

Motsoaledi proposes 5,7% ceiling on medicine price hike

Health minister, Aaron Motsoaledi, has proposed that private-sector medicine prices rise by no more than 5,7% when the next price hike is permitted in January 2017.



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Medicine prices are controlled in terms of regulations to the Medicines and Related Substances Act, which empower the minister of health to set an annual maximum price increase.

They also allow additional increases, a provision that has been used in 2016 to take account of the weakening rand, as it has made imports more expensive and threatened the sustainability of low-margin products.

Rand depreciation

Motsoaledi allowed drug companies to raise prices 4,8% in January, and is expected to announce shortly that he has granted a further increase for 2016 of about 3% to compensate for the depreciation in the rand.

Aspen Pharmacare head of strategic trade, Stavros Nicolaou, said local pharmaceutical companies wanted the health department to change the formula it used for calculating the annual price hike so that it took better account of the exchange rate-associated costs of imports.

The annual single exit price increase for the private sector is determined using a weighted formula that includes the consumer price index at 70% and the exchange rate at 30%.

In addition, the exchange rate portion of the formula gave equal weighting to the dollar and the euro, Nicolaou said. The single exit price is the price at which pharmacies buy their medicines, to which they can add a regulated mark-up.

Shorter window for exchange rate changes

Most medicines and active pharmaceutical ingredients imports are dollar denominated, so more weight should be given to the rand-dollar exchange rate than the rand-euro exchange rate in the formula.

Trade association, Pharmaceuticals Made in SA, of which Aspen is a member, also wanted the health department to consider changes in the exchange rate over a narrower window, to better reflect sudden currency swings, Nicolaou said.

Currently, the formula considers the average exchange rate over a 12-month period to September.

Source: [Business Day](#)

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