Generics set to boom in 2017

The South African pharmaceutical industry continues to weather the storm, despite the unprecedented economic challenges of a weakening rand, fluctuating oil prices and threats of a downgrade, with generics expected to make its mark in 2017.

Since 2012, originators have steadily lost market share due to fierce competition, while the generic market boasted double digit growth, says Erik Roos, CEO of Pharma Dynamics.

“Even though generic volume penetration will start to slow down, the 2,900 generic dossiers currently sitting at the Medical Control Council (MCC) awaiting registration will significantly boost generic growth in the next 12 to 18 months.

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Change in law will fast track market

“The launch of the South African Health Products Regulatory Authority (SAHPRA) – the new regulatory authority set to take over from the MCC in April this year – will see products being fast-tracked and brought to market much sooner than before.

Based on past industry figures, registering products with the MCC could take up to five years. Alleviating this backlog could see hundreds of new generic products flood the market, making newer generation molecules available to patients at a fraction of the cost.”

Since the introduction of generics in South Africa, medicine prices have been slashed by 80% - making medicines more affordable and accessible to the masses.

Industry will benefit from ageing population

“The massive increase in demand is mainly driven by SA’s ageing population of 4,209m (65+), who are most likely to require chronic healthcare interventions.

From 2005 to 2015 the size of the aged population almost doubled from 4,1% to 7,7%, and according to the World Health Organisation’s *World Report on Ageing and Health*, this figure will rise to 10,06m people by 2050.

“This, along with the various cost containment measures that are being employed by government, should further increase generic prescription and substitution at pharmacy level,” remarks Roos.

Empowered patients

The fact that patients are also increasingly being empowered to take a proactive role in maintaining good health has also spurred a surge in over-the-counter (OTC) medicine sales, particularly among schedule 2 products that are primarily a generics- dominated category.

Unscheduled medicines (those that don’t require a prescription) have experienced the fastest unit sales growth at 5% in the past year.

Among the top-selling generic medicines in this category are those aimed at pain- and fever relief, as well as OTC cold preparations.

OTC market

Roos points out that a call to reschedule certain OTC drugs such as aspirin and codeine to prescription drugs could impact the size of the OTC market and particularly the price of the products, as they will be subject to single exit pricing.

He suspects unit sales will continue to grow in the OTC category although tighter regulation in the pending Complementary and Alternative Medicines Act - which seeks to remove products with unsubstantiated medical claims from the market - could impact the size of the market upon enactment later this year.

Medicine pricing

The South African private pharmaceutical industry is expected to reach R47bn by 2020, increasing by 38% between 2016-2020. According to Roos, the strengthening of the currency in the first and second quarter of last year will go a long way in increasing the growth trajectory of the market, but he says the rand is likely to remain under pressure for some time.

“This means consumers would have to fork out a bit more for medicines since more than 70% of pharmaceutical products on the continent are imported.”
He continues that the pressure on the rand is making it increasingly challenging for local pharma companies to maintain medicine prices at the level expected by medical aid schemes.

“We are experiencing immense pressure to drop or maintain the price of medicines in order to remain listed on the respective prescribed minimum benefit (PMB) formularies, while the average annual medical aid increase in 2015-2016 of 8,8% (Council for Medical Schemes Annual Report) is almost double that of the medicine price increase allowed by the department of health (DoH) in the same period.

This imbalance in regulation across the medical industry means that medicine providers are sometimes squeezed out of business or forced to remove products from the market, which ultimately decreases the variety of products available to consumers."

Access to pharma in Africa

Roos' take on Africa is that large investments by multinationals into the region will continue to increase access to medicine, but that long-term and sustainable growth can only be achieved if systemic and structural inefficiencies are addressed and if price regulations are imposed fairly and holistically across the entire medical sector.

Governments around the world, particularly in developing countries are realising the long-term benefits of a healthy population by investing in healthcare infrastructure and systems," says Roos.

"The DoH has bought into this concept and has already initiated a number of programmes to increase access to medicine, which includes a drive to enhance the production of local active pharmaceutical ingredient (API) production through the Ketlaphela project. This should see the price of anti-retrovirals and other essential medicines drop."

Botswana, Cape Verde and Guinea Bissau are the only African countries growing astronomically between 40%-50%.

South Africa occupies the 19th spot amongst the 21 pharmerging countries.