

## SUMMARY OF HEALTH NEWS: MAY 2013

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### 1. MAY HIGHLIGHTS:

#### ***Competition Commission***

At last! The Competition Commission (CC) has published draft terms of reference for its market inquiry into pricing in the private healthcare sector, and is expected to start any time now. The inquiry will last between 18 and 24 months.

#### **Reaction:**

- \* **“It would be in everyone's best interest for the politicians to now take a back seat,”** Chris Charter, director of competition at law firm Cliffe Dekker Hofmeyr, was quoted in *Financial Mail*, 24 May. There was a risk that the inquiry might be slightly antagonistic. In public, leaders of healthcare providers say they welcome the inquiry if it is going to be open and fair. In private, however, they are upset that the CC did not trust them to voluntarily submit themselves to the investigation, as was allowed in the banking inquiry. The health inquiry is going to be wide-ranging, involving private hospital groups, medical professionals and medical schemes and their administrators and brokers, said Carter.
- \* **The spotlight is likely to be on the country's top three private hospital groups,** Mediclinic, Life Healthcare and Netcare, which are very profitable in an industry some believe should not be making a lot of money. Various explanations have been given for the cost drivers in private healthcare, including the scarcity of specialist doctors, the growing disease burden and improvements in medical technology. **The Board of Health Funders (BHF) believes one factor is the CC's 2004 decision outlawing collective bargaining in private healthcare.** The inquiry will probe the effects of that decision. The Department of Health (DoH), the Health Professions Council of SA (HPCSA) and the Council for Medical Schemes (CMS) will also participate. The probe will be led by a panel of three and its terms will be reviewed when necessary.
- \* Neil Kirby, director of healthcare at Werksmans Attorneys, is concerned that the inquiry wants to investigate the affordability of private healthcare, which is the competence of the health department. **He said the CC ought to worry about competition, not affordability.**
- \* **Legal experts have also called for a more holistic approach by the CC.** Leaving out crucial elements of healthcare, they say, brings too narrow a focus to the inquiry. The omitted areas include the cost consequences of doctor and specialist shortages in SA; the effects of chronic disease, an ageing population, emergency services, consumables and pharmaceuticals.

#### ***Clear plan on health insurance soon***

The White Paper on NHI will be out for public comment "very soon" with a clear plan on how it was to be implemented. Explaining **why the White Paper had taken more than 18 months after the Green Paper** was released in 2011, Health Minister Aaron Motsoaledi said there were lots of inputs and developments that needed careful attention and consideration.

### ***Not all doom and gloom in health sector***

*City Press, 19 May 2013*

Things have changed in SA's health sector, read *City Press'* editorial comment on May, 19. "When the Health Minister speaks, he commands the respect of his colleagues in Cabinet, as well as that of departmental officials, ordinary employees in hospitals and clinics - and, crucially, civil society, which [was] utterly alienated by the late Manto Tshabalala-Msimang, former Health Minister. Motsoaledi did not mince his words about the poor quality of healthcare in the public sector. It was very different from the sort of speech that was delivered before he came into office in 2009 - there was no defensiveness, just a steady plan of action. Motsoaledi also offered hope, suggesting it was not all doom and gloom

***Free healthcare is a human right:*** In the *Mail & Guardian* of May 17, Dr Louis Reynolds (retired paediatric pulmonologist, associate professor at UCT, member of People's Health Movement of SA) writes: "The government can and should implement free healthcare for all. While corruption, lack of accountability and poor management persist in the public sector, these must not be used as an excuse for not delivering free publicly provided healthcare ... Of greater concern is the fact that there are powerful vested interests which seek to profit from the NHI and the health system reforms taking place. While the private sector may be playing a critical role in access to healthcare in SA, there is evidence that private healthcare providers tend to increase inequity of access because they have naturally favoured those who can afford treatment. There is no evidence that private healthcare providers are any more responsive or any less corrupt than the public sector. With this in mind, the **People's Health Movement and a range of other key civil society organisations are in the process of building a broad public campaign for a 'people's NHI', to ensure that the NHI leads to health for all, rather than profits for the few."**

## **2. NATIONAL HEALTH INSURANCE (NHI) & PUBLIC HEALTH**

### ***'Let private skills come to NHI's aid'***

*Mail & Guardian: 3 May 2013*

Humphrey Zokufa, managing director of the BHF, says private medical administrators' skills should be regarded as a national asset from which NHI can greatly benefit. The Green Paper envisaged a single fund, or single purchaser, with multiple payers (administrators managing payments). This allows the NHI the option to contract private medical administrators to assist with the processing and management of claims.

#### **Reaction:**

**André Meyer, CEO of Medscheme, SA's third-largest medical scheme administrator:** Private stakeholders were nervous about what would be proposed in case this would have negative implications in future. Hospital groups needed to think about a different model with a cheaper infrastructure as well as ways to lower administration costs. Medscheme managed to decrease the cost of the administration and management of GEMS members' claims to R58/member/month as opposed to the average of R76/member/month of other employer-specific or company medical schemes.

