

The determination of fair and reasonable medicine prices for all

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2011

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Definitions

Fair:

- Treating each person or side **equally** and according to the **law**, rules.
- With **no uncertainty** or possibility of error, misunderstanding, etc.

Reasonable:

Not too expensive, acceptable

Depends on perspective



Philosophical topic?

Bill Gates:

Life is not fair – get used to it !!

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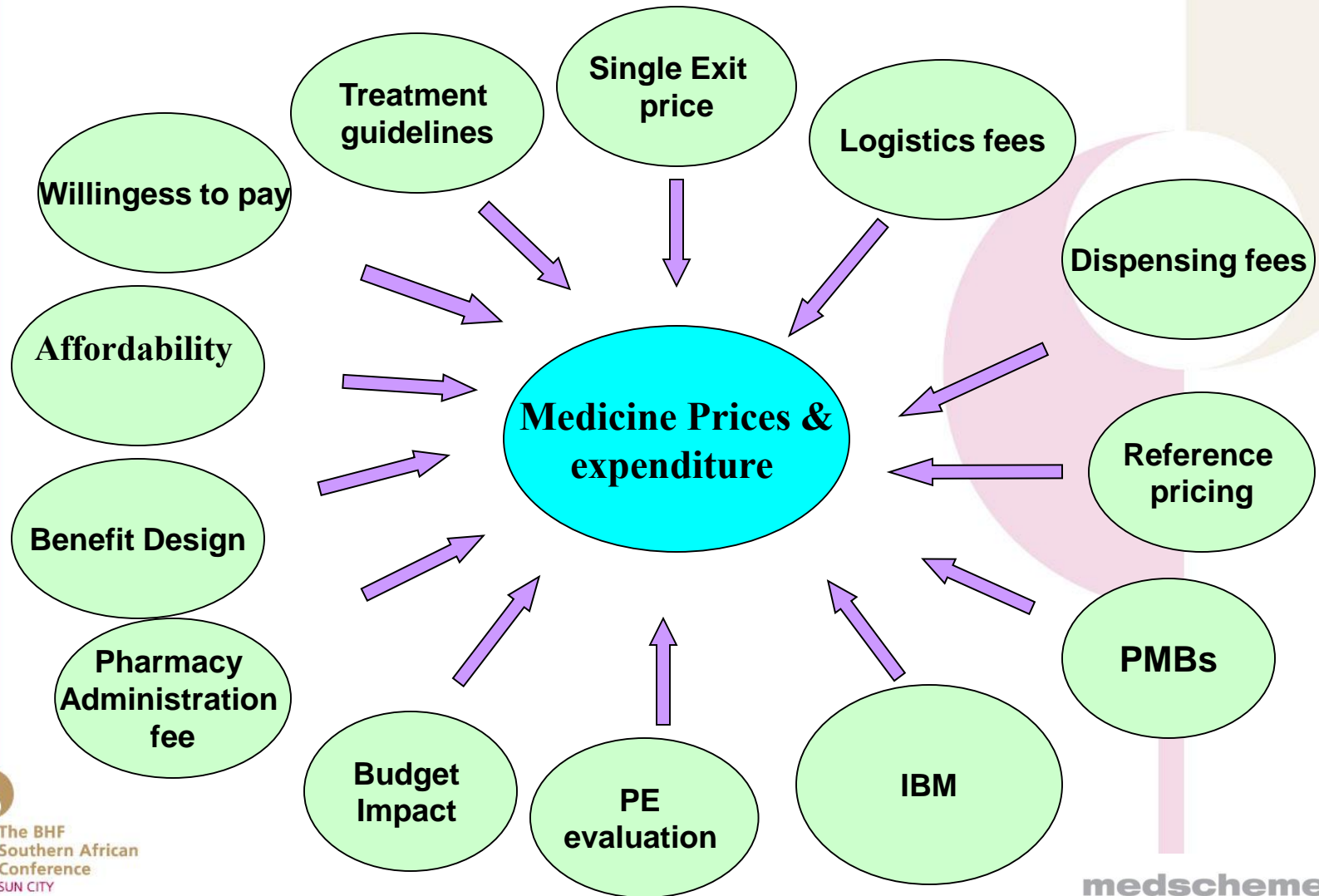


