

SUMMARY OF HEALTH NEWS: JUNE 2013

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JUNE HIGHLIGHTS:

Hard times for doctors:

Skyrocketing premiums for medical malpractice: Figures supplied by the Medical Protection Society show that **premiums for specialists doing risky operations, such as the delivery of babies, spinal operations and neurosurgery, have risen by as much as 222% since 2008.** No wonder many doctors consider giving up practice. There is no immediate solution to the problem, said Dr Archer, CEO of the South African Private Practitioners Forum. He believes a national conference involving all the stakeholders has to be convened. (More on p4)

HIV/AIDS: The good and the bad news:

New HIV infections among children declined by 63% in 2012 according to the latest UNAIDS report. The report states that SA has shown tremendous progress in reducing the numbers of children and women acquiring HIV, and in providing access to HIV treatment.

However, HSRC chief executive Dr Olive Shisana said that although she was "pleased to see that more people with HIV are living longer" owing to ART roll-out, she was "sad" that HIV infections had increased in all provinces last year. The Western Cape still had the lowest HIV prevalence, although it had an increase of 4%, (from 5,2% in 2008 to 9,2% last year). KwaZulu-Natal had the highest prevalence (27,6%), followed by Mpumalanga (26%) and Free State (19,6%). Gauteng had 16,5% and Eastern Cape 18,7%. (More on p2)

Medical schemes: What happened to our money? Medical scheme probe ruffles feathers

An investigation into the Council for Medical Scheme's (CMS) activities by the forensic company Ligwa, is likely to open a can of worms at the registrar's office. Danie Kolver, head of accreditation, has been placed on "special leave" after allegations that he personally benefited through certain medical schemes. CMS strategist Boshoff Steenekamp has handed in his resignation with immediate effect.

Good news from Discovery: Members are paying more than average for administration fees, but are getting value for money, according to a report by Deloitte Consulting commissioned by Discovery Health Medical Scheme (DHMS). The report was the result of a meeting last year where members of DHMS demanded the trustees to justify the size of the administration fees it paid. (More on p5)

Medical expenses and taxpayers:

According to SA Revenue Service statistics SA has 4,3m taxpayers who actually pay tax, out of 13m registered taxpayers; 8,7m are below the tax threshold and receive no tax benefit on their medical expenses, writes Prof Mathew Lester of Rhodes Business School in *Business Report*. To score from the rebate system taxpayers have to have a marginal tax rate above 25%. Roughly 3,7m of the taxpayers will score a higher tax rebate, however 600 000 taxpayers will lose out because the tax deduction applied against a tax rate above 30% would have been worth more than the new tax rebate. **"Limiting the value of medical deductions for 600 000 South Africans while increasing deductions for 3,7m is hardly a solution to fund the nearly 42m who do not have a medical aid,"** writes Lester. (More on p7)

1. NATIONAL HEALTH INSURANCE (NHI) & PUBLIC HEALTH

Scope of Competition Commission's (CC) inquiry a hot topic; CC set to review submissions

Business Report, 20 June; Business Day, 27 June 2013

The CC expects the final terms of reference to be ready for publication by the middle of August, at the latest. Comments and submissions have been received from hospital groups, government departments and regulators, medical funders, trade unions, patients and medical associations. The terms will also include an administrative timeline, staffing of the team, drafting of information requests and scheduling of hearings.

- * **Neil Kirby, a director at law firm Werksmans Attorneys**, said the firm commented after a "vigorous interrogation" of the terms of reference. He said it was **broad, vague and difficult to understand what the CC was trying to achieve**. There was no clear link between the market inquiry to other "pricing issues" in the healthcare and the proposed NHI. The absence of the public healthcare sector from the inquiry is also concerning as the CC will in effect be looking at only one half of the sector.
- * **The CC is likely to be asked to include the pharmaceutical and emergency service sectors in its inquiry**. According to the draft terms the inquiry would not focus on emergency services, consumables or pharmaceuticals. According to Mariné Erasmus, healthcare economist at Econex, it was no surprise that pharmaceuticals were excluded because the sector was already highly regulated.

The CC will assess how providers set tariffs and the role played by industry reference price lists. It would also examine the extent to which co-payments were applied by players, look at referral processes, relationships with hospitals, the outcomes of managed care and cost-saving initiatives such as designated service provider arrangements of medical schemes. There would be an analysis of the costs and profitability of hospitals as well as a review of consolidation trends and how they influenced the profits of hospitals. On medical schemes, the inquiry would assess how fees - including member contributions and administration fees - were determined. It would evaluate the nature of incentives in the relationships among medical schemes, their brokers and administrators.

