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IMPLEMENTATION OF NEW PRICING MODEL AND APPOINTMENT OF DESIGNATED SERVICE PROVIDER PHARMACIES FOR SUREMED HEALTH

General Detail

Effective Date : 1 January 2008
Pricing Structure : New Pricing Model

NOTES

SUMMARY

4-tier Dispensing Fee Model

Late last year the Department of Health (DOH) announced the new dispensing fee for pharmacists for implementation by 1 January 2007. This fee structure was immediately contested legally by the Pharmaceutical Society of SA and there is still no outcome. Nevertheless, many pharmacies implemented it (including the big retailers like Clicks and Dis-Chem) and it is the standard tariff applied by PROVIDENCE for all the schemes it administers.

Consistent with the proposed regulated 4-tier model PROVIDENCE manages the model as follows:

The Fixed Fee and the % mark-up Dispensing Fee "bracket" is determined by the Single Exit Price (SEP) , inclusive of VAT.

Unscheduled Medication and Materials (Schedule 0, 98 and 99) is calculated as: Cost Price (incl. VAT) plus 20%

SCHEDULED MEDICATION (1 – 8)

SINGLE EXIT PRICE (incl. VAT)	FIXED FEE	PERCENTAGE
< R75	R 4	33%
R75 - < R250	R25	6%
R250 - < R1000	R33	3%
> R1000	R50	1.50%

The PROVIDENCE price is calculated as follows:

1. Determine the Dispensing Fee from the calculated SEP (Incl. VAT).
2. Dispensing Fee (Incl. VAT) = [SEP (Incl. VAT) x % Mark-up] + Fixed Fee x 1.14.
3. Calculated Maximum price (Incl. VAT) = Dispensing Fee (Incl. VAT) + SEP (Incl. VAT).

Currently Interpharm pays SEP plus 36% without a cap. PROVIDENCE believes that of all the models employed currently by pharmacies, the 4-tier is the most appropriate. The implications of this model would be such that the inappropriate sale of high cost products would be discouraged thereby reducing unnecessarily high costs to the scheme. The increase in costs brought about by increases in the SEP of certain drugs, as approved by the Department of Health, would also be minimized.

In terms of convenience to members, our research has shown that, while the Dept of Health's proposed model is in dispute, the majority of pharmacies charge one of the following dispensing fee models:

- Scheduled Medication
 - o 26% to max R26
 - o 36% to max 59.40
 - o Proposed legislated 4-tier dispensing fee model
- Unscheduled Medication and Materials
 - o 0%
 - o 20%
 - o 36%
 - o No max

In light of the above we would propose to the trustees that Suremed goes onto the 4-tier dispensing fee model. If it is applied, there will be cost savings and very few members should be affected by pharmacy admin fees above this amount. We would also propose sending out regular newsletters, at least twice a year, in which we could communicate issues like this.

Should you approve this proposal we will take it up with Interpharm for implementation.

DESIGNATED SERVICE PROVIDER (DSP) FOR MEDICATION

The Rules already provide for a DSP for medication, albeit vaguely, viz. "Pharmacists/medicine delivery services that have been appointed as a DSP". Given that this rule has been approved by the CMS no further rule changes are necessary and the appointment of DSP's can simply be by way of BOT resolution. We would propose that the BOT appoint as DSP's for medication Clicks, Dis-Chem (both of which apply the 4-tier model) and any other pharmacy that applies the 4-tier dispensing fee model. As discussed above, this would need to be communicated to the members.

FOR MORE INFORMATION PLEASE CONTACT OUR CALL CENTRE AT 0860 109 103
