

PERSPECTIVE

Discovery Health Medical Scheme's (DHMS) approach to the funding of Inflammatory Bowel Disease treatments

Inflammatory Bowel Diseases (IBD) such as Crohn's disease (CD) and Ulcerative Colitis (UC) are listed under the Prescribed Minimum Benefits Chronic Disease List (CDL). As defined by the Council for Medical Schemes, Prescribed Minimum Benefits (PMBs) are a set of defined benefits to ensure that all medical scheme members have access to certain minimum health services, regardless of the benefit option they have selected. The purpose is to provide people with continuous care to improve their health and well-being and to make healthcare more accessible, if not affordable. The Council for Medical Scheme further clarifies that to manage risk and ensure appropriate standards of healthcare, so-called treatment algorithms were developed for the CDL conditions. The algorithms, which have been published in the Government Gazette, can be regarded as benchmarks, or minimum standards, for treatment. This means that the treatment the medical scheme must provide for may not be inferior to the algorithms.

Discovery Health Medical Scheme benefits align with the PMB requirements as set out by the Council for Medical scheme. Over 5,594 members across all benefit plans are registered on and

claiming from the Chronic Illness Benefit (CIB) for CD and UC and have access to all treatments listed in the CMS algorithms.

While the CMS algorithms have not been updated since they were first introduced more than 10 years ago, Discovery Health Medical Scheme's funding approach has aligned with changes in clinical guidelines over the period. As a result, despite biologics not being PMB level of care, Discovery has, over the years, worked closely, since 2007, with the South African Gastroenterology Association (SAGES) to provide access to biologic treatments on the Comprehensive and Executive benefit plans through the Specialised Medicine and Technology Benefit (SMTB). A 20% co-payment was applicable at the inception of the biologics benefit but currently they are funded in full up to a reference price equivalent to the price of the most preferentially priced biologic or biosimilar (adalimumab).

The reference price of R3 440 for a 4-week cycle or R6 820 for an 8-week cycle applies and if any other product is used as the first biologic it is funded up to these reference amounts. With the introduction of biosimilars in the South African market, an opportunity exists to align with a globally prevalent practice of

