

## SUMMARY OF HEALTH NEWS: JANUARY 2013

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### *January's news highlights:*

**NHI:** "We can only have sympathy for Health Minister Aaron Motsoaledi, who, we believe, is doing a good job at trying to sort out his embattled sector. He's getting it mostly right in terms of HIV/AIDS, **but the public hospitals remain a nightmare,**" was *The Star's* editorial comment on 21 January. It continues: "... 56% of doctors' posts and 46% of nurses' posts are not filled ... meaning that there are at least 14 000 fewer doctors than we need and nearly 45 000 fewer nurses. This creates a gulf between Motsoaledi's vision, especially for the National Health Insurance (NHI) plan, and the reality. At this rate, the objectives of NHI seem unattainable."

- \* Despite research, **questions still remained about how NHI would work:** How much funding is needed? What sources of funding would be the most sustainable? Who would govern a NHI fund? How would the national fund work with provinces and district pools? How might medical schemes evolve?
- \* **Nationilisation of provincial hospitals:** Min. Motsoaledi's announcement that the National Department of Health (DoH) intends taking over SA's 10 biggest hospitals as some provincial governments lack capacity to manage them was met with harsh criticism, especially from the DA in the Western Cape. Don't fix it if it is not broken, said DA-leader Helen Zille. Threatened cuts to the Western Cape's grant (announced earlier this month) were precisely the kind of problem Motsoaledi hoped his taking control of SA's 10 biggest teaching hospitals, would resolve, according to Western Cape health department head, Craig Househam.
- \* **Pharmaceuticals: The Medicines Control Council (MCC) has run out of space to store dossiers relating to drugs sent to it for registration.** Meanwhile, there is little indication of when the new agency that is to replace the council will start operating as parliament is still considering comments on the Medicines & Related Substances Amendment Bill, which proposes the setting up of the SA Health Products Regulatory Authority (Sahpra) to replace the MCC.

### 1. NATIONAL HEALTH INSURANCE (NHI) & PUBLIC HEALTH

#### ***R80-bn a year more needed for NHI; The evolution of the NHI***

*The Mail & Guardian, 14 December 2012; The Times, 25 January 2013*

**If NHI were to be implemented this year, the country would be short of R80-bn a year** to pay for it, said the Treasury's chief director for health and social development, Dr Mark Blecher. Government would spend R122-bn on health in this financial year, but billions more would be needed to pay for NHI. Funding options include increasing VAT, creating a new tax paid by employers and using money from private medical aids.

\* The DoH has earmarked the following projects for 2013:

#### **1. Expansion of the output of health professionals**

Increasing and expanding the MBChB intake in the SA faculties of health sciences; this will include pharmacists, pharmacy assistants and other categories. Min. Motsoaledi is also engaging university deans and the Health Professions Council (HPCSA) to ensure good quality of outcomes.

The private health sector, through the Public Health Enhancement Fund, has agreed to contribute to this effort and assist with the funding for needy students starting in 2013.

#### **2. Support for the Academy for Leadership and Management in Health**

A training programme for new hospital managers - in collaboration with SA's training institutions – will commence early in the year.

The private health sector has agreed to join the department in an effort to support this development.

### 3. Support for development of high level expertise in management of TB and HIV/AIDS

The private health sector, through the Public Health Enhancement Fund, has pledged R40-m for scholarships for doctoral, post-doctoral and master's studies in biomedical, clinical and health systems in the area of HIV, AIDS and TB.

## 2. NEWS ON HIV/AIDS, TB, MALARIA & COMMUNICABLE DISEASES

### ***Research: Encouraging results from Spain; Australian study points to potential cure for AIDS; Generic HIV drugs 'may be less effective'***

*Business Day, 3 January; SAPA-AFP, 16 January; Netdoctor.co.uk, 15 January 2013*

**Spanish researchers have developed a therapeutic vaccine that can temporarily break the growth of HIV in infected patients.** The vaccine, based on immune cells exposed to HIV that had been inactivated with heat, was tested on 36 people carrying the virus. The results were the best yet recorded for such a treatment, the team said. After 12 weeks of the trial, the HIV viral load dropped by more than 90% among 12 of the 22 patients who received the vaccine. After 24 weeks, the effectiveness had begun to decline. Researchers will now work on improving the vaccine and combining it with other therapeutic vaccines.

