

Competition Commission sets sights on price of Covid tests

Tamar Kahn | Business Day | 25 October 2021

SOUTH Africa's competition authority is scrutinising the price of Covid PCR tests, which it says have failed to come down despite falling input costs and the economies of scale enjoyed by the biggest laboratories.

Polymerase chain reaction (PCR) tests are considered the gold standard for Covid-19 testing and are required for international travel and hospital procedures, posing a burden on travellers, patients and medical schemes alike. The commission's chief economist, James Hodge action is likely to be imminent. He noted that testing volumes are expected to ramp up as SA enters the next wave of coronavirus infections. Demand for testing is modest at present because new cases are at their lowest ebb since May 2020, but experts expect a fourth wave in December, driving up demand for tests.

Laboratories charged R1 000 to R1 500 per test at the start of the coronavirus pandemic, but the price fell to R850 after the health sector was granted a block exemption to the Competition Act's restrictions on collective bargaining in March 2020. SA's three biggest players Ampath, Lancet and PathCare charge R850 a test at present. By contrast the government's National Health Laboratory Service (NHLS) bills provinces at R507 a test and charges private sector patients R650 a test.

Hodge said the commission's expectation was that firms would compete to draw testing. He said it is strange that they are not. The price of imported test kits has fallen from \$15-\$20 to \$8-\$10, according to the World Health Organisation, suggesting that laboratories are benefiting from a potential saving of R150 a test, Hodge said.

SA has spent an estimated R9-billion on Covid-19 tests since the pandemic began. The Health Department's acting director-general, Nicholas Crisp, said the government is concerned about the cost of Covid-19 tests and officials are working closely with the Competition Commission. He said that because the market is so small, prices needed to be proactively managed. PathCare CEO John Douglass said the company was reviewing its prices. He said last year there was a very unstable situation with supply chains. Prices were incredibly variable and did not stabilise until this year after investigations were conducted into price gouging.

The NHLS is also looking at ways to bring down the cost of testing, said CEO Kamy Chetty. She said no one could have predicted that they would have been doing this number of tests. More than 18.3-million tests have been conducted in SA since the pandemic began, 8.46-million of them in the public sector and 9.88-million in the private sector, according to the National Institute for Communicable Diseases. Medical scheme administrator Discovery Health said it was pushing hard to bring down the price of tests. CEO Ryan Noach said Discovery has been in a perpetual conversation with the pathology labs about this. He said they guarantee the price is not contributing significant profits and is very closely aligned to their costs.

The Board of Healthcare Funders (BHF) said it believed there was scope for prices to fall because imported input costs had fallen in the past year and there had been a significant increase in testing volumes. BHF head of benefits and risk Rajesh Patel said when new technology comes in the throughput is low and the cost is relatively high. But when you start getting the kind of volume coming in you should see the price progressively falling.