# SUMMARY OF HEALTH NEWS: AUGUST 2012

**IN THIS ISSUE:**

**INDEX**



***A summary on BHF Southern African 2012-conference:*** **BHF Conference*, issued earlier in August***

***August's news highlights: money and how to manage it***

According to Min. Trevor Manuel's New Development Plan the proposed NHI scheme could take as **long as 25 years –** the original estimate was 14 years. Even if we have to wait another ten years, **the question still remains? Will Government have enough money and administrative capacity to manage the NHI? (p1)**

*** In 2010 the reference price list (RFL) was scrapped by** the courts after a dispute with service providers. **The Health Professional's Council of South Africa (**HPCSA's) recent attempt at a **new tariff guide was withdrawn at the last minute** after threats of legal action. Instead of solving the problem, the new guide caused huge uproar in the healthcare sector - pessimism among doctors was also reflected in a recent survey done by PPS. (p4)

* Money is not only a problem in the private sector: the crisis at provincial hospitals like **Charlotte Maxete** was **not only about money, but also the ability (or lack thereof) to manage it**. According to the **civil rights NGO, Section 27,** the crisis was a manifestation of a far larger problem, relating to an **inadequate budgeting processes and poor management (p3).**

*In *City Press* of 26th August the editorial comment: ***Health costs depend on who's talking*** describes the price feud in SA healthcare: "In all the public spats and court cases between medical schemes, health practitioners, government, the HPCSA and ordinary people, **pricing is at the centre of the dispute.** Doctors say they are **charging what they deserve**, schemes say they will pay doctors **what they deem fit**, the HPCSA has other figures, Government says doctors are over-charging and must be regulated - and **ordinary people are caught between a rock and a hard place.** Maybe an inquiry will shed light on what you and I should do, and possibly come up with a solution that will benefit us and those who nurse us back to health."

* **The good news:** Researchers at UCT **have identified a compound that has the potential to treat malaria**. (p3)

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

***NHI could take 15 to 25 years; Parliament passes health bill***
*SAPA, 14, 15 August 2012*
Building an NHI system is among the objectives contained in Min. Trevor Manuel's New Development Plan (NDP), recently presented to Pres. Jacob Zuma. **The 20-year plan names 4 prerequisites** for the NHI to be successful: **"improving the quality of public healthcare, lowering the cost of private care, recruiting more professionals in both the public and private sectors, and developing health information systems that span public and private health providers**".

A copy of the revised NDP can be obtained from the link below:

* In August the National Assembly has also approved the **National Health Amendment Bill**, which establishes the **Office of Health Standards Compliance.**

***Editorial comment on the NDP and NHI: New healthcare battle***

* *Business Day, 16 August 2012:* If Government continues to regulate private healthcare, it needs to set up a **credible and independent institution to do so**. But, if the goal of a healthcare pricing commission is to set prices based on some "socialist fantasy of cheap, quality and affordable healthcare for all", rather than input costs, Health Minister Aaron Motsoaledi may as well "move his office into the high court".

* *Edward West: Business Day 15 August*: "The **NHI will no doubt regulate medical prices**. But it is clear that the private medical industry is ill. The question is **whether Government has enough money and administrative capacity to manage the NHI**. The current system is not working - not even for those paying for supposed First World medical facilities. **Are we really going to have to wait for another 10 years?"**

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

***TB test's price slashed in half; Clinton, Motsoaledi sign deal; Abortions; SA to monitor HIV test kit; AIDS projects receive grant extensions; Anxious times for HIV patients as US cuts aid***
*Health-e News Service, 7 August; Business Day, 10, 28 August; SAPA, 21 August; The Star, 22 August 2012*
The US President's Emergency Plan for AIDS Relief (Pepfar), the US Agency for International Development, Unitaid, and the Bill & Melinda Gates Foundation announced an agreement that will **reduce the cost of the rapid TB diagnostic test Xpert MTB/RIF in 145 high-burden and developing countries, including SA.** The cost of cartridges used to diagnose TB will be reduced by more than 40%.

* US Secretary of State, Hillary Clinton, and Health Minister, Aaron Motsoaledi, have signed an agreement detailing how **SA will take over HIV/AIDS programmes** that have until now been funded by the US. SA has up to date **received $3,2-bn from Pepfar**; the largest investment one country has made in another to fight a single disease. **By 2017, its annual HIV/AIDS funding to SA will fall by 50%.** US aid will in future shift **from an emergency response focused on treatment to investments in technical support.**

* Meanwhile the DoH has **secured grant extensions for some HIV/AIDS projects as funding from Pepfar dries up next month.** The DoH announced that **"no-cost" grant extensions had been arranged for NGOs until January.** The Treasury's director for social services, Mark Blecher, said **provincial health departments could transfer payments directly to NGOs to continue service provision**, and were not required to put this work out to tender.

* However, within the NGO sector there is **deep scepticism about the capacity of provincial health authorities to step up to the plate**.

