SUMMARY: HEALTH NEWS HIGHLIGHTS FEBRUARY 2012

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

It's a well-known fact that the new NHI system will need funding over and above Government's current public health allocations. However, other factors should also be taken into account; like allowing more competition (to drive down costs) in order to contain private healthcare costs. Consolidation of medical schemes in the private sector may leave room for only a few large providers.

Two of the other huge hurdles Government needs to overcome are better management and improved skills and resources, without which introducing NHI could prove futile.

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

According to the latest research, Tuberculosis (TB) is the number one killer of the black population in South Africa. Diagnosing and treating TB is often hampered by the fact that HIV distorts the normal manifestation of TB.

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

Instead of taking responsibility for the trauma and "mess" at the Chris Hani Baragwanath Hospital, CEO Johanna More responded by blaming the doctors. The Bara and the hospital lab crisis in Gauteng, are only two examples of a health system urgently needing a turnaround strategy. One can only hope that Health MEC Ntombi Mekgwe keeps her promise of a comprehensive turnaround with the help of auditing firm KPMG. If the Western Cape can do it, so can Gauteng.

4. Medical Schemes (p7-9)

Sound financial governance, not profit, is behind increases in medical aid contributions as schemes strive to maintain solvency ratios, according to Kevin Aron, MD of Medscheme SA. Meanwhile, the rising cost of healthcare has led to the emergence of a new type of short-term health insurance product in SA that is ideally suited to the lower-income earner.

5. Pharmaceuticals (p9-10)

The government's planned joint venture of R1,6bn with Swiss pharmaceutical manufacturer Lonza, to produce the active ingredient in antiretroviral drugs, would narrow SA's growing trade deficit in the pharmaceutical sector. While the latter is good for SA's image, there are ethical issues that may be bad for the same image: "Unbecoming commercial practices" in the pharmaceutical industry are under investigation by the Department of Health. These practices, include loyalty programmes, rebates or payments in exchange for market share, sales of data, payments for shelf space and trade discounts by drug manufacturers, wholesalers, distributors and pharmacies, and may be in breach of the Medicines and Related Substances Control Act.

6. Financial News (p10-11)

Paul Anley, CEO of Pharma Dynamics, says the generics industry may experience considerable growth this year, after the average 11% growth seen locally in 2011. According to the 2011 SA Health Review the gap between the South African public and private health expenditure is narrowing, and public spending is expected to exceed private sector spending in the future.

7. General News (p11)

SUMMARY OF HEALTH NEWS: FEBRUARY 2012

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1. NATIONAL HEALTH INSURANCE (NHI) & PUBLIC HEALTH

Motsoaledi starts health overhaul

Business Day, 24 Feb2012

In order to prepare for NHI, national government will be advertising 92 hospital CEO posts by the end of February, according to Health Minister Aaron Motsoaledi. In addition, **all sections of the National Health Act of 2003 will be coming into force** on March 1. This would correct the issue of **people in acting CEO positions**, **wrong placements**, **wrong qualifications** and **wrong experience or level**. However, Prof Alex van den Heever, Old Mutual chair of social security at Wits, says the system **lacks formal accountability structures**. The public health system had not only been degraded by **a lack of qualifications,** but also by **how people were appointed and their lack of supervision**.

Competition vital to private healthcare; Delivery issues plague NHI before it even begins

Business Day, 21 Feb; Mail & Guardian, 22 Feb2012

Kevin Aron, MD of Medscheme warned that **private hospital costs were unsustainable,** and perceptions that **medical aid schemes were offering less value for money** were gaining ground. More c**ompetition is necessary to contain private healthcare costs,** while **consolidation** in the sector may leave room for **only a few large providers**. According to the Council for Medical Schemes' (CMS) annual report last year, the inflation-adjusted cost per beneficiary for private hospital care had risen **from R172,80 in 2000 to R308,30 in 2010 - a 78,4% increase**. This was despite a drop in the number of beneficiaries admitted to private hospitals, from 193,2 per 1 000 in 2009 to 184,6 per 1 000 in 2010. Aron said **regulation of the industry** needed to be handled **sensitively to ensure continued investment in private healthcare**, and **preserve consumer choice**. **More competition** among providers was needed to **drive down costs** amid the **consolidation** of a sector that might have room for only a few large providers. He said the **public sector should make use of the private sector's information technology management systems, and experience in managing costs.** Aron also reiterated that without **"better management" and "improved skills and resources",** attempts to introduce **NHI could prove futile**.

