

SUMMARY: HEALTH NEWS HIGHLIGHTS JANUARY 2012

1. National Health Insurance (NHI) (p2-3)

Researchers of the HSRC are undertaking **two surveys to assess the state of national health in SA (along with general health behaviours)**. It will be completed by September this year. **However, yet another survey is not enough.** What South Africa really needs, is a **change of attitude: *Sunday Independent* (editorial 16 January) "As a country we cannot treat the NHI plan with the apathy as we have done with other important legislation. Health is too important for us to think someone else will speak up for us."**

Medical aid schemes are paying double to administrators what they pay general practitioners. Doctors, dentists and civil society groups say this must be rectified prior to NHI being implemented, says Alex van den Heever (Old Mutual, Wits).

2. HIV/AIDS and TB, malaria & communicable diseases (p3-4)

As far as HIV/AIDS is concerned, South Africa has done a lot to tackle the pandemic. **However, what may be needed most, is a change in attitude: "Building into patterns of life the motivation of individuals, families and communities to take more responsibility for their own health, is one of the most important ways to combat HIV/AIDS,"** says Prof Solly Benatar UCT: in his editorial comment in *The Cape Times*, 24 January 2012.

3. Doctors, nurses, hospitals and training (p4-7)

Public healthcare really seems to be in dire straits. Several provincial health **departments have been placed under administration;** service providers have put deliveries on hold until they receive payment; nurses from the SAND were drafted to go to Baragwanath Hospital due to a crisis in maternity wards; **nursing staff are reluctant to work in public hospitals due to poor working conditions;** and vacancy rates keep on climbing. Gauteng, Limpopo and Eastern Cape seem to suffer the most.

4. Medical Schemes (p7-8)

The escalation in private health costs must be checked if the NHI plan is to be effective. Medical scheme members and healthcare providers are voicing their **dissatisfaction with the way schemes have structured members' benefits. Schemes struggle to align their price increases with inflation** because healthcare costs tend to rise faster than the consumer price index (CPI). **On the other hand, abuse on members' side has also motivated schemes to take away some of its benefits.**

5. Pharmaceuticals (p8-9)

The world's major **pharmaceutical companies have joined forces** with governments and leading global health organisations **to donate drugs and scientific know-how to help control or wipe out 10 neglected tropical diseases by 2020.**

6. Financial News (p9-10)

According to financial experts the outlook for hospital and drug companies in SA looks sound, given that healthcare schemes cover about 8.5million people. *Financial Mail's* hot tip for investors this year is Life Healthcare who was listed on the JSE only 19 months ago.

7. General news (p10)

A report by the South African Institute of Race Relations warns that the **changing shape of SA's demographic profile could threaten the country's labour supply**. The survey shows that by 2040, fertility rates are expected to drop below the replacement level whereas the **65-plus age group will increase to about 12%** while children younger than 14 may drop by more than 20%.

SUMMARY OF HEALTH NEWS: JANUARY 2012

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1. NATIONAL HEALTH INSURANCE (NHI) & PUBLIC HEALTH

Surveys set to place spotlight on SA health

The Weekend Argus, 28 January 2012

Dr Olive Shisana, CEO of the Human Sciences Research Council (HSRC) has announced that **two surveys will be done to assess the state of national health in SA, along with general health behaviours**. These surveys are expected to help government, NGOs, researchers and funding agencies to determine priorities for investment in national health.

The first study will focus on the **pandemic analysis of SA, and track health indicators such as fertility, morbidity and mortality, as well as sexual behaviour** in a bid to better understand HIV prevalence. The second survey will consist of an evaluation of the health of South Africans, with **special focus on non-communicable diseases such as diabetes, hypertension and cardiovascular disease**. Objectives will also include **studying infant mortality and early childhood development**. These studies will be completed by July and September 2012.