* *Business Day* writes in its editorial comment 30th August: "It will be tragic if, just as we are starting to see light at the end of the long, dark tunnel of the HIV/AIDS epidemic in SA, the gains of the past few years were to be reversed **due to the loss of critical foreign funding and the government's lack of capacity to plug the gap**."

* Officials from the World Health Organisation (WHO) will **review the methods used by SA's laboratories in approving HIV test kits.** This comes after the **controversy when the DoH recalled 500 000 HIV testing kits** when it was reported that the kits had been delisted for purchase by the WHO as they were defective.

* Abortions: **77 771 legal abortions were performed in SA** in 2011, which indicated a 31% increase since 2010. The abortion rate in the Free State was 21 994; in North West 12 138; and in Gauteng 11 239.

***Cansa in sunscreen cover-up***; ***Cancer incidence set to treble in over-65s***
*Star, 28 August; Netdoctor.co.uk. 23 August 2012*
The Cancer Association of SA (Cansa) **has admitted that it endorses substandard sunscreens** that have been found lacking when it comes to offering proper protection against harmful sun rays. It is unable to name the specific products concerned due to "contractual obligations" with the laboratory that made the findings. This was uncovered in the August issue of the investigative magazine *Noseweek*.

* Dr Carl Albrecht, head of research at Cansa, said **sunscreens must be adequate by the end of March 2013** or they would forfeit Cansa endorsement, as a **new SA standard would come into effect** on that date. Cansa said while the SA Bureau of Standards developed standards for sunscreens, the industry remained self-regulatory, with no one enforcing the law.

* According to scientists at King's College London **the number of people living with cancer will increase from 1,3-m in 2010 to 4,1- m by 2040.** At present, 13% of over-65s have received a cancer diagnosis; but this is set to rise to almost 23 %.

***Homegrown malaria drug could offer single-dose cure***
*Business Day, 29 August 2012*
Researchers at the University of Cape Town (UCT) **have identified a compound that has the potential to treat malaria**. The candidate drug, from a class of compounds called aminopyridines, (now called MMV390048) **was identified by a team led by ProfKelly Chibale**. It is effective against a variety of strains of the malaria parasite, and **requires only a single dose to cure the animals of malaria**. The compound has been patented, and the research was published in the *Journal of Medicinal Chemistry* in March.

## 3. DOCTORS, NURSES, HOSPITALS & TRAINING

***Task team to probe Gauteng health; R1,1-bn owed by patients; Review of Gauteng hospitals***
*The Times, 14 August; Business Day, 1 August; SAPA, 9, 14, 15 August 2012*
Letters by 12 of the heads of department at **Charlotte Maxete Hospital in Johannesburg** earlier this month paints a shocking picture of a **major public hospital falling** apart: A **chronic shortage of life-saving equipment and exhausted and overburdened nurses and other medical staff** are but a few of the problems. Most letters show that the **Gauteng health department had been made aware that the situation was spiralling out of control**, but had **failed to act**. Poor supply-chain management at provincial level **and non-payment of suppliers** are blamed for the shortage or non-availability of equipment while the shortage of staff can be attributed to a **moratorium on hiring staff.**

* **CEO Barney Selebano** explained the hospital was given a budget of only **R1,7-bn for the 2012/2013 financial year, even though it spent R2-bn in 2011.** The hospital requested 30 doctors, 19 specialists, 5 heads of units and 40 registrars, but only 25 registrar posts were approved.

* **Department spokesman Simon Zwane** said the department was aware of "staff shortages" at the hospital and was filling the vacant posts. About the budget shortfall he said that the department would step in to help.

* **But Prof Christopher Szabo, acting chairman of the Medical Advisory Committee**, said he "had received **no notification about any meeting** or any approval for the filling of any posts".

* **Jack Bloom, DA health spokesman,** said the answer is: **Pay suppliers, buy equipment and fill vacancies.** The hospital was run by a "superb world-class " staff, but lacked medicines, functional equipment and staff. These problems **extended to** public healthcare facilities in **Limpopo and the Eastern Cape.**

* **In its editorial comment on 14th August, *The Times* states**: "Patterns **similar to those we have witnessed in education are emerging in health: essential services are neglected**, **suppliers left unpaid** and **vital vacancies not filled**. Charlotte Maxeke is **one of the most important academic institutions in the country**. The letters from doctors about the lack of care they are giving their patients because of conditions far beyond their control are a **heartbreaking indictment**. We are talking here about ordinary, very poor South Africans for whom a state hospital is the last refuge in terms of healthcare. Correcting these deficiencies is not complex. It is about **doing what is required and what the state promises** - **hiring staff** and **paying suppliers**. Simple stuff really."

* **The civil rights NGO, Section 27,** said the crisis was a manifestation of a far larger problem, relating to **inadequate budgeting processes and poor management** within the Gauteng DoH.