Even if the government found the money to fund NHI, it was very unlikely that it would be spent properly under current circumstances, said Prof Alex van den Heever. Motsoaledi should "concentrate on the basics" and not treat the NHI as "silver bullet", Van den Heever said.

Pensioners 'likely to benefit most from NHI'

Business Report, 20 Feb 2012

Pensioners who spend a **large portion of their retirement income on medical bills** may be **better off under the NHI system**, according to experts. Olabode Olajumoke, an employee benefits actuary at Aon South Africa, said the need for **comprehensive health cover** was **more critical for the elderly as their medical needs increased as they grow older**. NHI will help to **alleviate a major cost burden for those in retiremen**t. As fewer companies continued subsidising contributions after retirement, the introduction of the NHI could mean that **all pensioners would be better off in retirement, depending on their level**

of income, with **middle-income earners** likely to be the **biggest beneficiaries**.

Health standards compliance 'vital to NHI plan'; Inspectors to wield big stick at public hospitals
Business Day, 16 Feb; The Star, 14 Feb 2012
Health Minister Aaron Motsoaledi told Parliament there were **two pre-conditions for the introduction of NHI: a complete overhaul of the public healthcare sector** as the quality of service in public hospitals needs to be dramatically improved; and the **regulation of prices charged in the private healthcare sector**. Speaking on the **National Health Act Amendment Bill,** he described it as **revolutionary legislation** because it would "change the way South Africans see the public health system". The bill provides for an **Office of Health Standards Compliance (OHSC),** soon to be established. **OHSC officials would soon inspect all** public health institutions; rating them **according to six core standards: cleanliness, safety and security of patients, the attitude of staff, infection control, availability of drugs and long queues.** They will be **certified only once they had achieved an acceptable standard**. Institutions not meeting these standards will receive a **notice of non-compliance** that will remain in place until a subsequent inspection found the problem areas had been corrected. Penalties could include fines of up to R10m. and/or prosecution.

David Gleason: The Bottom Line Health getting regulated by stealth:
Business Day, 1 Feb 2012
The **Competition Commission** is considering a **market inquiry into the private healthcare industry.** The commission's aims seems to be **regulating the private healthcare system and preparing the way for the integration of private hospitals into the NHI system**.
However, the **same Competition Commission carries much of the blame** for the **escalation** in charges levied by private general practitioners due to its **banning collective bargaining by medical schemes with hospitals** in 2002. Doctors and those providing allied services were free to **set their own charges**, and **medical aids applied their own rates;** leaving **patients to fund the deficit**.
"The **private healthcare sector** is recognised internationally as **being good (but costly**). The state wants to **integrate the public and private sectors**. To do that, it will have to **contract with the private sector** and its problem will be to **pay what the private sector asks**. This is probably why it is moving towards some form of **price regulation** - just as it did with the pharmaceutical sector, and look at the mess it made of that."
Editorial comment: ***State health needs to be fixed first:*** *Business Day, 14 Feb 2012*
"The benefits from Health Minister Motsoaledi's sound leadership and policy decisions are being constrained by a **public health system plagued by critical shortages of doctors and nurses, rapidly ageing infrastructure, administrative chaos in some provinces, and a heavy burden of disease.** If the primary problem is a **lack of skills, centralisation is not going to fix things,** and if the failure is due to **underfunding and administrative inefficiencies,** the solution is surely to **tackle these head-on.** This may, however, be an **ideal opportunity to determine the feasibility of public-private partnerships in the running of state hospitals** by establishing a **pilot project**. **The NHI will only succeed if the private sector can be brought on board."**

