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SECTION27 and TAC applaud successful ARV medicine tender – but call for continued actions to drive prices of essential medicines down further

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SECTION27 and TAC applaud the Minister of Health and his team at the Department of Health (DoH) for their part in conceptualising, implementing and concluding a successful antiretroviral (ARV) medicine tender. Announced yesterday, the 2010 tender – for the period 1 January 2011 to 31 December 2012 – will see the state procuring ARV medicines at or about the best prices available globally.

This is in stark contrast to the previous tender, which resulted in South Africa paying significantly more than necessary for ARV medicines. For example, South Africa will now be paying – on average – about R115 per patient per month for the standard triple combination of tenofovir (TDF), lamivudine (3TC) and efavirenz (EFV). Under the previous tender, the country committed to pay about R110 for EFV alone – just a few rands less for only one drug.

In a press release issued on 15 April 2010, SECTION27 noted that "South Africa [would] soon be treating more than a million people with ARVs and this will make drug affordability ever more critical." With that in mind, we recognized the DoH's need "to use the procurement process to access the necessary range of medicines at the best possible prices.".

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This appears to have been done. For example, the prices of two key drugs (which together will account for almost half – if not more – of the total expenditure on ARV medicines), have been reduced considerably. TDF will on average cost 65% less than before, with the average price of EFV to be procured being reduced by 64%. These prices will go a long way towards enabling the state to deliver on its constitutional mandate, including its commitment to ensuring access for at least 80% of people who are medically eligible to initiate ARV treatment.

Further, the price of the paediatric version of abacavir (ABC) has nearly halved since the last tender. The contract has now been split between two generic suppliers, Cipla-Medpro and Aspen Pharmacare, while previously it was only supplied by GlaxoSmithKline (GSK). The existence of generic competition is a direct consequence of the Competition Commission's conditional approval of the merger between GSK and Aspen Pharmacare in 2008, which required the former to license companies to manufacture and/or import generic ABC products. TAC, with the AIDS Law Project's support, was instrumental in ensuring the inclusion of the licensing condition.

Despite these achievements, however, at least four concerns remain:

- First, the rules under which the tender was conducted do not make provision for price reductions in the event that input costs (such as the costs of active pharmaceutical ingredients) decline. In contrast, however, suppliers can indeed apply for price increases in the event of upward adjustments in input costs. We call for this to change in future tenders.
- Second, as was the case with the 2008 ARV tender, the published documents do not explain how the points awarded to winning bidders were allocated – we are simply told, for example, that company X secured Y points in respect of product Z. We call for greater transparency in future tenders.
- Third, the 2010 tender did not include any TDF-containing three-in-one fixed dose combinations (FDCs). This is because all but one of these FDCs had yet to be registered by the Medicines Control Council. The affordable TDF/3TC/EFV combination would make ARV treatment as simple as taking one pill once a day.

We believe that the DoH should continue to strive to include such FDCs in future procurement processes, as their use will greatly improve patient adherence.

- Fourth, the extent to which the DoH was able to take control of the tender process remains unclear – in our view, the National Treasury appears to have retained undue influence.

Finally, we welcome the Minister's commitment to the monitoring of price changes through the life cycle of the tender. Whilst the DoH currently has no power to compel providers to reduce prices if and when input costs drop, such monitoring will certainly put pressure on them to act in good faith and pass on their savings to the state. In addition, we support – in principle – the National Health Council's approval of the establishment of a Central Procurement Authority. We call for the speedy development and implementation of an appropriate authority.

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