Focus

- Factors influencing medicines prices
- International approaches to medicine pricing policies
- Has the legislation sufficiently controlled medicines prices?
- Role of market forces in influencing medicines prices
- Medicine inflation index
- Rational use of medicines



Factors Influencing Medicine Prices and Expenditure



International approach to medicine pricing policies and intervention

WHO/ HAI

Intervention	Implemented in SA
External reference pricing	No
The role of health insurance in the cost-effective use of medicines	Yes
The regulation of mark-ups in the pharmaceutical supply chain	Yes / No
Competition policy	Yes
Sales tax on medicines (exempted)	No
Promoting the use of generic medicines	Yes
Cost-plus pricing	?
Pharmacoeconomic analysis	No
Tariffs on medicines	Yes – SEP, API, LF, Dispensing fees, Reg 9

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Has legislation sufficiently
controlled medicine prices?

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Change in medicine prices (2004 vs 2005)

Claimed Medicines	
Group	Average % Difference
Overall	- 14.0
Generic	-25.0
Original	-9.0
Branded	-9.5



Medicine claims - chronic

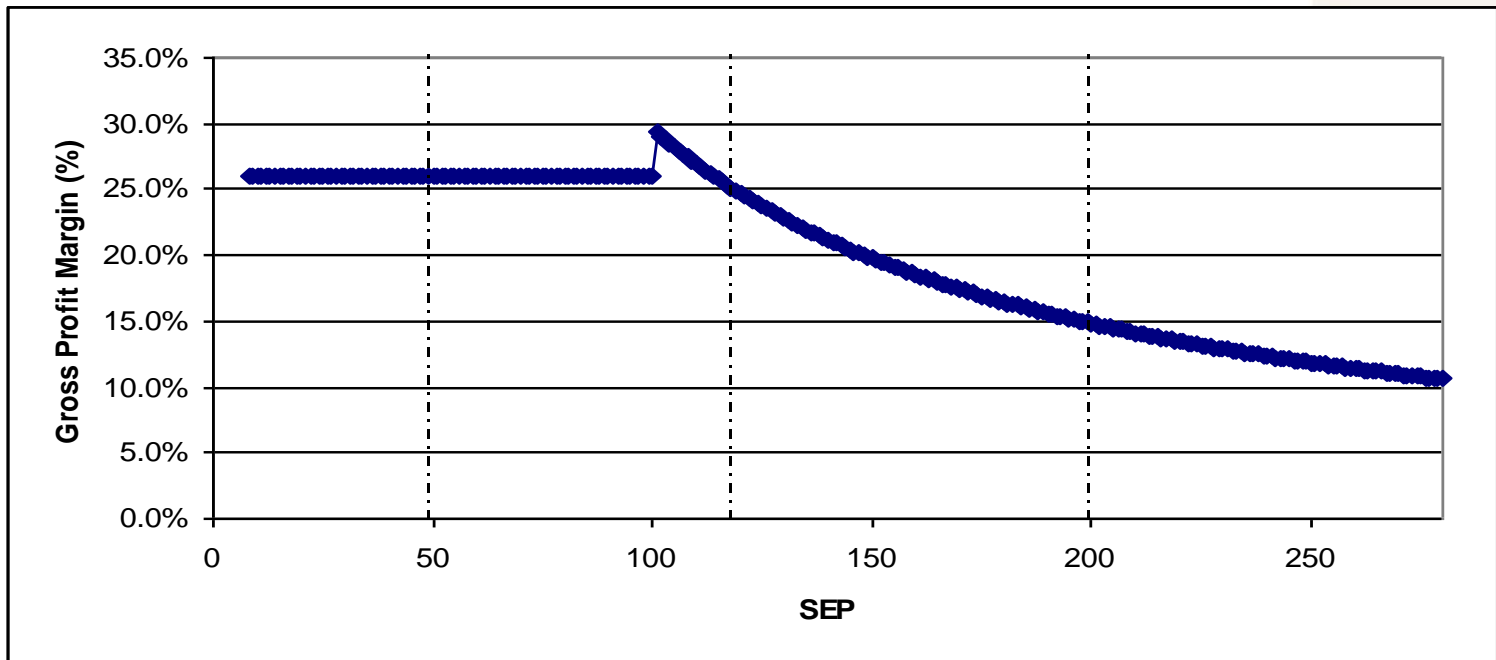
2004 versus 2005

Schemes	Expenditure (%)	Cost per life (%)	Cost per participant (%)
A	↓ 25.0	↓ 15.0	↓ 19.0
B	↓ 5.5	↓ 1.0	↓ 8.0
C	↓ 21.0	↓ 24.0	↓ 23.0
D	↓ 24.0	↓ 26.0	↓ 22.0
E	↓ 14.0	↓ 9.0	↓ 1.20