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

TB is top killer; Long division – TB; Half of HIV infected is child-bearing women
SAPA, 2 Feb; The Cape times, 9 Feb; SAPA, 10 Feb 2012
Tuberculosis (TB) is the number one killer of the black population in South Africa, according to Statistics SA's November 2010 report.
HIV/AIDS was among the top 10 leading **causes of deaths in the black population**. **HIV often distorts the normal manifestation of TB**, making **it hard to diagnose and treat**. Once a person's immune system

has been weakened by HIV, he/she easily gets infected with TB.
According to the survey 89% of South Africans infected with HIV were adults aged 20 to 64; and 53% were women of child-bearing age between the ages of 15 and 49.

HIV rate way down thanks to condoms
The Times, 14 Feb 2012
A new study published in the Royal Society journal *Interface* shows the rate at which South Africans **contracted HIV fell by 30%** between 2000 - 2008**, mostly due to increased condom use.** It also found that **advertising campaigns** played a role in encouraging condom use. However, in some areas there are **less than 10 to 15 condoms available per sexually active man** over a year.

Local doctor rewarded with global accolade for TB work
The Star, 6 Feb 2012
Dr. Bavesh Kana, unit head of the Wits Centre of Excellence for Biomedical TB Research, is one of 28 top biomedical scientists chosen from 12 countries for the prestigious **Howard Hughes** Medical Institute's inaugural International **Early Career Scientist Award. He will receive a $650 000 grant over the next five years for research to speed up his research on TB diagnosis**.

3. DOCTORS, NURSES, HOSPITALS & TRAINING

Wholesale changes to Gauteng health; Premier defends health MEC move
SAPA, 20 Feb; Business Day, 22 Feb; SAPA, 21 Feb 2012;
Gauteng's **health and social development department is to be separated into two entities with effect from April 2012.** Premier Nomvula Mokonyane announced the province would have a dedicated MEC and head of department solely for the department of health. The changes are meant to **improve effectiveness** in the provincial health system, dogged by poor service provision, coupled with staff and supply shortages. She **defended her decision to retain health MEC Ntombi Mekgwe,** saying the rot did not lie with the political leadership, but that individuals in the department had to be accountable. The Premier said **massive irregularities** had been unearthed in public health institutions like the **Chris Hani Baragwanath Hospital.**

Gauteng health promised 'major shake-up'
Mail & Guardian, 27 Feb; The Star, 28 Feb2012
Health MEC Ntombi Mekgwe has **promised the department was pursuing a comprehensive turnaround strategy with the help of auditing firm KPMG**. A **strategy session with managers of all hospitals in the province** will be held at the beginning of March. The department aims to **pay off all of its outstanding debt by June this year.** The province's department of infrastructure development has begun a renewal programme aimed at **increasing the functionality of equipment** at the provinces hospitals. **Two new hospitals** are to be completed over the course of the year and **five provincial hospitals** will benefit from infrastructure revitalisation projects. Baragwanath Hospital would have a new **high-care maternity ward** and laundry at a cost of R130m. But, Jack Bloom, the DA's Gauteng health spokesperson **questioned Mekgwe's ability to lead the turnaround**, saying this was the person who presided over the decline of the health department.

Patients from other provinces flock to Cape hospitals
The Sunday Times, 19 Feb 2012
One in five patients treated at some state hospitals in the Western Cape are **from other provinces or countries**. Premier Helen Zille says the health system in the province was "functional and delivering quality care to patients" due to **strong leadership, strict control and fiscal discipline**. According to

provincial health MEC, Theuns Botha, improved levels of healthcare have seen a steady increase of patients from neighbouring provinces seeking treatment in the Cape. Stellenbosch-based economics consultancy Econex said the Western Cape's **doctor-to-population ratio was 135 doctors per 100 000 people - the healthiest ratio in South Africa**. This is followed by Gauteng with 102 doctors per 100 000 people and the Free State with 55.
Gauteng's department of health has also reported a **massive influx** of so-called **"health immigrants"** from other parts of the country and other African countries.