- \* An **Australian scientist**, David Harrich, says he has discovered **how to turn HIV against itself to stop it progressing to AIDS**. He has successfully modified the protein, which he had named Nullbasic that shows a "remarkable" ability to arrest HIV growth in a lab environment. The new Nullbasic gene therapy, if proven, could see the deterioration from HIV to AIDS halted indefinitely.
- \* **New generic versions of HIV drugs may be less effective than the original brand-name medications**, according to researchers at Massachusetts General Hospital and Weill Cornell Medical College in the US. Switching to the generic ARV lamivudine could save healthcare in the US alone almost \$1-bn a year. However, it could diminish the effectiveness of the currently used treatment with emtricitabine.

### ***State's effort on HIV/AIDS bearing fruit***

*Business Day, 10 January 2013*

The death rate among employees of companies that bought risk cover from Old Mutual fell almost 20% between 2008 and 2011 - a decline that came as Government's drive to get more HIV patients on treatment gathered pace. These findings are consistent with that of a study published last year by the Medical Research Council which found life expectancy to have risen to 60 years in 2011, up from 56,5 years in 2009 as fewer people died of AIDS. **Old Mutual's research not only underscored the effect of the government's AIDS treatment programme, but also highlighted a direct benefit for companies, since better risk profiles meant lower insurance premiums.**

### ***HIV care hit by closure of McCord Hospital in Durban***

*The Sunday Times, 20 January 2013*

The 140-bed McCord Hospital in Durban, which runs SA's biggest HIV care and treatment centre, is scheduled to stop all healthcare services on March 31 and refer patients to the city's 16 state-funded hospitals, which are already overburdened.

### ***Council nod to little-tested killer-TB drug; SA pays a high cost for drug resistant tuberculosis***

*Business Day, 8 January; The Times, 19 January 2013*

According to a study a case of extremely drug resistant tuberculosis costs SA about \$26 392 (R234 516,67) to treat - four times that of drug resistant TB, and 103 times more than drug sensitive TB.

- \* **Meanwhile the Medicines Control Council (MCC) has granted patients with extremely drug resistant tuberculosis (XDR-TB) access to Johnson & Johnson's experimental drug bedaquiline**, even though it has yet to be registered in SA.

The death rate for patients with XDR-TB relying on current treatments is about 80%, according to Médicines Sans Frontières. The latest development follows an intense campaign by local activists and doctors, who have argued the drug represents the last hope for patients who do not respond to treatment. Bedaquiline has so far only been tested in small phase 1 and phase 2 trials and a phase 3 trial is set to get under way later this year. Data from that trial is only expected in two or three years' time. Usually a drug must pass a phase 3 trial before it can be submitted to the regulatory authorities for approval.

### **Motsoaledi appoints committee for cancer**

*Business Day, 10 January 2013*

Min. Motsoaledi has appointed an advisory committee on cancer, a development in line with a United Nations (UN) campaign launched in late 2011 to combat non-communicable diseases. The committee includes representatives from academia, cancer groups, the National Health Laboratory Service, pathology firms and the department.

### **Winning the war against breast cancer**

*The Star, 16, 17 January 2013*

New tests on old breast cancer drugs Tamoxifen and Evista (Raloxifene) are proving that healthy women who are high-risk candidates for breast cancer can take the drugs as a preventative measure, slashing their chances of contracting the disease by up to 63%.

Both Tamoxifen and the osteoporosis drug Raloxifene, which is used after menopause, are licensed in the US for breast cancer prevention but are not widely prescribed, partly because of concerns about side effects like hot flushes, nausea, indigestion, weight gain and leg cramps.

## **3. DOCTORS, NURSES, HOSPITALS & TRAINING**

### **ANC plan to grab control of top state hospitals**

*Business Day, 28 December 2012*

**Min. Motsoaledi has announced that the DoH intends taking over SA's 10 biggest hospitals as some provincial governments lack capacity to manage them.** The hospitals earmarked for national administration include some of the best-run in the country, particularly Groote Schuur Hospital and Tygerberg Hospital in the Western Cape. Gauteng has four hospitals earmarked for national administration: Steve Biko, George Mukhari, Charlotte Maxeke and Chris Hani Baragwanath; Universitas Hospital in the Free State, Nelson Mandela Academic Hospital in the Eastern Cape and KwaZulu-Natal's King Edward VIII Hospital and Inkosi Albert Luthuli Central Hospital will also be run from Pretoria.

### **Cadres make way for new hospital CEOs; Hospitals: Fresh infusion**

*Business Day, 18 January; The Financial Mail, 25 January 2013*

**Min. Motsoaledi has announced the appointment of more than 100 new CEOs with effect from February 1, for public hospitals,** fulfilling his promise to ensure these positions are filled by qualified people. A review of hospital managers published by the DoH in 2011 found that some CEOs were political appointees, with neither healthcare nor managerial qualifications. Last year 92 CEO posts were advertised by the national DoH and 30 by the provincial departments.