Expect conditional NHI audit grant in Budget

BusinessLIVE, 26 January 2012

A **conditional grant may be given in February's Budget to help fund an audit of health facilities prior to the National Health Insurance (NHI) rollout**, according to a Deloitte expert, Ashleigh Theophanides. There is a **R121,5bn budget for health, which is lower than the**

R125bn mentioned in the green paper on NHI. Theophanides said this year will see the introduction of a tax credit system, and the savings in the system - which will see lower salaried people paying less - did allow for lowering in the rebates.

Private healthcare muscles its part in job creation

Business Report, 19 January 2012

According to figures released by Econex, the **private healthcare sector supported about 218 000 jobs and actually created 4,4% more jobs during the 2008 to 2010 downturn.** Although 85% of the country's **private hospitals** directly employed less than a quarter of the jobs they supported, it **played an active role in the country's labour income** generated by their upstream and downstream partners. Alex van den Heever*, the Old Mutual chairman of social security systems and administrator at the Wits University Graduate School of Public and Development Management, said the **introduction of the NHI would almost be irrelevant to the utilisation of the private healthcare sector.** The **public sector would benefit from the services of private healthcare if the two can contract efficiently,** he said. Van den Heever said people thought the NHI would cover everybody, but that was not going to happen, ever.

Editorial Comment: The Sunday Independent; 16 January 2012

"As a country we cannot treat the NHI plan with the apathy as we have done with other important legislation. Health is too important for us to think someone else will speak up for us."

Medical risk fund on back burner; Competition Commission may probe healthcare

Business Report, 17 January; Business Day, 30 December 2011

The **derailment of plans to implement the Department of Health's proposed risk equalisation system** for medical aid schemes was a mistake and the department **might face legal action from schemes,** according to an expert. The **risk equalisation system proposes to standardise the premiums and benefits of all medical schemes and members.** The CMS said it was "highly unlikely that a risk equalisation system will be implemented in the near future". In 2005 the department released a **Medical Schemes Amendment Bill, which gave effect to the establishment of the Risk Equalisation Fund (REF)** to equalise risk among medical schemes and force them to **compete on the basis of efficiency and not the risk profiles of members.**

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

Editorial comment: Pragmatism is best bet against AIDS; Attitude change, treatment plans slice AIDS claims; Major drop in HIV infections expected in SA

Prof Solly Benatar UCT: The Cape Times, 24 Jan; Business Report, 23 Jan; SAPA 20 Jan 2012

According to *The South Africa Yearbook of 2010/11*, published by GCIS, South Africa had the **largest antiretroviral (ARV) therapy programme in the world.**

Several courses of action can be used to increase the number of people tested for HIV/AIDS. The first is to **intensify educational and social activities to encourage more people to volunteer for testing and counselling.** Encouraging late sexual debut and discouragement of intergenerational sex; limiting sexual relations or acknowledging multiple sexual partners as a "norm"; accepting the inevitability of sequential partners; as well as promoting the use of condoms have been implemented with variable success. However, HIV/AIDS infections are

still very high.

Another option may be to **develop policies, with community support, for instigating early treatment with ARVS through adoption of a range of opt-out positions relevant to specific situations.** For example: whenever a person goes to a healthcare centre, **HIV testing would be offered and done routinely** to improve medical diagnosis and treatment, unless the patient refused. Mandatory testing would represent a degree of coercion that meets with high levels of resistance, in particular if a person's HIV status is available to public health authorities.

Much neglected with regard to HIV infection is to **build into patterns of life the motivation of individuals, families and communities to take more responsibility for their own health.**

However, there does seem to be light at the end of the tunnel: **Old Mutual's latest figures** show that the duration of AIDS-related claims have remained short, in contrast to the early 2000s, as a result of **more people returning to work relative to those who died.** Mr Neil Parkin, Old Mutual Corporate group assurance actuary, says between 2003 and 2004 more than 65% of AIDS claims ended due to the death of the claimants, while last year only 20% of claims ended as a result of death. **Continued treatment would not only see claimants being able to work again, but would reduce absence once the claimant returned.**

SA has lost 4,4m people to AIDS - survey

SAPA, 23 January 2012

There would be more than 4,4m more people in South Africa if it were not for the AIDS pandemic, according to a survey by the SA Institute of Race Relations (SAIRR). The data showed that 31% of all deaths in 2011 were AIDS-related. By 2015, this number will have risen to 33%. According to the study HIV/AIDS not only reduces life expectancy and increase mortality, but is largely responsible for social ills such as child-headed households.

