NEWS

MEDICINE PRICES AND A MEDICINE PRICE INDEX

With medicines constituting almost 20% of health care expenditure in the medical scheme environment in 2004, the prices of medicines, and changes in their prices, have a material effect on consumers and the medical schemes, both on current expenditure as well as for budgeting purposes.

There have, however, been differences of opinion on changes in the so-called 'single exit price' (SEP) for medicines, i.e. the price at which pharmacies and dispensing doctors acquire scheduled medicines at the wholesale level. Therefore there is a need, according to Medikredit, for independent tracking and reporting on these price changes, and the organisation has taken up this challenge with the development of a Medikredit medicine price index (MMPI).

Medikredit is responsible for processing the ambulatory care medical scheme claims of approximately 3.7 million of all medically insured lives, and in 2004 processed some 72 million items of medicine for ambulatory care with a gross value of R7.7 billion.

The MMPI is based on a 'basket' of products, comprising 80% of products both by volume and by value dispensed by pharmacists and dispensing doctors, as well as a further 2 000 products that fall outside these criteria but are required to complete a 100% profile of goods within the dialysis, HIV antiretroviral and oncolytics treatments. These amount to approximately 86% of all medicines on the South African market – more than 22 000 medicines – and are thus broadly representative of the market, without becoming unwieldy to analyse, as would the entire set of medicines available locally. Moreover, they are based on non-hospitalised treatment only, as Medikredit does not yet have sufficient hospitals claims data to establish the relevant product utilisation weighting.

Each of the items have also been weighted, based on international index weighting standards, according to the frequency with which they are dispensed, so that the price movements of infrequently used medicines have a lesser impact on the MMPI than the price movements of frequently used products – thereby eliminating a problem of straight-line averages – and based on utilisation over one year to remove effects of seasonality. These weights and the 'basket' of products are reviewed annually.

Table I. Changes in the list prices of medicines, calculated from the MMPI

	Jan. 2004 – Aug. 2005
Global	-12.5%
Acute	-12.7%
Chronic	-15.2%
Chronic-CDL	-15.6%
Dialysis	-1.3%
HIV	-22.7%
HIV-ART	-6.9%
Oncology	-19.5%
Oncolytics	-14.9%

The MMPI provides a global index, which is based on all the products in the basket of medicines, as well as a number of categories comprised of subsets of products. These include products associated to: acute conditions, chronic conditions (including prescribed minimum benefit-chronic disease list conditions (PMB-CDL)), PMB-CDL conditions, dialysis, HIV, antiretrovirals (including all ARVs registered by the South African Medicines Control Council (SAMCC)), oncology (including all products that can be used in the treatment of oncology-related conditions, e.g. chemotherapy, anti-emetics, antibiotic medication), oncolytics (including all oncolytic products registered by the SAMCC).

The prices are the list prices (currently the SEP/wholesale prices) and are those of units (rather than packs), and the base period was set, with a base value of 100, in January 2004, which was just before the introduction of the SEP legislation. The MMPI is tracked monthly, so that price changes can be determined, relative to this base date, for any subsequent month.

Examples of the MMPI are shown below. In Fig.1 changes in the global and chronic MMPIs since January 2004 are tracked, showing that in the case of the global MMPI there was a slight increase ahead of the introduction of the SEP legislation, then immediately thereafter both dropped sharply and subsequently they have continued to decline slowly.

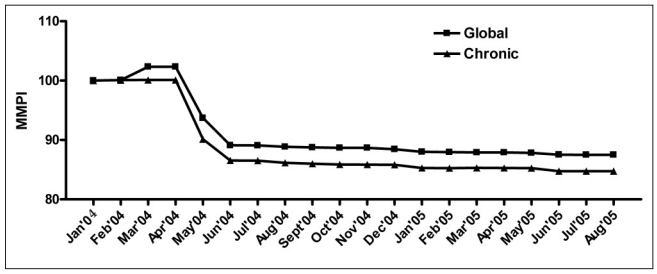

Fig. 1. Changes in the global and chronic MMPIs.

The current prices of medicines compared with their January 2004 prices are listed in Table I, indicating that there have been drops in all categories, with an overall drop of 12.5% at the global level. However, there is significant variation, ranging from a 22.7% drop in HIV treatment products to only a 1.3% drop for dialysis treatment products.

The aim is that the MMPI should serve as the market standard on medicine prices in South Africa, says Christo Groenewald, Medikredit's general manager of health care funders, adding that an MMPI for hospitalised treatment will be developed as soon as sufficient data become available.

Jonathan Spencer Jones

CHRONIC DISEASES A MAJOR COST

Chronic diseases are a major cost, imposing a profound economic burden on individuals, their families, health systems and societies, says a new World Health Organization (WHO) report, Preventing chronic diseases: a vital investment'.