* Meanwhile charges against several **senior officials in the Gauteng health department** for unauthorised expenditure of **more than R1-bn** have been **referred to the Anti-Corruption Task Team** for further action, according to Special Investigating Unit (SIU) spokesman Boy Ndala. The SIU has recommended that two claims for damages, for the loss of R15,3-m and R1,2-m, be lodged against senior officials. An interim report identified **10 procurement matters worth more than R1-bn for investigation,** and recommended the **recovery of about R11-m in duplicate payment**s made to one service provider.

* The department is also seeking to **collect R1,1-bn it is owed in outstanding patient fees**. The collection is to be made **from medical aids** and **government departments** before the end of the 2012/13 financial year. R450-m had been collected from April to date from the R2-bn the department was owed. R360-m came from the Road Accident Fund. Medical schemes paid R86-m but still owe R200-m.

* Following reports about the hospital crisis, **Gauteng premier Nomvula Mokonyane** has called for a **review of the funding of provincial hospitals and the filling of their critical vacancies**. She ordered the provincial health and infrastructure development departments to implement decisions made at a recent meeting she had with the CEOs of major hospitals.

***Health Professions Council of SA* (*HPCSA) calls for compliance***

*SAPA, 6 August 2012*

Owners of healthcare practices have until **February 2013 to register with the HPCSA**. Spokesperson Lize Nel said the **Health Professions Act** determined that **only registered healthcare practitioners could serve as directors, shareholders, partners, or associates in corporate entities**. Any corporate structure that included unregistered professionals was non-compliant and would have to unbundle their entities in order to comply with the act and applicable regulations and policy guidelines.

***Paediatric ICUs are a constitutional requirement***

*The Star, 7 August 2012*

Prof Keith Bolton, head of paediatrics at the Rahima Moosa Mother and Child Hospital in Coronationville, is quoted in *The Star ("Protector to probe hospital baby shambles", 27th July)* as saying that **the complaint regarding the shortage of paediatric ICU beds is naive**, writes **Paul Hoffman, SC with the Institute for Accountability.** "**Nobody, including children**, **may be refused emergency medical treatment in SA**." However, the state is given the "out" that it must take reasonable measures "within its available resources" to achieve the realisation of the right to access to healthcare. **State hospitals must be capacitated to do so**. **ICU facilities ought to be regarded as "basic healthcare services". Proper understanding of our supreme law, efficient and effective management of state hospitals** and the promotion of **accountability in the management of the public health sector** can change the present state of affairs," writes Hoffman.

***Medical specialists poorly trained at universities; 'Falling quality of training for SA's specialist doctors'***
*Cape Times, 13 August; Sunday Independent, 19 August; Chris Barron: Sunday Times, 19 August 2012*
Findings published in the *SA Journal of Medicine*, highlight the **lack of supervision and training as well as inadequate surgical experience of ear, nose and throat (ENT) surgeons**. The study found universities and teaching hospitals **did not ensure adequate teaching facilities**. The HPCSA had not taken steps to correct the problems, according to the study. The researchers sent questionnaires to ear, nose and throat registrars at the eight training institutions. At **three out of the seven institutions,** registrars were exposed to **less than three quarters of the surgical procedures** required by the College of Medicine of SA.

Johannes Fagan, co-author of the study and president of the College of Otorhinolaryngologists, said there is a lack of supervision at some institutions. Other problems are a **lack of educational facilities and a lack of regular departmental academic meetings.**

* **Sam Mokgokong, president of the HPCSA**, said the **problem lay with the training platforms.** He added that **G**overnment inefficiency could not be attributed to the HPSCA which was "a regulatory body that inspects and puts rules in place". The solution was to **put teaching hospitals under the national DoH.**

* **Prof Dan Ncayiyana, editor of the *SA Medical Journal*** agreed that the problem lay with the teaching hospitals. He said the **platform for training was a struggle for universities.** However, SA still produced the best specialists who were in demand all over the world.

* Although the study **focused on ENTs, the results applied to all specialists' training at the mercy of provincial departments.**

* **In an interview with Chris Barron, Health Minister Motsoaledi said all academic hospitals will hopefully be controlled by the national department by next year.**

## 4. MEDICAL AIDS

***Interim tariff guidelines – Summary of press release by SAPPF's Dr Chris Archer 16 August***
(Additional information in brackets)

* August 7th: HPCSA announced the **publication of its tariff guidelines for medical and dental services**. (The HPCSA scrapped its "ethical tariff" guidelines in 2008. These were in effect a set of maximum prices. In 2010, the North Gauteng **High Court ruled that a guide used by the medical schemes industry to determine reimbursement rates - the National Health Reference Price List (RPL) - was invalid.**)

* The new tariff guidelines **caused immediate shock and anger amongst professionals** when it was realised that the HPCSA had t**aken the industry back nearly a decade, to the 2006 NHRPL, but with an inflator of 46,44%.** (**HPCSA** spokesperson **Bertha Smit s**aid the **new guide was not binding** and only **temporary,** and doctors could charge more than the guideline tariffs, but had to obtain **informed consent from patients** first**. SADA CEO, Maretha Smit, s**aid it was evident that **none of the suggestions by SADA and SAMA were taken into account** in establishing a tariff guideline. The 2012 tariff guidelines are on average between **30% and 40% lower than the published HPCSA fees for dental practitioners in 2006.**

  **(Reaction by HPCSA Ombudsman Dr Abdul Wahab Barday:** The tariff committee would look at the inclusion of new procedures and would meet the relevant stakeholders to determine guideline tariffs for the procedures. The guidelines were published following consultation with the DoH, the CMS and the Compensation Fund, SADA and SAMA. Gems and Discovery Health were also consulted in the development of the tariffs. The purpose of developing the tariffs was to ensure an accessible, affordable and sustainable healthcare system in terms of the Constitution.)

