A Painful Pill or Necessary Evil?
Examining the Rising Cost of Retail Medicines

Key Points

- The average percentage price change for retail pharmaceuticals between December 2021 and October 2022 was found to be 178.6%
- Price increases are highest with generic medicines at 179.7%. These medicines are the backbone of Ghana's Pharmaceutical sector and the National Health Insurance Scheme (NHIS)
- The national average change in price for chronic disease medication that should be taken for the rest of a patient's life was found to be 151.3% over the 10 months of the survey.
- Prices of medicines for treating infectious diseases like malaria and typhoid fever had increased by 161.4% in 10 months.
- The average disparity between what the NHIS reimburses and the average prices of medicines in community pharmacies as of October 2022 was found to be 38.7%.
- The current average reimbursement timelines of 2 months to 9 months for health insurance schemes are putting the pharmaceutical sector under severe pressure and may lead to many Community Pharmacies folding up.
- There needs to be a rethink around the current funding model for the pharmaceutical sector to prevent any possible risks to patients.

Introduction

Healthcare is at the heart of most societies. This is because it drives the productivity of the labor force. It is often said that a healthy workforce is a highly productive one. Healthcare is therefore classified as part of public service goods. The efficiency of the sector is seen by many as a barometer of the quality of governance a country enjoys. At the heart of healthcare provision, is the use of medicines. Therefore, a high medicine bill can have a significant impact on the cost of healthcare to the population. This impact is worse in emerging economies where most patients fund healthcare out of pocket. Where insurance schemes exist in many of these emerging economies, the response rate to changes and shocks is generally very slow to mitigate the negative impact on patients. This, in turn, could influence adversely the country's ability to achieve Universal Health Coverage by 2030 in

line with Sustainable Development Goal 3 which requires among others that there is access to safe and effective medicines and vaccines for all.

In recent months there has been anecdotal evidence that the cost of medicines in Ghana had been increasing at a rate unprecedented in over a decade. However, there was no quantitative data to substantiate this. Our goal is to obtain the relevant data to substantiate or disprove this notion.

Ghana's pharmaceutical sector is heavily reliant on foreign exchange, with an estimated 70% of all products being imported whilst the remaining 30% is produced locally. With local manufacture, it is estimated that 83% of all materials are also imported, making the sector heavily sensitive to foreign exchange rate fluctuations. Another contributor to pricing in the sector is the Bank of Ghana policy rate that impacts the cost of borrowing.

Historically, there seems to be very little information available on Ghana's pharmacy supply chain-based inflation. This, we believe is a disservice as it makes adequate planning and health investment projections unreliable. A request was recently made by the Ghana Chamber of Pharmacy that pharmaceuticals be included in the basket of goods used by the Ghana Statistical Service to measure inflation.

Health funding in the country by citizens is through two main means i.e., through insurance schemes (private and the National Health Insurance Scheme) and out-of-pocket payments. A small percentage of individuals would have their employers offering free healthcare or may enjoy a system where the employer is billed for employee healthcare costs. There are reports that co-payment which combines insurance and out-of-pocket payments is on the rise too.

This project set out to quantify the variation in prices of medicines available in community pharmacies across the country. The distribution of these community pharmacy facilities is uneven across the country with many concentrated in the urban and peri-urban areas. The north-south divide is also marked by most pharmacies located in the southern sector. Based on data obtained from the Ghana Pharmacy Council 64.3% of all pharmacies were in the Greater Accra Region, 19.6% in Ashanti, with 4.3% were spread between the four regions in the northmost part of the country. The remaining 11.8% are distributed amongst the other 10 regions. Due to this uneven spread, the country was split into six belts (one for other coastal regions excluding Greater Accra, and Greater Accra, and two each for the middle, and northern belts) to ensure the data capture had a national scope.

Method

Twenty pharmaceutical products were selected to give a balance between generic and proprietary medicines as well as those used for the management of chronic and infectious diseases. This was to enable us to estimate the price change dynamics nationally and the differential impact any pricing variations were having on different segments of the population.

The Data collection spanned the period from December 2021 to October 2022. The data was collected over three weeks in October 2022. Participants were asked to provide retail price information for the selected products bimonthly over the period.