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

Decline in child HIV infections; HIV prevalence increasing despite ARV roll-out

SAPA, 25 June; Cape Argus, 21 June; Sapa 22 June 2013

New HIV infections among children declined by 63% in 2012 according to the latest UNAIDS report. The report states that SA has shown tremendous progress in reducing the numbers of children and women acquiring HIV, and in providing access to HIV treatment.

Botswana, Ghana, Namibia and Zambia already met their goal of providing antiretroviral medicines to 90% of eligible women to prevent transmission of HIV from mother to child. Mozambique, South Africa, Swaziland and Zimbabwe were close behind.

* Meanwhile a recent study by the SA Human Sciences Research Council (HSRC) revealed that 2m people were receiving antiretroviral treatment (ART) in 2013. The prevalence rate increased from 10,6% in 2008 to 12,3% last year. A target has been set to increase the amount of people on ART to 3m people by 2015.

The study also revealed that there are about 6,4m South Africans living with HIV - an almost 2% increase from about 5m recorded in 2008 when the country's population was 47,8m. The population has since grown to about 53m.

* HSRC chief executive Dr Olive Shisana said she was "pleased to see that more people with HIV are living longer" owing to ART roll-out, however she was "sad" that more people had multiple sexual partners and that HIV prevalence had increased in all provinces last year. HIV was higher among the unmarried population (19,2%) compared with married people (9,8%). The Western Cape still had the lowest HIV prevalence although it showed an increase of 4% (from 5,2 % in 2008 to 9,2% last year). KwaZulu-Natal had the highest prevalence (27,6%), followed by Mpumalanga (26%) and Free State (19,6%). Gauteng had 16,5% and Eastern Cape 18,7%.

SA Prof to head UNAIDS science panel; Lack of AIDS drugs; HIV gel; Awareness among students

Health-e News Service, 4 June; Business Day, 19, 21 June; The Times, 19 June 2013

- * **Prof Salim Abdool Karim has been appointed as chair of the newly established UNAIDS Scientific Expert Panel.** The panel will advise UNAIDS on scientific discoveries, as well as gaps and strategic needs in AIDS research, and how UNAIDS can adjust its policies to address these needs.

- * Activists at the sixth SA AIDS Conference in Durban have sounded the alarm **over extensive drug shortages at clinics and hospitals in the Eastern Cape, Gauteng, Limpopo and other provinces**. Most patients in SA continue to depend on hospitals and clinics that are unable to obtain consistently the drugs they need. Of 70 health facilities in the Mthatha depot catchment area, 40% reported stock-outs (lasting more than 45 days) of HIV or tuberculosis drugs. The DoH's head of procurement, Gavin Steel, said the shortages were largely due to depot management issues and there was no evidence that pharmaceutical manufacturers could not meet demand.
- * Follow-on African Consortium for Tenofovir Studies (FACTS) trial, is testing the use of **antiretroviral vaginal gel on 2 900 local women**. The women, from across the country, are being asked to use the gel 12 hours or less before, and again after, sex. An effective vaginal gel would be good news for women who cannot always negotiate condom use with their sexual partners. The study is funded by the Bill and Melinda Gates Foundation, USAid and the Department of Science and Technology.
- * The Department of Higher Education and Training has been urged to introduce a **compulsory HIV/AIDS module at all SA tertiary education institutions to reduce infections and promote awareness among students**. About 41% of students have multiple sexual partners and the same percentage changed partners every year. Condom use is low among this group while the abuse of drugs and alcohol is very high.

UCT study aims to shorten TB treatment period; New drug holds out hope; Antibiotic a for XDR-TB cases

Cape Argus, 19 June; The Star, 21 June; Cape Argus, 25 June 2013

The six months it takes to treat tuberculosis could be halved if a study by UCT and its international partners who investigate new drug regimens is successful. TB patients who are recruited from various Cape Town clinics will be put on the new drug regimen and followed up for a year. The new drug combination included a new TB drug, SQ 109, a double dose of rifampicin, and ethambutol, which were both used as standard TB treatment, and moxifloxacin - a drug traditionally used to treat drug-resistant TB. This is the first major African TB study to use a complete source-based electronic data capture and verification system.

