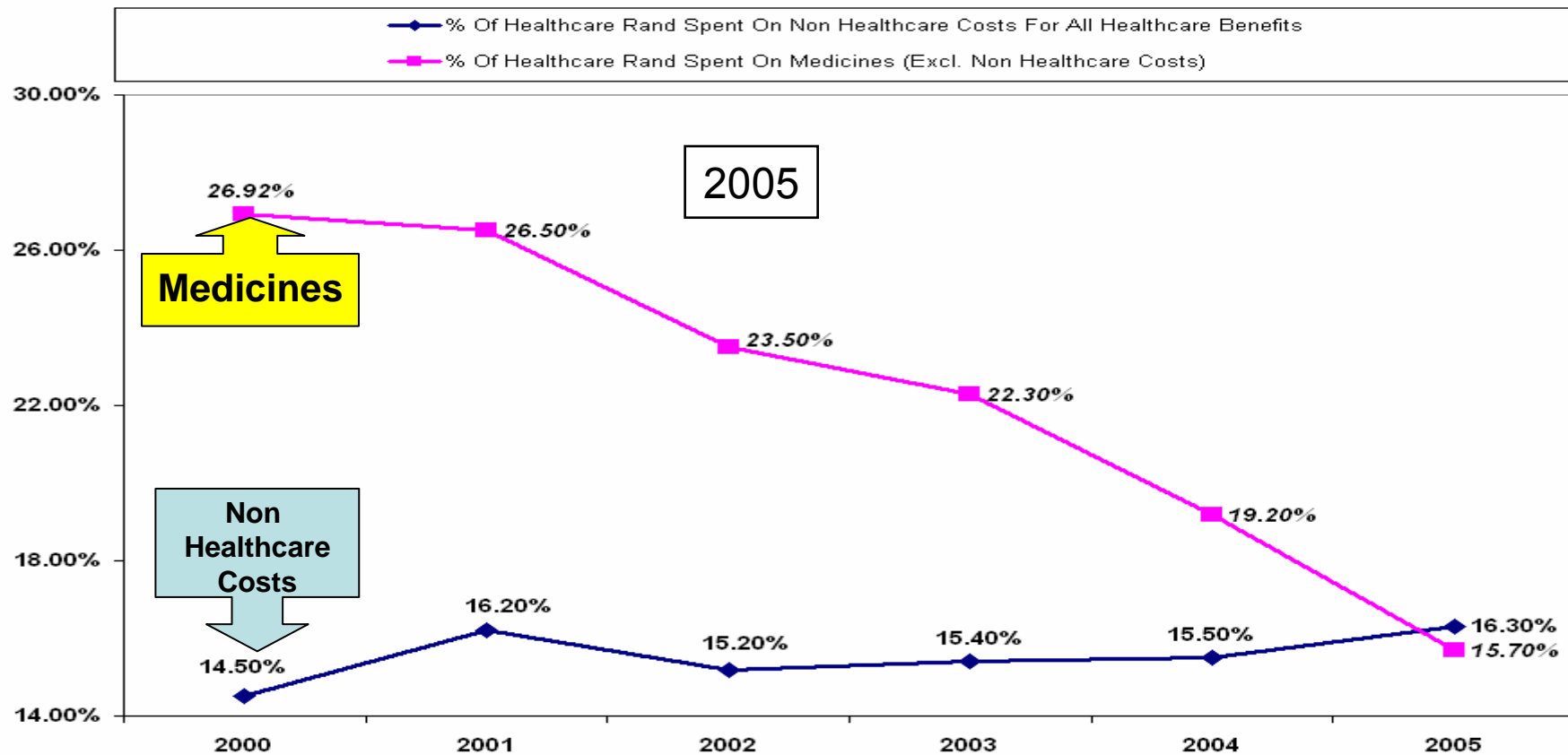


# Medicines Spend has Significantly Declined Since Introduction of SEP Actual Rand Value

Figure 5 Trends in total benefits paid



# Comparator Spend on Medicines and Non-Healthcare Costs



Source: CMS Annual Report 2000-6

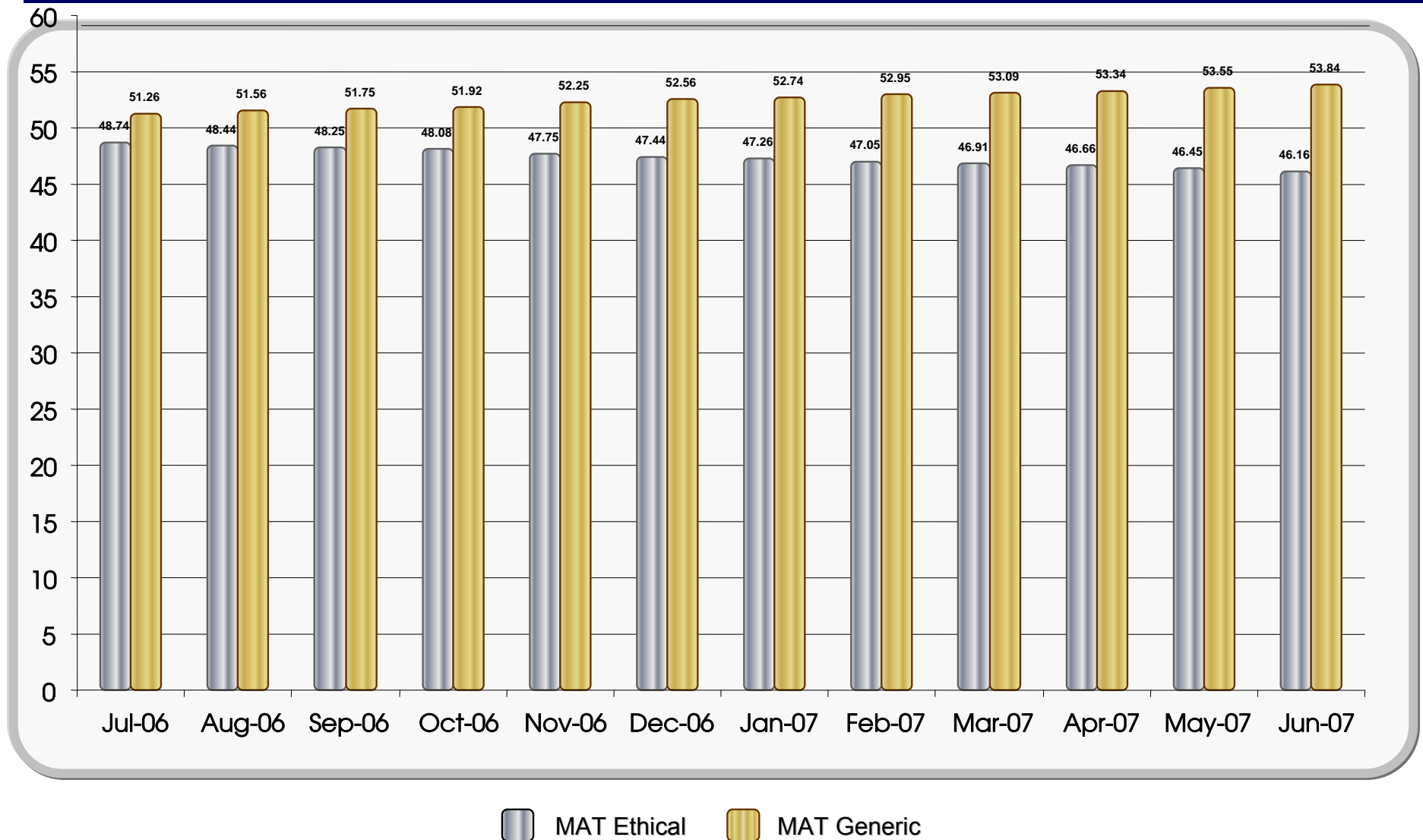
***SA Patients Are Paying More For Non Healthcare Related Costs Than Medicines. Has The SEP Funding Headroom Gone Here?***

# Contribution of Generic Medicines

- Independent studies have shown that SA generics are competitively priced and that existing market instruments and legislation is effective in keeping generic prices competitive on an overall basis
- SA registered generics are of a quality, safety and efficacy standard consistent with the requirements of the MCC and SA law
- Generic substitution effects a switch from the originator to the lower priced generics
- Market forces enable downward pricing pressure on existing generics by new generic market entrants
- Generics force downward pricing pressure on originators