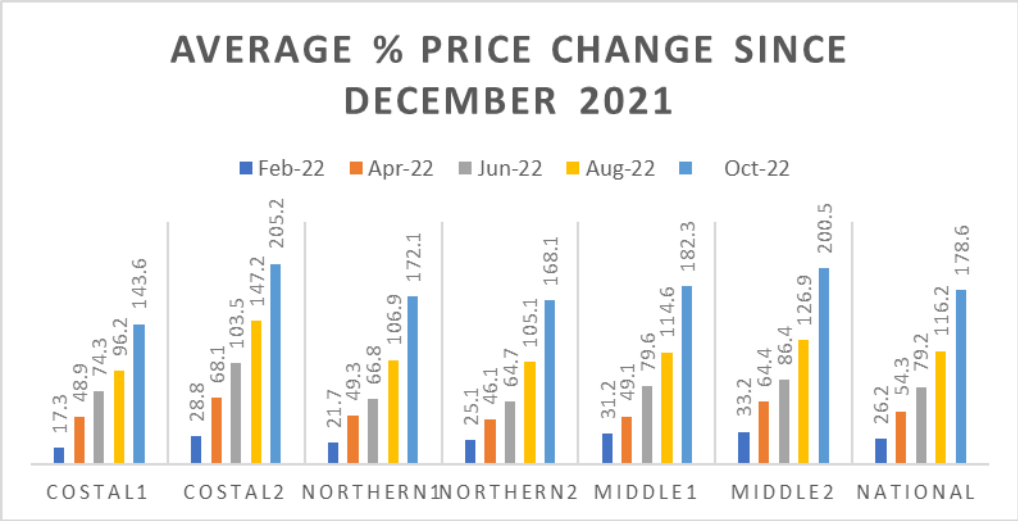
A total of 212 pharmacies were included in the survey representing 4.4% of the total number of pharmacies in Ghana. 38 pharmacies (17.9%) were unreachable using the phone numbers provided. The price variation data provided is based on 174 pharmacies. Of this number, 11 (6.4%) opted out, 81 (46.6%) had the full complement of data for the survey period, 35 (20.1%) had partial data covering more than one but less than the six data points required with 47 (27%) providing data for the month of October only.

Using 11 routinely used generic medicines listed on the NHIS Medicines List, we estimated the variance between the reimbursement prices and the mean retail prices across the country based on the data collected.