\* Motsoaledi said that in future hospitals with adequate pharmacy capacity and efficient management would be able to ask **contracted suppliers directly to deliver drugs to their hospitals.** This is in line with the ANC's resolution to abolish the depot system as they had become centres of theft, corruption, mismanagement and stocks of expired drugs.

### **Cape health boss warns on hospital takeovers; Cape hospitals 'safe from budget cuts'**

*The Cape Times, 22 January; Business Day, 21, 22, 23, 24 January 2013*

**Min. Motsoaledi has vowed to protect the Western Cape's biggest teaching hospitals from budget cuts, insisting that figures his officials provided to the province earlier this month will be revised.** He said these were draft figures and open for debate. This follows an announcement that R173-m would be shaved off the Western Cape health department's national tertiary services grant for the three-year budget cycle beginning on April 1. The money was primarily destined for Groote Schuur and Tygerberg, with a smaller allocation to the Red Cross Children's Hospital. The grant is used for training and the provision of specialised services.

DoH officials apparently decided to shift funds from the Western Cape's share of the grant following a directive from the Treasury to revise budgets in line with the latest census figures, published late last year. However, Motsoaledi insisted that central hospitals should be exempted from this process.

\* **The threatened cuts to the Western Cape's grant were precisely the kind of problem Motsoaledi hoped his taking control of SA's 10 biggest teaching hospitals, known as central hospitals, would resolve.** The proposal - which has yet to be made government policy - has run into stiff opposition from Western Cape health department head Craig Househam and MEC Theuns Botha, who have questioned both the rationale and practicality of the idea. (Editorial Comment: *The Cape Times, 22 January*)

- \* In his reaction to the latest development Houseman said that **rather than centralising control over hospitals the provincial health departments ran, the Minister should devise better delegation and management systems to ensure correct processes were followed.** He said Government does not have the skills or capacity to run Western Cape's biggest hospitals from Pretoria. The proposals would fragment the national health system, disrupt the referral procedures in Western Cape and blur the lines of accountability.
- \* Earlier Health MEC Theuns Botha said the DA provincial government will not relinquish control of Groote Schuur and Tygerberg hospitals to the DoH without a fight. It will be unconstitutional to nationalise it and the Western Cape would resist it.

***Vacancies for doctors, nurses in the public sector 'shocking'; Just a faint pulse***

*The Financial Mail, 18 January; Business Day, 17 January 2013*

**According to research released by the SA Institute of Race Relations the vacancy rates for posts of doctors and nurses in provincial hospitals were quite shocking.**

Although Min. Motsoaledi has taken several initiatives to increase the number of doctors, SA's weak education system is not producing sufficient school leavers with the requisite skills to study medicine, said institute researcher Lerato Moloi.

**In Limpopo the vacancy rate among public sector positions was 56% for doctors and a 46% for nurses.** Gauteng had a doctor vacancy rate of 40% and a nurse vacancy rate of 15%. In the Western Cape the rate was 40% for doctors and 34% for nurses; the Eastern Cape rate was 48% and 67%; in the Free State 55% and 47%; in KwaZulu-Natal 49% and 26%; Mpumalanga: 47% and 27%; North West: 26% and 12%; and the Northern Cape's vacancy rate was 57% and 34%. Overall, the public sector people-to-doctor ratio stood at 4 211 to 1, and the people-to-nurse ratio stood at 902 to 1 in 2011.

- \* In 2011 just more than 8 900 SA doctors were employed overseas, but the number of foreign doctors working here was only a third of that, at 3 000. In total, more than 27 000 SA health professionals who qualified in SA were working abroad.
- \* Meanwhile figures released by the SA Nursing Council (SANC) show a 40% growth in the number of nurses registered over the past nine years to 248 736. Qualified nurses and midwives grew from 96 715 to 124 045. The rest are enrolled nurses - nursing students who have completed one or two years of training. However, the SANC's figures show that the nursing population is ageing, with about 45% of the workforce above 50. Up to 51 200 nurses would have to be produced over the next 10 years to replace those retiring and leaving the profession in order to sustain the current ratio.
- \* **Though the moratorium was lifted in June 2010, the SANC has not accredited any new colleges.** There has been no word on when the 105 nursing colleges that were to be revitalised, will start operating. The new date for the last intake of students in the current dispensation is now June 2015.