Gauteng vows to cough up R1,6bn for debts; Hospital labs open after debt payment
The Star, 10 Feb; SAPA, 13 Feb 2012
The Gauteng government has pledged to settle R1,6bn in outstanding bills owed by the provincial Health Department to suppliers by the end of March.
Laboratories' services within public hospitals have resumed after the payment of over R700m owed by Gauteng to service providers. The NHLS received R150m and the SA National Blood Service received R50m. It is understood that the Premier's office will **secure a total of R1bn pooled from projected under spending in various provincial departments, capital expenditure savings and conditional grants**. The department owes a total of R2,1bn to its suppliers, but claims it was owed around R1,4bn by other provinces, medical aids, private patients and state departments.

Health labs hit by cash crisis; Minister against closure of labs; Unhealthy leadership
The Star, 1 Feb; The Times, 7 Feb; Business Day, 7 Feb2012
Earlier in the month at least **six National Health Laboratory Service lab**s had been shut down because **the service was owed R2,1bn in outstanding service bills from provincial health departments**. **Gauteng and KwaZulu-Natal collectively owed R1,7bn or 82% of the total amount outstanding. *Business Day* stated in an editorial (7 Feb)**: "The department's failure to perform its mandate is **largely a result of apathy towards service delivery and the lack of enough people with appropriate skills."**

Bara baby crisis; Department to intervene in Bara crisis; Health service on brink of collapse
Health-e News Service via The Star, 8 Feb; SAPA, 8 Feb; The Star, 9 Feb 2012
Several newborn babies have died while others have been left **brain damaged** at Chris Hani Baragwanath Academic Hospital's labour ward because of a **staffing crisis, according to doctors**. **Bara CEO Johanna More denied** she had been informed of these incidents. In a memorandum by a senior specialist sent to Bara's medical advisory committee in December, it was revealed that, according to the ward register, there were only 7 to10 nurses on duty on a given weekend, although at least 30 were required. In early November, the problem was **exacerbated by the non-payment of Khalipha Agency,** which supplied additional nurses to the hospital.

'Lack of accountability' blamed for Bara deaths
Business Day, 10 Feb 2012
Deaths of newborn babies at Baragwanath Hospital are **symptomatic of a provincial healthcare system with no accountability,** according to Prof Alex van den Heever (Wits). **Poor governance had "reached a new level", with "every aspect of governance compromised by improper political interference"**. The hospital has admitted that it faced issues **of "ghost doctors" and moonlighting**. An audit on personnel and skills would be completed by the end of February.

Hospitals in Limpopo on the verge of collapse
City Press, 19 Feb 2012
The Limpopo health department also seems to be **in shambles**. According to a report compiled by the Auditor General last March the **department blew R400m on irregular expenditure** and it **could not show who was to receive about R2,8bn** which it had committed to paying for contracts. It also revealed

collapsed or non-existent controls involving millions of rand, and a **flagrant disregard for financial management, public finance laws and legal obligations**. It is unclear if anything was done over the last year to rectify the mess outlined in the audit report.

Editorial comment: ***Heads must roll over Bara;*** *The Star, 10 Feb 2012*
Since details of the avoidable death and disability at the hospital came to light**, provincial health** and **hospital authorities have not acted in a manner that proves they are in control**. "In fact, all we are hearing are **vague future plans.** By failing to act decisively, they run the risk of seeing more babies being brain damaged or dying. We shudder to think what the situation is in other hospitals. Heads must roll and soon."
Editorial comment: *The Sunday Times, 12 Feb 2012*
"Instead of taking responsibility for this mess at Bara, CEO Johanna More responded by blaming doctors ... I am not sure **how doctors and nurses are responsible for ensuring a reliable drug supply and laboratory services, or even paying nursing agencies** for that matter. Had it not been for the same doctors whom, she says, are the villains, there would not have been an urgent meeting to sort out this crisis... **The poor were promised free healthcare; instead, they are at the mercy of an uncaring system.** The spin doctors have been hard at work assuring us that the 'matter' will be resolved. **I am sure it will be - one dead patient at a time."**

Doctors could be forced to stay in SA
Cape Argus, 23 Feb 2012
Doctors who study in SA should **work in the country for the same number of years they were trained or pay back the amount they were subsidised by the government** as a way to keep them from leaving soon after graduation. This was suggested by Dr Kgosi Letlape, acting registrar and CEO of the Health Professions Council of SA (HPCSA), which says **SA is losing more doctors than it produces,** with **50% of new graduates leaving within the first five years** of their career.

