mediscor pbm
Pharmaceutical Benefit Management

Solutions Together

Medicine expenditure increase below inflation for the second consecutive year

Managed care initiatives successful in curbing the increase and reducing member co-payments

Tuesday, 21 July 2015 According to Christo Rademan, Chief Executive Officer of independent specialist pharmaceutical benefit management firm, Mediscor PBM, the medicine expenditure observed among the company's medical schemes increased for the second consecutive year, deviating from the trend of decreased expenditure noted in previous years. This increase, measured in cost per beneficiary per annum, equated to 4.2% for 2014 when compared to 2013.

Rademan was commenting on the findings of the 13th edition of the Mediscor Medicine Review (MMR), which examines and analyses the use of medicines among medical schemes on behalf of which claims processing was performed for the 2013/2014 period, representing approximately one million beneficiaries.

Madelein Bester, Manager: Benefit Management at Mediscor, provided more detail by noting that the increase in medicine expenditure is a composite of growth in cost per item (1.8%), as well as the utilisation of items per beneficiary (2.4%). Factors that influence changes in item cost include changes in the price of medicines and dispensing fees, fluctuations in the number of units dispensed per item, and variations in the mix of medicines used.

"In 2014, the Department of Health permitted a maximum single exit price adjustment (SEPA) of 5.82%. This was in line with the SEPA gazetted for the previous year, which was 5.8%. The actual increase in the same representative basket of medicines was 3.6% in 2014, compared to the increase of 3.9% in 2013. The overall increase in medicine expenditure is, therefore, a result of the cost increases, and is further inflated by the utilisation of items per beneficiary," she explained.

Bester continued by pointing out that new chemical entities (NCEs) are potentially major drivers of medicine expenditure. "We always closely scrutinise the prescribing behaviour associated with NCEs. These products have an average cost per unit of R555, compared to R138 for existing medicines. However, the large cost differential is offset by the fact that only 0.4% of all medicines claimed were NCEs."

Claims for speciality medicines increased by 10.5% and accounted for 4.8% of total medicine expenditure. Speciality medicines were claimed for by 22.4 per 10 000 lives, and the average cost per patient increased from R52 387 to R54 162 year on year. Dr Justine Greeff, Head of Medical Affairs at Mediscor, explained that, "By definition, speciality medicines are often biologicals. They usually require special storage or administration measures, and treatment with these agents must be accompanied by intensive educational initiatives to ensure safe and effective management of the patient. We implement strategies initiated some time ago to ensure the appropriate use of these medicines. This include the application of medicine protocols, pre-authorisation procedures, formulary management, speciality benefit design and innovations in pharmaceutical benefit management that can be utilised to close loops that may exist in the access to treatment "

The insulin Lantus SoloSTAR®, remained the top product in terms of expenditure, unchanged from the previous three years, with an average cost per patient per annum of R5 003.

"On a positive note, the use of generics reached an all-time high of 55.6%. The majority (74.5%) of all products claimed for were genericised items. Only 18% of overall expenditure was on original products with expired patents. This continued the steady decline observed over previous years. The average generic equivalent item cost was R100, compared to R133 for originals with expired patents and R233 for originals with valid patents," observed Bester.

The MMR always reports on the top 25 therapeutic groups according to expenditure. These products represent 71.4% of overall expenditure, and 64.3% of item volume. In 2014, the top 25 products remained unchanged versus 2013, with no new additions to this group. The top five therapeutic groups were antihypertensive (10.4%), antidiabetic (5.8%), cytostatic (5.6%), gastric acid-reducing (4.4%) and antidepressant (4.3%) agents.

The 10 most prevalent therapeutic groups, utilised by most patients, accounted for 30.2% of total expenditure and 43.5% of the total item volume. These groups also remained the same for 2014, and included in the top three, cough and cold preparations, combination analgesics, and beta-lactam antibiotics.

The largest proportion of medicine spend was again for acute medicines, at 39.8% of total expenditure and 49.7% of item volume. The average cost per item for 2014 was R116 and 70.5% of beneficiaries made use of this benefit.

Rademan concluded that even patients had a positive experience in 2014. "A number of initiatives resulted in the overall co-payment per item decreasing from R17.63 to R16.42. All this is the result of better alignment in incentives between the providers, prescribers and funders of health care."

"Effective benefit design, communication and information sharing is essential to soften the risk-sharing impact on members. Members should be informed about cost-effective medicine options and how to engage with designated service providers, while providers should be rewarded for guiding members towards making cost-saving choices. Prescribers and providers should be involved in the process, and be provided with knowledge and tools to enable members to avoid co-payments. Mediscor's analytical tools, for example, can measure the financial experience of members at point of sale, comparing pharmacy networks and individual pharmacies."

Notes to editor:

Mediscor is an independent managed care organisation and has been servicing the healthcare industry for more than 26 years. We offer clients an extraordinary combination of high-performance technology, industry know-how and measureable results.

Established in 1989 in response to industry needs, the company has weathered the changing healthcare environment successfully and emerged as the segment leader and largest PBM in Southern Africa. We now have more than 40 clients, and provide services to 1.7 million beneficiaries. The client base include medical schemes registered in South Africa and Namibia, health insurance products, labour union sick funds and capitation management clients. The large number of clients bring about spreading of risk, and is also an indication of our ability to implement diverse solutions.

At Mediscor, we specialise in the electronic processing and management of pharmaceutical benefits. We currently process between 100,000 and 200,000 medicine transactions per day. Our systems have the ability to electronically adjudicate a provider's claim in real-time against comprehensive financial, clinical and pharmaceutical utilisation rules. We implement a customised set of rules for every client, and provide various electronic processing solutions, including real-time, electronic batch, web input or paper submissions.

Over the past 13 years, Mediscor has been recognised by the PMR.africa Awards Committee. In 2014, for the fifth consecutive year, we were awarded two Diamond Awards for being the highest rated in specialist service categories. These awards were for Chronic Medicine Management and Technology Services and Electronic Medicine Management.

In addition, Mediscor was the first unconditionally accredited managed care organisation by the Council for Medical Schemes. The company's shareholding includes members of the Mediscor management team and Pan Africa Capital Holdings.

Our track record in delivering an efficient and effective service encompassing all areas of medicine management and control, is testimony to our systems as well as the expertise of our staff. All our efforts, human and information technology resources and investments in time and money are directed at constantly improving our products, raising the benchmark for our industry and offering an unsurpassed value proposition.

The Mediscor Vision

We strive to:

- Be the most trusted Pharmaceutical Benefit Manager in our market
- Be an organisation which stakeholders aspire to be associated with
- Offer an unsurpassed value proposition
- Set the benchmark
- Develop our staff as our most important asset, and
- Grow our multi-national presence

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