***KwaZulu-Natal: Desperate Durban doctors complain about conditions; Hospital dilemma gains urgency***

*The Cape Times, 8 January; Business Day, 22, 30 January The Sunday Times, 20 January 2013*

**McCord Hospital in Durban, established in 1909 but now facing closure,** counts the training of thousands of medical staff and pioneering the treatment of HIV/AIDS among its milestones. The hospital, which has 400 staff, plans to shut due to cutbacks in the US government's aid programme for HIV/AIDS, and a review by the KwaZulu-Natal department of health of an annual grant that amounted to R78m last year.

McCord Hospital's chief executive, Kevin Smith, declined to disclose why the department would not renew the subsidy.

- \* **Also facing the threat of closure is Durban's second biggest and oldest hospital, the 524-bed Addington Hospital.** Reports of infrastructure and service-delivery problems at this hospital have become a regular feature in the city's press.

Earlier it was reported that doctors at Durban's Addington Hospital are being forced to practise sub-standard medicine, exposing themselves and the hospital to possible legal action from patients. Hence, a desperate letter was written by the head of the hospital's surgery unit, Dr Masee Naidoo, to its acting CEO, Thabisile Sakyi.

KZN health department confirmed some doctors and pharmacy staff had been suspended on full pay pending an investigation.

***Mpumalanga: 'People can't be scared of going to hospital'***

*The Star, 30 January 2013*

The shocking state of affairs at public hospitals in Mpumalanga came under the spotlight when Premier David Mabuza visited 82 hospitals in the province. Staff and equipment shortages were a major problem. He has asked the managers of the hospitals to submit a list of all their needs to the provincial director-general's office and to the department of health in order for urgent intervention to take place.

***Limpopo: Spotlight on deaths of four babies***

*SAPA, 7 January 2013*

The SA Human Rights Commission will investigate the deaths of four babies at George Masebe Hospital in Limpopo during a serious staff shortage between January 3 and 5.

Health MEC Norman Mabasa said that the 288-bed hospital should have 38 doctors but had only 8. According to the union Nehawu, another 3 of the hospital's doctors resigned last month.

***Eastern Cape: Lives in danger after delivery breakdown at depot; Doctors risk jobs to speak out***

*Health-e News Service, 30 January 2013; The Star, 14 December 2012*

**Scores of state patients living with HIV are in danger of dying after the Mthatha Medical Depot was unable to dispense antiretrovirals for several weeks.** A report by Médecins Sans Frontières (MSF), the Rural Health Advocacy Project, SECTION27 and the Treatment Action Campaign (TAC) reveals that the problems at the depot go deeper than issues of labour disputes and flooding that precipitated the crisis. Inadequate human resource capacity, corruption, mismanagement and lack of oversight by the national and provincial departments of health (despite knowledge of the extent of the problems) left the depot vulnerable and the breakdown was predictable.

**The report stated that the health crisis in the Eastern Cape seems to be one of management constraints, rather than a shortage of funds.** The Mthatha depot serves over 300 medical facilities in the north-eastern third of the Eastern Cape.

\* In a damning statement endorsed by all 30 specialists in the Port Elizabeth Health Complex, the doctors are calling for action as staff shortages inhibit their ability to provide adequate healthcare. The health complex - which comprises three large provincial hospitals: Dora Nginza, Livingstone and Port Elizabeth - lost 47 doctors last year, with no advertisements calling for replacements published and only "a handful" of positions refilled. Numbers provided, show a drastic increase in infant and child-mortality rates in the past year, with growing surgery waiting lists in every other department.

***Doctors, nurses wary of UAE jobs***

*The Cape Times, 10 January 2013*

The case against Cape Town doctor Cyril Karabus in the United Arab Emirates (UAE) has resulted in major international repercussions for that country. The South African Medical Association (SAMA) has warned practitioners to "think twice" before heading to work in the Middle East.

Karabus has been held in the UAE since his arrest on a murder charge in August while in transit through Dubai. He had been tried in absentia and convicted of homicide and falsifying documents after the death of three-year-old Sarah Adel in 2000 in Abu Dhabi, where he had been working as a locum. He was sentenced, in absentia, to four years in jail. SAMA spokesman Mzukisi Grootboom said similar incidents involving nurses and doctors had surfaced.

***Gauteng: Dentists upset over government regulations***

*SAPA, 17 December 2012*

Dentists want the High Court in Pretoria to set aside a government decision to impose regulations on their assistants, requiring them to obtain certain qualifications and declaring that they fall under a professional board. The SA Dental Association (SADA), said regulations promulgated in 2005 had left dentists in a quandary over whether they could lawfully employ dental assistants unless they were registered with the Health Professions Council of SA (HPCSA). Dental assistants from the Dental Assistant Association of SA have asked the court to add them as respondents in the application. The court postponed the application indefinitely and added the association as a respondent.