Fake, dodgy drugs drive malaria crisis in Africa

The Mail & Guardian, 18 January 2012

Large parts of Africa are threatened by the distribution of **fake and poor quality anti-malarials made illicitly in China.** Parasites that survive the drugs may become resistant to it and spread a form of the disease that ACTs (artemisinin combination therapy) will no longer cure. According to a study, published in the *Malaria Journal*, **some of the fake anti-malarials on sale in Africa are equally useless and dangerous because they are of poor quality.** Some counterfeits contained a mixture of wrong active pharmaceutical ingredients, some of which may initially alleviate malaria symptoms but would not cure malaria.

It is very **difficult to regulate the drug supply** in poor countries, as 30% of drug regulatory authorities did not function according to the World Health Organisation (WHO).

3. DOCTORS, NURSES, HOSPITALS & TRAINING

Battleground Bara; Nurses are afraid to work in ill-equipped hospitals;

The Star, 30 January 2012, The Star 31 January 2012

Five theatre nurses working for the SA National Defence Force have been drafted into Chris Hani-Baragwanath Academic Hospital to help with the growing backlog of elective surgeries in the maternity ward due to a shortage of staff. According to the Gauteng Department of Health's 2010/2011 annual report, there were **902 vacant medical practitioner posts, 2 420 vacant professional nursing posts and 1 103 vacant nursing assistant posts in the public**

health sector. The shortage of nurses is blamed on the government and its "ill advised" decision to close over a 100 nursing colleges more than a decade ago -105 nursing colleges will now be reopened.

Overcrowding (especially in neonatal wards), a lack of resources, overworked and underpaid, and a lack of functional equipment are among the reasons why professional nurses are turning their backs on the public healthcare system for more lucrative options in the private sector.

In its **editorial *The Star*, 31 January 2012** comments that deploying theatre nurses from the defence force to help pressed staff at Bara makes a lot of sense. "What made **less sense** is the **closing, more than a decade ago, of more than 100 nursing colleges**. The Minister of Health and his department face a **gargantuan task in improving the situation at many state hospitals such as Bara. In the meantime, deploying nurses and other medical practitioners from the defence force is an eminently sensible decision.**"

Doctors, dentists slam private health system; Key medical aid benefits have fallen away

The Sunday Independent, 15 January 2012; The Cape Times, 23 January 2012

Medical aid schemes **are paying double to administrators what they pay general practitioners**. The SA Medical Association (SAMA) blames hospitals and medical aid administrators for pushing up prices. Of the R84,9bn spent by medical aid schemes in 2010: R37,1bn went to private hospitals; R18,8bn to medical specialists; R11,6bn to "non-healthcare costs" such as administrator and managed care fees; R6,2bn to GPs; and R2,5bn to dentists.

Figures from the Council for Medical Schemes indicate that if **contribution inflation** had mirrored the consumer price index, members **would be paying an average of R1 900 a year instead of the more than R10 000 they currently pay**. The Board of Healthcare Funders (BHF) agrees that the escalation in private health costs must be checked if government's NHI plan is to be effective.

Health Minister Aaron Motsoaledi said the department intended to spearhead a process to reduce private healthcare costs. This includes a **Statutory Pricing Commission** that will regulate the health sector. **Civil society groups under the NHI Coalition have called for the Competition Commission to investigate the entire private health sector.**The Competition Amendment Act provides for market inquiries, but because the President has not yet promulgated the implementation date of the act, **the commission would need a legal framework for its inquiry.**

Dental Health Crisis; Professional body on a mission to keep dentists in SA; Shortage of dentists raises risk of cancer; Dentists depart in dismay as medical aid pie shrinks;

Business Day, 26 Jan; The Times, 24 Jan; Cape Argus, 10 Jan; Business Report, 11 Jan; SAPA, 9 Jan 2012.

