

NATIONAL CONVENTION ON DISPENSING
Founders of the **AFFORDABLE MEDICINES TRUST**

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8th December, 2014

The Director General, National Department of Health
For Attention: Director for Pharmaceutical Economic Evaluations Directorate
Room S2610 , South Tower, Civitas Building,
Thabo Sehume and Bloed Street
Pretoria, 0001
Per Hand Delivery & Email to:- dg@health.gov.za
c.c. Mr. Gavin Steel per Email to: steelg@health.gov.za

National Convention on Dispensing (NCD) Submission on the proposed dispensing fee for 2015 to be charged by persons licensed in terms of section 22c (1) (a) of the Medicines and Related substances Act, 1965, published in Draft Notice 798 on 15th September 2014

1. The NCD, Founders of The Affordable Medicines Trust which was formed in 1996 whose trustees are the following organizations:

Dispensing Family Practitioner's Association (DFPA)

South African Medical & Dental Practitioners Association (SAMDP)

Society of Dispensing Family Practitioners (SDFP)

Family Practitioners Association (FPA)

Eastern Cape Doctors' Guild (ECIPA)

South African Managed Care Coalition (SAMCC)

The Society of General/Family Practitioners – (SGFP)

South African Medical Association - (SAMA)

Alliance of S.A. Independent Practitioners Associations – (Asaipa)

submits that, while higher priced items were not addressed satisfactorily, the way in which the draft new dispensing fee addressed items with a SEP of up to and including R105.00 is a step in the right direction.

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2. The NCD wishes to make the following comments:

- That it is important for the NCD in future to have access to the spreadsheet used by the D.o.H when applying the model to determine a draft new fee;
- That the underestimation of two cost drivers in dispensing practice input costs be discussed in terms of their impact on the model;
- That a cost of time for the dispensing practitioner should be addressed. Its effect on the dispensing fee, when it is incorporated in the model, should be evaluated;
- That the development of a mechanism to determine how higher priced items can be addressed, should be discussed.
- Dispensing practitioners are still not realizing their input costs as only about 50% of items dispensed has a R-value up to and including R105.00;
- A gross profit of about 24% is realized through the proposed new dispensing fee which implies that a practitioner must dispense an R-value of about R100 000.00 per month to at least realize input costs. A one person practice only dispenses an average of about R40 000.00 – R60 000.00 per month;
- The proportion of medicines dispensed by dispensing practitioners is getting smaller each year due to DSP arrangements with retail pharmacies and the use of courier pharmacies. The impact of the dispensing fee for dispensing general practitioners on the cost of medicine to the consumer is therefore negligible;
- Dispensing fees for pharmacies comfortably allow a gross profit of at least 46% for lower priced items and 33% for higher priced items.

3. Against this background, previous proposals as well as the absence of follow-up meetings with the D.o.H the NCD proposes the following fee structure:

- **30% up to and including an SEP (VAT excl.) of R128.00**
- **10% plus R38.40 per item thereafter.**

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4. The NCD has also taken note of draft new dispensing fees for pharmacists and is concerned that the gap between their and dispensing doctor fees is getting larger, inter alia because of the lack of follow up by the DoH, as well as the fact that cheaper priced medicines [less than R85.00 SEP] are in fact now expensive because of the nearly 50% mark-up allowed. While one can argue that this allows the dispensing doctor to step in, they are hesitant to do this for the reasons already mentioned. A dispensing fee for general practitioners that allows them to recoup input costs, can be the stimulus that allows them to step in and offer cheaper priced generics at affordable prices.

SUBMITTED ON BEHALF OF THE NCD BY:-

A handwritten signature in black ink, appearing to be 'MN Mabasa', enclosed within a hand-drawn oval.

**DR MN MABASA
NCD: CHAIRMAN**