

# THE ROLE OF MEDICINES

## Essential to the Future of South African Healthcare

*J. Lotter*



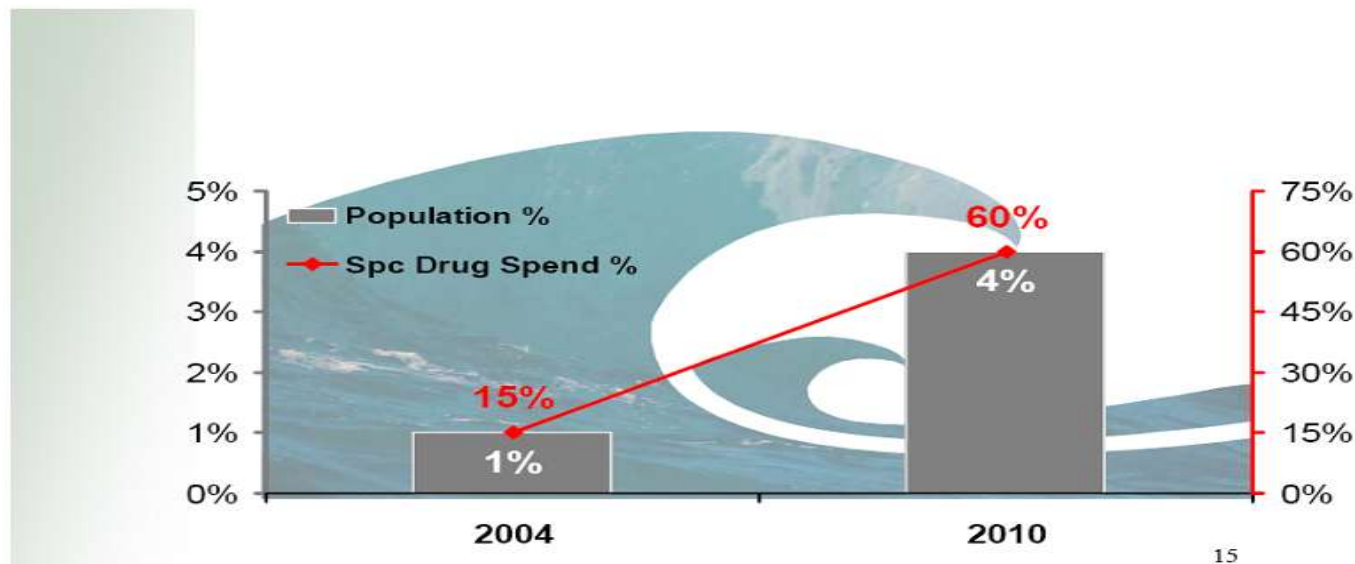
# MESSAGE TO BHF IN 2006

## Medicines Cost "Tidal Wave"

Discovery  Health

### Tidal Wave – coming to our shores

Source: [www.bhfglobal.com](http://www.bhfglobal.com)



Source: *Managed Care Magazine*, August 2004

Has this "Tidal Wave" crashed on schemes yet?

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SOUTHERN  
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DURBAN 9-12 JULY 2006