Impact of Pharmacists' dispensing fee

SEP	< R100	> R100
Pharmacists	26%	R 26
GP margin = 17%		



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Impact on doctors' claims

2004 vs 2005

Schemes	Expenditure (%)	Cost per life (%)
A	↓ 53.0	↓ 54.0
B	↓ 62.0	↓ 63.0
C	↓ 48.0	↓ 45.0
D	↓ 59.0	↓ 61.0
E	↓ 62.0	↓ 61.0



Has the legislation sufficiently controlled medicines prices?

- Decreased medicine prices to the consumer.
- Decreased medicines expenditure to medical schemes.
- Dispensers have been mostly affected.
- Annual SEP increases controlled.



Role of market forces in influencing medicines prices

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Dr Motsoaledi:

"I know that at face value, problems in the health system are said to be existing only in the public sector and the private sector must be left alone to some wayward phenomena called **market forces**, even though these market forces dismally failed to stop or more appropriately caused the most recent global economic collapse,"

BuaNews 1 June 2011

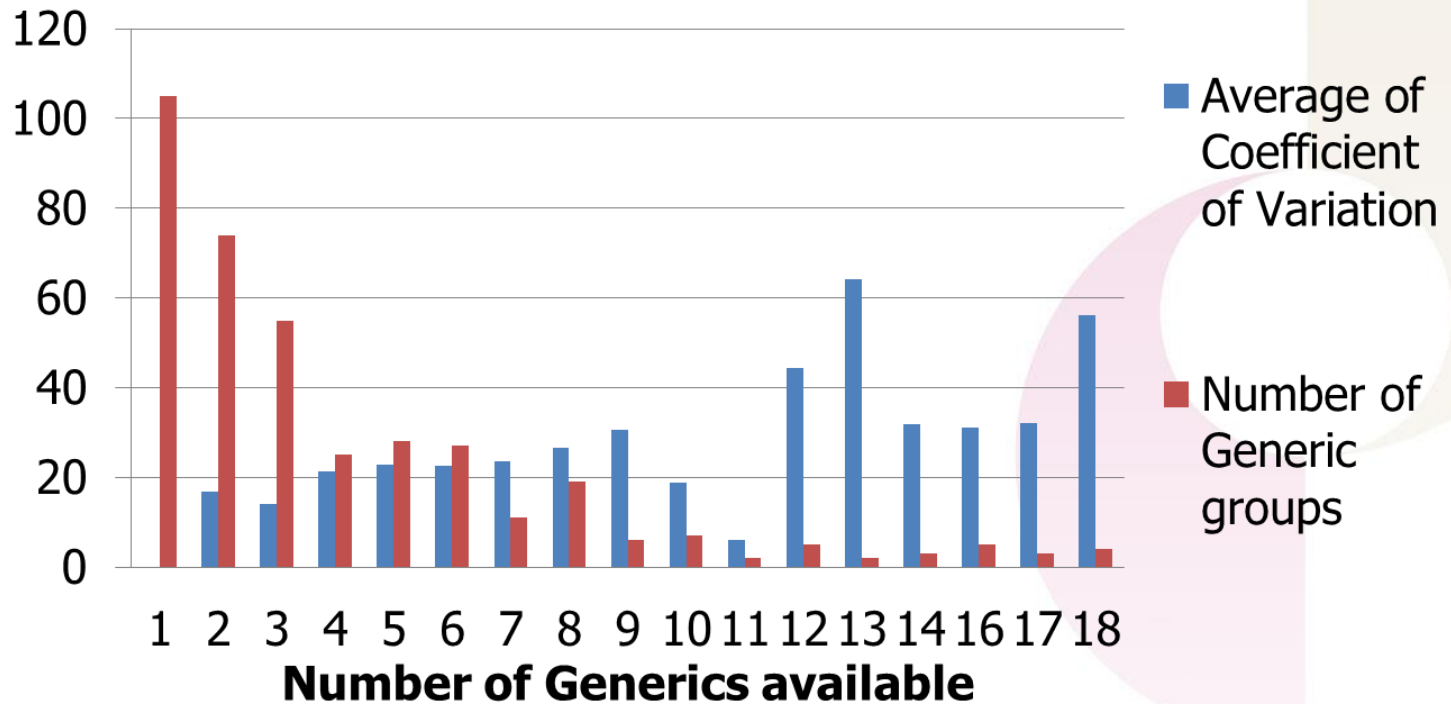
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Co-efficient of variation