The South African Dental Association is embarking on a campaign to encourage dentists to stay in SA, saying while there is no surge in emigration, **the high demand for such professionals overseas puts the country at risk of losing its small pool of dentists**. Prof Yusuf Osman said the **University of the Western Cape had more than 500 applications for 90 places in the first year of dentistry studies this year, implying there was still a great demand for the profession.**

According to the South African Dental Association, there are possibly fewer than 3 500 practising dentists in the country. This meant **5,63 dentists per 10 000 people** who can access **private dental care** and **0,2 dentists per 10 000 people in the public sector**. The exodus of dentists to other countries and industries is on the rise as the profession suffers

diminishing cash flows due to reduced medical scheme pay-outs, according to SADA. Last year's annual report of the Council for Medical Schemes (CMS), shows **pay-outs to dentists accounted for only 2,3% of total healthcare benefits paid from schemes' risk pools in 2010.** Pay-outs to **dental specialists amounted to 0,6%.** Medical schemes have been criticised for adjusting their benefit structures and paying less for dental procedures. Bonitas, the second-largest scheme, scrapped its advanced dentistry plan for Bonsave members. Premiums have gone up by 8,4%.

South Africans are increasingly exposed to the risks of mouth and throat cancer because of a chronic shortage of dentists.

Regional dominance in dispute in healthcare hospital merger bid

Business Day, 20 January 2012

Concern over the **creeping concentration and regional dominance of hospital groups could put a stop to Life Healthcare's plan to obtain control over Joint Medical Holdings,** which has five hospitals in and around Durban. The **Competition Commission has recommended the prohibition of the proposed deal,** saying the combination of the two groups would **create regional dominance** that undermined the ability of medical schemes to stimulate competition in the area. The merging parties indicated they would contest the commission's recommendation. This is the first in a series of health mergers before the competition authorities that faces possible prohibition.

Private hospitals highlight danger of job losses

Business Report, 19 January 2012

Private hospital groups will remain a catalyst for job creation in South Africa's healthcare sector as the country moves towards the NHI system, according to a study, commissioned by the Hospital Association of SA (HASA) and undertaken by independent economic research groups Econex and Quantec Research. **HASA members provide over 85% of South Africa's private hospital capacity.** Currently, HASA members operate 209 private hospitals with 27 789 beds. Members include Life Healthcare, Netcare and Mediclinic. The hospitals' labour income was about R9,27bn and they contributed an estimated **R5,8bn to the National Treasury in tax revenue.** Mariné Erasmus, a senior economist at Econex, said with the introduction of the NHI, private hospitals might not be utilised fully if people could not afford to pay both their medical scheme contributions and NHI levies.

Gauteng pays health suppliers R400m; No equipment in Gauteng hospitals; Gauteng's health shows some improvement

Business Day, 24 January; SAPA, 18 January; BusinessLIVE, 11 January 2012

The Gauteng government has thrown a **lifeline to companies supplying goods and services to its health department, paying out R400m owed to them.** This does not address the entire backlog (since 2007). The National Treasury's intervention was **too late for several businesses,** which were forced to shut down. Gauteng Premier Nomvula Mokonyane said a "clearing house" – consisting of a team of auditors and the Treasury – was established to resolve payment disputes.

According to the SA Medical Device Industry Association (SAMEDI), **some medical suppliers had received payments from the Gauteng DoH, but the outstanding amount had increased from R364,5m in early December to R403,8m by the middle of January.** Samed says the **lack of planning, adequate forecasting and appropriate budgeting made it difficult to operate at**

maximum efficiency. Last year it was reported that the department owed its suppliers R1,4bn. In December the department paid the National Health Laboratory Service R51m; the SA National Blood Service R13m; and six Gauteng municipalities collectively R160m. However, the latest report by Statistics SA shows that **67,4% of respondents in Gauteng said they were very satisfied with the services provided to them during their most recent visit to health facilities** and 19,6% said they were somewhat satisfied. There has also been a 15% drop in the incidence of chronic illness in the period under review.

