

Generic (Medicine) Reference Pricing – How will it affect you?

Aligned to practice employed elsewhere in the medical aid industry, the Society will from 1 January 2010 base its medicine benefits on the cost of generic medicines (called generic reference pricing - GRP), rather than brand-name medicines. It is estimated that the introduction of GRP will lead to a saving of R2 016 728 per annum on the cost of chronic medication alone. It will not affect members who have already switched to using generic medicines or those who switch to using generic medicines. It will, however, have a cost impact on members who prefer to continue using brand-name medicines.

An expensive misconception

Because generic medicines are less expensive than brand name medicines, there is a general misconception that it is not as good as the original brand-name medicines. This misconception carries a cost as members who continue using brand-name medicines are spending far more on medicines than is necessary. Higher claims for medicines translate to higher contributions for members.

Members benefit directly

By using generic medicine, you can get more medicine within your benefit limit. This is because generic medicines are generally between 20% and 40% lower in cost than the original brand medicines. The more expensive your medicines (such as the brand-name medicines), the sooner you will exhaust your benefit.

In view of the cost impact, the Trustees of the Society have therefore decided to introduce generic reference pricing (GRP) from 1 January 2010, for both acute and chronic medication, after research into current industry best practice. This system will not cost members any more, and will enable members to 'get more' out of their medicine benefit limits. It will reduce medical scheme claims costs and, subsequently, have a positive effect on member contributions required.

This change was especially necessary after an in-depth analysis of members' medical expenditure over the last two years showed a dramatic increase in the proportion of members who have chronic conditions and require chronic medication. (This increase is mainly as a result of Company restructuring that resulted in the loss of many active members and led to the Benefit Society now having a higher pensioner to active member ratio.)

How does GRP work?

The basis for calculating the GRP will be on the average price of generic medicines grouped together according to similar pharmaceutical characteristics, taking into account issues of clinical appropriateness and the ability of members to access medicines without the need for a co-payment. Generic medicines are those that are identical in terms of active ingredients and strength. GRP will apply to both acute and chronic medication as from 1 January 2010.

How to make the most of GRP?

Doctors and pharmacists are very familiar with the generic equivalents of brand-name medicines. Ask your doctor or pharmacist if the medicine that is being prescribed /dispensed will be covered by the DBBS GRP. If not, ***request that he/she prescribes /dispenses medication that falls within the reference price limit. (The DBBS GRP will be available electronically on pharmacy systems.)***

Pharmacists may change your prescribed medicine to one of the generic alternatives, substituting your medicine as allowed for in terms of the SA Pharmacy Act. In such a case, there is no need to have a new prescription issued by your doctor, as you are simply required to give your pharmacist permission to provide the generic equivalent medicine.

You can contact the Society on 053 807 3400 for more information on your generic equivalent options. Alternatively, use the lookup facility on the Society's website on www.dbbs.co.za. You must first log in to your profile and then choose 'Medicine Search' on the top right-hand bar. Simply type in the name of the original product and then click on Generic Equivalent to find a list of generically equivalent products. You can then compare the price of these medicines to the reference price for that group of medicines and decide on the appropriate medicine, in consultation with your pharmacist.

Members on the chronic medication programme

In addition to the above, all members registered on the chronic medication program will receive a personalised letter outlining their current authorised chronic medication, the current cost of the medication as well as the generic reference price for the generic equivalents. Members will then be able to assess what their additional levy for the chronic medication will be, if they do not wish to switch to the generic equivalent medication that is available.

Cost implications

If you have already switched to using generic medicine and you use a generic medicine that costs the same or less than the generic reference price, you will not be affected in any way by the introduction of GRP. It could happen that a particular generic medicine may be priced higher than the GRP, in which case members are requested to use a generic medicine that is equal or lower than the GRP to ensure that no additional levy is incurred.

Brand-name medicine users

Members who prefer ***not*** to use generic medicine, or use medicine (brand-name or generic medicine) that is more expensive than the reference price, will be liable for the difference between the actual claimed amount and the generic reference price. This additional levy will be recovered from members in the same way that the standard 30% co-payment on acute medicines is recovered, namely via the payroll, pension fund or direct debit system if you have a credit limit approved by the Society. Members who have no credit limit and are "Cash Payers" will continue to be required to pay the co-payment and levy at the point of sale.

If no generically equivalent product is available, or medicine is non-substitutable

In cases where no generic substitute is available, the original product will continue to be supplied as per current practice (chronic medicines have no co-payment while acute medicines carry an automatic 30% co-payment) until a generic substitute is registered with the Medicines Control Council. There will be no additional co-payments on such medication. There are a few non-substitutable medicines, as defined by the Medicines Control Council (for example Epanutin), on which your pharmacist will advise you when you request generic equivalent medicines. In these cases no GRP exists and therefore no additional levy will be charged.

Frequently asked questions

What are generic medicines?

A generic (also called generically equivalent) medicine is a product that is identical to the original product in terms of active ingredients and strength. In South Africa, once a drug company has approval from the Medicines Control Council to sell their newly developed medicine, they have patent protection that effectively lasts between 5 and 15 years. During this time, no other company may manufacture this specific drug.

Once the patent period has expired, any other drug company may produce the medicine under a different commercial name, using the same active ingredients and may sell their product, provided it has been registered with the Medicines Control Council and its quality has been approved by the Council. South Africa is privileged to have some of the world's leading generic manufacturers, producing quality, affordable medicines.

Why are generic medicines cheaper than brand-name medicines?

The difference in price is due to up-front research costs. Before a medicine is approved, the drug company that developed the original product would have spent large sums of money on research and development. Once for sale on the market, this drug company will attempt to recover these costs and endeavour to make a profit on their investment. Generic medicines are cheaper, as the manufacturers do not incur the associated costs for the long and expensive process associated with research and development. Generic drug companies can simply copy the formula in terms of active ingredient and strength, once the patent period has expired.