Shortage dampens medical year; Reserve more places; Shot in the arm for medical schools
The Cape Times, 9 Feb; The Financial Mail, 10 Feb The Sunday Times, 19 Feb 2012
Thousands of **aspirant doctors have been turned away from universities for not getting top grades.** Yet, the country is **desperately short of doctors, and at the current rate of about 1 200 new doctors graduating a year, it will take a decade to clear the backlog**. Almost half the positions for doctors in the public sector are vacant, which means that the country **needs about 11 000 more doctors,** according to the SA Health Review 2010. The NHI scheme will need even more doctors over the next 14 years. Wits, Stellenbosch, UCT, Pretoria, Walter Sisulu (Eastern Cape and KwaZulu-Natal universities have all **increased their intake of students**, but this is still not enough when considered that **50% of doctors leave the country within five years.**

'Tax breaks for medical professionals needed'; African countries pay to train doctors for the West
BusinessLIVE, 9 Feb; Sunday Times 19 Feb 2012
Mike Jackson, CEO at **PPS, the financial services provider to graduate professionals,** says **innovative changes to SA's current tax structures** - like tax breaks to recently qualified practitioners - may encourage a greater number of graduates to pursue scarce skilled professions such as medicine and dentistry. According to a report compiled by the Colleges of Medicine of SA there are an estimated 27 641 doctors practicing in SA, with **approximately 23 407 South African-born doctors believed to be practicing in overseas countries.** In Canada, 22% of working doctors were trained in Africa - with most of them from South Africa and Zimbabwe.
There is also **a major shortage of dentists with only 4 153 registered dentists in SA**.

Proper use of clinics 'can ease burden on hospitals'
Business Day, 13 Feb 2012
Health Minister Aaron Motsoaledi says **greater utilisation of clinics**, alongside a **campaign against diseases caused by poor lifestyles**, could **reduce pressure on overburdened hospitals**. According to Motsoaledi government will spend billions of rand in the next 5 to 10 years, **repairing and building new clinics, districts and provincial hospitals**. Hospitals that should only deal with "serious cases" are "overloaded", as more than half of the patients had minor problems that could be treated at a primary level, said Motsoaledi. He **acknowledged shortages of critical medical staff.**

Gauteng hospital heads to take on minor maintenance
SAPA, 1 Feb 2012
Minor maintenance at Gauteng provincial hospitals will be transferred to hospital CEOs, according to the province's infrastructure and development department. CEOs will now be responsible for **purchasing material and managing the maintenance** for work of **less than R1m**.

Overtime abuse by doctors has cost Gauteng millions; Bid to root out quacks
The Star, 9 Feb; *The Sunday Times, 5 Feb 2012*
Nine doctors are facing the risk of losing their medical licences as the Gauteng department of health clamps down on **overtime abuse**. The doctors, four from Sebokeng Hospital, in the Vaal Triangle, three from Pholosong Hospital in Tsakane, Ekurhuleni, and two from Leratong Hospital in Krugersdorp are facing disciplinary hearings.
At Baragwanath, doctors are allegedly bringing in their own patients from private medical institutions and treating them with state resources. R25m was saved in December when the authorities discovered how the overtime claims system was being abused by hospital staff.
Meanwhile the **Health Professions' Council of South Africa has launched an investigation to verify the qualifications of more than 4 500 medical professionals working in government hospitals.** An inquiry by the council last year uncovered that **1 053 personnel, from paramedics to ambulance basic assistants, had fraudulent qualifications.** The crackdown was triggered by the arrest of a Congolese doctor who worked as a neurosurgeon for about four years at several government facilities before the council discovered his fake credentials.