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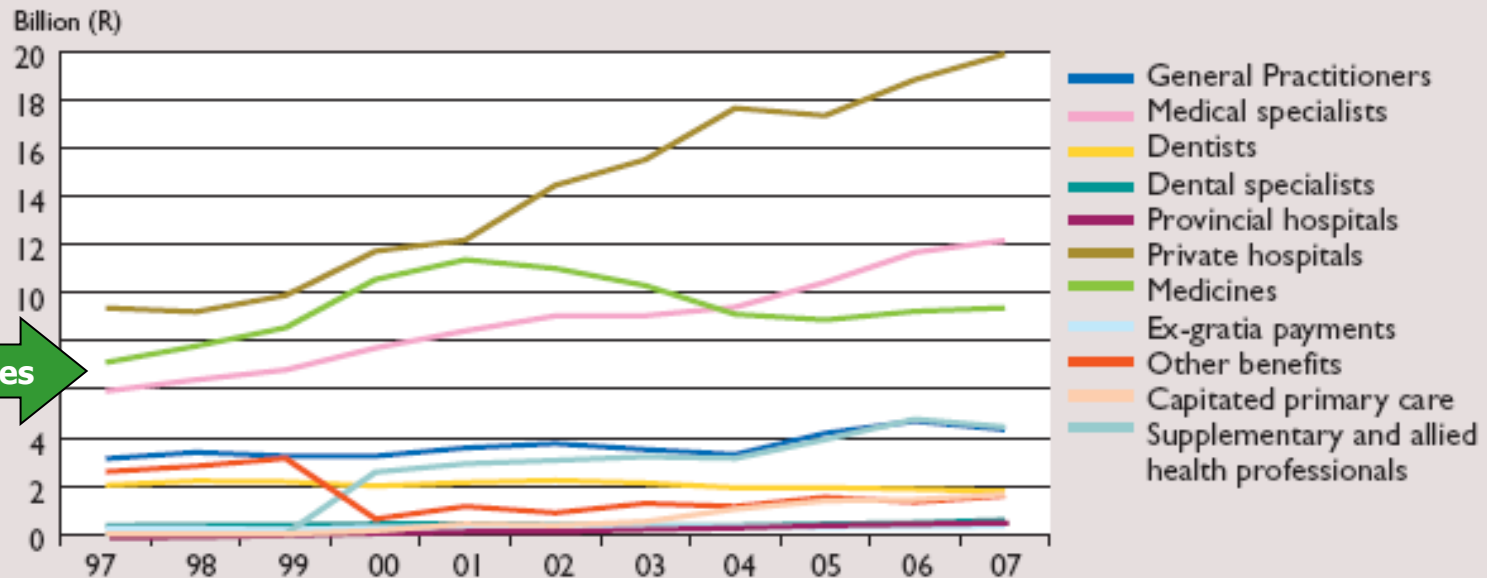


# MEDICINE USAGE

## Reports & Statistics

### Council for Medical Schemes: *CMS Annual Report 2007/8*

Figure 5: Benefits paid: 2007 prices\*



\* The values were adjusted for CPIX for 1997-2007

✦ **Government Medicine Pricing Policy has lowered medicine prices**  
 → no longer a private sector cost driver

# MEDICINE USAGE

## Reports & Statistics

### Health Systems Trust: *SA Health Review 2007*

#### **Bettina Taylor (Chap.8)**

- ⤴ SEP (2005) → medicine prices reduced by 19%
- ⤴ Factors contributing to increased utilisation:
  - ~ unlimited scheme benefits for care i.t.o. CDL conditions
  - ~ increased access to acute medicines (benefits not exhausted by chronic medicines)
  - ~ shift towards use of cheaper medicines (more usage within available benefit limits)

#### **Di McIntyre (Chap.3)**

- ⤴ SEP → average medicines price decrease 22%
- ⤴ Before 1994: medicines were single largest category of scheme expenditure (nearly 32%)
- ⤴ Now: "(medicines)...account for a mere 16% of expenditure"