* An urgent telecom of the SAPPF EXCO resulted in a decision to **register the SAPPF's opposition** and to **use legal means if required**.

* In a joint press release by the **SAPPF and SAMA the new tariff guidelines were rejected.** Leaders in each discipline affiliated to the SAPPF were contacted and their approval gained for a response.

  (**Also in the press release:** The 2012 HPCSA tariff is **not only 53% less than the 2007 HPCSA tariff**, it is also **5% less than SAMA's own 2003 tariff:** "CPI inflation has increased by 55% since then, while medical scheme contributions have effectively escalated by 105%. While consumers are paying 105% more for their medical scheme contributions, the **doctors are supposed to settle for 5% less than what they were earning in 2003!**" The 2006 RPL contained almost **1000 fewer procedures than those currently reflected.** "Since 1000 new procedures are excluded from the current HPCSA guidelines, medical **schemes are not obliged to pay for these procedures.** Patients will therefore have to pay out-of-pocket, but will have no basis on which to complain. The SAPPF has **advised its members to charge a tariff that is fair and appropriate but to ensure that patients are informed in writing**.)

* 10th August: **Casper Venter and Dr Chris Archer met with attorneys Webber Wentzel** to instruct them on the drafting of a letter to be sent to the registrar of the council and the chairman of the medical and dental board **insisting on the withdrawal of the tariff guide.**

* 13th August: Bertha Smit of the HPCSA **refused to allow Dr Archer at a media briefing.**

* 14th August: A strong delegation representing SAPPF, SAMA and SADA met with the registrar and her team. Among them were Dr Franco Colin, Dr Mike Wellsted, Japie Marais and Maretha Smit.

  The registrar was accompanied by the legal adviser to the HPCSA, the manager of the medical and dental board and Prof Abdul Barday the council ombudsman, as well as Bertha Smit*.

* "At the meeting we explained our **concerns with the tariff and with the lack of an appropriate process** that led to its publication. We stated our intention to pursue legal action if required, but that our reason for requesting the meeting was to hopefully persuade the registrar that it would **be preferable to reach an agreement on the withdrawal of the tariff** and the institution of an appropriate process of consultation, to **produce a tariff acceptable to all parties**. The letter from the dentists gave the council until lunchtime 15th to withdraw its tariff, whilst the SAPPF letter gave council until Monday the 20th August to respond.

* After an urgent meeting with the president of the council, Prof Sam Mokgokong, he agreed to **refer the matter to the council meeting on the 3rd September and to put on hold the gazetting of the tariff, pending agreement on the way forward.**

* SAPPF and its allies in **SAMA and SADA now have an opportunity** to put forward a strong case for the **establishment of an equitable and transparent tariff determining process;** one capable of creating a tariff for medical and dental services that will be **affordable to our patients and reasonable for doctors and dentists,** and one which will enable the provision of **a modern service of good quality.**

*(*Sources: *Business Day, 31 July, 8,14, 15, 16 August; Business Report 10, 13 August; Sapa, 13, 14 August)*

***MPs tell HPCSA to continue working on doctors' tariffs***

*Business Report, 23 August 2012*

Meanwhile the **portfolio committee on health** has given the HPCSA the **go ahead to work out tariff guidelines for private doctors**. Monwabisi Goqwana, the chairman of the committee, said **an independent body had to be appointed to do the research** on which tariffs could be based. The committee would look at the possibility of involving both the DoH and the CMS in the independent research. HPCSA chief executive and registrar, Buyiswa Mjamba-Matshoba, said the organisation had **not withdrawn the tariffs but had only put them on hold pending the council's meeting on September 3.**

* ***Editorial Comment: The patient is always right;*** *Star, 16 August 2012*
  The bid by **the HPCSA to regulate fees charged by doctors** and make medical treatment more affordable **could have exactly the opposite effect**. The **real problem with the guidelines is that some medical aids might use the opportunity to pay only the suggested tariff, leaving the medical aid member even more exposed than ever before.** All the parties involved need to return to the table to hammer out a solution.