- * Meanwhile **all patients diagnosed with drug-resistant tuberculosis will now have access to a promising new drug called Bedaquiline**, which is still undergoing trials, via a clinical access programme driven by the DoH. Dr Francesca Conradie, president of the SA HIV Clinicians' Society, said although this access programme had already started in four pilot sites approved by the Medicines Control Council, it was now being rolled out in all nine provinces.
- * The use of a high-strength antibiotic, Linezolid, has been so successful in treating patients with extensively drug-resistant tuberculosis (XDR-TB) in Khayelitsha that Médecins Sans Frontières (MSF) is campaigning for it to be included in the country's TB regimen. In the US, Europe and Asia, combined treatment had a success rate of 68%. MSF's pilot programme suggested Linezolid's efficacy was not compromised when patients were also on HIV treatment. However, the drug remained "expensive", making it impossible to make it accessible to more than 1% of TB patients. Linezolid is produced by Pfizer.

Life saving cancer vaccine will be difficult to implement; Death knell for cancer research

Mail & Guardian 7 to 13 June 2013

SA will become the first African country to pay for cervical cancer vaccines - one of the most expensive immunisations in the world - for schoolgirls in February next year. While HPV vaccines will save lives, target schoolgirls will be hard to reach. Experts warn that the DoH will face daunting challenges, much bigger than the exorbitant costs of the vaccine. According to World Health Organisation guidelines three shots should be given over a period of six months. **Girls in the wealthiest 20% of schools will not be covered by the programme as their parents belong to medical schemes**. Meanwhile the Minister of Health has called on schemes to pay for these vaccines.

- * **Scores of cancer researchers will be leaving the country's foremost research institution, the Medical Research Council (MRC), at the end of this year owing to a management decision to cancel all intramural cancer research**. The institution does not regard cancer as one of the top ten causes of death in SA. **The Cancer Association of South Africa (Cansa), now remains the dominant institution providing funding for cancer research in this country**. Total expenditure on cancer research in SA is around R20m a year, whereas Cansa awards about R6m a year to cancer researchers at universities, research institutions, and intramural projects on environmental factors that could cause cancer.

3. DOCTORS, NURSES, HOSPITALS & TRAINING

Hard times for doctors

Financial Mail, 28 June 2013

Many doctors have considered giving up practice due to skyrocketing premiums for medical malpractice, says Dr Chris Archer, an obstetrician and CEO of the SA Private Practitioners Forum (SAPPF). Figures supplied by the Medical Protection Society (MPS), a not-for-profit organisation providing professional indemnity and advice to doctors, show that premiums for specialists doing risky operations, such as the delivery of babies, spinal operations and neurosurgery, have risen by as much as 222% since 2008. Obstetricians now pay more than R254 000/year compared with R97 100 five years ago and neurosurgeons over R250 000 compared to just over R77 600. Camargue Underwriting Managers, which offers cover on behalf of Mutual & Federal, excludes obstetricians, spinal and plastic surgeons and paediatricians. **According to the MPS the last five years have seen an increase of around 250% in the number of claims higher than R2,5m.** Some of the factors blamed for the increase are patient awareness and willingness to raise issues, increased advertising by lawyers, and the financial limits placed on the Road Accident Fund, prompting lawyers to look for other types of personal injury cases. There is no immediate solution to the problem, said Archer. He believes a national conference involving all the stakeholders has to be convened.

Two new hospitals hit by delays yet again

The Star, 6 June 2013

The opening of the new **Natalspruit Hospital in Vosloorus** had to be postponed yet again, six years after it was commissioned to replace the existing hospital in Katlehong. **The original budget of R600m has since escalated to R1,7bn.** In April 2013, 121 951 pieces of equipment were approved to be ordered; 83 055 of these had been processed; 1 638 had been delivered to the hospital; and 37 258 still needed to be ordered.

- * At the **Zola/Jabulani Hospital in Soweto** 90 824 pieces of equipment were on procurement; 20 957 had been delivered. The 2006 budget was R336m but R685m has already been spent. Construction of the hospital has been dogged by tender irregularities, resulting in numerous missed deadlines.

Overtime ban blamed for patient deaths

The Times, 19 June 2103

A cut in the overtime allowed by the Gauteng Health Department is leading to a shortage of doctors across the province - and to unnecessary patient deaths. The department's cutback prohibits doctors from earning more than 30% of their salary from overtime pay. The doctors do not work hours for which they are not paid. Junior Doctors' Association of SA's spokesman Courage Khoza said the doctors were supporting the medical association's call for health MEC Hope Papo to resign or be recalled.

- * Nurses' overtime has also been cut.

