



PPRI
Pharmaceutical Pricing and
Reimbursement Information

SOUTH AFRICA

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The pharmaceutical system in South Africa in the in- and out-patient private sector

Pricing policies for medicines

Health care in South Africa varies from the most basic primary health care, offered free by the state, to highly specialized, hi-tech health services available in the both the public and private sector. The State contributes about 40% of all expenditure on health and is under pressure to deliver services to about 80% of the population. The middle class minority South Africans that utilize private sector services contribute monthly premiums to medical aid schemes of their choice. These schemes serve as funders of the private sector health system. The National Drug Policy, Medicines and Related Substances Act, Pharmacy Act, Health Act, and Pricing Regulations contain regulatory measures which control the sale of medicines in South Africa. Pharmacists and qualified dispensing practitioners can dispense any medicine that is registered in South Africa. Pharmacist's assistants, under the supervision of a pharmacist are allowed to dispense over the counter medicines. Nurses at clinics, usually in rural areas are allowed to dispense up to schedule 4 medicines, after getting permission from the South African Pharmacy Council and the Nursing Council.

Private sector pricing of medicines: The Single Exit Price (SEP) is the selling price for every medicine registered for human use and sale in private sector facilities. The SEP should never change until the medicine reaches the dispensing point e.g pharmacy or dispensing doctor facility. Dispensing fees are allowed to be added on top of the SEP for purposes of remunerating dispensers for their service.

Previous SEP Adjustments

2004- 2007 → 5.21%
2008 → 6.5%

2009 → 13.2%
2010 → 7.4%
2011 → 0%

2012 → 2.14%
2013 → 5.80%

2014 → 5.82%
2015 → 7.5%

Recent SEP
Adjustments

Single Exit prices (SEP) only change after approval is sought and granted by the National Department of Health. SEPs are made available to everyone at no cost. No rebates, discounts or incentive schemes are allowed in South Africa. SEP reviews are determined and announced by the Minister of Health annually. **Public sector pricing of medicines:** The bulk of public health-sector funding comes from National Treasury with some patients only charged a small fee at certain facilities. Medicines for supply to State (government/ public) facilities are procured on tender. The National department of Health ensures that contracts are secured with successful bidders (pharmaceutical manufacturers). Agreed upon medicine prices are communicated to respective officials responsible for pharmaceuticals in the nine South African provinces.

Wholesale mark-ups/Logistics fees: Manufacturers and logistics service providers also referred to as wholesalers and distributors negotiate for the logistics fee. A contract should be in place for such agreements. A manufacturer may use as many logistics service providers as they wish which means different logistics service providers may be paid different fees by the same manufacture depending on the outcome of the negotiation and level of service. The logistics fee is expressed as a percentage of the ex manufacturer price.

Pharmacy mark-ups/Dispensing Fee :DF

Dispensing fees are regulated at a maximum and they can be discounted by the dispenser.

Dispensing pharmacists and other licensed dispensing professionals are allowed to charge a dispensing fee on top of the SEP. Dispensing fees for pharmacists have four tiers (See Table 1) and non pharmacists dispensing fees differ (See table 2). Dispensing fees are set as maximum fees. The dispensing fee paid by the consumer is dependent on the price of the medicine i.e. the SEP (See tables below). The pharmacy mark up or dispensing fee is the only mark up allowed on the price that leaves the manufacturer site, regardless of which wholesaler transported the medicine (s) to the pharmacy or any retailer. 1 USD = 13.36 ZAR (October 2015)

TIERS	Table 1: CURRENT PHARMACISTS DF		
	SEP BANDS	%	Rand Value
Tier 1	R0 - R90.51	46%	7.44
Tier 2	R90.52 - R241.41	33%	19.86
Tier 3	R241.42 - R844.95	15%	63.19
Tier 4	R844.96+	5%	149.91

TIERS	Table 2: CURRENT NON-PHARMACIST D.F.		
	SEP BANDS	%	Rand Value
Tier 1	R0 - R112	30%	0.00
Tier 2	> R112 +	0%	33.60