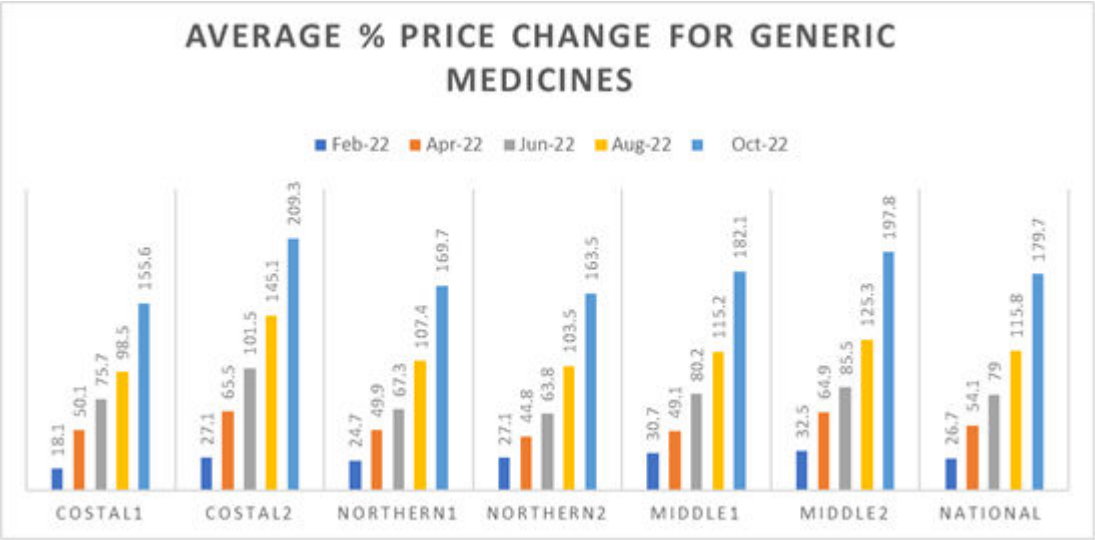
Findings

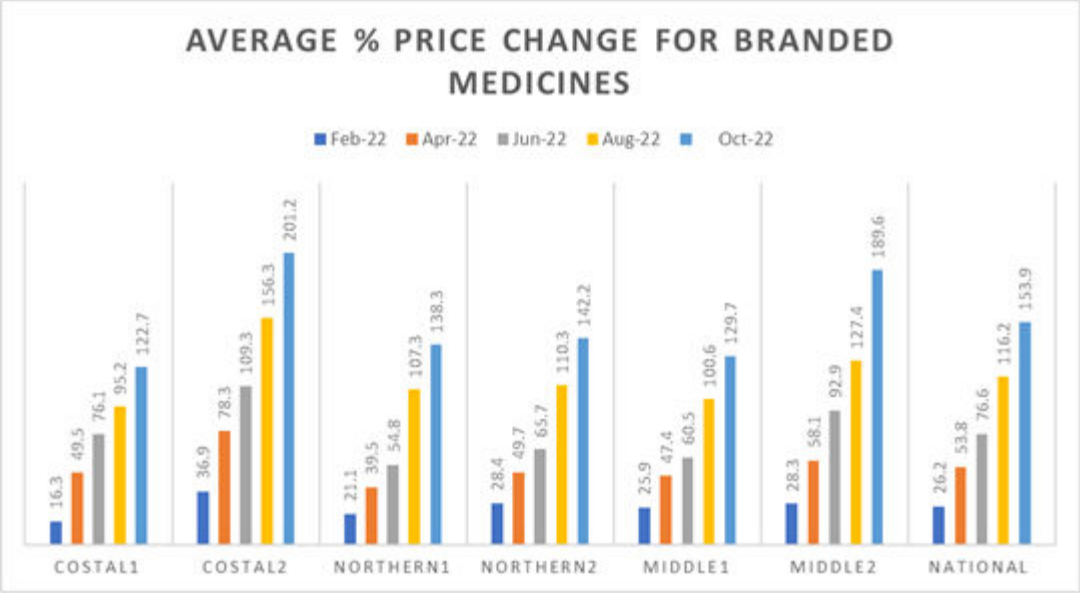
On average the percentage price change of retail pharmaceuticals across the country between December 2021 and October 2022 was found to be 178.6%. There was a steady increase from December 2021 to June 2022 with an accelerated trend between June and October. This trend is in line with the increase in inflation, bank rates for loans, and the depreciation of the Cedi. As these accelerated, there was an acceleration

The highest percentage change in prices was found in the Coastal belt area around the Greater Accra region. With an average of 205.2% change in prices of medicines between December 2021 and October 2022. The least alteration in prices occurred in the belt covered by the Central and Western regions (143.6%) upward adjustment in prices over the same period. Though prices in the Middle and Northern belts had also increased significantly they were closer to the national average.



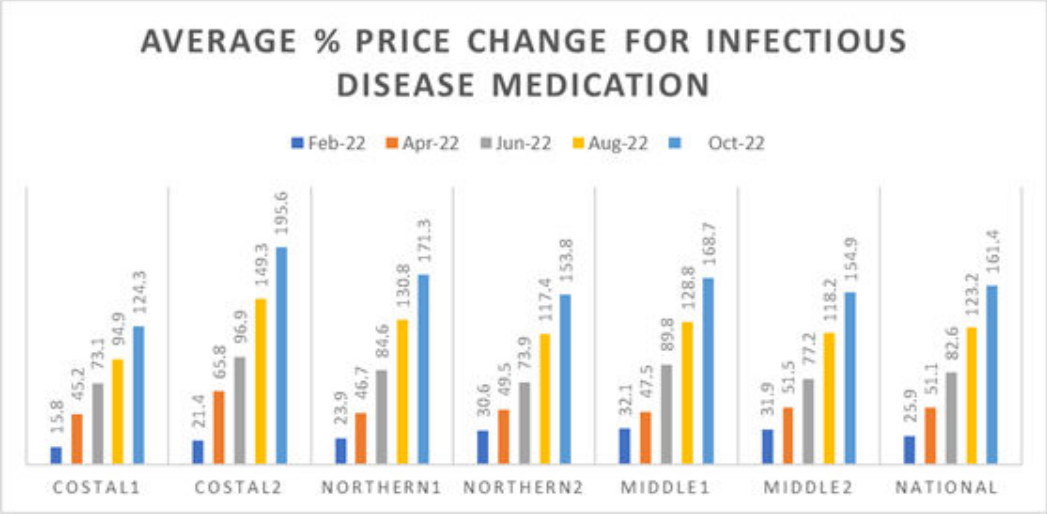
On average, generic medication though cheaper overall had a higher average price change in all six belts compared with branded products. The cost of generics had increased by 179.7% nationally over the study period compared with an increase of 153.9% for branded products.

