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PIASA members welcome government's 13,2% nod

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Pharmaceutical manufacturers have welcomed the health department's decision to allow them to increase medicine prices by up to 13,2%, bringing relief from the margin pressure experienced in 2008 as the CPI climbed and the price of imported raw materials soared against a weakening Rand.

In an interview this week with Summit TV's Jane van Renen of Health Watch, Adcock Ingram CEO Dr Jonathan Louw and the Pharmaceutical Industry Association of South Africa (PIASA) Chief Operating Officer Vicki Ehrich agreed that the impact has been severe on all manufacturers.

"While a rise in prices may not be ideal for consumers, many would suffer if specific lines were discontinued due to lack of viability," says Louw.

"The Regulations which introduced the Single Exit Price for medicines (SEP) in 2004 also allowed for an annual price increase," says Ehrich, "but this has not happened. Only two increases were awarded previously - in 2006 there was a 5% increase and across 2007/2008 the increase was just 6%, way below inflation."

Impact on the consumer

Free pricing prevailed in South Africa prior to the introduction of the single exit pricing system (SEP) in 2004, which, Ehrich argues, resulted in an immediate 20% drop in medicine prices for consumers.

“But unlike a petrol price hike where every vendor increases the product to the maximum allowed at the same time, competitive forces, among other considerations, prevent manufacturers in the pharmaceutical industry from taking the full increase, if any. History shows that the ‘across the board' increases taken so far have been in the order of 1.5% to just over 2%”.

Regulation of the price of medicines has seen consumers on the winning end. "Industry data (IMS) shows that average prices are still where they were in 2004, while the Council for Medical Schemes figures show that medical schemes are paying out what they paid in 1999 for medicines (adjusted for inflation)," Ehrich says.

"It must also be remembered," says Ehrich, "that medical schemes and pharmacies are essentially the gatekeepers of the actual cost consumers will pay.” The long disputed pharmacy dispensing fee and the restrictions and co-payments raised by medical schemes mean that the price paid by the consumer is not determined entirely at manufacturer level.

Industry viability

Louw and Ehrich concur that continuing viability of the manufacturers is vital if South Africa is to continue to have access to world class, innovative medicines. "Multinationals ensure the product pipeline for generic manufacturers; innovative medicines are the generics of the future," says Ehrich.

“The Rand falling by 18.6% against the dollar resulted in several local manufacturers - including generic drug makers - seriously considering discontinuing certain products, including necessary antibiotics,” says Louw.

Louw suggests that small gains in the reduction of the price of medicines should be weighed up against the broader impact on the industry and the investment environment pharmaceuticals offer. "South Africa represents only 0,35% of the world market for pharmaceuticals. It is thus a tiny market and needs to maintain its proud history and standards in access to world class medicines."

Manufacturers have until September 2009 to implement the increase.

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