* ***Editorial Comment: Cure worse than the condition;*** *Citizen, 16 August 2012*
  Instead of bringing clarity to a situation that has been in flux since the North Gauteng High Court declared the national health reference price list invalid in 2010, the new medical tariff guidelines have caused uproar. "Although there are exceptions, **consumers can rest assured they will be screwed by both their doctors and their medical aid schemes.** Doctors will continue to charge more than the guidelines and the medical aids will pay as little as possible. Granted, SA must look after its doctors, far too many of whom are leaving. But consumers also need more protection and certainty. The HPCSA admits the guidelines have yet to be scientifically determined. So why deliver an incomplete hodge-podge? It is bad for the blood pressure."

***SA medics less confident in future***
*Business Report, 30 August 2012*
According to Gerhard Joubert, head of marketing and stakeholder relations at the financial services provider PPS, the **tariff regulations proposed by the HPCSA** might have left **many medical professionals uncertain about their future** in the country. A recent survey showed that **confidence in the medical profession had taken a serious knock.** Joubert said the **consistent decline in confidence** among medical professionals for education-related questions should serve as a warning bell.

***Perils and pitfalls: DSP specialist payment arrangement - Chris Archer SAPPF***
*Press Release: SAPPF president Dr Chris Archer, 3 August 2012*
As a result of legislation controlling PMBs, many schemes have sought to **limit their liability by establishing provider networks.** The latest is **Bonitas, which has used the Medscheme contract as basis. This contract is currently being marketed to specialists**. Unfortunately the contract has **been created without adequate consultation with the profession**. Certain of the management groups, most notably the OMG, have sought to engage Medscheme and Bonitas recently over their concerns with the contract and, with the assistance of SAPPF, **a temporary moratorium was agreed to allow time for negotiations on an improved contract.**

**A draft of what SAPPF and OMG proposed as an alternative to the existing contract follows:**
However, only the Medscheme contract is official and the best advice **is not to sign it** and by doing that **persuade Bonitas and Medscheme to take our concerns seriously.**

**Some of SAPPF concerns:**
No mention of any **tariff increase** for 2013 or how that is to be negotiated in future; the contract is for an **indefinite period** with no protection for the doctor or dispute resolution process; no mention of the introduction of **tiered consultation codes**; no undertakings on **quality or outcomes**; and no process for **equalising consulting and surgical RCFs.**

SAPPF will continue to engage with Medscheme in the hope that a sustainable contract can be found. **Specialists who may have signed the contact already, or may be contemplating doing so in the near future are warned to consider carefully ALL the possible implications of such a decision**. The recommended **SAPPF/Bonitas agreement can be downloaded if you** click here.

***Yet another ban on merger overturned***
*Business Day, 31 July 2012*
Another decision of the Competition Commission (CC) has been overturned by the Competition Tribunal, leading to the **unconditional approval of the merger between Life Healthcare and Joint Medical Holdings.** The commission opposed the Life Healthcare transaction on the grounds that it would result in **reducing competition in the Durban area** and higher costs for patients without medical aid.

***Anger as Polmed CEO is given R1-m increase***
*The Sunday Independent, 19 August 2012*
The SA Police Union has asked the Registrar of Medical Schemes to **intervene and save the SAPS's "financially struggling" medical aid after Polmed's board approved a salary of R3,4-m for Mbasa Mxenge,** (CEO, and president of the union). This might result in the scheme being placed under administration. **Dirk Groenewald of Solidarity** said it was shocking that Mxenge had received a million rand salary increase when the **union had had to fight Polmed in court for its members to get their medical benefits.** Polmed is losing millions because resigned SAPS members are claiming the right to pay only the "member contribution", despite the fact that they are neither employees nor pensioners of the SAPS.

***High Court backs council over medical scheme***
*Business Day, 3 August 2012*
The North Gauteng High Court has **upheld a decision by the CMS to stop Barloworld from enrolling in its in-house medical scheme people who work for a subsidiary (**Freeworld Coatings) **it sold in 2007**. The ruling **upholds the council's view that the Medical Schemes Act does not allow restricted schemes to change their rules to enable them to pick and choose their members.**

***Bonitas has surplus ahead of merger; Bonitas to start on a clean slate***
*Business Day 13 August; SAPA, 28 August 2012*
The South Gauteng High Court has **lifted the curatorship of Bonitas Medical AID Fund**.
Bonitas generated a **net surplus of R159-m for the 2011 financial year.** The scheme has signed a merger **agreement with Pro Sano Medical Scheme** and was expecting the amalgamation to be finalised on October 1, subject to regulatory approval. The **name of Bonitas Medical Fund** would be retained.

***Hospitals, specialists drive up costs; Mediclinic slams state's study; How pricy is private health?***
*SAPA, 14 August; Business Report, 15 August; Business Day, 15 August; City Press, 26 August 2012*
According to the CMS' 2010 annual report **expenditure on private hospitals by medical schemes rose by 109,3% in real terms between 2000 and 2009.** The BHF said **this equated to 37% of the approximately R84-bn collected by medical schemes from their members.** CEO, Humphrey Zokufa, said the refusal by hospital groups to provide data on the cost of providing hospital care meant that data had to be obtained from other countries for similar services. PMBs - which medical schemes had to cover by law - were mostly hospital- and specialist-based conditions. A 2006 BHF analysis had shown that **costs within JSE-listed hospital groups were consistently higher** than those of independent hospitals.

