



Solutions Together

Media Statement

Medicine expenditure up by 26% in private healthcare industry

Johannesburg - Monday, 6 July, 2009 Christo Rademan, Managing Director of pharmaceutical benefit management company, Mediscor PBM today said that medicine expenditure in the South African private healthcare industry had increased by 26% between 2006 and 2008.

Commenting on the findings of the annual Mediscor Medicines Review, which was released today, Rademan said this sharp rise in medicine expenditure added further impetus to the now well-established notion that medicines remain one of the largest factors influencing healthcare costs in the medical schemes environment.

He added that the average cost per beneficiary per annum, in terms of medication expenditure, had shown a sharp rise from R1 792 in 2006 to R2 258 in 2008. "The 2008 MMR saw the average gross cost per item rise by 11.5% between 2006 and 2007 and by a further 9.5% between 2007 and 2008. This increase was the driving force behind the overall increase in medicine expenditure in 2007 and 2008," said Rademan.

According to the 2008 Mediscor Medicines Review the Single Exit Price (SEP), which increased by 8.3% between January 2006 and December 2008, was a major contributing factor in driving medicine costs. "Over the counter medicines, in particular, reflect an extremely high 13.6% increase between January 2006 and December 2008," explains Madelein Bester, Manager : Benefit Management at Mediscor.

She adds that medicines registered with the Medicines Control Council prior to 2004 were responsible for a 9.7% increase in average gross item

cost between 2006 and 2007 and again for a 7.6% increase between 2007 and 2008. New chemical entities (registered after 2003) resulted in an item cost increase of 1.8% and 1.9% for 2007 versus 2006, and 2008 versus 2007 respectively. "Although they contribute less to the total expenditure increase, new chemical entities are responsible for 4.1% of the total medicine expenditure, but represent only 1.2% of the total volume of medicines," she explains.

"On a positive note," adds Bester "the generic utilisation rate has shown a steady increase between 2006 and 2008, from 45.5% in 2006 to 47.4% in 2008." She attributes this mainly to the fact that more generic alternatives are now available on the market while managed care initiatives, driving generic utilisation, are having the desired effect. "The introduction of reference pricing and formularies promoting generic utilisation, greater public awareness and mandatory generic substitution at pharmacy level are also playing a vital role in driving generic utilisation," says Bester.

The top ten therapeutic groups for 2008 once again paint an interesting picture as far as the major healthcare issues of South African private healthcare consumers are concerned. Together they represent more than 47% of the total medicine expenditure reported.

| Therapeutic group | Total % of expenditure |
|---|------------------------|
| 1. Anti-hypertensives (blood pressure lowering agents) | 11.0 |
| 2. Hypolipidaemic agents (cholesterol lowering agents) | 5.7 |
| 3. Cytostatics (oncology medicines) | 5.5 |
| 4. Anti-depressants | 5.0 |
| 5. Gastric acid reducers | 4.4 |
| 6. Anti-diabetic agents | 3.8 |
| 7. Beta-lactam antibiotics | 3.1 |
| 8. Hormone replacements | 3.0 |
| 9. Non-steroidal anti-inflammatories (including anti-arthritics) | 2.9 |
| 10. Combination analgesics (painkillers) | 2.8 |

Another interesting fact highlighted in the report is that the oncology benefit demonstrated the largest increase in contribution towards total expenditure, with an increase of 3.4% in total expenditure from 2006 to 6.4% in 2007 and 8% in 2008. "This is attributable to the significant increase in the percentage of beneficiaries claiming for oncology medicines, as well as an increase in the average cost per item claimed. Oncology prevalence increased from 0.3% in 2006 to 0.6% in 2008. Together with this, the average item cost increased from R1 445 in 2006 to R1 761 in 2007 and R1 980 in 2008, resulting in a 41% increase in cost per patient," explains Bester.

This trend is, in part, attributed to the fact that since the introduction of SEP and professional fees, these expensive products are no longer dispensed by the treating oncologists, but dispensed by pharmacies. An increase in the prevalence of oncology in the general population and the availability of more expensive and specialised treatments for these conditions, should however not be discounted.

Mediscor PBM processes prescription claims submitted by providers from various specialities, including pharmacies (retail and courier), general practitioners, medical specialists and other disciplines.

According to the 2008 Mediscor Medicines Review the majority of claims (81.9%) were submitted by retail pharmacies while 10.2% of items were claimed by general practitioners, and a further 7.9% by courier pharmacies.

"From 2006 to 2008 the portion of claims received from retail pharmacies increased by 6%, while claims from general practitioners and medical specialists respectively reduced by 32% and 4%. More patients were making use of retail pharmacies instead of receiving medicines from dispensing doctors," concludes Rademan.

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