Provincial matters

Business Day, 3,1; June; Saturday Star, 8 June; The Star, 12 June; Sunday Argus, 2 June; Financial Mail, 14 June, 2013

- * **Gauteng health MEC Hope Papo** announced that the budget **had received a nominal increase of 1,5%** to R27,9bn. PwC will work with the department to "re-engineer its business processes". DA health spokesman Jack Bloom said the province needed the turnaround because of a great need for decent healthcare. He was doubtful about the claim that the department had settled accruals with suppliers worth R4,2bn.
- * **Taxpayers paid more than R10bn in overtime to more than 500 000 public servants in the past two years**, said Public Service Minister Lindiwe Sisulu. Most of the overtime claims were recorded by the National Departments of Health and Education. **Sisulu was unable to justify the payments, saying the actual reasons for overtime were not captured in the government's salary system.** Gauteng Department of Health officials claimed more than R2bn in the past two years. In the financial year 2011/2012, R1,1bn was paid to 31 722 Gauteng health workers; in 2012/2013 R1,2bn was paid to 29 972 employees.
- * **Meanwhile the SA Medical Association (SAMA) has called for the head of MEC Hope Papo over his "heavy-handed" approach** in cracking down on the abuse of overtime and the Remunerative Work Outside Public Service (RWOPS) by fulltime state-employed doctors. SAMA is incensed that Papo has called its public sector members "tsotsis" who are defrauding the state by claiming for hours that they did not work as they spend most of their time in private practice. SAMA accuses Papo of deflecting attention from the real issues faced by his department, including corruption, lack of equipment and drugs, and bad treatment of professionals by hospital managers. SAMA spokesman Phophi Ramathuba agreed that there was an abuse of overtime and the outside work system but said this was not to the extent Papo has described in the media.

- * The SA Medical Device Industry Association (SAMEDI) welcomed **the suspension of four Gauteng Health Department directors**. The directors were suspended in connection with alleged fraud. SAMEDI had informed the department of three cases of alleged irregularities in the procurement of medical devices. The suspensions follow investigations into suspected misconduct in the department's medical supply depot.
- * The faculty of Health Sciences at Wits University said not all doctors should be crucified for the corruption of some of their colleagues at state hospitals. **Specialist doctors have other important duties outside their work at public institutions**, and it cannot be assumed that they are moonlighting if they are not in the ward. However, if the administrator found that some professionals were cheating the system then the law had to take its course.
- * The **Free State** has suggested banning RWOPS. But Dr Mark Sonderup, vice-chairman of the Western Cape branch of SAMA, says RWOPS helps close the salary gap between the public and the private sector. Even Health Minister Motsoaledi was against banning RWOPS outright.
- * **KwaZulu-Natal**: Although controversy raged over the state's arrangement to allow doctors to supplement their income by working for limited periods in the private sector, RWOPS, doctors' representatives warn against knee-jerk reactions. According to a report by the KZN Health Department, **more than 101 provincial doctors there have claimed R22m from medical aid schemes for private work carried out when they should have been attending to patients in state hospitals**.
- * The National Education, Health and Allied Workers Union (Nehawu) in KZN has threatened to bring the health sector there to standstill if its demands - which include the dismissal of the head of the province's health department - are not met. Nehawu accused Dr Sibongile Zungu of arrogance, failing to fulfil her duties and failing to address countless challenges facing the sector. Nehawu provincial secretary Zola Saphetha said there was a **38% shortage of qualified doctors in the province and this often forced nurses and interns to do doctors' work for which they were not adequately trained. This often put the lives of patients in danger**. Another point of contention was the emergency services.

New medical varsity next year

Cape Times, 21 June 2013

Diane Parker, the Department of Higher Education and Training's acting deputy director-general in university education, announced that **Minister Blade Nzimande had approved recommendations to unbundle the Medical University of South Africa (Medunsa) from the University of Limpopo**. In 2005 Medunsa was merged with the former University of the North to form the University of Limpopo. Last year, Nzimande appointed a joint technical task team to give advice on the process to separate the Medunsa campus from the University of Limpopo and establish a viable and separate medical university. The unbundling would be finalised next year and the university would have its first intake of students in 2015.

4. MEDICAL AIDS

Medical scheme probe ruffles feathers

Business Report, 24 June 2013

An investigation into the Council for Medical Scheme's (CMS) activities by the forensic company Ligwa, is likely to open a can of worms at the registrar's office. Danie Kolver, head of accreditation, has been placed on "special leave" after allegations that he personally benefited through certain medical schemes. CMS strategist Boshoff Steenekamp has handed in his resignation with immediate effect.

The accreditation unit that Kolver headed handles significant tasks and funds since medical schemes administrators, managed care organisations and brokers have to be accredited by the CMS. In the 2012 annual report the CMS received new accreditation applications from 918 brokers and 145 broker organisations, and renewal applications from 4 298 brokers and 1 171 broker organisations.

