

## Discovery warns industry on biologic drug costs

Growing demand for expensive biologic drugs - highly specialised drugs used for chronic conditions - is sharply pushing up the medicines bill at SA's biggest medical scheme, Discovery Health, the company warned yesterday, 4 June 2012.

Biologics are made from live organisms which target processes in the body that have gone awry and cause diseases such as cancer, multiple sclerosis and rheumatoid arthritis. As the drugs are relatively new, there are few generics, so there is limited competition and prices remain high. Only a handful of biologics are included in the Medical Schemes' Act's Prescribed Minimum Benefits, so medical schemes largely have discretion as to whether they pay for them.

Discovery predicted that the rest of the industry would soon be sharing its headache of surging demand for these drugs, as it tries to meet the needs of a minority of patients within the scheme.

"We are not shouting crisis ... (but) these are important trends that we need to deal with," said Jonathan Broomberg, CEO of the scheme's administrator, which is also called Discovery Health.

Discovery projected that by 2016, just under half of its total medicines bill of R6,3bn would be spent on biologics, which would be used by just 10% of its members on chronic medication. By contrast, in 2010, biologics cost the scheme just R600000, 12,5% of its total drug expenditure of R4,8bn.

Discovery has 2,6-million members, representing just under a third of the total medical scheme market, which covers 8,4-million lives.

Biologics are a major area of research for pharmaceutical companies, and novel products as well as new applications of existing treatments are likely to see the numbers of patients who are candidates for treatment soar, according to Discovery's analysis.

Dr Broomberg said biologics had a "dramatically positive" effect on patients' lives, but their high cost pose a challenge for both Discovery and society as a whole.

"It's a tsunami of costs coming through the healthcare system. We're always reluctant to push the scheme to increase premiums, so it does raise the question of price: what could be done at a national level, with government, and in bilateral discussions between funders and pharmaceutical (companies) ... to make the products more affordable in SA."

Dr Broomberg said Discovery was exploring the scope for sharing the risk of using biologics with pharmaceutical companies, an approach used by the UK's National Health Service (NHS).

For some products, the NHS pays for the patients who have been successfully treated, but not for those patients who find the drugs fail.

Dr Broomberg said that this kind of risk-sharing arrangement had potential, but was at odds with the government's medicine pricing regulations. Rajesh Patel, head of risk and benefits at the Board of Healthcare Funders, an industry association for medical schemes and administrators that does not count

Discovery among its members, agreed broadly with its analysis.

Dr Patel said the government's proposals for National Health Insurance, with a central fund that would pay services, would be the best way to finance biologics.

Patients could be screened according to national guidelines, and treated in centres of excellence.

A national fund would also provide a more feasible mechanism for risk-sharing with pharmaceutical companies than a multitude of deals with different medical schemes, Dr Patel said.

Source: *Business Day*

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