**Discovery Health, the country's largest private medical scheme and administrator, has also achieved noticeably lower hospital costs through the implementation of a tool known as "diagnosis-related groups".**

**Rajesh Patel from the benefit and risk department of the BHF:** The cost of setting up a new NHI payment system from scratch would be more expensive than using the private administration systems that were already in place and had proven to work efficiently. The Actuarial Society of SA has estimated that the implementation of the **NHI would cost R235-bn, but it could be as high as R336-bn if modelled on current private sector expenditure.**

**The Council for Medical Schemes:** Only 8,5m or 16% of SA's 52m people belong to a medical aid. Therefore the NHI would have to administer the healthcare costs of more than six-times what the private industry currently manages.

**Health Minister Aaron Motsoaledi:** Despite the introduction of cost-saving measures, private medical schemes and administrators still charged "unacceptably high fees" that "punish the poor". **"SA's private healthcare system did not need the NHI to force down its prices as it would collapse by itself within the next two decades if it continued in this way."**

### ***DA in Western Cape 'proud of successful NHI pilot site'***

*Business Day, 9 May 2013*

There are 10 NHI sites in the country that are "piloting" various models around the country. According to the DA in the Western Cape the pilot project in the Eden district on the Garden Route was well on track. Health MEC Theuns Botha said province believes that it could contribute to the development of the best ultimate model. Role players meet every three months, 152 schools were visited and 12 147 pupils screened.

**Competition Commission inquiry; Reaction; Inquiry to look into medical scheme members' plight**

SAPA, 7 May; Business Day, 15, 23 May; Personal Finance, 25 May 2013

The CC's inquiry into pricing in private healthcare would use new powers under section six of the Competition Amendment Act of 2009. The CC will tackle most of the thorny issues that have bedevilled the sector for many years. This would include **how scheme benefits are determined, contributions and administration fees are set, the impact of PMBs on benefits, and how tariffs were being set** following the commission's decision in 2003 that schemes and providers may not negotiate tariffs, as well as the demise of the Reference Price List (RPL). The inquiry will also explore: **the effect of incentives on administration costs in the relationships between schemes, brokers and administrators**; how primary care providers (such as general practitioners) refer patients to specialists; the effect of managed care on costs and efficiencies (and the savings that can be passed on to scheme members as a result of initiatives such as the use of designated service providers); the nature of the relationships between private hospitals and specialists and their effect on specialists' access to hospital facilities; the expenditure on medical technology in private hospitals; and the effect of the HPCSA's restrictions on practitioners who want to promote their services and be employed by hospitals.

**Terms of reference on the CC's website** [www.compcom.co.za](http://www.compcom.co.za)

- \* **Life Healthcare CEO, Michael Flemming:** Life Healthcare welcomes the inquiry, will cooperate with authorities, and hopes that it would be empirical, holistic, comprehensive and not only limited to certain elements of the delivery system, but would take into account all the factors that drive costs: the utilisation of facilities and the regulatory environment. It is clear that private hospitals will be under the microscope as the government has consistently expressed concern over the market dominance of Life Healthcare, Netcare and Mediclinic. There was no evidence that their market dominance had led to excessive price increases. Hospital pricing increases had been close to inflation for the past five years.
- \* **Cachalia Capital MD Mashuda Cassim:** The investigation was likely to pose a **greater threat to doctors and specialists than to the private hospital sector**, as they had been exposed to far less public scrutiny.
- \* **Old Mutual Equities portfolio manager Jonathan Larcombe:** The risk to companies lay in the scope of the CC's review. If benchmarked against the public sector they would need to look at the advantages the public sector enjoys, such as not paying VAT.

**Mediclinic:** has joined its rivals in calling for the CC's looming market inquiry to be as broad as possible, sparing no sector from scrutiny. CEO Danie Meintjies: "the wider it is the better," adding, "if we can influence the terms of reference we will."

**Sub-Saharan Africa ranks lowest for mothers; 21 newborns a day die due to lack of skilled healthcare**

*The Star*, 8 May; *Mail & Guardian*, 9 May 2013

One baby an hour dies within 24 hours of birth in SA (21 babies a day) because the country does not have enough skilled healthcare workers; 3 000 mothers a year die of complications in pregnancy or childbirth. These are some of the findings in the 2013 *State of the World's Mothers Report*, released at the launch of Save the Children SA. The report also revealed that the world faced a shortage of 5m health workers.

There was an acute shortage of at least a million front line health workers in the developing world, including 350 000 with midwifery skills. Many health workers were not well enough trained, equipped or supported to deliver life-saving care to mothers and newborns.

In SA there was a drastic difference between healthcare in the private as opposed to the public system. Senior researcher with social justice organisation Section27, Sha'ista Goga, said the establishment of District Clinical Specialist Teams (roving medical teams with a nurse, a gynaecologist and advanced midwife, and other specialists, that service specific health districts) were a step in the right direction.