# MESSAGE TO BHF IN 2009

## Medicines Cost in perspective

### *CMS Annual Reports 2006/7 and 2007/8*

Figure 13: Total benefits paid in 2006

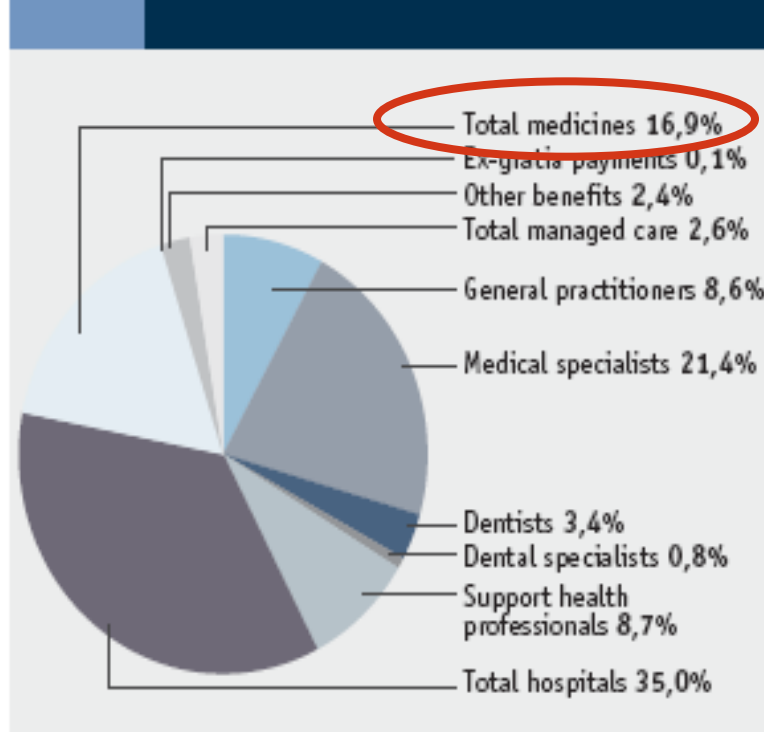
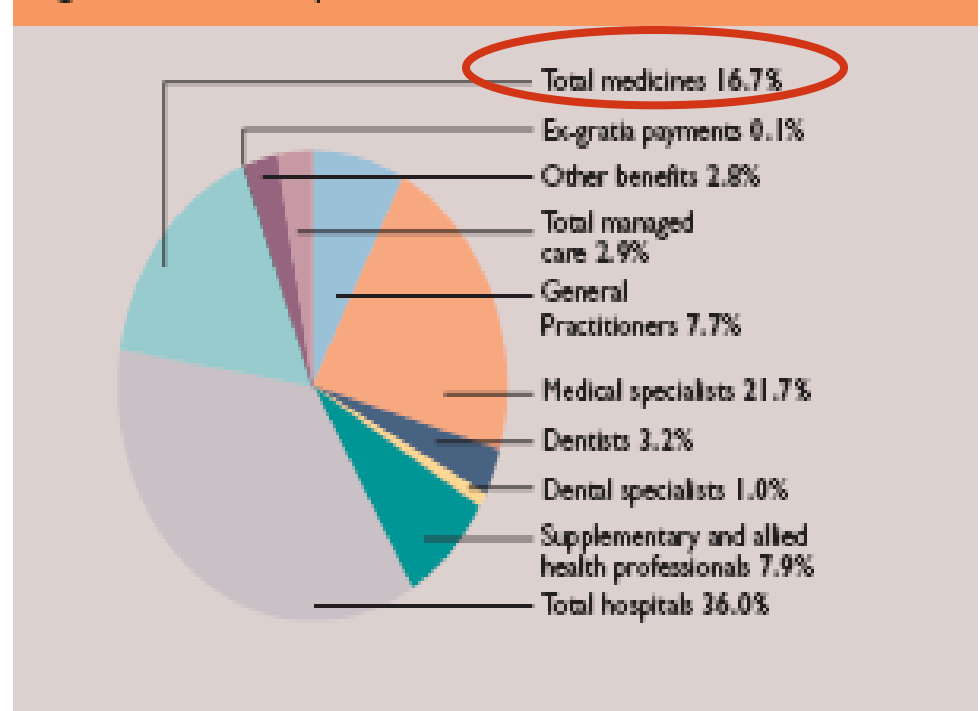


Figure 14: Benefits paid in 2007



Data excludes bargaining council medical schemes  
 Figures for 2005 restated for Metropolitan Health Group administered schemes.



# MEDICINE USAGE

## Reports & Statistics

### *Mediscor Medicines Review 2008 (excludes data for capitated benefits)*

#### **SEP not driving cost**

- ⤴ Jan. 2006 – Dec. 2008:  
SEP ↑ 8.3%  
Medicines expenditure ↑ 26%

#### **Utilisation not driving cost**

- ⤴ 2006-2007: utilisation ↑ 0.6%
- ⤴ 2007-2008: utilisation ↑ 1.3%

#### **Innovation not driving cost**

- ⤴ Out of top 50 cost driving products, only 7 NCEs since 2003

#### **Generic utilisation increasing**

- ⤴ 45.5% (2006) → 47.8% (2008)

