

OMAC commentary on proposed new draft regulations on dispensing fees

11 August 2010

The Minister of Health has published new draft regulations on dispensing fees in the Government Gazette on Friday, 23 July 2010.

As the new fee structure is likely to increase claims against schemes substantially, **Jan Howell**, Consulting Actuary, **OMAC Actuaries & Consultants**, urges schemes to submit commentary on the proposed draft changes.

Interested parties may submit their comments on the affordability of the new fees until 22 August 2010.

In addition, Howell advises that schemes should take steps to mitigate the effects of the proposed changes by appointing Designated Service Providers (DSP's) for chronic medicine.

The new draft regulations introduce a tiered system of fee limits, depending on the value of medicines sold. Medicines with a single exit price (SEP) of less than R75 will have a fee cap of R6 plus 46% of the medicine price. For more expensive medicines, costing in excess of R700, the dispensing fee cannot exceed R121 plus 5% of the SEP of the respective medicine.

According to Howell, initial calculations performed by the industry indicate a new average dispensing fee of about R49, compared with the current average fee of about R18. This is an approximate average increase of 23% in medicine prices.

“This increase is likely to add substantial inflation to schemes’ claims, especially ‘older’ schemes where a larger proportion of claims are for medicine.”

Howell advises that by appointing a pharmacy DSP, schemes can better manage their expenses by contracting a discounted dispensing fee, allowing for more gradual increases over time. He explains that for schemes where medicine claims constitute 15% of total claims, the impact of the proposed dispensing fees would require an additional 3.5% contribution increase.

“However, if the scheme has contracted a Designated Service Provider (DSP) for chronic medicine at the current dispensing fee, the impact of the new draft changes on the scheme’s contributions would reduce to a 2.5% increase,” he says.

Howell encourages schemes to consider appointing one or more pharmacy network providers as their DSP for chronic medicine, as contracting with them will assist in lowering dispensing fees.