4. MEDICAL SCHEMES

Schemes sick of high claims
BusinessLIVE, 24 Feb2012
Medical schemes are **re-examining benefits and claims driving up medical costs**, says Mark Arnold of Resolution Health. He said **gate keeping protected members and beneficiary funds.** A **change in claim behaviour** could lead to **lower premiums and unlimited GP visits**. Bonitas introduced the **GP referral system** two years ago. Discovery Health's CEO Jonathan Broomberg said **benefit ceilings for allied health professional and therapeutic services were introduced to reduce (alleged) fund abuse**. He said the pattern in the health environment was to engage in the blame game, but the reality was that, annually, **health costs far outstripped inflation and the CPI.**

Government Employees' Medical Scheme (GEMS): Fleeced by medical aid
The Star, 20 Feb 2012
Gems members on chronic medication are paying dispensing fees higher than the legislated maximum. Based on the four-tier Transparent Pricing System for Medicines and Scheduled Substances, members receiving any medication priced lower than R40 are invariably paying more than Government's recommended price. This anomaly has come about by **Gems awarding Medipost**, a courier pharmacy, **a**

multimillion-rand tender to be the scheme's sole chronic medication and antiretroviral designated service provider. It negotiated a flat "professional fee" of R23,78. If patients want to go to their local pharmacist, they will be penalised with a 30% co-payment. But, legally no pharmacist, person licensed to dispense, wholesaler or distributor is allowed to sell medicines at a price higher than the legislated fee. Outraged members claim Medipost and Gems are **contravening the act** by **overcharging for medicines** and have laid complaints with the CMS. Both Gems and Medipost say they are **not breaking the law**. According to Gems the scheme had in **fact saved more than R20m for the month as a result of the flat fee negotiated with Medipost.** However, Consumer Commissioner Mamodupi Mohlala says **the practice violated at least two sections of the Consumer Protection Act.**

Low cost healthcare not on offer
BusinessLIVE, 16 Feb 2012
The rising cost of healthcare has led to the emergence of a **new type of short-term health insurance product in SA** that is **ideally suited to the lower-income earner**. According to Clayton Samsodien, managing director of Genesis Capital's healthcare subsidiary - **Genesis Healthcare Consultants** - some of these products were **offered by well-known brands** but they were **rarely highlighted** as options to consumers, as so **few consultants were legally licensed to provide advice regarding them**. Consultants have to be licensed by the Financial Services Board to sell short-term insurance**.** These products offered **solutions to consumers** who might not be able to **afford a comprehensive medical aid**. (For less than R200 per month, a customer could see a doctor as many times as necessary throughout a year and have all prescribed medicines covered as well.) These products were unique in price, versus the benefits on offer, as they were **not governed by the Medical Schemes Act; and are regarded as short-term insurance;** not medical schemes.

'Profit not behind rise in medical aid costs'
BusinessLIVE, 8 Feb 2012
Sound financial governance, not profit, is behind increases in medical aid contributions as schemes strive to maintain solvency ratios, according to Kevin Aron, MD of **Medscheme** South Africa. Aron's comments come as 2012 increases in medical aid contributions have generated public debate**. Causes of higher medical inflation were ascribed to: escalating costs of hospitalisation and private healthcare**; **administration costs**; **specialists' costs; PMBs; members' age profile; and the legislated 25% solvency ratio.**

Rapid rise in costs of specialised medicines
Personal Finance, 4 Feb 2012
Discovery Health Medical Scheme experienced a 15%-a-year increase in its oncology costs over the past three years, and last year had a **27% rise in the number of claims for specialised medicines for illnesses other than cancer.** According to Discovery's CEO, Jonathan Broomberg 25 000 of the scheme's 2 million members were receiving treatment for cancer.

Small open medical schemes in danger
Business Report, 14 Feb 2012
The 2012 benefit cycle might prove more difficult for smaller medical schemes and could threaten the existence of smaller players in the open schemes environment, according to health insurance experts, Global Credit Ratings (GCR). **The ruling on paying PMBs in full** will also have a negative effect. Financial difficulties **could lead to mergers between small and bigger schemes**.