***Angry medics lose out on overtime pay***

*The Star, 22 January 2013*

The commuted overtime contracts of 750 doctors at Chris Hani Baragwanath Hospital were changed without their knowledge and the "massive blunder" could make doctors leave their posts, said DA Gauteng health spokesman Jack

Bloom. Both the hospital and the province have committed themselves to paying doctors as soon as the signed documents were submitted.

#### 4. MEDICAL AIDS

##### ***Press Release – 8 January***

The Minister of Health has appointed Prof. Yosuf Veriava to head the Council for Medical Schemes (CMS) as its Chairperson. Prof. Veriava is the Special Advisor to the Dean of the Faculty of Health Sciences at the University of the Witwatersrand in Johannesburg.

##### ***Medical schemes do a deal with specialists to avoid co-payments; Sama defends specialist pricing***

*Business Report, 14, 21 January 2013*

In reaction to the high tariffs some medical specialists were charging, **Bonitas announced the creation of a medical specialists' network and Discovery said it had made payment arrangements with 89% of the country's medical specialists to date.** Both schemes have undertaken to pay a tariff that is higher than their normal rates to specialists with an agreement that no co-payments will be levied on their members when they use these designated service providers. Discovery paid specialists between 140% and 216% of its tariff, and Bonitas now had more than 1 800 specialists contracted onto its network and it was expecting to increase this number to about 2 300 by the end of March.

- \* Following this news, Dr Mzukisi Grootboom, chairman of the South African Medical Association (SAMA), criticised an article "Medical schemes do a deal with specialists to avoid co-payments" (*Business Report, January 14, 2013*). He said SAMA is dismayed by the opportunistic and sensationalist manner in which the matter was presented to the public. In the article, the journalist blamed doctors for what she called "shrinking medical benefits", and quoted an allegation made at the recent Board of Healthcare Finders conference saying "it emerged that some medical specialists were charging as much as 700% above scheme rates".

##### ***Medical aid chair loses bid to halt probe***

*Business Day, 30 January 2013*

The North Gauteng High Court has dismissed an application brought by the chairman of Liberty Medical Scheme to stop a CMS investigation into whether he is fit for his job. The judgment upholds the council's right to continue with its probe into Dan Pienaar's conduct, which could lead to his removal from office. But the investigation has been suspended again, as Mr Pienaar's lawyers are planning to appeal.

The council was investigating allegations that Pienaar had been involved in an attempt to blackmail former CEO of Liberty Health Peter Botha into setting up a marketing company in which he and the former chairman of the scheme, Larry Jacques, would have shares.

#### 5. PHARMACEUTICALS

##### ***Drug firms allowed 5,8% price increases; SEP brings down drug prices, but threatens survival***

*Business Day, 24 January; Business Report, 28 January 2013*

**According to healthcare experts the implementation of a single exit price (SEP) for medicines may have put downward pressure on the cost of drugs, but it could threaten the future of the local pharmaceuticals industry and it has not brought consistent pricing benefits to consumers.** They warned some drugs could be unavailable in the long-term if the regulator of prices (by the DoH) did not react immediately to changing economic indicators. The department issued the annual notice on the SEP adjustments for 2013 two weeks ago, allowing an increase of the SEP for medicines and related substances by a maximum of 5,8%, a figure that pharmaceutical firms said was not enough to sustain local manufacturing. (The increase is applicable to the SEP of a medicine, which is the price for all drug retailers, irrespective of their size. The retailers then add their own mark-ups.)

- \* Cobus Venter, chief economist at Stellenbosch University's economics department, said pressure must be put on the regulator to react timeously on market forces. With the weaker rand, more expensive medicines would be imported, and might not even be available in the long run.
- \* According to research by Wits Business School graduate, Daleen Pretorius, consumers were not protected from prices beyond the regulated SEP because of price differences among different pharmacies: "A consistent pricing benefit was not realised by consumers, due to the significant and clear price difference documented through the quantitative data in the research". When assessing the impact on drug companies, Pretorius found that because retail pharmacies had to implement strategic changes to stay in business most had to reduce stock on hand.

- \* Ryan Lobban, a healthcare research analyst at Frost & Sullivan, said the SEP regulation was another example of health policy having an impact on industrial policy. The Department of Trade and Industry was fostering an ambitious local manufacturing drive and its industrial policy action plans stated that SA needed to start manufacturing active pharmaceutical ingredients for HIV drugs. Lobban said Government needed to address this conflict between pursuing affordable medicines and stimulating local manufacturing.

