



**SPEECH BY THE MINISTER OF HEALTH OF THE REPUBLIC
OF SOUTH AFRICA, DR. AARON MOTSOLEDI, AT THE *FAIR PRICING FORUM*
EMPERORS PALACE,
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**Programme Director
Distinguished Guests
Ladies and Gentlemen**

It is with pleasure that I take this opportunity to address this Fair Pricing Forum this evening. Before I talk about the matters relating to Fair Pricing let me take this opportunity to thank the World Health Organisation for selecting South Africa as the host of the important global meeting on medicine pricing.

The first Fair Pricing forum was held in Amsterdam about 2 years ago and this the second fair pricing meeting being held in Johannesburg. The establishment of the Forum is the result of the World Health Assembly resolution relating to medicine access and the contribution of medicine prices to access.

This Forum also follows on the on the work of the UN High Level Panel established by the United Nations Secretary General Ban Ki-Moon on Access to Medicines with the aim to “review and assess proposals and recommend solutions to remedy the policy incoherence between the justifiable rights of inventors, international human rights law trade rules and public health in the context of health technologies”. The common theme that arose from submissions was that the right of people to access medicines should be placed ahead of the private interests of pharmaceutical companies. I believe this can be done without harming the development of new treatments sadly though the discussion to date has been dichotomous i.e some in the industry argue that lower medicine prices means that there will be no new treatments. I do not accept this argument. The report – that was released in September 2016 – makes a number of important recommendations regarding reimbursement of medicines and the research and development of new medicines.

I would like to highlight some of these recommendations since I believe that they have direct relevance for this meeting. One of these recommendations is that World Trade Organization (WTO) Members should commit themselves, at the highest political level, to respect the letter and the spirit of the Doha Declaration on TRIPS and Public Health, refraining from any action that will limit their implementation and use in order to promote access to health technologies. Those of us that are WTO members committed ourselves to the Doha Declaration on TRIPS and public health however sadly this commitment has been forgotten and decisions are based purely on commercial benefit. It is difficult for us to pick and choose such trade commitments. We need to respect all trade commitments not just those that would suit us and undermine those that we do not like.

Secondly the recommendation that governments should require manufacturers and distributors of health technologies to disclose to procurement authorities information pertaining to:

- 1) the costs of R&D, production, marketing and distribution of health technology being procured or given marketing approval with each expense category separated; and
- 2) any public funding received in the development of the health technology, including tax credits, subsidies and grants.

This recommendation is probably most relevant and appropriate for this Forum to debate. There is often the argument from the manufacturers of medicines that the price of these medicines is must not be compared with the cost of production but rather their potential value to those who benefit from them. My questions is how do we say to the poor you – how much do you value this medicine that may cure you?

We know from various studies that there is little relationship between the cost of production and the actual price of the medicine charged by manufacturers. We hear from the pharmaceutical industry that the argument for the excessive price relates to the cost of research and development for new products. What we do not have is transparency from the industry around the cost of their research and development and how they calculated the price that we are expected to pay. It is only fair that the suppliers of the product share such information with the purchasers of the medicine. There needs to be a trust relationship since we need each other in order to improve global health.

The cost plus pricing method which is a subset of this proposal has been used by a few countries to regulate the price of a medicine. The application of this methodology is resource intensive given that there are thousands of medicines with several cost inputs. In South Africa we have a taken a decision that this methodology would be used to a limited extent, particularly where a manufacturer is requesting an extraordinary price increase of the medicine. We understand and appreciate that pharmaceutical companies have to recover their costs of research and development. Given that we are in agreement about these costs it would seem reasonable that the industry takes us into their confidence and share the extent of these costs. We argue that the costs of R/D should be equitably spread across countries such that the wealthiest countries make the highest contribution to these costs.

The third recommendation which I believe is relevant for this Forum is the proposal that WHO should establish and maintain an accessible international database of prices of patented and generic medicines and biosimilars in the private and public sectors of all countries where they are registered.

This I believe establishes transparency at a global level on the pricing of medicines. Transparency is often under-estimated as a mechanism to lower medicine prices. We have recognised its value and you will notice that it is a legislated principle in South Africa which requires all parties in the supply chain to provide information. I know that the uneasiness from industry arises from the concern that all countries would demand the lowest global price. This cannot be reasonable – surely South Africa cannot expect to pay the very low price of the least developed country neither can we be expected to pay the high price of a developed country.

We linked to transparency the principle of internal non-price discrimination – what we refer to as a Single Exit Price or SEP. In South Africa the legislation requires that all companies must sell a medicine to all purchasers at the same unit price irrespective of volume. In effect this excludes any opportunity for non-transparent rebates and discounts. I would encourage you during the deliberations of the Forum to explore the benefits of this approach. I understand that there would be presentation from South Africa in this regard.