Medical schemes can refuse to pay for super drugs; Inflation puts big strain on medical aids PMB ethics code behind drying up of funding;
Personal Finance, 4 Feb; Business Report, 5 Feb; Personal Finance, 4 Feb 2012

Medical scheme members should not assume that their schemes will pay for high-cost specialised drugs. Recently, the Council for Medical Schemes' Appeals Committee found that **schemes had the right to consider the affordability of expensive treatments not regarded as the minimum level of care for PMB conditions.** Cancer patients can lead a life virtually free of the effects of the illness if they take a biologic known as **Gleevec.** Although it was paid in full for cancer patients at first, the CMS has since acknowledged that it is **unaffordable. However,** Gleevec is provided at no cost at 8 public-sector hospitals through the Max Foundation. (The code of conduct for PMB benefits, published 2010, states that when schemes consider the levels of treatment for PMB conditions that are available in state hospitals, it must have been purchased through a tender or buy-out process and not be available as a consequence of research, sponsored treatment trials or compassionate programmes.) **Meanwhile medical inflation and regulated contribution increases are affecting the solvency levels of medical schemes.**

5. PHARMACEUTICALS

State set to stamp out drug cheating
Business Report, 28 February 2012
Anban Pillay, the DoH's head of pricing, said the department was **investigating "unbecoming commercial practices"** that might be taking place in the **pharmaceutical industry**, which were in breach of the Medicines and Related Substances Control Act. **Loyalty programmes**, **rebates or payment** in exchange for market share, **sales of data**, **payments for shelf space** and **trade discounts** were some of the uncompetitive activities being resorted to by drug manufacturers, wholesalers, distributors and pharmacies.

Deal adds scale to Litha's portfolio
BusinessLIVE, 22 Feb 2012
South Africa's Litha Healthcare Group has announced a strategic partnership agreement with **Canadian-based pharmaceutical company Paladin Labs Inc was announced.** This will enable the Litha Group to create competitive differentiation in the fast-growing SA pharmaceutical market. Paladin will become Litha's largest shareholder and international strategic partner. Litha will acquire 100% of Pharmaplan, Paladin's South African-based pharmaceutical operations, which will then merge with Litha's Pharma Division. The combined focus would create **a formidable competitor for the long run on the African continent.**

AIDS-drug plant to 'help cut trade deficit'
Business Day, 13 Feb; Business Day, 14 Feb 2012
The government's planned joint venture with **Swiss pharmaceutical manufacturer Lonza** to produce the **active ingredient in antiretroviral drugs** would narrow SA's growing trade deficit in the pharmaceutical sector. The joint venture involves Lonza, a global **leader in the production of active pharmaceutical ingredients,** and the SA government's **Pelchem - a subsidiary of Necsa based at Pelindaba**. **The Ketlaphela Project is** to **begin with antiretrovirals** but will **move to medicines for other diseases such as TB, malaria and diseases prevalent on the African continent**. Total investment in the plant, which is expected to create 2 200 jobs, was about R1,6bn.

CMS Appeal Committee hearings
Press statement by PMG directors, 8 Feb 2012
CMS Appeal Committee has recently ruled on **three separate cases in favour of the use of Modifier 0019 by paediatricians.** These rulings overturn the Registrar for Medical Schemes' view that Modifier 0019 cannot be used by paediatricians' for neonates in ICU who do not require surgery. The **Registrar**

has also been wrapped on the knuckles for suggesting that paediatricians are behaving unprofessionally for using Modifier 0019.

6. FINANCIAL NEWS

Fresh ventures give Discovery new life
Business Report, BusinessLIVE, 24 Feb 2012
Discovery Holdings announced that its established subsidiaries, which include Discovery Health, Life, Vitality and Card, had **business inflows of R3,1bn and operating profit of R1,5bn** in the six months to December. The group's newest businesses, in the US and China attracted 1,8m members and drew R500m in new business during the period. Discovery announced that it had recorded a **22% rise in operating profit** in the six months, and declared **an interim dividend of 50c a share**.