### ***Fast drug approvals help firms, patients***

*Reuters, 27 January 2013*

At the World Economic Forum's meeting in Davos the head of the US Food and Drug Administration (FDA), commissioner Margaret Hamburg said, 39 new drugs were approved in 2012 - a record only beaten in 1996. The industry badly needs a winning streak after poor returns for several years due to a wave of patent expiries on older products and a failure to bring enough new drugs to market to replace them.

Novartis chief executive, Joe Jimenez, said the FDA had really shifted back to a disciplined scientific approach to drug approvals, so more drugs were being approved.

According to Sanofi chief executive, Chris Viehbacher, drug manufacturers also had to win a place for their usually pricey new products on lists of treatments covered by insurers or state health services. He said the rigour of having to prove the value and the clinical effectiveness of new medicines resulted in companies focusing on developing drugs that had a clear edge, even if this involved zeroing in on small, niche markets. But discovering new medicines and processing them through the three required stages of clinical development remained a complex business.

### ***Stretched to the limit***

*The Financial Mail, 21 December 2012*

**The Medicines Control Council (MCC) has run out of space to store dossiers relating to drugs sent to it for registration.** The MCC has about 5 000 dossiers pending approval. Some were sent six years ago.

Adcock Ingram CEO Jonathan Louw, whose company has 663 dossiers waiting for approval, said the delays at the MCC had been the single biggest inhibitor of growth for the company, which sends about 100 applications a year.

- \* New drugs have a 20-year patent life before they can be copied. The MCC takes between three and five years to register the drugs. MCC registrar Mandisa Hela was not willing to be interviewed.

- \* Meanwhile, there is little indication of when the new agency that is to replace the MCC will start operating.

Parliament is still considering comments on the Medicines & Related Substances Amendment Bill, which proposes the setting up of the SA Health Products Regulatory Authority (SAHPRA) to replace the MCC.

Saphra will also regulate food, medical devices and in-vitro diagnostics. Its envisaged staff complement will be more than double that of the MCC.

### ***Meningitis B vaccine wins approval***

*Business Day, 23 January 2013*

**Novartis has won European approval for the first vaccine (Bexsero) against meningitis B** and wants cash-strapped governments to add it to routine vaccination programmes to ensure its commercial success. The Swiss company needs profits from vaccines to help offset its reliance on prescription drugs ahead of a wave of patent expiries. There is currently no approved vaccine offering broad protection against "MenB". Analysts expect the European market for Bexsero to be \$600-m to \$700-m.

### ***India's Serum Institute offers cheap polio vaccine***

*Bloomberg via Business Day, 23 January 2013*

Indian billionaire Cyrus Poonawalla, founder of the world's biggest maker of vaccines, will **cut the price of polio immunisation and introduce shots for diarrhoea and pneumonia, undercutting Pfizer and GlaxoSmithKline.** He will use last year's acquisition of a Dutch vaccine business, Biltoven Biologicals. The injectable form of polio inoculation will be added to the oral drops the India-based company supplies to organisations such as the UN Children's Fund. The group also plans to sell a low-cost pneumococcal shot to compete with Pfizer's \$4-bn Prevnar pneumonia vaccine by 2016. This would "revolutionise" efforts to eradicate polio that affects nerves and results in paralysis.

## 6. FINANCIAL NEWS

### ***Life Healthcare: Brimstone 'still keen on private hospitals'***

*Business Day, 23 January 2013*

The CEO of Brimstone (and Life Healthcare's acting chairman) Mustaq Brey, said a pricing commission to regulate the charges of private healthcare would not dissuade the firm from investing in the sector. This comes after the ANC decided at their Mangaung conference to establish a national pricing commission to regulate the charges of private healthcare. Brey said if public health did not hide behind public works and saw the true costs of operating hospitals, they would be in for a rude shock. Brimstone holds almost a third of Scientific Group, a company that supplies medical equipment to private and state hospitals, clinics, universities and doctors. At Mangaung it was noted in discussions that private hospitals charged "extremely exorbitant fees" and that health inflation was getting out of control because of private hospitals.

### ***Positive outlook for healthcare sector***

*The Financial Mail, 11 January 2013*

Life Healthcare, the *Financial Mail's* stock pick for 2012, has been a sterling performer in the private hospitals segment since its return to the JSE in 2010. Shareholders were rewarded with a 105c/share dividend (2011: 85c/share) after the group posted a 17% rise in operating profit to R2,5-bn. However, Life Healthcare is unlikely to maintain the speed at which it's been growing.