Council, Numsa to meet over allegations about Sizwe's curator; Fund on track for improvement

Personal Finance, 22 June; Business Day, 27 June 2013

The CMS plans to meet with the National Union of Metalworkers of South Africa (Numsa) over its call for the immediate suspension of the curator of Sizwe Medical Fund. Dr Ngubekhaya Gobinca was appointed as curator by the North Gauteng High Court in 2013. Numsa said it has a "damning" dossier containing "a litany of unlawful transgressions and maladministration within the fund" that made "strong grounds" for the suspension. The CMS said the allegations were untested and it had not received the dossier. Numsa alleges that Gobinca has made far-reaching changes to Sizwe's benefits without consulting the members. The union has several thousand members on Sizwe.

- * Meanwhile Mphumzi Maqungo, the national treasurer of the Numsa, said the union did not want the AGM to proceed because for Gobinca to stay was costing millions. He said they wanted to merge the scheme with Medshield. According to Maqungo, more than 1 000 members out of approximately 60 000 members of the scheme signed a petition, which was handed to the CMS on June 18. The AGM was to be held on Friday, 28 June. Gobinca denied Numsa's claims and its interpretation of the scheme rules. He said a special general meeting was planned for August 30, at which elections for trustees would be held.
- * The latest news on Sizwe is **that the scheme has set itself financial performance and cost-cutting targets which will put the fund on a stronger financial footing**, according to chief financial officer Ineleng Masike. One of Sizwe's contraventions of the Medical Schemes Act was a lack of an audit committee, which increased the fund's governance risk. An independent audit and risk committee is now in place. Masike says this committee provides independent oversight of what management is doing and ensures that the scheme adheres to governance best practice. Curator Gobinca is confident that the scheme has sufficient reserves to cover members' healthcare needs. In the year ended last December, Sizwe reported a R9,1m surplus, as opposed to a R55m loss in the 2011 financial year.

Reaction on specialist's open letter to medical schemes

Business Report, 14 June 2013

The open letter from Dr Stephen Grobler to the BHF, the CMS and the DoH **caused a huge reaction. Dr Grobler declared "a general dispute" with medical schemes**, which he **accused of exerting control over the practice of medicine, disregarding the needs of patients and advice of doctors. He challenged schemes to stop using members' saving accounts to pay for PMB investigations or treatment.**

- * **Mediclinic's** funder relations and contracting executive, Roly Buys, said all pharmacy products were billed at the exact purchase price paid and, therefore, it was impossible to shift the costs to doctors. He rejected any allegation of collusion.
- * **BHF** said the letter and frustration expressed in it was concerning and **warranted urgent communication between funders and specialists.** Heidi Kruger, BHF spokesperson, said that in the current legislative and systemic environments, which enabled over-servicing, fraud and wastage and where there were no regulated tariffs for healthcare procedures, funders had little choice but to apply cost-containment mechanisms.

Regulator investigates Liberty Medical Scheme's board after illegal payment to ex-trustee

Personal Finance, 1 June 2013

The CMS is investigating whether the trustees of Liberty Medical Scheme are fit to remain on the board after the North Gauteng High Court found that the R1,7m that they paid to a former trustee, Adv Boyce Mkhize, was illegal. Mkhize has to pay back the R1,7m as well as legal costs. The CMS has been addressing governance problems at Liberty Medical Scheme since October 2010, when complaints were laid against the chairman Dan Pienaar (who has since resigned) and the former chairman of the board of trustees.

Momentum Health passes solvency target

Business Report, 26 June 2013

The focus on minimising non-healthcare expenses and the growing popularity of its Health Returns benefit saw **Momentum Health exceed the minimum solvency level requirement (25%) three years earlier than previously anticipated.** The group generated an operating surplus of R134m in the 2012 financial year. Momentum added its surplus to its members' reserves, which drove its solvency level up to 28,6% from 23,9% in 2011. At R300 a month for each member, the scheme had kept non-healthcare costs relatively flat since 2008. In 2012, Momentum kept these costs as a percentage of gross contribution income flat at 14,5%. The latest CMS annual report showed that in 2011, Momentum was among three of the country's 10 largest schemes with the lowest gross administration expenditure and managed care management services fees.

Review supports Discovery admin fees

Business Day, 25 June 2013

Members are paying more than average for administration fees, but are getting value for money, according to a report by Deloitte Consulting commissioned by Discovery Health Medical Scheme (DHMS). Members of DHMS last year challenged the scheme's trustees to justify the size of the administration fees it paid, requested a targeted reduction in administration fees, and demanded an assessment of whether the administration business should be put out to tender. The report concludes that for every rand DHMS spent on administration fees, members got between R1,77 and R2,02 in total value. And while the non-healthcare fees paid by DHMS members were R11,43 higher per average beneficiary per month than the open medical scheme industry average, members paid R158,24 less for their risk contributions, which Deloitte said meant they were about R146,81 better off per average beneficiary per month than the industry.