GCR affirms Netcare SA ZAR rating at A
BusinessLIVE, 8 Feb 2012
Global Credit Ratings (GCR) has affirmed hospital group Netcare South Africa Limited's ZAR currency national scale rating at a long-term A and short-term A1. The rating specifically **precludes an analysis of the debt incurred through General Healthcare Group** GHG, as this is non-recourse to the South African operations.

Profit drops for Eli Lilly and Pfizer
Bloomberg via Business Day, 1 Feb2012
Pharmaceutical maker Eli Lilly's fourth-quarter profit **declined 27%** on plummeting sales of its best-selling schizophrenia drug. **Lilly's net income fell to $858,2m from $1,17bn a year earlier**.
Meanwhile, **Pfizer outperformed analysts' earnings estimates** as its **non-pharmaceutical divisions** helped make up for sales losses from generic competition to its best-seller, Lipitor.

Generic pharmaceutical market set for bumper year
BusinessLIVE, 2 Feb 2012
Paul Anley, CEO of Pharma Dynamics, says the **generics industry may experience considerable growth this year, after the average 11% growth seen locally in 2011**. This could be ascribed to the spiralling **cost of healthcare and the expiry of a number of patents.** To contain costs medical schemes **would inevitably move towards generic alternatives from expensive originator drugs.**

Department backtracks to allow single exit prices of drugs to rise
Business Report, 8 Feb 2012
The single exit price **(SEP) of drugs could increase by up to 2,14% this year,** the Department of Health said after reviewing comments by pharmaceutical firms on its proposal last year for a 0% increase in August 2011. The department's head of pricing, Anban Pillay, said the increase was informed by the FFG formula, which is 70% consumer price index (CPI), 15% rand/dollar variance and 15% rand/euro variance. Although all companies would be given the opportunity to apply for a maximum increase of 2,14%, some manufacturers chose not to apply an increase.

AstraZeneca set to cut 7 300 jobs
Reuters via Business Report, 3 February 2012
AstraZeneca (Britain's second-biggest drug maker) is **cutting a further 7 300 jobs and expects earnings to fall by between 14% and 18%** this year as **key drug patents expire** and governments in the **US and Europe squeeze prices**. The company has already implemented **two earlier rounds of cutbacks** involving **21 600 job losses since 2007**.

Health spending gap narrowing

Business Report, 24 Feb;The Financial Mail, 24 Feb2012

The **gap** between South **African public and private health expenditure is narrowing,** with public spending expected to exceed private sector spending in the future, according to the 2011 South Africa Health Review. **Public hospital spending** on average has increased by **5,4% a year** over the past three years. The government spent 14,1% of its 2010/11 budget on health. At national level public sector spending was R110,3bn.

Expenditure growth over the next two years is expected to be 8,5% on average, resulting in projected spending of almost R127bn in the 2013/14 fiscal year. The significant increase in spending went to **primary care and infrastructur**e, with a **steady rise in human resources for health in the public sector.**

Spending by **provincial health departments has put the public sector ahead of medical schemes**. **Provincial spending exceeded that of medical schemes for the first time in 2009/10** when it reached **44,3%** and the trend was likely to continue.

The report showed that **private sector spending** as a percentage of the total has **declined steadily over the years, from 52,5% in 2007/08 to 50,4% in 2010/11,** and was projected to reach 49,9% in the 2013/14 fiscal year.

The number of **public sector doctors had increased from 10 880 in 2002 to 17 439 in 2011** and **nurses from 97 111 in 2002 to 131 592 in 2011**. Staff expenditure increased from R28,7bn in 2006/07 to R59,9bn in 2010/11.

7. GENERAL NEWS

Chronic disease and trauma plague SA health system

The Mail & Guardian, 24 Feb 2012

Health data gathered from hospitals around the country shows that **violence and lifestyle diseases are taking a grievous toll on the health system**. Transport injuries are the **fifth leading cause of early mortality in the countr**y. **Alcohol abuse** is responsible for the deaths 29% of all driver injuries and 47% of driver deaths.