***Financial Mail is betting on pharmaceutical groups this year.*** Though prices are controlled in the pharmaceutical industry, the increasing use of generic drugs bodes well for Aspen Pharmacare and Cipla Medpro SA. Cipla has been resilient, and got a much bigger slice (a R1,4-bn two-year contract) in government's new ARV tender. Investor confidence is returning after a wave of bad publicity due to the suspension and later resignation of its founder and CEO, Jerome Smith.

However, Aspen Pharmacare is a more stable counter. The group has been a consistent performer under Stephen Saad, delivering an annual compound growth rate in revenue and earnings exceeding 40% over the past 14 years. Aspen has established itself as the ninth-biggest generic drugs manufacturer in the world.

### ***Ousted CEO sues Cipla in R30-m payout wrangle; Payments 'unlawful'; Cipla Medpro to seek better offer***

*Business Day, 11, 14, 25 January 2013*

**Cipla is defending a R30-m lawsuit brought against it by former CEO Jerome Smith**, who is claiming R11,6-m in bonuses and R18,5-m in outstanding salary after his contract was "unlawfully repudiated" last year. According to Cipla bonuses were paid without the requisite authorisation of the board or recommendation of the company's remuneration committee. These payments were thus obtained unlawfully and dishonestly and were not disclosed by Smith at the appropriate time. When asked for a response, he had apparently given a dishonest explanation. Smith claimed in his court papers that he only agreed to acknowledge that the bonuses were unauthorised because he was threatened with disciplinary action.

\* **Meanwhile Cipla is expected to ask for more than the R1,9-bn on offer from Indian suitor Cipla** to reflect a lucrative government contract win that will increase its earning power. Cipla is to offer R8,55 per share for a 51% stake in Cipla Medpro. The Indian group supplies drugs to the Cape Town-based company, but has never owned a stake.

Analysts say Cipla stands to get revenues of \$30m-\$40m a year from the ARV contract if it gains control of Cipla Medpro. However, some analysts say Cipla Medpro cannot afford to get too tough over the bid price as the company relies heavily on the Indian firm's commitment to supply the bulk of its medicines. The supply deal was spearheaded by Smith, the former CEO and founder of the company.

Research analyst Mathew Menezes said Cipla Medpro was worth more with a 51% shareholding, as it reduced the market's concerns regarding the sustainability of the supply agreement.

### ***Adcock concludes India acquisition***

*Fin24.com, 18 January 2013*

**Adcock Ingram Holdings has announced the completion of the acquisition of Cosme Farma Laboratories Limited**, a pharmaceutical company based in Goa, India for R745-m. Adcock Ingram will now assimilate over 1 000 former Cosme employees, and will look to build a growth base in India.

### **Netcare buys stake in UK's General Healthcare Group**

*Business Day, 25 January 2013*

**Netcare bought UK property investor Brockton Capital's interests in the UK's biggest private hospital group, General Healthcare Group (GHG), for £11-m.** The deal increases Netcare's exposure to its UK hospital business, which it has expressed confidence in despite past weaknesses. Netcare agreed to sell certain of its interests in the GHG property arm which houses the 35 properties it acquired in 2006 to its other GHG partners - private equity investor Apax Partners and London & Regional Properties. As a result, Netcare's beneficial interest in GHG's operating arm (BMI OpCo) and the property arm PropCo 2, will increase to 53,72% from 50,7% while its beneficial interest in GHG PropCo 1 remains at 50%.

### **Legal claims mount**

*The Financial Mail, 25 January 2013*

Medscheme's parent company, AfroCentric Investment Corp. disclosed in its 2012 annual report that Neil Harvey & Associates had amended the particulars of its initial R83,5-m claim against Medscheme to R390,4-m. Neil Harvey, owned by Liberty Health, alleged that while Medscheme had access to its software it unlawfully copied source code and misappropriated confidential information to develop its own software. Medscheme has consistently denied these allegations.

Bonitas is one of Medscheme's major clients, and it in turn is now claiming damages from Medscheme.

### **Rising prospects; Pharmaceutical firms buy in China**

*Reuters, 13 December; The Financial Mail, 21 December 2012*

**Pharmaceutical companies are spending record amounts on acquisitions in emerging markets, with China the most attractive target nation.** Overall expenditure by both overseas and domestic pharmaceutical companies in emerging markets has reached R173-bn last year, up two-thirds on the previous year's total, according to Thomson Reuters' data. Spending by overseas acquirers alone in key growth markets ran at \$3,5-bn, an increase of 95% on 2011. Pharmaceutical mergers and acquisitions declined worldwide to \$146-bn from \$225-bn in 2011.