Provincial health department in ICU; Eastern Cape: Hospital is crippled

The Times, 25 January 2012; The Times, 27 January 2012

The Eastern Cape health department is R700m in the red for the financial year: 2010-2011. Despite control measures, the department overspent by R666m and has been **placed under national administration.** The department was instructed to cut its budget by R205m between December and March. Junior Doctors' Association chairman, Tende Makofane, claimed that **at least 373 new doctors would not be paid** as they have not been formally appointed due to registration problems.

In the meantime an Eastern Cape hospital serving more than 260 000 people has had to **"scale down" its services as it waits for the Health Professions' Council of SA to register foreign doctors who want to work there.** Next month only two junior doctors and two clinical associates will work at the 180-bed Madwaleni Hospital, a 90-minute drive from Mthatha.

Limpopo: Use court orders on hospital suppliers

Business Day, 27 January 2012

Several state hospitals in the Limpopo province were hit by **severe food shortages after service providers cut back on supplies.** Service delivery was being sabotaged in Limpopo and the Treasury was being undermined due to its decision to place **five Limpopo provincial departments under administration.** This came after revelations that the provincial government had a shortfall of R2bn for the current financial year.

KZN to prioritise health infrastructure

Business Day, 4 January 2012

The department of health in KwaZulu-Natal plans to fast-track infrastructure development and hospital revitalisation projects this year, according to health MEC Sibongiseni Dhlomo. He said districts had social mobilisation and communication plans to popularise the NHI at community levels, while the hospital management programme would be fast-tracked.

Only a handful of psychiatrists; Psychiatric cases increasing; staff vacancies soar; Provincial department says psychiatric services are in good health

The Cape Argus, 23 January; The Cape Argus, 17 January; The Cape Argus, 25 January 2012

Stellenbosch University and UCT between them produce fewer than 10 psychiatrists a year for the private and public sectors, says Prof. Dan Stein, head: psychiatry and mental health at UCT. This is **not enough to treat the increasing number of mental health patients** in the Western Cape. The department was **considering training doctors and nurses as mental health practitioners.** According to the Western Cape health department the provision of mental health services in the province was increasing. The department's spokesman, Sithembiso Magubane, says there are 50 vacancies for psychiatrists and 48 for psychologists.

Minister onto case of fake doctor; Bogus surgeon fools authorities;

The Times, 11 712 January 2012 *The Times, 20 January 2012;*

Despite having been **fired in Botswana and Zimbabwe, Dr Nyunyi Wambuyi Katumba**, originally from Democratic Republic of Congo, was allowed to work as a neurosurgeon in at least three hospitals in South Africa. **He has since been fired.** It is not clear why the Health Professions Council of SA (HPCSA) registered Katumba as he had not written the required entry exam for medical professionals who have qualified outside SA.

The latest on this subject is that the HPCSA has **admitted that it failed to protect the public** when it allowed Dr Katumba to practise as a neurosurgeon.

4. MEDICAL SCHEMES

Schemes hit by medical inflation above CPI

Business Report, 27 January 2012

Medical schemes **struggle to align their price increases with inflation because healthcare costs tend to rise faster than the consumer price index (CPI)**, says Discovery Health, the country's biggest medical scheme. This is why some schemes have **failed to implement the price recommendations of the Council for Medical Schemes (CMS)**. When the three-year average annualised inflation rate was 5,5% percent, medical inflation was 10,9%. The CMS recommended a contribution increase in 2012 of between 4,3% and 5,3%. According to Discovery it is impossible to cover members in full if contributions increased at CPI (6,1% in Nov 21011) or less.