5. PHARMACEUTICALS

Ranbaxy adamant that no dodgy drugs reached SA; Indian generics 'safe and effective'

The Sunday Times, 2 June; Business Day, 5 June 2013

The Indian generic drug maker, Ranbaxy, admitted to making sub-standard drugs, falsifying testing data and lying to US authorities. It paid \$500m in criminal and civil fines. Dinesh Thakur, a former director of research at the company, blew the whistle. The falsified data affected the company's entire portfolio of generic ARVs including Nevirapine, Indinavir, Lamivudine, Stavudine and Zidovudine - and combinations of the last three.

- * **Meanwhile the MCC said South Africans can be assured that drugs sold by Ranbaxy are safe and effective.** However, in 2004, Ranbaxy was ordered by the Medicines Control Council (MCC) to recall its AIDS drugs from the SA market over concerns they could be life-threatening. The company won contracts to supply AIDS drugs to the government in 2004, 2008 and 2010, and sells an extensive range of products in the private sector. Since then the MCC and other regulatory bodies, including the World Health Organisation, the UK Medicines and Healthcare Products Regulatory Agency and the Australian Therapeutic Goods Authority, had inspected Ranbaxy's manufacturing sites and were satisfied standards had improved, MCC registrar Mandisa Hela said.

New medicines regulator delayed

Business Day, 4 June 2013

The DoH still cannot say when the much-delayed SA Health Products Regulatory Agency (Sahpra) is likely to come into effect. Sahpra is supposed to be the solution to the problems besetting the MCC, which takes longer than regulators in the US and Europe to approve new drugs or clinical trials. Enabling legislation for Sahpra to come into effect has been stuck in the pipeline for years. Plans are not only for Sahpra to be a more efficient medicines regulator, but also one with wider scope, with oversight of medical devices and complementary medicines, which are not regulated. It will also be responsible for foodstuffs, cosmetics, disinfectants and diagnostics.

6. FINANCIAL NEWS

Medical expenses and taxpayers

Business Times, 23 June 2013

According to SA Revenue Service statistics SA has 4,3m taxpayers who actually pay tax, out of 13m registered taxpayers; 8,7m are below the tax threshold and receive no tax benefit on their medical expenses. To score from the rebate system, taxpayers have to have a marginal tax rate above 25%. Roughly 3,7m of the taxpayers will score a higher tax rebate than they did under the old medical expense tax deduction system. But to score a medical rebate above the standard one, the taxpayer has both to submit a tax return and, if under 65, have medical expenses exceeding 7,5% of taxable income. About 600 000 taxpayers have taxable income exceeding R258 751 a year. They will lose out because the tax deduction applied against a tax rate above 30% would have been worth more than the new tax rebate. Taxpayers over 65 represent only 8% of the tax base, but they have to submit a tax return to obtain the rebate; many do not. Some say that the new medical rebate system is meant to fund the introduction of NHI. Limiting the value of medical deductions for 600 000 South Africans while increasing deductions for 3,7m is hardly a solution to fund the nearly 42m who do not have a medical aid.

Adcock Ingram: 'Several parties' in talks; Shareholder value the key; Adcock's unimpressive results Regulators to probe Bidvest, Adcock bid

Bloomberg, 31 May; Business Day, 5, 6, 27 June; Business Report, 5 June 2013

Adcock Ingram was in active talks with "a number of parties" that might result in the pharmaceutical company's sale, according to chairman Khotso Mokhele. The Public Investment Corporation, its biggest shareholder, said on May 14 that it would prefer a SA firm to buy Adcock. Bidvest Group, whose offer was rejected by Adcock, still wanted to acquire the firm and wanted access to the same information that was made available to other bidders.

- * **Meanwhile chief executive Jonathan Louw said the board was following a clear process "with the intention of securing maximum value for shareholders".** Determining factors were: that Adcock "has a sovereign responsibility to supply the general public with life-saving medication; its duty to its staff, many of whom work at the factories; and its duty to its shareholders to enhance shareholder value."
- * **Financial results:** Adcock turned in a nondescript set of interims. Revenue went up 9% to R2,5bn - a good result in increasingly trying times - but the outturn in headline earnings per share fell 5% to 188,1c; cash dropped from R493m at the end of September last year to R98m at the end of March, a fall of R395m. Long-term borrowings continued their downward trend, now at R11m .