Emerging markets are expected to account for the bulk of growth in the global pharmaceuticals market in the next few years, as sales in Europe and the US slow due to a wave of patent expiries.

- \* Linda Reid, commercial director of IMS Health, **predicted compound annual growth of 7,8 % from 2011 to 2016 in the SA pharmaceuticals market.** IMS Health's *The Global Use of Medicines: Outlook Through 2016* predicted total global pharmaceutical spend could reach \$1,6 trillion by 2016. It forecast that the developed markets' share of this spend would shrink from 73% in 2006 to 57% by 2016.

As access to basic medicine opens up to more people in "pharmerging" countries - including SA and its Brics partners, Brazil, Russia, India and China - IMS predicted these countries' market share would reach 30% in 2016.

- \* **Generics and other low-cost products would account for about 83% of this spend.** Though China concentrated on producing active pharmaceutical ingredients, pharmaceutical companies from India, Brazil and SA were prominent in the key countries of the African market analysed by F&S. Economic growth in sub-Saharan Africa is predicted to remain strong, and GDP growth should enable greater state spending on healthcare and a greater proportion of the population should have more disposable income, making healthcare more affordable.

### **Pfizer's possible unit shuffle triggers breakup concern; New York Pfizer pins hopes on new drugs**

*Bloomberg, 15,29 January 2013*

Pfizer Inc's four business units covering oncology, primary care, specialty drugs, and so-called established products, which are medicines that have lost patent protection and are sold against generics, could evolve into two: the innovative business and the value business. CEO Ian Read took over New York-based Pfizer in 2010. **The possible reorganisation might be another step toward a split by Pfizer two to three years down the line,** said Mark Schoenebaum, an ISI Group analyst. Pfizer's new drugs business will have about \$36-bn in sales in 2013, and its generic medicines line \$17-bn.

- \* Meanwhile Pfizer has forecast profit this year of as much as \$2,30 a share after the introduction of two products with the potential to each generate more than \$1-bn a year. Pfizer's Xeljanz, a pill to treat rheumatoid arthritis, was approved in November and is the first of a new type of medicine for the disease. Eliquis, a blood thinner developed with Bristol-Myers Squibb, was cleared last month.

Fourth-quarter net income more than quadrupled to \$6,32-bn, or 85c a share, from \$1,44bn, or 19c, a year earlier. Revenue of \$15,1-bn beat analyst estimates of \$14.4bn.

### ***US Health industry shows stock market muscle***

*Health News, 29 January 2013*

Despite various concerns and challenges, healthcare stocks, including shares of for-profit hospitals, have fared well in the opening weeks of 2013. The industry group that includes healthcare providers, drug producers and biotechnology companies has advanced 7,3% this year, making it the second-best in the Standard and Poor's 500 index trailing only energy companies.

### ***EU tax ruling a blow to health firms***

*Reuters, 17 January 2013*

**Spain's decision to cut VAT on some medical products has been ruled illegal by Europe's highest court**, a fresh blow to health companies already struggling to get local authorities to pay their bills, and who will now have to raise product prices. The ruling means that cuts made two years ago to bring value-added tax to between 4% and 10% will have to be reversed to the standard level of 21%.

## **7. GENERAL NEWS**

### ***Baby milk advertising controls published***

*Business Day 13 December 2012*

The DoH has finalised its regulations for the way infant formula milk is promoted, **banning images of jolly bottle-fed babies and making it illegal for companies to make negative claims about breastfeeding**. The new laws are intended to stop advertisements extolling the virtues of infant formula and clear the airwaves for the department to get its own message across about the benefits of breastfeeding, which is at a record low in SA. It hopes that by doing so, more women will nurse their babies and reduce their risk of life-threatening illnesses such as diarrhoea and pneumonia.

New regulations to the Foodstuffs, Cosmetics and Disinfectants Act were published in December 2012, bringing SA in line with the International Code of Marketing of Breastmilk Substitutes and World Health Assembly resolutions.

### ***Pirate Viagra can kill***

*The Times, 18 July 2013*

Last month, the SA Revenue Serviced (SARS) seized 7 000 pills that appeared to be Viagra. In October, about 4 150 pills were seized and 3 340 in November. A pack of four Viagra pills costs R485 in SA but some companies in Japan offer them on-line at R50 a pop. The pills seized a month ago were valued at almost R700 000 and had been sent by mail from China, Hong Kong, India, Singapore and the UK.