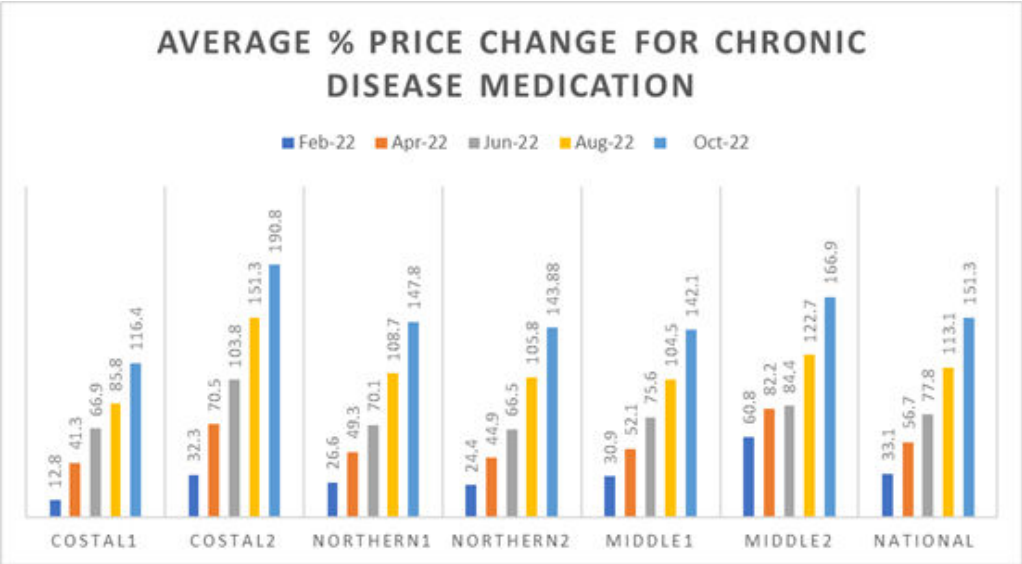




This is a cause for concern based on the Ghana Pharma Regulatory Report 2020 which suggests that approximately 63.8% of pharmaceuticals used in the country are generics. Also,86.6% of all prescription medicines used in the country are generics too. Considering that the National Health Insurance Scheme has its medicines reimbursement formulary based almost entirely on generic medicines this has far-reaching implications for the scheme's sustainability. More importantly, the segment of the population that has the least disposable income relies almost entirely on generic medicines when purchasing pharmaceuticals out of pocket and will be further squeezed.

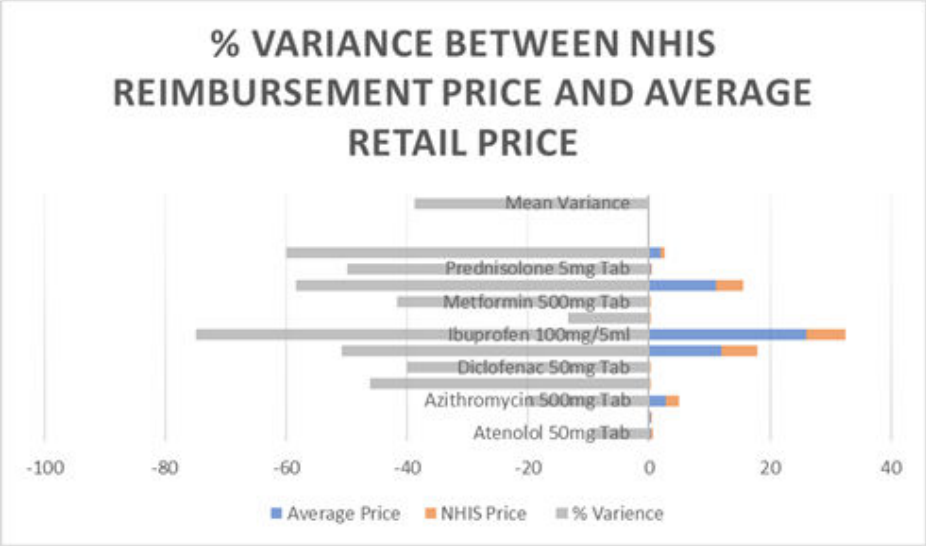
The average cost of medicines for the treatment of infectious diseases had appreciated more than those for the management of chronic diseases. At the end of October, the average price change for medicines used to manage infectious diseases had increased by 161.4% nationally compared with 151.3% for chronic disease medication. This trend was consistent across all six demarcated belts in the country.