- * **Meanwhile the Financial Services Board's (FSB) division for market abuse will investigate trading in shares of Bidvest Group and Adcock Ingram during March** - the month Bidvest made an offer for a 60% stake in the drug maker. Bidvest offered to pay about R6,2bn to buy the stake in Adcock on March 22, sending Adcock's shares to their highest in more than two years.

Cipla Medpro still mum on scandal; Deputy CEOs take the helm

Business Times, 9, 21 June 2013

Cipla Medpro has promoted its two deputy CEOs, Mark James van Lill Sardi and Skhumbuzo Ngozwana, to joint-acting CEOs when current acting CEO Johan du Preez steps down at the end of June. **Its proposed sale to Indian generic drug maker Cipla, for R4,46bn was overwhelmingly approved by shareholders last month.** The company said it still anticipated that all the conditions should be fulfilled by 16 August 2013.

- * **Earlier it was disclosed that Cipla's top executives had refused to release the contents of three forensic investigations.** The company has had a torrid year after former CEO Jerome Smith resigned ahead of a disciplinary hearing. Among the charges were awarding himself loans, bonuses and pay increases without board approval. He is expected to pay back the loan of almost R1,3m within this year. Former chief financial officer, Chris Aucamp, left the company after exercising share options worth almost R6,7m, according to the annual report. The names of other directors involved with the scandal have been revealed. The company replaced its auditors, Mazars, with KPMG in December. It has also been revealed that charges against Smith included transactions between the company and L'Amar (France) Pharmatec.

Aspen unveils smart plans for GSK assets; Aspen buys Dutch pharmaceutical plan

Business Day, 19,28 June; Financial Mail, 28 June 2013

Aspen Pharmacare has made an undisclosed offer to buy two of GlaxoSmithKline's (GSK's) branded thrombosis medicines, Arixtra and Fraxiparine, as well as a manufacturing facility in France. The two medicines, which are used for treatment of blood clots during operations, had global sales of R7bn last year. The deal excludes the acquisition of these drugs in China, India and Pakistan. Although the sales of Arixtra and Fraxiparine had been in decline after record sales of £510m in 2011, Aspen chief executive Stephen Saad said it would fix the supply chain to reverse this trend. Last year GSK sold 25 of its "Classic Brands" pharmaceutical products marketed in Australia to Aspen for £172m.

- * Aspen's \$1bn acquisition of MSD's Dutch manufacturing plant for active pharmaceutical ingredients (APIs) is expected to generate sales of R6bn in its first year of operation. Part of the rationale for the acquisition is the fact that this site makes heparin, the active ingredient in Fraxiparine, which is one of the thrombosis products Aspen has offered to buy from GSK. The MSD facility is also expected to complement Aspen's existing API capacity in SA and India. Aspen now generates more than half its revenue offshore.

Insurers facing challenge to halt hospital cash plan fraud

Business Day, 5 June 2013

Drastic measures will be taken to prevent the growing problem of hospital cash plan fraud in SA. Peter Dempsey, CEO of the Association for Savings and Investment SA, said measures will include raising premiums, introducing standard cancellation clauses and stopping hospital cash plans completely. In 2011 association members detected 549 cases worth R4m; in 2010 649 cases were detected worth R12,6m. Long-term Insurance Ombudsman Judge Brian Galgut said many of the excessive hospital cash plan claims appeared to be part of an organised scam. According to a review of the SA hospital cash plan market commissioned by the FinMark Trust, there are between 1m and 1,5m hospital cash plans in effect, providing cover to 2,4m people. The market was growing with about 50 000 policies sold monthly. Insurers have encountered cases where patients being treated for minor conditions were kept in hospital for much longer than needed, enabling them to claim from several hospital cash plans, with several insurers.

No dividends as buyouts beckon

Bloomberg, 13 June 2013

Litha Healthcare, the worst performer on the JSE small cap index this year, said it would not pay dividends this year as it was looking for acquisitions. The stock has fallen 28% this year after rising 25% in 2012. Chief financial officer, Martin Kahanovitz, said there probably would not be prospects of dividends in the short to medium term, because Litha was looking for consolidation in its pharmaceutical division.

Ascendis broadens focus to generics

Business Report, 18 June 2013

The emerging human and animal health company Ascendis Health has concluded acquisition deals worth about R700m in the past 18 months. Ascendis expects to list on the JSE main board by the end of the year and will be looking to raise R400m through share issues for its acquisition opportunities. Ascendis focuses on generics because of its niche strategy; and the NHI's policy to increase the use of generic substitutions. Ascendis recently acquired SSN, a sports nutrition brand, and Nimue Skin Technology, in its bid to invest more in medical technology, as the sector was not as overregulated as pharmaceuticals.