Generic Medicines



Generic products on average are 46% cheaper than the original products.

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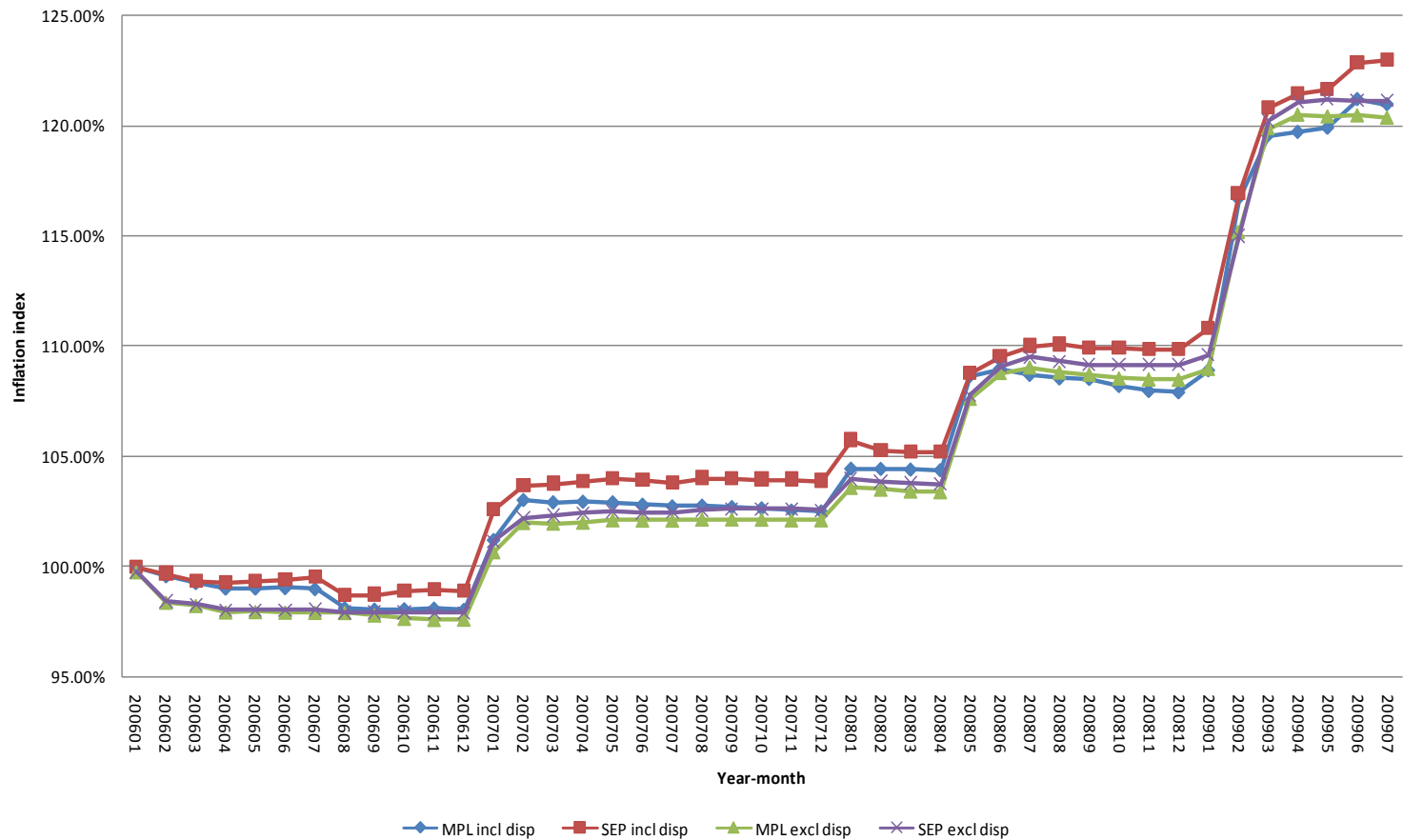
Medicine Price Index

