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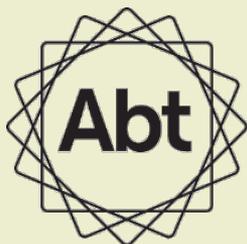
Strengthening Health Outcomes
through the Private Sector

Reducing the Cost of Private Sector ARVs in Namibia: A Means to Increase Access

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Abt Associates leads the project in collaboration with
Banyan Global
Jhpiego
Marie Stopes International
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Introduction to Namibia



- Population: 2.3 million
- Adult HIV Prevalence: 13.1%
- Gini-Coefficient: 70.7%
- Upper middle-income status



Private Health Sector not Fully Utilized

- 150,000 Namibians enrolled in private medical insurance and 184,000 additional civil servants and dependents enrolled in PSEMAS
- 51% of formally employed (18% of population) are insured

Research Question

- What are the potential savings for PSEMAS/ Ministry of Finance if ARVs were available at public sector prices, instead of the private prices currently being paid by PSEMAS?
- However, we need to understand what is the incentive for PSEMAS to make this change

Rationale

- Lowering the cost of PSEMAS rates will likely expand access to health insurance in Namibia
- Pharmaceuticals are the fastest rising cost contributor to health insurance schemes



Step One: Build Trust and Gather Data from PSEMAS

- List of all medicines classified as ARVs in the PSEMAS system, including the following information:
 - Total quantity purchased
 - Total amount paid
 - Price per medicine
 - Description of medicine
 - Number of beneficiaries per medicine and number of scripts
- Unduplicated count of PSEMAS patients receiving ARVs in 2010
- Total PSEMAS claims expenditures in 2010

Step Two: Build Even More Trust and Gather Data from MoHSS

Public sector prices for the PSEMAS-listed ARVs, including quantities/size of each medicine