* **Private hospital group Mediclinic** has **challenged the DoH to retract the conclusions** made in its recent presentation showing that SA's hospital costs are higher than rates in Organisation for Economic Co-operation and Development (OECD) states. According to a BHF presentation **prices in SA private hospitals were up to five times higher than in OECD countries**. Mediclinic said its calculation on prices indicated that the SA private hospital prices were **actually lower** than the OECD average.

* The **DoH has declined to retract its controversial analysis**, saying it is still studying the critique, once more illustrating how sensitive pricing is in the private hospital sector. The sector has **been trying to fend off government threats of price regulation for several years**. Mediclinic health economist Okore Okorafor said the department's deputy director-general Anban Pillay's method for applying a purchasing power parity conversion factor to the OECD average was wrong, and he had used a conversion factor for SA that was too high. (Pillay was responsible for the presentation at the BHF annual conference)

* **Pillay refused to comment about his presentation at the BHF conference** and referred all questions to the DoH. Health Minister Aaron Motsoaledi defended him, saying: Pillay did not fabricate figures – he only shared what the OECD study found. Motsoaledi said the **private healthcare sector must reveal their prices and how they arrive at them. HASA has requested a meeting** to discuss Pillay's claims.

* **Econex health economist Mariné Erasmus,** said concerns about the department's calculations were that it used price averages across the 34 OECD countries whereas there **were unique institutional factors in each country that contributed to the final price**. For a fair comparison, prices charged in private hospitals in these countries should be used rather than public health prices.

***Commission to probe health costs; Competition authorities to probe private healthcare***
*City Press, 26 August; Moneyweb via The Citizen, 22 August 2012*
A wide-ranging **inquiry into the costs for private healthcare is being launched by the Competition Commission (CC).** The inquiry will be **similar to that which was launched into the banking sector in 2006** and which resulted in banks drastically reducing their fees, according to the commission's manager for advocacy and stakeholder relations, Trudi Makhaya. HASA, representing the biggest private hospital groups, including Netcare, Mediclinic, Life Healthcare and National Hospital Network, said it **would not participate because it was illegal for it to do so** (The 2004 CC ruling stated that private healthcare providers could not collectively negotiate prices). However, their members would be able to participate in their individual capacities.

* Makhaya said the CC supports measures to **address the regulatory vacuum,** and the competition authorities' previous rulings against private collective bargaining did not prevent Government and its agencies in finding and implementing such measures on behalf of the public. Health Minister Motsoaledi welcomed the inquiry and said his office was waiting for an invitation from the commission to participate.

* Meanwhile the CC is working on the **terms of reference** for such a study and has **advertised for health economists and other experts** to participate in this process.

* For the past eight years **almost every hospital merger has been prohibited by the commission**, though some have succeeded on appeal at the Tribunal. In **2005 it prohibited collective bargaining and price setting** between the hospital groups, medical aids and doctors' groups. The new **Competition Act, which gives the authorities wider powers** when conducting an inquiry, has **not yet been promulgated**.

## 5. PHARMACEUTICALS

***Cipla will fight 'all the way'; Cipla CEO' s suspension; Board investigation; Market plunges***
*Business Day, 31 July, 1, 17, 30 August; Fin24.com, 31 July, 15 August; Business Times, 19 August 2012*
The Supreme Court of Appeal has ruled that the **broader public interest must be considered** when weighing up the commercial interests of companies involved **in patent disputes**. Activists believe it will compel the courts to **consider patients' access to medicines when pharmaceutical companies fight over patents,** which is fairly common. The Appeal Court ruled that in the **Cipla-Aventis-case public interest concerns did not weigh in favour of allowing Cipla to sell its generic, pending the outcome of the Patents Court trial**, partly because **Cipla's drug was not significantly cheaper than a generic version by Aventis**. Aventis had to give an undertaking that it would not withdraw its generic or raise its price.

* After the interdict ruling Cipla said it intends taking its fight to sell docdtaxel - a generic version of Sanofi Aventis's cancer drug Taxotere - all the way to the Constitutional Court. **Cipla's product costs R1 000 for 20mg in the private sector, while Aventis' costs R2 048 for the same volume.**

* **Cipla challenged the validity of Aventis's 2007 patent extension** on the drug in the Patents Court, arguing that a change to the solvent used to administer the medicine was **not sufficiently novel to warrant patent protection. Aventis in turn sued Cipla**, claiming patent infringement. It also sought an interim interdict prohibiting Cipla from selling docetaxel pending the outcome of the patent fight.

* Meanwhile the **board of Cipla Medpro SA Limited** has announced that it has **suspended its entrepreneurial CEO, Jerome Smith, pending the outcome of an investigation into "serious allegations"**. Johan du Preez has been appointed as acting CEO for the duration of the suspension.