Index number that reflects the rate of change in a set of medicine prices over time

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Medicines increases (Jan 2006 - Jul 2009)

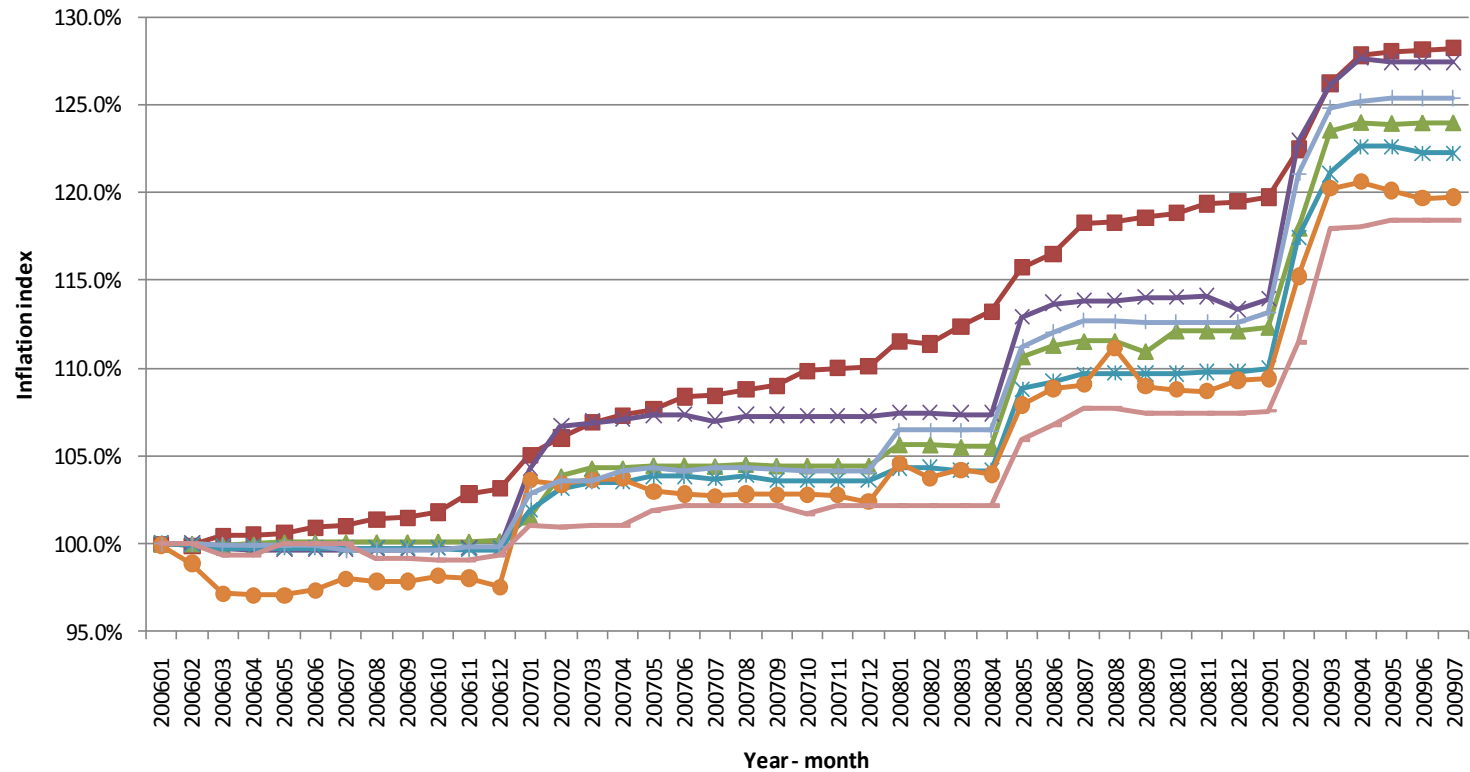


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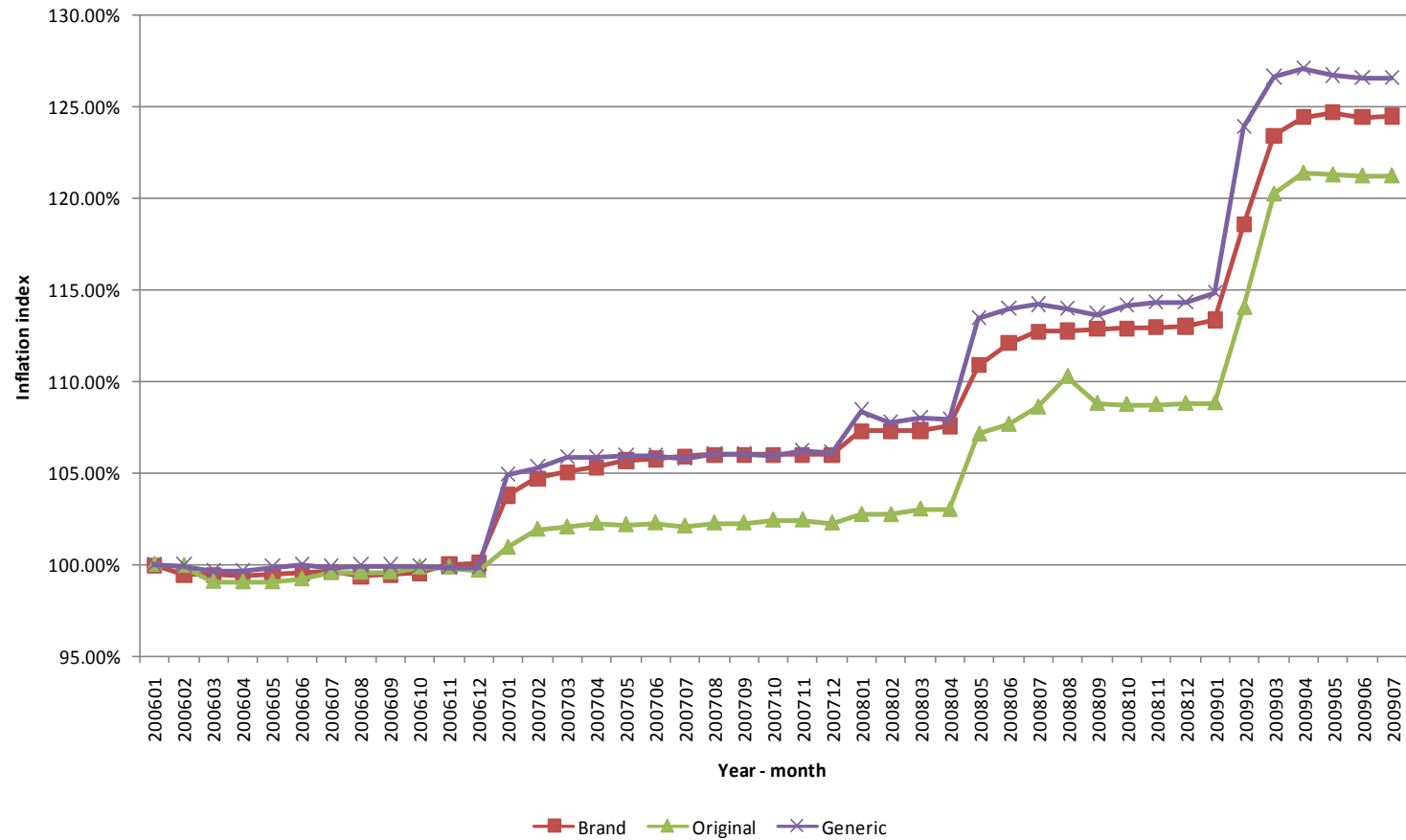


SEP and medicine schedule (Jan 2006 - Jul 2009)

