

## DEPARTMENT OF HEALTH

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**health**Department:  
Health  
REPUBLIC OF SOUTH AFRICA

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Director-General: National Department of Health

To: Healthcare Stakeholders

**CONCERN OVER RISING BID PRICES RELATIVE TO SINGLE EXIT PRICE (SEP)**

Dear all,

The National Department of Health has become aware of a concerning pattern in recent pharmaceutical tender processes specifically observed that the prices offered by certain suppliers to the State through the public sector tender process are in some instances higher than the published Single Exit Prices (SEPs) for the same medicines available in the private sector.

This pricing behavior does not align with the legislative intent underpinning Section 22G (3) (a) of the Medicines and Related Substances Act 101 of 1965 (Medicines Act 101 of 1965), which exempts the State from the SEP framework. Furthermore Section 217(1) of the Constitution provides that "When an organ of state in the national, provincial or local sphere of government, or any other institution identified in national legislation, contracts for goods or services, it must do so in accordance with a system which is fair, equitable, transparent, competitive and cost-effective".

The longstanding rationale for this exemption has been to enable the State to procure medicines at significantly lower prices compared to those in the private sector, due to demand, the predictability, relatively higher volumes, and certainty of uptake it offers to manufacturers. Historically, this approach has ensured enhanced access to essential medicines for the public sector, in keeping with the principles of equity and affordability.

This reversal of expectations where the public sector, despite offering volume, stability, and predictable procurement, is now being charged prices exceeding those in the private sector, is a matter of concern. Of particular concern are instances where suppliers with limited or no competition in specific therapeutic areas appear to be leveraging their market position in a manner that may be perceived as uncompetitive, unethical, and misaligned with the objective of ensuring equitable access to affordable healthcare.

Such practices not only undermine the integrity of the pricing and tender systems but also create significant barriers to access affordable medicines, especially for vulnerable populations reliant on the public health sector. Considering the above, the Department of Health hereby directs that all tender prices submitted by pharmaceutical suppliers to the State must strictly comply with the legislated SEP as published in terms of Section 22G of the Medicines Act, 101 of 1965. This directive has immediate effect and any tender submissions reflecting prices above the applicable SEP may result in disqualification from current and future tenders and may trigger enforcement measures under the Public Finance Management Act (PFMA), the Medicines Act 101 of 1965, and any other applicable legal or regulatory framework. Moreover, any deliberate misrepresentation of pricing information such as tendering above SEP or withholding information shall be considered a material violation. The Department of Health and the Pricing Committee (PC) are jointly reviewing these developments and reserves the right to engage relevant stakeholders, including the Competition Commission (CC) and other regulatory authorities, as necessary to safeguard public health interest.

We urge all industry players to critically reflect on their pricing practices and uphold the spirit of fairness, transparency, equity, cost effectiveness and accountability that underpin the South African Health System. The Department remains committed to constructive engagement with the industry and values collaboration to achieve shared public health goals.

Your cooperation in addressing this matter in alignment with national policy objectives and in the interest of safeguarding equitable access to healthcare is anticipated and appreciated.



DR SSS BUTHELEZI

DIRECTOR-GENERAL: HEALTH

DATE: 17/07/2025