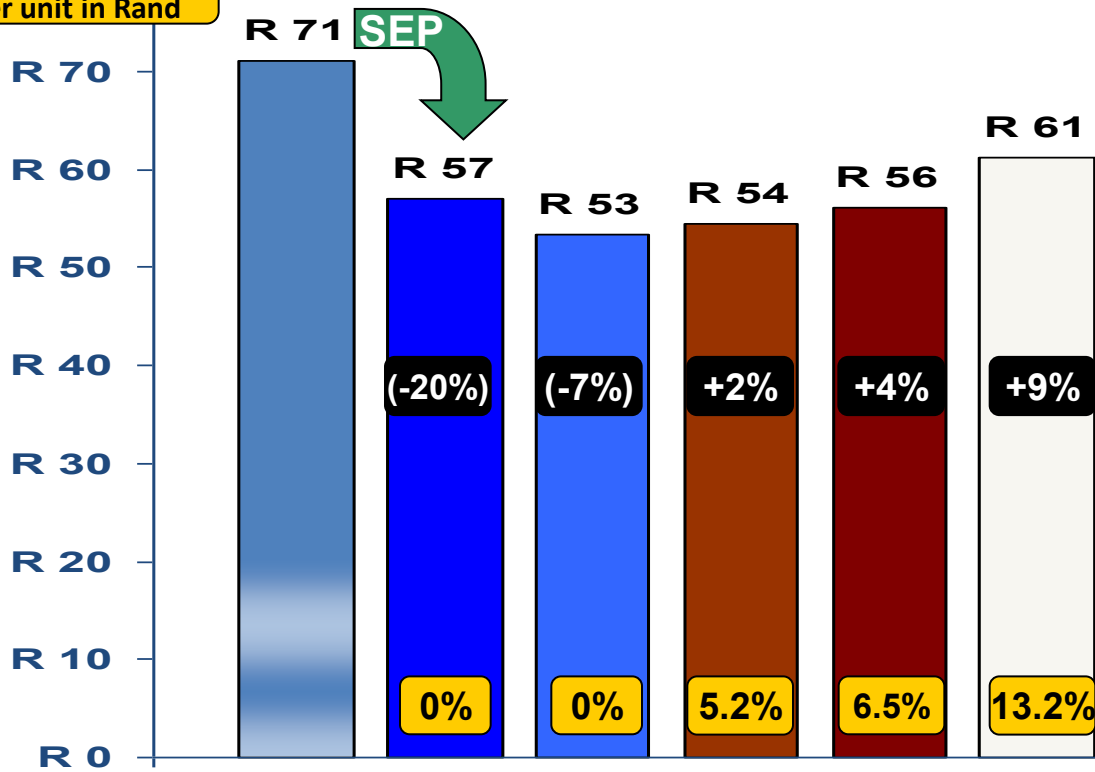
#### **What IS driving cost associated with medicines claims?**

- ⤴ Dispensing fees? (not capped yet)
- ⤴ Logistics fees? (not capped yet)
- ⤴ Professional fees?
- ⤴ Drug administration fees?
- ⤴ Facility fees?

# PUTTING MEDICINES PRICES IN SA INTO PERSPECTIVE



but: average cost per unit in Rand



- Mar-04
- Mar-05
- Mar-06
- Mar-07
- Mar-08
- Mar-09

% annual increase/(decrease) in average cost per unit

% annual SEP increase granted by DOH

Average Cost Per Unit Private Sector



# Putting NEW CHEMICAL ENTITIES into perspective

*Mediscor Medicines Reviews 2005-2008, IMS TPM May 2009*

✦ **2006-2007:**

~ NCE item cost ↑ 1.8%

✦ **2007-2008:**

~ NCE item cost ↑ 1.9%

✦ **Since 2003:**

~ only 7 NCEs in 50 top cost driving products

✦ **NCEs introduced since 1 January 2009**

~ 0.45% of total market value (% of Rand)

~ 0.39% of total market value units (% of volume)

✦ **Thus: NCEs not considered a cost driver in the Medical Schemes Market**



# THE VALUE OF MEDICINES

- ✦ **Medicines are one component of a comprehensive approach to the cost of treating disease**
  - ~ Direct costs: drugs, provider, hospitals, nursing homes...
  - ~ Indirect costs: decreased productivity, absenteeism, caregiver issues
  - ~ **Are all these factors considered when decisions are made in terms of treatment?**
- ✦ **As a result of new discoveries, medicines are taking on an increasingly important role in patient care:**
  - ~ More patients are living longer, better lives
  - ~ Overall healthcare costs are curbed: patients avoid invasive surgery and costly hospital & nursing home stays
  - ~ Improved worker productivity strengthens the economy