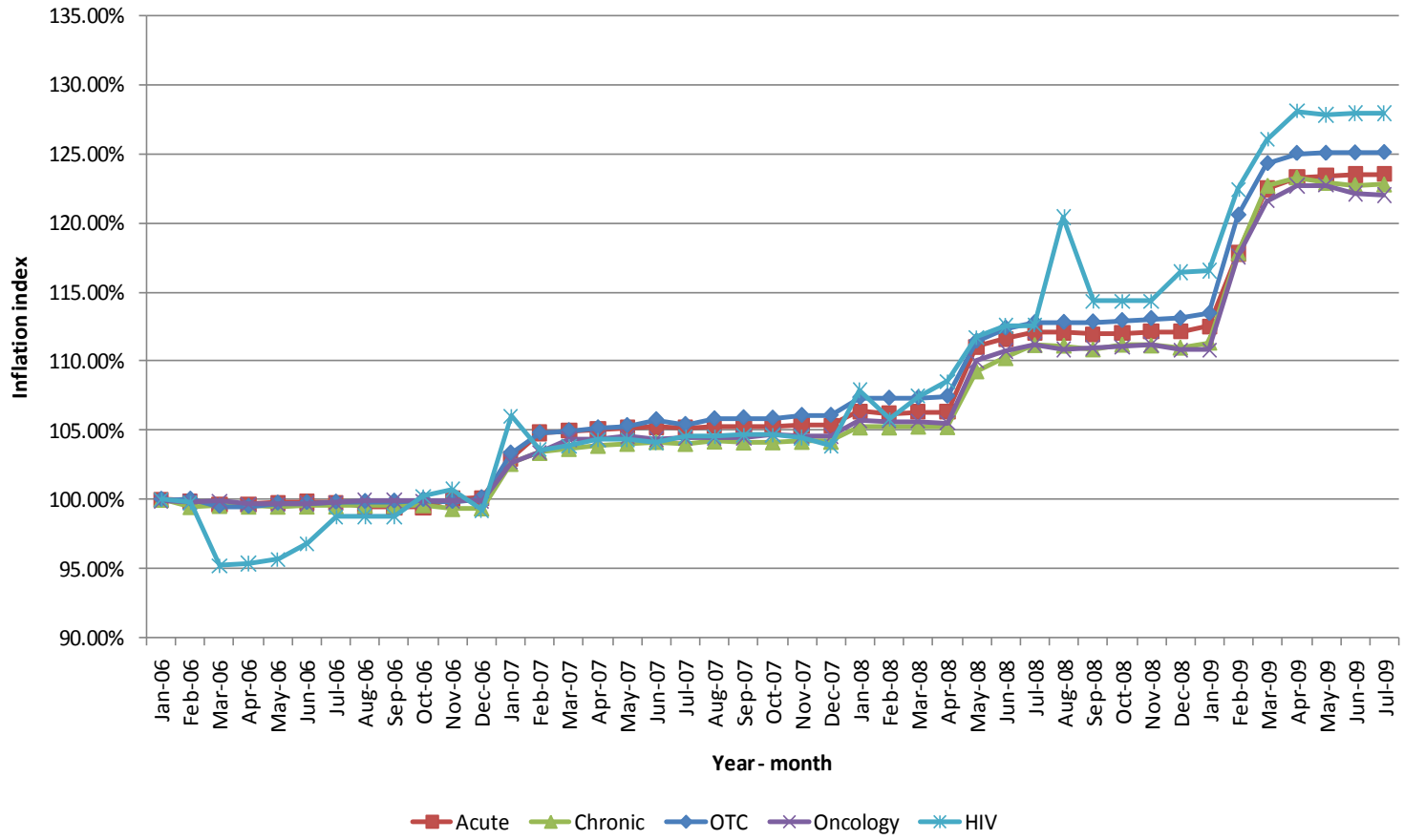


■ Medicine schedule 0 ▲ Medicine schedule 1 ✕ Medicine schedule 2 ✕ Medicine schedule 3
● Medicine schedule 4 + Medicine schedule 5 — Medicine schedule 6

SEP and product type (Jan 2006 – Jul 2009)



SEP and benefit category (Jan 2006 - Jul 2009)



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Rational use of medicines

Cost-effective medicines become cost-ineffective if used badly and irrationally.