In an analysis of selected countries the economic impact of deaths from heart disease, stroke and diabetes on labour supplies and savings in 2005 are estimated to range from $18 billion in China and $9 billion in India to $0.4 billion in Nigeria and $0.1 in Tanzania. By 2015 these losses are projected to rise by between approximately three and six times, reaching almost $132 billion in China and $54 billion in India to $1.5 billion in Nigeria and US$0.5 billion in Tanzania, with the accumulated losses by 2015 amounting to $558 billion in China, $237 billion in India, $7.6 billion in Nigeria and $2.5 billion in Tanzania.

These losses translate into percentage reductions in GDP by somewhat less than 0.5% in 2005, increasing to around 1% by 2015 for most countries.

If the so-called full-income method, which seeks to value the welfare costs of disease in monetary terms, is considered, the costs are even greater. Assuming the welfare value of a lost life to be 100 times the per capita GDP, the mortality associated with heart disease, stroke and diabetes is estimated to run into billions of dollars for all countries – as much as $250 billion in 2005 for China, rising to more than $450 billion in 2015.

Chronic disease burden

Chronic diseases are the leading cause of death in the world, accounting for approximately 35 million of the 58 million deaths annually. An estimated 17 million of these deaths are premature (i.e. in people under 70 years of age), and 80% of the deaths occur in low- and middle-income countries, and in equal numbers among men and women.

The chronic diseases include heart disease, stroke, cancer, chronic respiratory diseases and diabetes, and the main causes – and most common modifiable risk factors – are unhealthy diet and excessive energy intake, physical inactivity and tobacco use.

The report states clearly that chronic diseases can be prevented and controlled, and cites the reduction in heart disease death rates by up to 70% in the last three decades in Australia, Canada, the UK and the USA. For example, from 1970 to 2000 an estimated 14 million cardiovascular disease deaths were averted in the USA alone, while in the UK 3 million people were saved during the same period.

Based on these achievements the report proposes as a target to reduce death rates from all chronic diseases by 2% per year over and above existing trends during the next 10 years – and thus in addition to the declines in age-specific death rates already projected for many chronic diseases – which could result in the prevention of 36 million chronic disease deaths by 2015.

There would also be appreciable economic dividends for the countries that achieve this target, with the resultant averted deaths translating into labour supply gains which in turn translate into potential accumulated income gains that are estimated at over $36 billion in China, $15 billion in India and around $0.5 billion in Nigeria and Tanzania.

The strategy

The cost of achieving this new global target has not been estimated but the WHO says that a large amount can be achieved for little cost, with benefits that far outweigh the costs, and it proposes what it calls a stepwise framework to reduce deaths from chronic diseases, combining interventions at both the population-wide and individual levels. The framework comprises three planning steps, namely estimating the population need, formulating and adopting policy, and identifying the policy implementation steps. These latter are also detailed in three steps, comprising 'core implementations' that are feasible to implement with existing resources in the short term, 'expanded interventions' that are possible to implement with a realistically projected increase in, or reallocation of, resources in the medium term, and 'desirable interventions' that are evidence-based interventions beyond the reach of existing resources.

Key issues to consider include health financing, legislation and regulation, improving the built environment, advocacy initiatives, community mobilisation, and health services organisation and delivery.

While the stepwise framework must be initiated by governments, it can be best implemented in partnerships with some or all of the private sector, civil society and international organisations, says the report, which describes the challenge of chronic disease prevention and control as requiring 'courage and ambition' to take up.

'The agenda is broad and bold, but the way forward is clear,' it says.

Source: **www.who.int**

STOP PRESS – BEWARE OF 'OVERPAYMENT STING'

Police commercial crime units across the country have been alerted to a pre-payment scam that has cost several gynaecologists in the Western Cape and physiotherapists country-wide hundreds of thousands of rands.

The scam is run by a syndicate using stolen cheques to deposit fraudulent amounts in the victims' bank account after obtaining a quote from them for bulk consultations.

They fax the legitimate deposit slip to the victim and follow this up with a call giving a highly plausible excuse for having overpaid (as evident from the deposit slip), and ask them to refund the difference into an account number they supply. The 'overpayment' is often ten times the amount of the deposit.

Victims who check their accounts early on find the money reassuringly displayed in their accounts and happily 'refund' the prospective client, only to get a nasty surprise several days later when the bank calls to say the cheque has bounced.

One gynaecologist at the Panorama Medi Clinic in Parow, who asked not to be named, told *SAMJ* that a man claiming to work for an adult entertainment club called him to ask for a quote for five of his 'girls' who needed examination. 'I gave him a figure and we settled on it. Half an hour later a fax came through with the Internet payment. Later he called to say there'd been a mistake and an extra zero had been added to his deposit and would I refund the difference into his bank account'.

The gynaecologist had already drawn an Internet bank statement which confirmed that the deposit had been paid, so he had agreed to refund nearly R20 000.

Inspector AnnaMarie Niemand of the Bellville Commercial Branch can be reached on 082 821 7781.

Chris Bateman