VAT

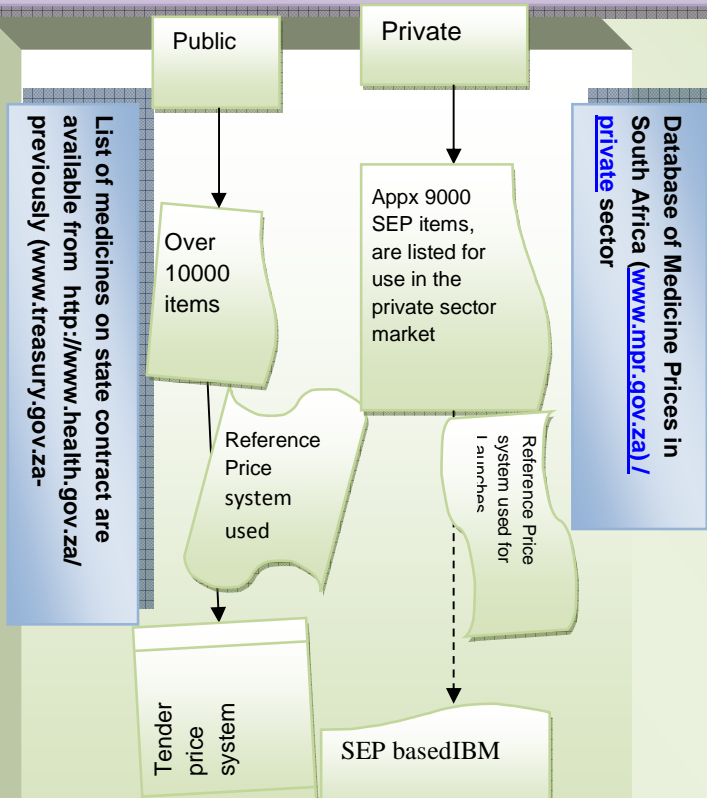
In South Africa, Vat is 14% for all commodities including medicines. Tax incentives given to the pharmaceutical industry are within the domain of the Department of Trade and Industry. These arrangements are not part of the Department of Health's mandate and therefore not covered in the Department of Health legislation. Department of Health policies are mainly supportive and protective of the consumer.

Reforms

Guidelines on Pharmacoeconomic Assessment of highly priced medicines especially new entities were published in February 2013. Compliance with the guidelines is voluntary. The Department of Health intends to make these guidelines **mandatory**.

International Benchmarking: South Africa has chosen Spain, New Zealand, Australia, South Africa and Canada as benchmark countries.

Reimbursement in the out-patient sector



Co-payments

Copayments are charged to medical aid scheme members that do not comply with their scheme rules when purchasing medicines. PMB rules determine the nature of the rules for compliance.

The medical aid scheme option chosen by the patient also determines the extent of the copayment.

Pricing policies for medicines

Implementation of pricing policies is similar for the in-patient sector and out-patient sector, as described above for the private sector. Affordability determines the amount paid by patients in the public sector. Some patient categories do not pay for health services in the public sector e.g. geriatrics, children under 5 and some psychiatric patients.

Wholesale mark-ups

The determination of whole sale mark-ups is not dependent on whether medicines are for in-patient or out-patient sector. Agreements between service providers of logistical services and manufacturers determine the different levels of wholesale mark-ups (referred to as the Logistics Fee in the private sector).

Pharmacy mark-ups

Efficiency in service provision and pricing levels differ significantly between private and private facilities. Otherwise the same principles apply to in-patient and out-patient sectors in both the state and private facilities.

VAT

14% as described above.

Reforms

International Benchmarking & Pharmaco economic Assessments.

Pricing in the in-patient sector

Mechanisms for vulnerable groups

Children under five years, pregnant mothers, psychiatric patients and the elderly are offered healthcare free of charge at public institutions.

Where public private partnerships exist between State and private facilities, free services e.g. vaccination etc. are offered in private facilities