The doubling of Ghana's disease burden presents an increase in the cost to people living with chronic diseases as they not only have to grapple with the substantial increase in the cost of routine monthly prescriptions but will have a significant erosion of their finances should they become infected with an infectious disease like malaria.

The retail cost of medicines at community pharmacies has a direct impact on the medicines bill of the NHIS. This is because pharmacies are service providers for the scheme which are reimbursed for products supplied to patients. Therefore, prompt reimbursement at the current market prices is a key determinant of the ability of these health facilities to stay solvent. The data suggested that there was a mean variance of -38.7% between the reimbursement prices and the average retail price.



These findings suggest that if remedial action is not taken many pharmacies reliant on the NHIS as a major component of their customer base could go bankrupt and fold up. Statistics available indicate the period for reimbursing facilities spans from 3 months to 9 months with 6 months as average in good times. For private insurance, it currently stands at 2 to 3 months.

This situation is further compounded by the decision by the Ghana Chamber of Pharmacy and other allied groups to withdraw credit lines for these retail pharmacies. The repercussions of this could harm the availability of medicines to the patient. The Pharmaceutical Society of Ghana has moved in to try and broker a middle line, but their efforts could fail if not all stakeholders see the gravity of the risk, we all face in this sector.

The current scenario raises many points on business sustainability in the last mile of the pharmacy business supply chain since the depreciation of the local currency and high inflation has had a direct impact on the prices of medicines to patients.

However, apart from the obvious correlation of price increase due to the above factors, other costs of operation factors are eating into the margins and profitability of businesses. These can be categorized into increased rent/space costs, admin/HR costs, logistics costs as well as the cost of finance and capital. The impact of these is yet to be analyzed by most businesses in the pharma supply chain. The risk is that when the real impact of these on the current margins is put into perspective, it could have a possible further impact on the cost of medicines to patients unless other cost-saving models are looked at by businesses.

<u>Recommendations</u>

1. The data can become a baseline to justify the need to constantly monitor the inflation rates in the pharmacy supply chain. It is likely that if pharmaceuticals were included in the Ghana

Statistical Service basket of goods, the average inflation rate of the country could be higher than what is currently quoted.

2. The Pharmacy sector must work on its data collection and retention as it has an impact on the sustainability of the sector and the continuity of pharmaceutical care for Ghanaians.
3. The National Health Insurance Scheme will have to renegotiate its drugs list with providers and improve the time lag between medicines supply and reimbursement. Ideally, there should be a framework in place to trigger an automatic price adjustment with some limited remote checks and authentication, verification, and adjustments that would roll out reimbursable interim pricing updates without the need for time-consuming physical meetings or surveys /stakeholder engagement except when major changes that include changes in listing, policies or frameworks are being done. This, if not undertaken as a matter of urgency could increase the incidence of cash and carry as the main method of payment for pharmaceutical services.
4. All stakeholders involved in the pharmaceutical supply chain from importation to local manufacturers and wholesalers as well as the insurance providers, banking and financial sector, government, and the Ministry of Finance will have to cooperate and fashion an appropriate funding model for the entire supply chain. The current model where importers, manufacturers, and wholesalers guarantee the finance of the system is unsustainable. This is especially so in this era of high Cedi depreciation and high inflation.
5. There may be a need to revisit the taxation framework for pharmaceuticals and how import duties for finished products and raw materials are applied. Taxes must not lead to the cost of health to the end user being exceedingly high.
6. The Pharmaceutical industry, the Pharmaceutical Society of Ghana, the Health Ministry, and the Food and Drugs Authority must work purposefully to formulate and implement policies that would improve the contribution of the local pharmaceutical manufacturing sector as well as improve standards and quality to international WHO pre-qualified status for a good number of local industries. Ultimately, there would be a need to decrease the reliance of local pharmaceutical manufacturers on imported Active Pharmaceutical Ingredients (APIs) and other pharmaceutical-grade raw materials. This could become a source of job creation and decrease the forex pressure our pharmaceutical supply chain experiences.
7. Chronic disease patient groups may want to initiate a conversation around the short-term sustainability of their medicines financing if they do not want their health management outcomes to take a negative turn due to non-concordance either due to a lack of finance or risks to the medicines supply chain.

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