Hiked costs will further squeeze members; Increases in medical aid rates worry CMS

Fin24.com, 22 January 2012; Business Report, 4 January 2012; Business Report, 24 January 2012

The CMS has blamed medical schemes **of transferring inappropriate cost increases to beneficiaries**. Medical schemes' **non-healthcare expenses range from 5,5% to 26,4%**. The average increase that medical schemes announced for their 2012 contributions last year was **7,14%**. This is **2,1 percentage points higher than the CMS' s maximum recommended increase**.

According to the distribution of cost assumptions by 87 medical schemes used to determine their proposed increases for 2012, the **average increase in costs assumed for 2012 was 8,3%**.

Medical schemes offer expertise

The Sunday Independent, 15 January 2012

Medical aid schemes have **offered their expertise as a "national asset" to be used in refining the NHI policy**. The Board of Healthcare Funders (BHF) has suggested **a working relationship similar to that used to build the Gautrain**, "where the private sector was contracted by government to fulfil a function of building the entire system, and the establishment of the Gautrain Management Agency, under the provincial government, manages the running of Gautrain". The BHF said this model would **create flexibility and establish an appropriate platform to attract, retain, contract and remunerate the required skills and expertise adequately**. It has also **offered to help with designing and costing the NHI package**, and has already developed an essential benefit package which can be used as a blueprint for the NHI.

BHF said it supported NHI as one of the interventions that could achieve sustainability of healthcare services in South Africa. The board also asked **for a review of the prescribed minimum benefits (PMBs) legislation.**

Members, doctors up in arms over 'shrinking' medical scheme benefits; Concerned members, practitioners speak up online; Discovery Health defends its position; Anger at higher premiums and fewer benefits

Personal Finance, 14 January; BusinessLIVE, 19 January; BusinessLIVE, 20 January ; The Business Times, 22 January 2012

Medical scheme members and healthcare providers are voicing their **dissatisfaction with the way schemes have structured members' benefits.** Medical schemes have drawn public criticism over **a range of benefits, including those for: allied and therapeutic healthcare services, which cover psychologists, speech therapists, occupational therapists and home nursing; expensive diagnostic scans, such as those for MRI and CT scans; dentistry; and oncology.**

Discovery: An **online petition** had been started with over 800 signatures (members and doctors) recorded. A **link to a Facebook group** entitled "Medical Aid Forum to discuss coverage for 2012" had also been created as a platform for members to make their criticisms and concerns heard.

Discovery defended its position on changes to its Allied and Therapeutic benefit stressing that **incidents of abuse necessitated the move** but that the changes will not and are not intended to negatively affect members. An example was reported in *The Times (26 January)* where speech and occupational therapists, linked to top private schools in the northern suburbs of Johannesburg and the Cape Winelands, are said to be partly to blame for Discovery's changes to its health cover.

Says CEO Jonathan Broomberg: "One of the key challenges medical schemes face, is that of achieving the **right balance between providing access to excellent, clinically appropriate healthcare benefits, and curtailing abuse of medical scheme benefits** resulting in the majority of members paying inappropriately for a small minority".

More criticism: Changes to benefits have been criticised by the **South African Depression and Anxiety Group**; an advocacy group, **Campaigning for Cancer**, has set up a website, www.costofcancer.co.za, to members of medical schemes; the **Radiological Society of South Africa**; as well as **dentists and doctors have also come out against lower benefits.** Norman Mabasa, chairman of the South African Medical Association, says the benefit design of schemes is not in favour of the patient and that the Medical Schemes Act should be revised.