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Phenytoin

Action	% patients
	n = 332
Dose increased	32,0
Dose decreased	15,0
No change in dose	53,0
Dose adjusted	47,0

P. Valodia et al, Benefits of a clinical pharmacokinetic service in optimizing phenytoin use in the Western Cape. SAMJ.1998,88:873-875



Percentage reduction in seizures

Period	% reduction in seizures
	n = 195
Based on first baseline period	66,0
Based on second baseline period	63,0
Based on the average of first and second baseline periods	65,0

P. Valodia et al, Benefits of a clinical pharmacokinetic service in optimizing phenytoin use in the Western Cape. SAMJ.1998,88:873-875



Adverse effects

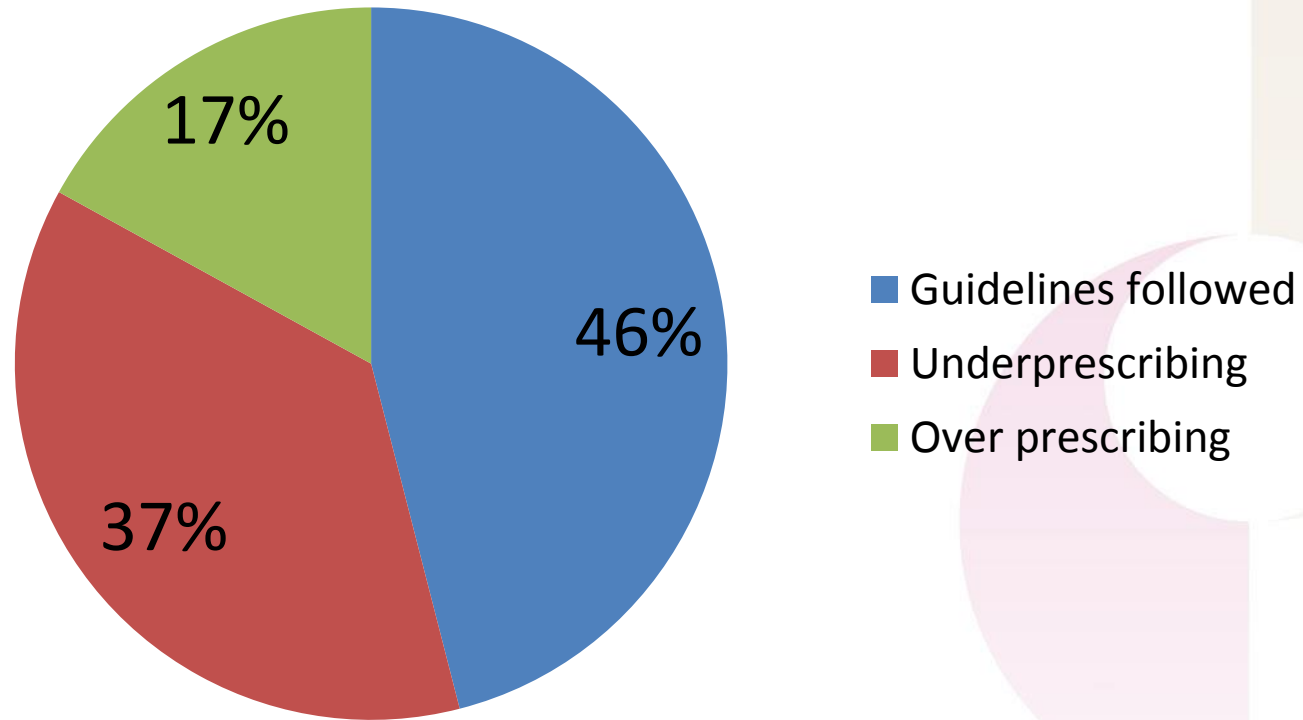
Visit	% patients
First visit	20,5%
Last visit	3,2 %

Based on phenytoin blood samples

P. Valodia et al, Benefits of a clinical pharmacokinetic service in optimizing phenytoin use in the Western Cape. SAMJ.1998,88:873-875



Extent of adherence to asthma treatment guidelines



N. Ebrahim, 2005. The pharmaco-economic impact of non-adherence to standard treatment guidelines for the treatment of asthma in community primary health care centres in the Cape Metropolitan area.



Concluding remarks

- To determine a fair and reasonable price for all is a challenging task.
- Some role players have been impacted more than others.
- Improve rational use of medicines