* **The suspension shocked the markets,** as the drug producer's stock experienced the **biggest fall in years on panic that the action could affect its relations with Cipla India**. Cipla reported a 28% increase in revenue to R1,08-bn, but profit before tax was down 35% to R179-m. The company had faced difficult trading conditions, with delays in registering new medicines and negligible price increases for the private sector, but had benefited from increased sales of AIDS drugs to the government.

* It has also been reported that all the **issues around Smith and Chris Aucamp**, CMSA's chief financial officer, will be **investigated by the Cipla board.** Both are directors of the French company L' Amar Pharnatech; they received royalties from L'Amar; and several money lending transactions between CMSA and L'Amar, Cipla and CMSA occurred between 2007 and 2010.

* According to *The Citizen (19 August)* the event that triggered the suspension of Smith, was his **appointment of a deputy CEO, Mark Sardi,** who will ultimately replace him as CEO, without consulting the board. (Smith founded Medpro Pharmaceutica. But it was only after aligning the business with Cipla, India's largest pharmaceutical company, the company's growth really took off.)

* The **latest news** from Cipla Medpro (30th August) is that the **suspension of Smith has torpedoed talks with an undisclosed party.** The share price of the JSE's third-largest pharmaceutical company fell as much as **14% to an intraday low of R6,60** after it issued a statement saying it had **terminated previously announced discussions**. The stock recovered somewhat, and closed 8,47% down at R7.02 on 30th August.

***Court to decide future of India's drug patents***
*Reuters, 21 August 2012*
India's highest court will hear final arguments in a case (**Swiss drug maker Novartis against India's patent office**) **over drug patents that could change the rules for the healthcare sector** and potentially curb its global role as a supplier of cut-price generic medicines. A patent would recognise Novartis' property rights, in a blow to generic drug makers who supply medicine to 1,2-bn Indians and to poorer nations globally, although generic forms of the cancer drug Glivec - launched before 2005 - would stay on the market. Earlier **Germany's Bayer lost its exclusive right to sell another costly cancer drug, Nexavar,** because most Indians cannot afford it.

***Reduction in medicine expenditure amongst SA's medically insured***
*Mediscor PBM Media Statement, 30 July 2012*
Pharmaceutical benefit management company **Mediscor PBM** has announced a **decrease in medicine expenditure in 2011.** According to managing director Christo Rademan of Mediscor's medicine expenditure decreased by **5,0%** from 2010 to 2011 in contrast to the previous period's increase of 7,6%.

***Drug firms win SA preference tender***
*Business Day, 7 August 2012*
**Aspen Pharmacare and Adcock Ingram**, the biggest pharmaceutical firms listed on the JSE, welcomed the award of **the R2,55-bn oral solids tender, the state's second-biggest medicines contract after HIV/AIDS drugs**. Aspen Pharmacare won R634-m of the two-year tender, or 25% of the contract, and Adcock Ingram won R270-m worth of business. A further 80 line items have yet to be awarded.

***Smart drug cost charges 'misleading'***
*Business Day, 7 August 2012*
Innovative Medicines SA **(Imsa)**, a trade association for multinational pharmaceutical companies, says medical schemes' **claims that biologics were major cost drivers were "misleading".** Imsa represents many of the companies that hold the patents on these drugs, few of which have generic competitors. Imsa said Smart drugs constituted **4,15% of the total R2,3-bn spent in 2010**. By 2016 it was likely to be only 5,93% of the total medicines bill.

* **Discovery Health** CEO, Jonathan Broomberg, reacted that **few smart drugs had been conclusively shown to be truly cost-effective**.

* Health economist (Wits) **Alex van den Heever** said the **war of words between Discovery and Imsa was in many respects a public relations exercise**. He said biologics appeared to be "grossly overpriced".

***SA link exposed in AIDS drugs scam***
*The Sunday Times, 12 August 2012*
South African police and prosecutors have struck a blow against an international **ARV drug syndicate operating in at least five countries.** An ongoing probe by the Hawks and the German police is unravelling how subsidised drugs were **bought in bulk** from pharmaceutical giants in the UK, **repackaged in SA** and **sold at full price in Europe**.

***Aspen to buy more brands from Glaxo***
*Business Day, 16 August; Business Report, 16 August 2012*
Aspen Pharmacare, said it would pay **R2,2-bn for another 25 GlaxoSmithKline brands which the UK-**based company considers non-core to its business. Glaxo holds an 18,6% stake in Aspen, which does business in SA, Africa, Australia, and Southeast Asia. In April, Aspen acquired some of Glaxo's over-the-counter brands for R2,1-bn in territories excluding Europe and North America. Aspen's acquisition is expected to be finalised by October 31, subject to approval.

## 6. FINANCIAL NEWS

***Mediclinic surges on debt refinancing; Refinancing applauded; Group holds 100% of Emirates Health***
*Business Day, 2, 28 August; The Financial Mail, 24 August 2012; Business Report, 27 August 2012*
Mediclinic International has **refinanced its entire R28-bn debt facility**. The hospital group said it aimed to **raise R5-bn with a rights issue underwritten by Remgro** and had renegotiated its R24,1-bn debt facilities to realise an annual saving of R550-m on financing costs.