We have noted that many countries have not adopted transparency legally as a principle which results in the development of non-transparent prices both nationally and domestically. Pharmaceutical companies often suggest to countries that they would offer them the best possible price however this must not be disclosed. Sadly, these prices are not always the best possible prices but the strategy is effective in dividing markets. Within the pharmaceutical supply chain in countries there is also little transparency on prices making impossible to track the price from manufacturer to wholesaler and to pharmacy. Reimbursement authorities then resort to “claw backs” to derive a net price which is done without a deep understanding of the extent of discounts. We would argue that medicines are not usual commodities of trade hence rebates and discounts should not be used as a mechanism to influence their purchase. The policy of no rebates or discounts in medicine pricing is also aligned to the principle of equity in the pricing of medicines. Rural communities are generally smaller than dense urban centres so in a volume discount based system they would pay much higher prices despite them having a much lower ability to pay.

The panel also recommended that governments also need to play their role in supporting innovation that would improve the health of the population. We therefore support the recommendation that governments increase their current levels of investment in health technology innovation to address unmet needs. We should be exploring options for alternative models for financing and rewarding public health research and development (R&D), such as the transaction taxes and other innovative financing mechanisms.

Ladies and gentlemen, you visit South Africa at a very exciting period in our healthcare development. We will soon be taking legislation to parliament that introduces a major health reform which will introduce a system of universal health coverage which we call National Health Insurance. Almost twenty-five years since our democratic dispensation in 1994, our attempts to reform the health sector have been subjected to various challenges. We know that many countries participating here today have undertaken efforts, just as South Africa is currently doing, to reform health and reorganise their health systems. Some of you particularly the more developed countries have done so several decades ago. We all know that part of securing our future is meeting the needs of current generations by entrenching sustainable health systems that will ensure that the health needs and expectations of future generations are adequately catered for. Health reform is a critical ingredient for achieving this as it is pivotal to the realisation of economic development goals.

Whilst each of the countries here today are unique and we differ widely in our levels of economic development, political systems, social conditions, disease burdens, per capita income, there are valuable lessons that can be learnt from our collective reform processes. These lessons include the financing and organisation of health services, the design of health systems, and other related activities that are essential in reforming health. What is of value to our country is how you have reformed your health systems to purposefully achieve universal coverage, these significant improvements have resulted in positive health outcomes. The introduction of this system has been the subject of much debate as it has been in many other countries.

Many strides have been made in pursuing the developmental agenda of our country however we face a quadruple burden of disease. HIV, AIDS and TB continue to contribute significantly to high rates of morbidity and mortality. The population is also faced with a worsening health profile as a result of the continued increase in the prevalence of non-communicable diseases such as hypertension, diabetes and obesity.

Therefore, in order to be responsive to the health needs of the population, it is imperative that government implements a proactive set of interventions to effectively and efficiently reduce the high levels of mortality and morbidity that plague the South African people. The overall priority outcome of government's programme of action in the health sector is informed by the need to achieve *A Long and Healthy Life for All South Africans*.

The Department of Health's programmes of action in reforming the health system are based on holistically addressing the various systemic, institutional and organisational challenges that have negatively impacted on the performance of the health system. These interventions are holistic in that they cut across both the public and private sector, and are directed at streamlining the health system so that it can reasonably meet the legitimate expectations and needs of the population. The reforms are linked to the universal health coverage programme which we call National Health Insurance.

National Health Insurance is intended to ensure that all South African citizens and legal residents will benefit from healthcare financing on an equitable and sustainable basis. Once fully implemented the National Health Insurance will provide coverage to the whole population and minimise the burden carried by individuals of paying directly out of pocket for healthcare services. This model of delivering health and healthcare services to the population is well accepted, described and widely promoted by the World Health Organisation as universal coverage. The principles that underpin the proposed reforms are fairness, social solidarity, affordability, appropriateness, efficiency and effectiveness.

The NHI proposes for the implementation of an innovative health financing mechanism that will increase population coverage to quality health services and protects households from health-related catastrophic expenditures. The population will have access to a defined comprehensive package of care based on the foundation of a primary health care approach. The NHI will achieve a healthier and productive population that positively contributes to economic development.

As we prepare for the implementation of National Health Insurance, we have started to implement a number of key interventions that we are certain will help in laying a sustainable foundation for the health system going forward. Achieving a fair price for medicines is one of those objectives.

In conclusion, it is clear that our health systems, globally, face many challenges as the burden of disease increases however the resources available to address these challenges are limited. The high price of medicines presents a significant obstacle in access to healthcare. The presence of all of you here today from across the globe highlights the importance of medicine pricing and the need for us find effective interventions to address this challenge. We as governments, industry and civil society must work towards a much fairer system of medicine pricing. We look forward to the deliberations of this meeting over the next two days to identify strategies that would introduce a much fairer pricing system for medicines.

I thank you

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