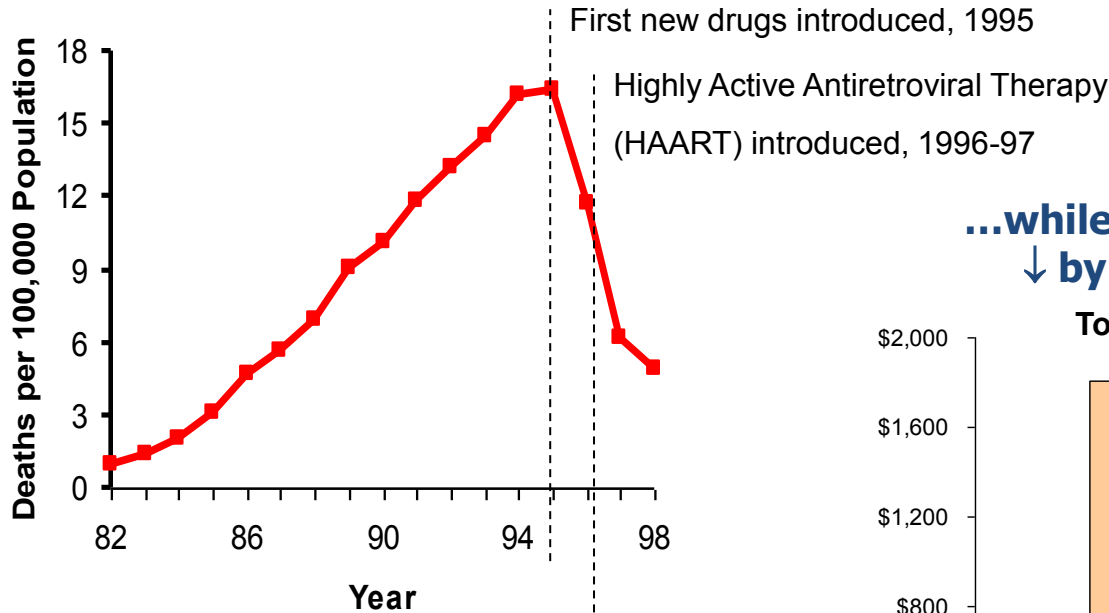
*Source: [www.innovation.org](http://www.innovation.org)*



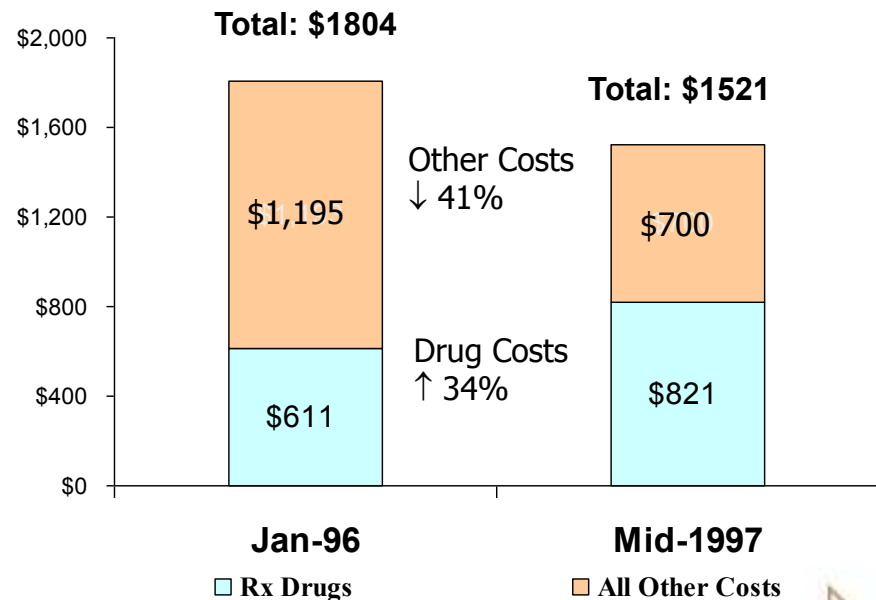
# THE VALUE OF MEDICINES IN PROLONGING LIFE

HIV mortality ↓ after introduction of first ARVs...

Medicines save lives and money



...while monthly costs for AIDS patients ↓ by 16% after HAART introduced



Source: Costs - Bozette et al., *New England Journal of Medicine* Vol. 344, No. 11, March 15, 2001; Mortality - Centers for Disease Control; data on drug development from PhRMA and the NIH Office of Technology transfer



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# KEY POINTS FOR THE FUTURE

- ✧ **Medicines are not cost drivers in healthcare**
- ✧ **Medicines are essential to healthcare**
  - ~ Patient and societal perspective
- ✧ **The challenge of the future**
  - ~ Maintain & enhance progress against illness
- ✧ **Availability of medicines in an NHI environment**
  - ~ The use of evidence-based medicine in decision making
  - ~ Understanding affordability versus cost-effectiveness
  - ~ Increased access to medicines



# CONCLUSION

- ✦ **Medicines are indispensable in treatment regimes and disease management**
- ✦ **Medicines provide an undisputed and indispensable method for ensuring the provision of quality care, irrespective of the setting**
- ✦ **Patients expect the provision of quality care from the healthcare system, irrespective of whether they are in the public or private sector**

*See also: 'The Value of Medicine in Improving Quality of Care': J.L. Carapinha (2006), South African Family Practice, 48(10):6-11.*



# IMSA MEMBERS



GE Healthcare



genzyme

*Lilly*



**50% originator market  
27% total market**



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