* The group now has 68 hospitals, including 52 in SA, 14 in Switzerland and two in the United Arab Emirates. Since 2008 it has added 478 hospital beds in Southern Africa, 179 in Switzerland and 214 in the Middle East, along with related facilities such as operating theatres**. The refinancing arrangements include new Swiss debt funding of SwFr2,1bn (R17,85bn), new SA debt of R4,2bn, a local R5-bn rights offer, and a R2-bn issue of preference shares**. Mediclinic's share price has risen by 25% since the beginning of this year.

* Meanwhile Mediclinic International announced that it **would increase its effective shareholding in Dubai's Emirates Healthcare to 100%.** CEO Danie Meintjes denied that the expansion was an indication of diminished prospects in SA, and anxiety about the introduction of NHI. The healthcare **environment in the UAE region was, however, less regulated than in SA,** making it more flexible to expand.

***Vaccine sales lift Litha's prospects***
*Business Report, 3 August 2012*
The outbreak **of rabies** and G**overnment's influenza vaccine** campaign have **boosted Litha Healthcare's vaccine sales** and the company expects consolidated revenue for the second half of the year to be in excess of R500-m. Litha's revenue in the year to December amounted to R351m.

***Full-year results expected to improve***
*Business Report, 23 August 2012*
**Discovery Holdings expects normalised profit before tax for the year to June to be between 15% and 25% higher than the prior period**. Normalised headline earnings a share were expected to be between 10%t and 20% higher than a year ago. Headline earnings a share were expected to be between 25% and 35% higher while earnings a share were expected to be between 10% and 20% lower than the prior period.

***Proposed changes to medical tax credits 'a blow for elderly, disabled'; 'Fairer' tax treatment***
*Personal Finance, 18 August; Business Day, 13 August 2012*
Proposed changes **(Taxation Laws Amendment Bill)** to the tax credits for medical expenses in the 2014/15 tax year will have an **extremely negative impact on taxpayers over the age of 65 and on taxpayers with disabilities, according to the Association for Savings & Investment SA (Asisa).**

* The amendments will **remove current deductions for taxpayers over the age of 65** and introduce: a **tax credit at a rate of 30% for medical scheme contributions** up to a certain limit; and; a tax credit at a rate of 33,3% for both medical scheme contributions that exceed certain limits and unrecouped healthcare expenses. Taxpayers who are **disabled or who have family members with disabilities will be entitled to a tax credit** equal to 33,3% of their unrecouped medical expenses plus their contributions that exceed three times their initial tax credit. **Asisa believes these people should be entitled to deduct all their medical expenses or the tax credit should be raised to 40%.**

* From the 2014/2015 tax year, taxpayers **under the age of 65** will receive a **tax credit at a rate of 25% for unrecouped medical expenses that exceed 7,5% of their taxable income.**

* Senior tax associate at law firm **Cliffe Dekker Hofmeyr,** Andrew Seaber, said National Treasury believed a tax credit system **would facilitate the long-term goal of a NHI** system where all taxpayers would make an equitable fiscal contribution to health insurance.

* Associate director at **KPMG, Johan Troskie,** described the **proposed changes as "a misguided sense of equity".** In the first phase (1 March 2012) taxpayers 65 and older will continue to qualify for deductions on all contributions to medical schemes and out-of-pocket expenses. This will continue until March 1, 2014.

***In the ascendant***
*Financial Mail, 17 August 2012*
**Ascendis Health** (controlled by private equity specialists Coast2Coast), has **acquired Chempure**, a chemicals supplier to the food, health and pharmaceuticals industry. Ascendis CEO Karsten Wellner said the group had started negotiations for further acquisitions in the medical devices, personal care and nutritional sectors, and would be **seeking a JSE main board listing next year** and issuing a corporate bond.

## 7. GENERAL NEWS

***'Big Food' taking bite out of SA health; Smoking challenge stubbed out***
*Cape Times, 2 August; SAPA, 7 August 2012*
A study by the University of the Western Cape's School of Public Health found "Big Food" manufacturers **had increased their share of the market by making their food more available, affordable, and acceptable and supermarket chains now control over half the retail share of the food market.** While there had been regulation passed on tobacco and alcohol, the food industry **was largely unregulated**. **Healthier foods cost 10% - 60% more in supermarkets than less healthy food.**

* The Constitutional Court **has turned down a legal challenge against a ban on smoking advertisements.** The court declined a request by British American Tobacco SA (Batsa) to hear an appeal of a judgment upholding the ban by the Supreme Court of Appeal in June of this year.

***Mine health inspectorate on the cards***
*Business Day, 23 August 2012*
The DoH intends launching a **medical inspectorate for mines,** in the hope of **improving health and safety for the half a million people working in the sector**. This comes as thousands of **former miners are seeking damages for lung diseases they claim are due to mines' negligence,** after a landmark Constitutional Court judgment last year.