Medical aid fraud decreases

SAPA, 10 January 2012

The number of fraud cases in the medical aid industry has decreased, according to a survey by KPMG. The Medical Schemes Anti-Fraud Survey, which covered 2007 to 2009, showed that the **fraud-to-claims ratio had fallen by 0,15%.** Respondents were represented by 84% of all principal members. The most common reason for member fraud (92%) **was non-disclosure of prior ailments.**

A trustee's worth*The Financial Mail, 27 January 2012*

The CMS wants Liberty Medical Scheme (LMS) **to recover a R1,6m golden handshake** paid to former LMS trustee Boyce Mkhize. This comes a few weeks ahead of the February 21 deadline set by the regulator of SA's 98 medical schemes for comment on its discussion document on the remuneration of medical scheme trustees. CMS compliance & investigations head Stephen Mmatli says LMS paid Mkhize R962 500 as a settlement fee to resign early and R700 000 as a "restraint" agreement.

Transmed claims paying ability rating downgraded*BusinessLIVE, 19 January 2012*

Global Credit Ratings has downgraded Transmed Medical Scheme's domestic currency claims paying ability rating to BB+. According to GCR, year-to-date figures for the eight months to August 2011 reflect **a more pronounced weakening of the scheme's overall performance relative to the original budget for the corresponding period**. However **the scheme as a whole (consisting of two risk pools) recorded a net deficit of R64m**.

5. PHARMACEUTICALS***Big Pharma helps tackle neglected diseases****Reuters, 30 January 2012*

The **world's major pharmaceutical companies have joined forces with governments and leading global health organisations to donate drugs and scientific know-how to help control or wipe out 10 neglected tropical diseases by 2020**. They will also **share expertise and drug discovery** work to invent new medicines for neglected tropical diseases (NTDs) that as yet have no treatments. In a project expected to affect the lives of a billion people worldwide, the companies **pledged more than \$785m to support NTD research and development (R&D) and strengthen drug distribution and treatment programmes**. 13 drug companies including **Pfizer, Merck, Johnson & Johnson, Sanofi, GlaxoSmithKline, Novartis** and others will donate an average of 1,4bn treatments a year to people suffering from NTDs.

Bristol-Myers bets on hepatitis C drugs*Bloomberg, 9 January 2012*

Pharmaceutical company Bristol-Myers Squibb has agreed to buy Inhibitex for about \$2,5bn as it faces generic competition for its best-selling blood thinner Plavix this year. The acquisition of the biopharmaceutical firm would **enhance the company's portfolio of hepatitis C medicines**, a market that may be worth \$20bn by 2020. The acquisition follows Gilead Sciences' decision to buy experimental hepatitis C drug maker Pharmasset for \$10,8bn at a 94% premium.

Novartis pulls tabs off shelf*The Times, 27 January 2012*

Pharmaceutical giant Novartis has **recalled the painkiller Excedrin in South Africa**.

The company said that it had acted in collaboration with the Medicines Control Council of SA. Novartis said the recall was a **precautionary measure following consumer complaints of**

chipped and broken tablets, and inconsistent bottle packaging line-clearance practices at its Lincoln, Nebraska facility in the US, which could result in bottles containing foreign tablets, caplets or capsules.

Smart pill keeps tabs on dosages

The Star, 18 January 2012

Proteus Biomedical has signed a deal with a British pharmacy chain to sell an **edible microchips - the size of a grain of sand** - through the private sector - for around £50 (more than R600) a month. The chip is **embedded in a smart pill that, once ingested and comes into contact with stomach fluids, activates the chip. Called the Helius, the system was designed to help patients who take multiple pills on a daily basis (and their caregivers) to monitor which pills are taken and when they are taken**, ensuring that patients adhere to their treatment course.

6. FINANCIAL NEWS

Outlook for healthcare sound

Financial Mail, 13 December 2012

Netcare's annual operating profit decreased by 3% to R3,76bn, mainly due to lower profits from the General Healthcare Group in the UK. However, the outlook for hospital and drug companies in SA looks sound, given that healthcare schemes cover about 8m people. Only 19 months after listing on the JSE another healthcare company, **Life Healthcare, has put in a strong performance. Life Healthcare is the *Financial Mail's* (FM's) healthcare hot stock pick for the year** and its share price has increased from R13,50/share at listing to R20.15, a 49% rise by mid-December. **Aspen Pharmacare, FM's hot stock pick last year, maintained its dominance** of the SA sector. Its shares were trading at R97,34 in mid-December. The shares of its competitors **Adcock Ingram and Cipla Medpro came under pressure**. Adcock's shares traded at R60,30 in mid-December, a 7% fall from the R64,80 in January last year. Shares in Cipla, at R6,47 in mid-December, were down 11% from the R7,20 they traded at in January last year.