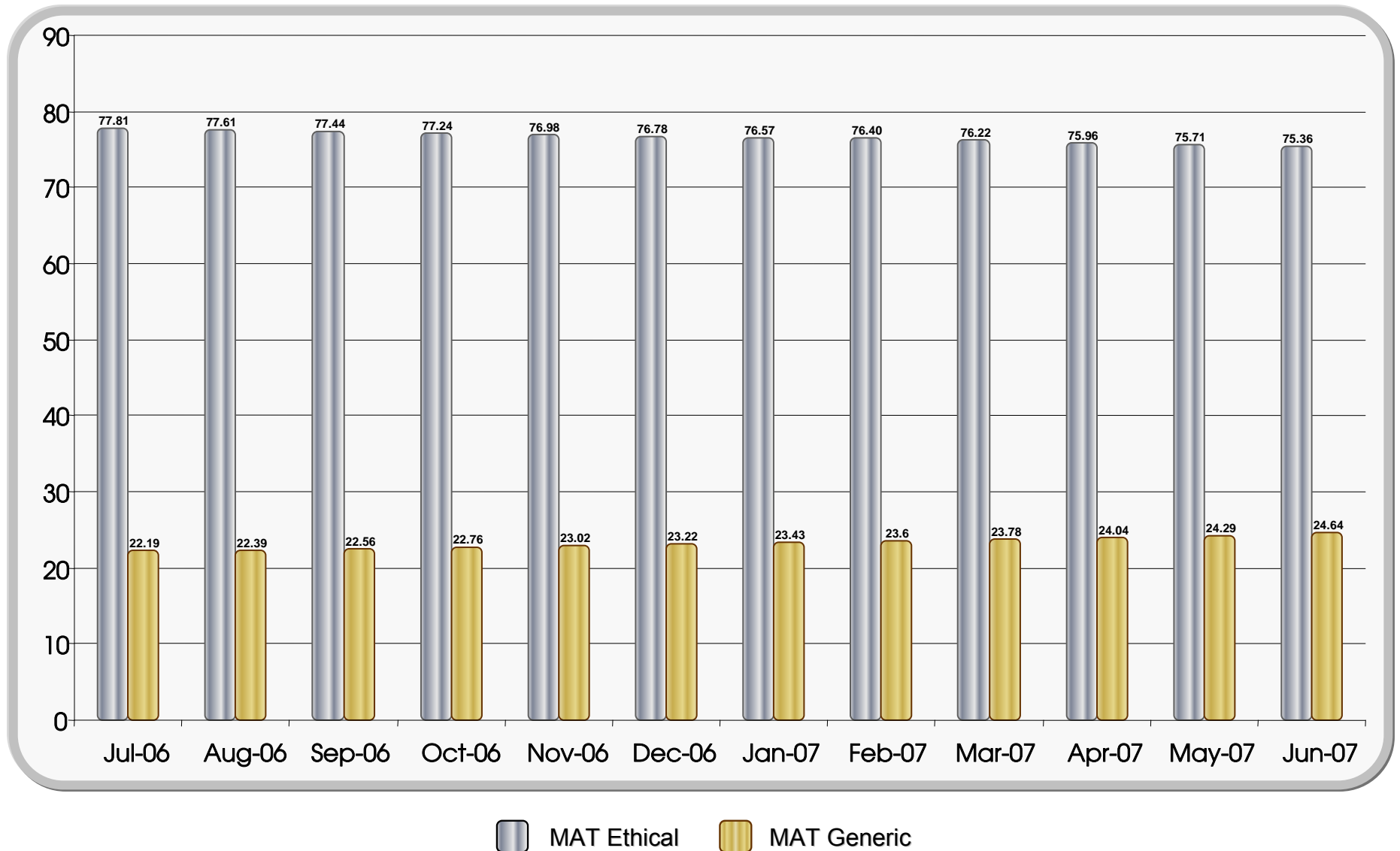
# Ethical / Generic Split

## MAT Units Market Share (S 3-7) June 2007



# Ethical / Generic Split

## MAT Rand Market Share (S 3-7) as at June 2007



# Suggestion on Improving Affordability of medicines beyond what has been Achieved

- Recognise the significance of health funding models on the affordability of healthcare and address this as the principle approach
- Follow through on implementation of existing policy and legislation
- Finalisation of code of marketing practice and legislation to curb perversities
- Capping of logistics fees

# Pharmacists grouping

- Representing
  - PSSA
  - Progressive Pharmacists

# Pharmacists challenges

- Licensing (pharmacy & dispensing practitioners)
  - Over servicing in urban areas
  - ↑ Human resource demand
- Medical Scheme Benefit
  - DSPs
  - ↓ medicine cost & out-of-hospital benefits
- Generic Substitution
  - Restrictions

# Pharmacists challenges - continued

- Pricing Regulations
  - Dispensing fee
  - Lack of transparency
  - Perverse incentive schemes in market
- Human Resource Shortage
  - ↓ students enrolling
- Spare capacity & under utilization of pharmacists in private sector
  - PPPs
- Transformation

# Input from Wholesalers