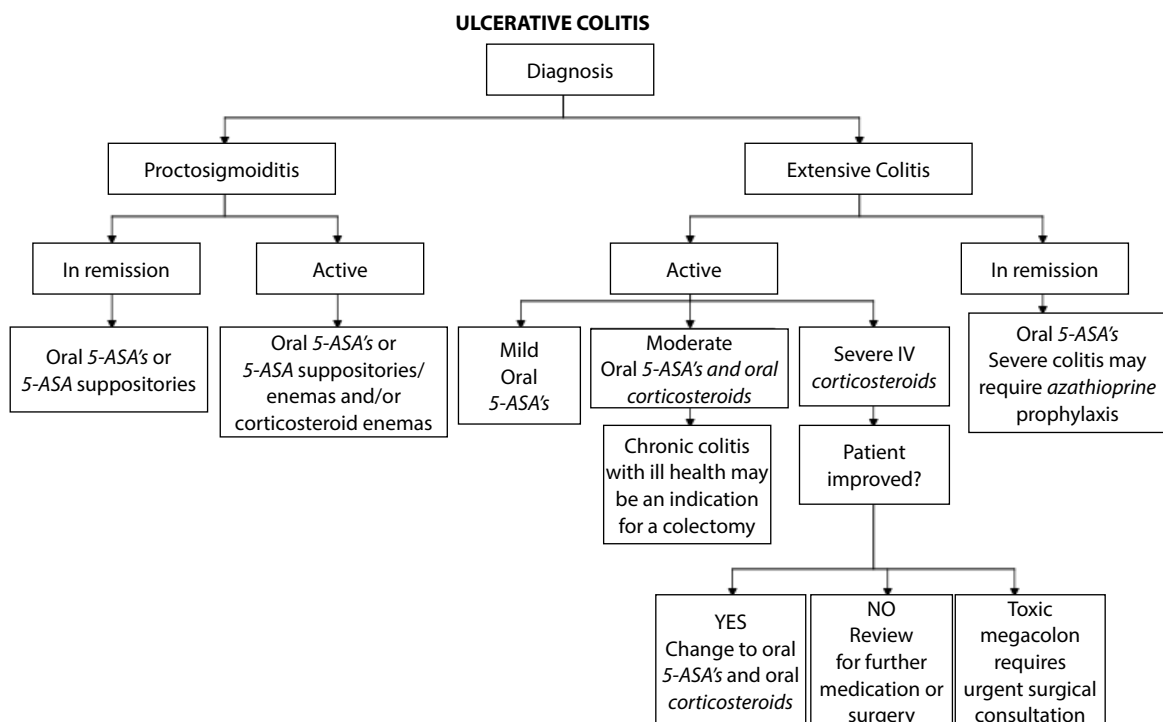


Figure 1: Ulcerative Colitis Algorithm

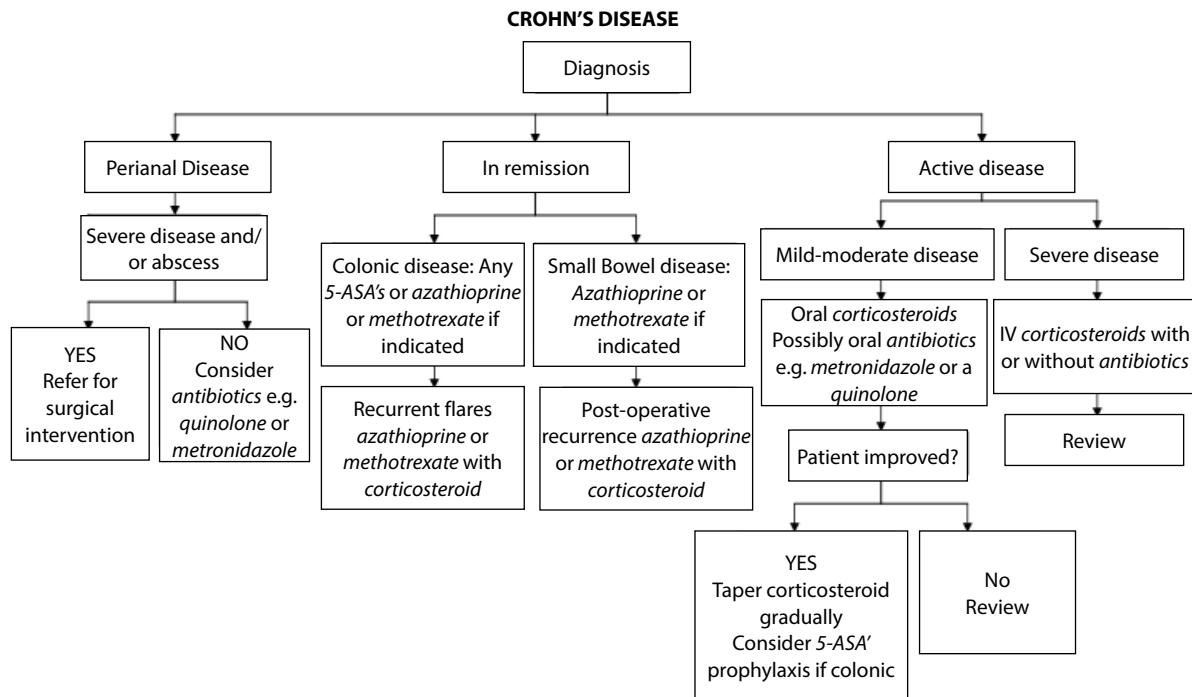


Figure 2: Crohn's Disease Algorithm

therapeutic switching across biologic and biosimilar alternatives to advance patient affordability for equivalent clinical outcomes. This is an approach that Discovery Health encourages to ensure affordability and long-term sustainability of the high-cost treatment benefits for IBD.

A clinical appeals process applies to members who cannot use adalimumab or have failed adalimumab therapy. Full funding is provided up to the reference price of the most preferentially priced infliximab product. Other alternative treatments, including JAK inhibitors, are funded up to the reference prices of adalimumab or infliximab unless there is a compelling clinical reason for their use. The individual clinical merits of each case are taken into consideration in granting such approvals.

Access to biologics and JAK inhibitors for non-Comprehensive and Executive plan types is currently available only as discretionary funding when the clinical entry criteria are fulfilled.

110 members on the non-Comprehensive and non-Executive plans in 2023 were funded for the non-PMB treatments as they have fulfilled the Scheme's funding criteria.

DHMS spent R93.76 million in 2023 on UC and CD medicines of which 84% was spent on biologics. Over the period of 2014 to 2023, biologics spend inflated by 149%.

On Comprehensive and Executive plans, in 2014, only 20% of registered members on CIB with UC or CD were using a biologic while in 2023, 51% of registered members are on a biologic with an average cost per biologic claimant of R91 000 per year (13% lower than the 2014 price, after a biologic claimant increase of 185%). The efficiency gains in biosimilar price negotiation, have

been marginal and temporary due to the increasing claimant numbers and the switch to the most costly 2nd and 3rd line agents.

Biologics cost per claimant was 247% higher than the annual premium contributions of Comprehensive and Executive plans in 2014. While some pricing efficiencies have been observed over the years because of the introduction of biosimilars in the market, the biologic costs per claimant in 2023 are still 31% higher than the annual average Comprehensive and Executive plan premium contributions. From 2014 to 2023, the Comprehensive and Executive plan membership shrunk by 51% while biologic claimants grew by 185% - further compromising affordability.

The DHMS private sector health insured market share is ~33.33% (CMS report) but the biologics claimant exposure is > 60% (Pharma and provider practice feedback). Of the newly registered UC and CD members on CIB in 2023, 39% claimed a biologic within 12 months of joining the Scheme suggesting potential anti-selection. The disproportional base of biologics claimants and growth of new claimants contributes to unaffordability as the costs continue to increase at a rate that is not aligned with Scheme membership growth.

South Africa has a long way to go in addressing the pricing and affordability of biologics in the treatment of IBD conditions before they can be accessible to all patients. Pharmaceutical company negotiations are ongoing to ensure affordable, sustainable, and broader access to high-cost IBD treatments. Despite all the current challenges, Discovery Health remains committed to driving these engagements for the long-term benefit of scheme members.