7. GENERAL NEWS

Researchers seek clarity on human tissue rights; Human DNA not patentable: US Supreme Court

Business Day, 6 June; The Citizen, 14 June 2013

The use of human blood and tissue is essential for research, but regulators around the world are grappling with how to balance the rights of the individuals from whom the material originated with the needs of scientists and society. In SA, new regulations governing the use of human tissue were gazetted in March last year, bringing into effect chapter 8 of the National Health Act and repealing the Human Tissue Act. The regulations cover the use of human blood, blood products, tissue and gametes, but according to SAMA, **neither the Health Act nor the enabling regulations gave guidance on who held ownership of human tissue that was voluntarily provided or who had the rights to revenue generated from this material.**

* **The United States Supreme Court has unanimously ruled that naturally occurring human gene sequences cannot be patented but artificially created DNA can be.** The verdict represented a compromise between the goals of the biotech industry, which wanted to preserve all its patents, and campaigners seeking unfettered access to genetic data for researchers and patients.

8. IN A NUTSHELL

Weekend surgery:

Researchers have found that patients undergoing routine surgery were at lowest risk if their operation was carried out on a Monday. Death rates were 44% higher following operations on a Friday than at the beginning of the week. The risk increased from Monday to Friday with a sudden leap at the weekend.

Junk food hurting world economy

According to the United Nation's food agency, lost productivity and spiralling healthcare bills linked to malnutrition "could account for as much as 5% of global gross domestic product (GDP)", equivalent to \$3,5 trillion a year; 12,5% of the world's population (about 868m people) were undernourished in terms of energy intake, while 26% of children worldwide were stunted by malnutrition.

Tough new laws on salt content

Food manufacturers are well on their way to meeting the DoH's new salt laws, which are set to be implemented in 2016. Many normal supermarket products exceed the international guidelines for consuming foods that contain more than 600mg of salt per 100g. Research showed that about 40% of salt intake came from individuals adding the salt themselves. The average daily consumption in SA is between 8,5g and 40g per day. Decreasing the salt content in six foods (mainly in bread) could lead to a reduced salt intake of 0.85g a day; leading to 7 400 fewer deaths, as well as 4 300 fewer non-fatal strokes per year.

Smokers cost employers thousands

Smokers cost their employers nearly \$6 000 (R60 000) more each year than their non-smoking counterparts. According to a study, published in the journal *Tobacco Control*, smokers incurred more costs through taking time off, smoke breaks and additional healthcare costs than non-smokers. Low productivity due to more missed days at work costs employers, on average, \$517 (more than R5 000) and excess healthcare expenses of \$2 056 (around R20 000) annually for every employee that smokes.

SA is tops when it comes to fearing germs

In the findings of a survey conducted by the Global Hygiene Council, the South Africans came out tops among nations that took hygiene seriously and washed their hands as a preventive measure against infectious diseases. Researchers found that 89% of South Africans washed their hands with soap and water after going to the toilet and before eating. The Japanese were the least hygienic, with only 50% of respondents doing so.

X-ray scanner developed for mines moves into hospitals

An X-ray scanner (Lodox), developed by De Beers to detect theft of diamonds by its miners, has been adapted to become a full-body digital X-ray scanner that produces better images than conventional X-ray machines in a fraction of the time. The Lodox's radiation dose is only 10% of conventional X-ray machines. It has also been adapted for use in forensic (crime-related) medicine.

Drug exemption extended for world's poorest nations

The council in the World Trade Organisation (WTO) responsible for overseeing the agreement on Trade Related Aspects of Intellectual Property, or Trips, **agreed to give the least-developed countries another eight years before they have to include globally standardised intellectual property protection in their own laws.** The world's poorest countries now have until they are either no longer considered an LDC, or until July 1 2021, whichever comes first, to become Trips-compliant.

Deal on rights to indigenous knowledge

SA's leading research institutions have signed a bio-prospecting agreement, governing how the intellectual property rights and benefits of commercialisation should be shared between scientists and the holders of indigenous knowledge. The agreement was signed by 16 parties involved in the Department of Science and Technology's Bio-prospecting and product development platform for indigenous knowledge systems.

USA: Surgery cost caps save pension fund 19% without hurting health

The largest pension fund and health insurer in the United States, WellPoint Inc cut medical costs 19% by capping the price of some surgeries. The California Public Employees' Retirement System saved \$5,5m under a pilot project it started with WellPoint in 2011, according to a study released by the insurer. Retirees proved at least as healthy as those who did not opt for the lower-cost procedures, WellPoint said.