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South African Association of
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Pharmacy Stakeholders Forum

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Director-General; National Department of Health
Attention: The Director: Pharmaceutical Economic Evaluations Directorate
Room 2611
South Tower Civitas Building
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Comment on the draft Dispensing fee for Pharmacists published 21 August 2020

Thank you for the opportunity to comment on the draft dispensing fee for pharmacists published in Notice No. R.914 of 21 August 2020.

Our analysis of the fee proposal delivers a weighted average fee increase of only 0.79% compared with the average consumer price index (CPI) of 3.386% for the first seven-month period of 2020. We therefore strongly object to the fee proposed as included in the above-mentioned publication.

The Pharmacy Stakeholders Forum (**PSF**) analysed the dispensing fee increase by comparing the fees calculated by the application of the current fee formula with the outcome of the proposed fee formula, and the difference between the two reflects the change in the dispensing fee. An analysis of the weighted average fee delivered by the application of the four fee formulas, over all four tiers is essential in determining the dispensing fee impact of the proposed fee.

The PSF notice a concerning trend in the methodology applied by the Pricing Committee (**PC**) in that some components of the dispensing fee formula are increased with a percentage similar to the expected CPI and then published as an increase in the dispensing fee. Our calculations reflect a CPI increase applied by the PC of approximately 4%.

This methodology is flawed and unacceptable for the following reasons:

- It is essential to understand that the adjustment of only some components of the dispensing fee formula with CPI will not result in an overall dispensing fee increase with the same CPI applied. This is mathematically impossible.
- The dispensing fee formula comprises of a single exit price (SEP) band range consisting of a rand component and a percentage component. There are four different dispensing fee formulas depending on the SEP range of the four-tiered bands. By only increasing the cap of the SEP band range and rand fee component with 4%, and ignoring the

percentage component of the fee, means that only a part of the current dispensing fee formula is adjusted with 4%.

- It is not the dispensing fee formula that must be increased with CPI, but the fee delivered by the application of the dispensing fee formula, which must be tested using a representative and statistically acceptable sample of prescriptions dispensed. This weighted average fee determined must then deliver a fee increase of at least CPI. The PC confirmed that the fee formula for 2020 was not tested and we are concerned that in this cycle the PC has again not done an analysis determining the fee delivered by the application of the draft fee formulas.
- The increase of the cap of the SEP band range only impacts on the dispensing fee of those products falling between the old cap and the new cap of the four-tiered bands. In other words, only a portion of the products in the tiered band are affected by this increase and not the bulk of the products in the tiered bands. The increase of the cap level cannot be used to increase the weighted average dispensing fee. Changing the cap level should be done to ensure a smooth dispensing fee curve.

Of concern is the fact that the dispensing fee for 2020 was only published on 19 June 2020 for implementation, which resulted in a loss of income for the first 6 months of the year. This fee (the current fee) is also flawed as the same mathematical error explained above, was applied when the fee was determined by the PC during 2019 and recommended to the Minister for publication, delivering an overall dispensing fee increase of less than 2%.

With the draft fee we notice that in the first tier the rand component of the fee formula is not increased and in fact it is decreased when compared with the dispensing fee published on 19 June 2020. This will most certainly not contribute to a dispensing fee increase. This negatively impacts on those pharmacies where products falling in the first tier makes up the bulk of all products dispensed. For independent community pharmacies up to 76% of all products dispensed fall in the first tier.

Accommodation of COVID-19 related expenses in the dispensing fee calculation:

In the letter from the PSF to the Chair of the PC dated 5 June 2020 it was requested that in addition to the CPI component, provision should be made for the additional costs incurred by pharmacies as a result of the COVID-19 pandemic. In one pharmacy with approximately 20 staff members, for example, the additional COVID-19 related costs for March 2020 was estimated at R 45 000 due to the installation of screens and the purchasing of personal protective equipment (PPE). These expenses dropped to approximately R 20 000 for the month of April 2020 due to cheaper PPE being available. It is the PSF's request that this cost occurred must be added to the Zero-Base cost list used in calculating the dispensing fee target.

In summary

1. The final fee must increase by at least CPI as per the regulation. This increase must be reflected in both the percentage and the fixed rand value components in order to achieve an overall increase in the fee.
2. The increase must be reflected in each band, especially in the lower band where most of the dispensing of smaller pharmacies takes place. The current methodology favours an increase in the more expensive items.
3. Internationally, additional expenses incurred by pharmacy related to the COVID-19 pandemic has been subsidised by their Governments to ensure they remain open. In South Africa, the PSF suggests an additional increase in the dispensing fee to provide for the past spend to date and the expected future spend for 2021.

The coordinators of the PSF respectfully request a meeting with the PC if any of the comments are not clear or requires further clarification.

Yours sincerely



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Coordinator



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