The unintended consequences of pharmaceutical pricing and reimbursement policies: A three-country qualitative study of insurance models in Ghana, Namibia, and South Africa

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Problem Statement

Medicine prices can be a barrier to access as countries strive to align universal health coverage objectives with strict pharmaceutical pricing and reimbursement models. Furthermore, each pricing methodology has challenges, and the choice of pricing methodology is dependent on the country context:

- Ghana's National Health Insurance Scheme adopted a median pricing methodology and a single-tier reimbursement model in the absence of national pricing regulation.
- The Medical Aid Schemes in South Africa and Namibia both used the single exit pricing system, with Namibia using a single tier and South Africa employing a four-tier medicines reimbursement model.

Objective

To assess the pharmaceutical pricing and medicines reimbursement policies (models) in three countries of varying income levels in sub-Saharan Africa.

Methodology

The assessment focused on the strengths, gaps, and key considerations for sustainability in each of the models.

- Qualitative data was collected in Namibia, South Africa, and Ghana in 2014-15 using a Medicines Benefits Assessment tool developed by Management Sciences for Health (MSH). Work was carried out in collaboration with the Systems for Improved Access to Pharmaceutical and Services (SIAPS) Program.
- Interviews were conducted with 89 stakeholders from quaternary, tertiary, and primary care hospitals; private and public pharmacies; medical, dental and pharmaceutical associations; chambers of commerce; and medical aid/insurance schemes.
- Similarities and differences across each of the three insurance systems were analyzed. The analysis focused on pricing policies, coverage gaps, and strengths and weaknesses in each model.

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Results

		Ghana	Namibia	South Africa		
Pricing Policy		None	Single Exit Price (SEP)	Single Exit Price (SEP), plus a four-tier reimbursement structure		
Pricing and Reimbursement Model	Pharmacies (private)	NHIS determined median price	SEP + 50% (Margin) + 15% (VAT) *Some meds % margin 10%	SEP	Fixed Fee	% Margin on SEP (excl. VAT)
				< R75	R6	46%
				≥R75-<R200	R15.75	33%
	Dispensing clinics & hospitals	NHIS determined median price	SEP + 30% (Margin) + 15% (VAT)	≥R200-<R 700	R51	15%
				≥R 700	R121	5%
	Patients/ members	No copayment	Flat fee per product and 7.5%-20% or a fee of NAD30; PSEMAS: patient pays 7.5%	5-20% co-payment based on individual scheme strategy		
Objectives of Pricing and Reimbursement Model		a)Improved medicine access b) No out-of-pocket payment c) Controlled margins within supply chain d) Reduced incentive to prescribe outside EML	a)Improved medicine access b) Reduced "out-of-wallet experience" for clients b) Disincentivize dispensing prescribers	a) Improved access b) Legal obligation to offer generic medicine as first alternative to an innovator product c) Sale of medicines at the same price to all customers, regardless of the volume purchased d) Regulated control of all the mark-ups added along the supply chain		
Unintended Consequences		a)"Top-ups" b)Increased stock-outs c) Increased out of pocket payments	a) Increased level of discounting and bonuses on OTC's and sundries b) Increased dispensing of injectables by dispensing prescribers c) lowest-priced generic is not the most sold	a) Increased level of discounting and bonuses on OTC's and sundries; free packs and gift cards b) Introduction of data fees* c) Lowest-priced generic is not the most sold d) Co-payments not imposed on customers		

* Pharmaceutical companies offering pharmacies inappropriately large sums of cash for their sales data in return for stocking their product

Discussion

Each model had its merits and challenges:

- **Ghana:** Stakeholders said the model does not consider factors such as currency depreciation and inflation.
- **Namibia and South Africa:** Dispensing fees were well received, but concerns were expressed about the pricing model not being implemented in the public sector.
- **South Africa:** Regulations being considered to address undesirable consequences of current pricing approach.

Conclusion

Pharmaceutical pricing and medicines reimbursement policies used by Ghana, Namibia and South Africa have a common objective of improved access to medicines. Addressing the unintended consequences will enable countries meet the overall goals of their UHC programs.

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