Roche makes new hostile bid for Illumina

Bloomberg via Business Day, 26 January 2012

Roche has offered about \$5,7bn in cash for Illumina to bolster sales of cancer drugs. This is the third time since 2007 that the Swiss drug maker has made a hostile bid for a US company. Roche proposed paying \$44,50 per share for Illumina. Roche, the world's biggest maker of cancer drugs, would gain technology for reading the genetic makeup of tumours, potentially allowing the company to offer treatment specific to individual patients. **A takeover of Illumina would be Roche's largest purchase since the \$46,8bn acquisition of Genentech**. Roche planned to finance the bid out of its free cash flow and by borrowing from its credit facility. Its 2010 Roche's operating free cash flow was Sf14,1bn.

7. GENERAL NEWS

Tackling genetic disorders

Reuters, 15 January 2012

A US company is about to announce the "\$1 000 genome" - **a read-out of a person's complete genetic information for about the cost of a dental crown.** The genome-sequencing machine from Ion Torrent in the USA, is **1 000 times more powerful than existing technology**, according to CEO Jonathan Rothberg. Ion Torrent will sell the tabletop machine, called the **Ion Proton Sequencer, for \$99 000 to \$149 000**, making it **affordable for large medical practices or clinics.** Existing sequencers cost up to \$750 000. Some scientists and physicians, however, say this **opens the door to widespread whole-genome sequencing, even of people who are not ill.** And that raises **ethical, legal, and medical issues experts are only beginning to grapple with.**

SA's falling birth rate 'threatens future workforce'; Challenge of an older SA

Business Day, 17 January 2012; Business Day, 18 January 2012

A report soon to be released by the South African Institute of Race Relations (SAIRR) warns that the **changing shape of SA's demographic profile could threaten the country's labour supply.** The survey shows that by **2040, fertility rates are expected to drop below the replacement level** of about 2,1 births per woman. SA's **65-plus age group will increase to about 12 % by 2040**, while children younger than 14 years may drop by more than 20%.

Econometrix's economist Azar Jammine says the country's biggest problem is unemployment. However, **9m child support grants are paid monthly to parents and caregivers (most of them unemployed).** Economist's Mike Schussler says the government's **planning should include shifting the spending focus away from education and spending to the growing proportion of the population - the elderly.**

Editorial Comment: *The Star, 19 January 2012* "We hope that the country's planners and policymakers heed the warning from the survey by the SAIRR that South Africa's fertility rate is declining. This poses **two policy challenges for the country.** First, **many citizens depend on social grants.** Therefore, the expected increase of an older population - taking into account poverty and unemployment - will exert **pressure on the already strained state coffers.** Second, the **decrease in the younger population means a declining labour force - notwithstanding high unemployment.** The declining fertility rate does not necessarily translate into a healthy economy. **We must ensure that while the country is becoming older and wiser, it remains productive."**

England's health service faces damage from reforms

Bloomberg, 30 January 2012

Britain's **Health and Social Care Bill**, proposed by the Conservative-led coalition government, calls for **"reforms designed and implemented so badly that another major NHS reform program is guaranteed within five years,"** according to an editorial simultaneously published in three health publications. The bill, which applies only to England, includes increased competition, greater choice for patients and more involvement by general practitioners in commissioning treatment. Kieran Walshe, a professor of health policy and management at the Manchester Business School, wrote in the editorial that **stopping the bill would save about £360m.** It would also save about £650m a year needed to run the organisations. **Government could argue that, in the special economic circumstances of the day, it made sense to drop the bill, writes Walshe.**