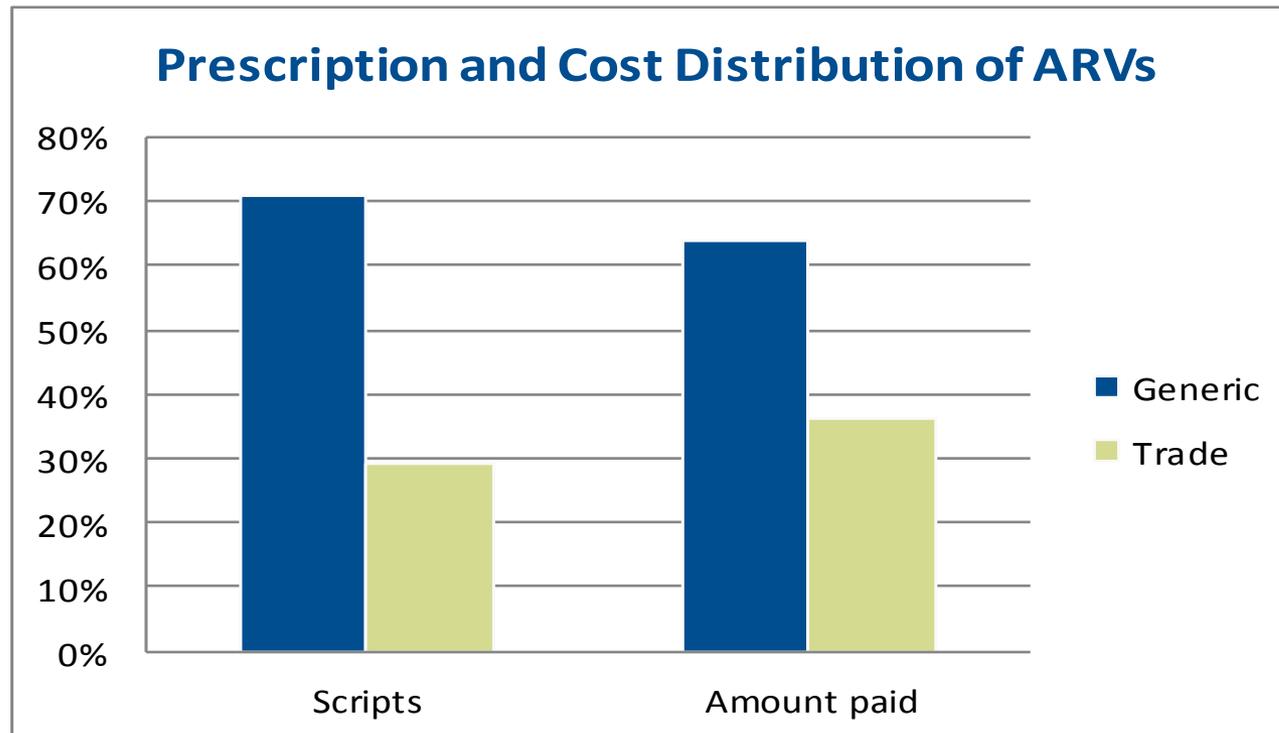
Methodological Approach

- **Step Three: Combine all datasets**
 - PSEMAS dataset on prices and dataset on total value combined
 - PSEMAS dataset combined with MoHSS dataset on prices
- **Step Four: Data cleaning and verification**
 - All non-ARV medicines are excluded from the analysis
 - Comparison of PSEMAS and MoHSS data
- **Step Five: Analysis**
 - Calculations performed:
 - Price difference between MoHSS and PSEMAS
 - Potential savings: price difference x quantities purchased
 - Average price difference
 - Total amount spent on ARV
- **Step Six: Review analysis by independent actuaries**

What Did We Learn from this Analysis?

Heavy Reliance on Generic Prescriptions; Increased Use Possible

- Total of 123 products were found – 94 can be substituted
 - Total of 184,649 prescriptions
 - 71% generic and 29% trade



PSEMAS Spends a Considerable Amount Each Year on ARVs

PSEMAS spent \$7.5 million on ARVs in 2010

- **7.9%** of all PSEMAS claims in this period
- **10,644** patients were receiving ARV medicines in 2010 (6.34% of all members)

Significant Potential Cost Savings

- Potential savings per year if PSEMAS were to access ARVs at public sector prices is \$4,176,471 (2010)
 - Potential annual savings as a % of total ARV expenditure (2010) = **48%**
 - Potential annual savings as a % of total PSEMAS claims in (2010) = **3.8%**
 - Potential annual savings per patient (2010) = **\$392**
- PSEMAS pays more than double than MoHSS
 - Average price difference per medicine = **217.8%**

Conclusions

- Relatively straightforward costing exercise can show significant impact
- Look for win-win opportunities: reduce PSEMAS costs to increase uptake and lessen dependence on public sector
- Substantial potential savings if PSEMAS can access ARVs at MoHSS prices
 - At least four other African countries are allowing private health insurance schemes to procure ARVs at public sector prices

Next Steps and Challenges

- The analytical work is easier than making policy change
- Identify other ways to reduce costs (e.g., new distribution channels and stronger disease management programs)
- Investigate similar potential cost savings in Namibia's 9 other health insurance schemes (serving about another 5000 ARV patients)



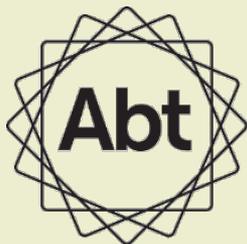
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Assumptions

- Quantity of medicines purchased by PSEMAS
 - Observed discrepancy in spend between some quantities recorded by PSEMAS and price as recorded by PSEMAS
 - Quantities deduced as: Total spend per medicine / Price
- Exclusion of ARV medicines
 - All medicines that were identified not to be ARV medicines were excluded, including 10 medicines, comprising 0.1% of all PSEMAS reported costs on ARV
- Prices
 - Prices as reported by PSEMAS as claim prices for 2010 without accounting for inflation
 - In two cases, two prices were reported for the same medicine; SHOPS used the most recent price
- Patients on ARV
 - Assumed that ARV patients were on ARV medicines for the whole of 2010 (for calculation of potential savings per patient)