- \* **State of the World' Mothers Report:** <http://www.savethechildren.org/atf/cf/%7B9def2ebe-10ae-432c-9bd0-df91d2eba74a%7D/STATEOFTHEWORLDSMOTHERSREPORT2012.PDF>

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

**Cancer breakthrough at UFS; Plan to add cervical cancer jab to child immunisation; Medical won't pay**

*News24.com*, 7 May; *Business Day*, 10, 16 May; *The Cape Times*, 16 May; *The Times* 16 May 2013

Researchers at the University of the Free State (UFS) discovered they could **slice open cells with argon gas** particles and look inside where they found a maze of tiny passages like gas chambers that allowed each cell to "breathe". This technique is used at the Mayo Clinic in the US. Treatments can be targeted more effectively and dosages reduced thereby making treatment

gentler. An accurate view of how the cancer was being eliminated was possible. Prof Lodewyk Kock at the UFS said it had enormous potential for cell research.

- \* The DoH is planning to **add cervical cancer vaccines to its childhood immunisation programme**, and expects to issue a tender within the next two months. It is also considering pooling procurement with other middle-income countries to secure lower prices from manufacturers GlaxoSmithKline and MSD, according to department officials. **Health Minister Motsoaledi has urged medical aids to pay for cancer vaccines.**
- \* Meanwhile the **CMS said schemes will not pay for women who opt for a mastectomy to help reduce the chance of developing breast cancer.** The organisation's Alexander Serwa said SA medical aids did not cover preventive procedures on any health condition.
- \* Discovery's CEO, Jonathan Broomberg, said **GSK should consider making the vaccines available to medical aids at the same prices it negotiated with government.**

#### ***Playing catch-up to immunise kids against polio and measles***

*Business Day, 3 May 2013*

The DoH has launched a catch-up campaign in an effort to ensure all children under five are protected against measles and polio, offering free immunisation in the public and private sector. The last outbreak of measles in SA occurred between 2009/10. A four-week-long drive started on April 29 and another drive (focusing on polio) will be held between June 17 and 28.

#### ***Threat to key tool in the fight against malaria***

*Jasson Urbach:director of Africa Fighting Malaria in Business Day, 13 May 2013*

**One of the key weapons in the fight against malaria (DDT) might be banned before any real alternative is available.** Every year, malaria sickens more than 200m people and kills about 600 000. SA reintroduced DDT to control malaria, and in 2001 introduced new artemisinin-based combination therapies to treat patients. The combination of effective insecticides and drugs ensured that malaria cases fell by almost 80 % by the end of 2001 to about 26 000 cases. Since then SA has registered progressive decreases in the number of malaria cases. DDT remains the insecticide of choice. Yet the United Nations, big business and environmentalists are collaborating to force people suffering from malaria in poor countries to introduce measures that have not been scientifically proven to combat the disease.

#### ***People with HIV pay more for life insurance - if they can get it***

*The Star, 20 May 2013*

Social justice organisation Section27 has received complaints about life insurance companies refusing cover for people infected with HIV. If allowed, cover for an HIV-positive person is often up to 50% more than cover for HIV-negative people. S'khumbuzo Maphumulo, an attorney with the group, said making life insurance unaffordable for HIV-infected people was perpetuating the stigma around the condition.

Cover for HIV-positive people is, however, comparable to cover for other chronic diseases. Altrisk specialises in life cover for people who are HIV+, and said each case should be judged on its own merits.

#### ***Hypertension, diabetes 'a threat to Africa'***

*Business Day, 28 May 2013*

**Africa faces a "tsunami of high blood pressure" - affecting more people than HIV/AIDS** - according to Groote Schuur Hospital head of medicine, Prof Bongani Mayosi. According to research hypertension was projected to rise about 70% to 126m in 2025, up from 75m Africans in 2008. Mayosi said hypertension and diabetes are looming health crises for Africa. In 2008, the continent had 27m diabetics, or 7,5% of the world's total diabetes population; by 2030 it could be 50m.

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

#### ***Health Department gets provinces in line***

*Business Report, 27 May 2013*

The DoH is tightening the leash on provinces that deliver sub-standard services. Min. Motsoaledi said a peer review committee will review all documentation from provinces to ensure their plans were in line with the service packages they had been tasked to deliver. Regular site visits had become a component of monitoring the implementation of projects. **In their last year's audit reports, six provincial departments received unqualified audit opinions while two had disclaimers. Limpopo,**

**Gauteng and the Eastern Cape departments were flagged as the most corrupt, and Limpopo and Gauteng were put under national administration.** The DoH even indicated intentions to take over the country's biggest hospitals due to the lack of capacity of some provincial departments to manage them. Limpopo and the Eastern Cape were given R10m to enable them better to implement their infrastructure projects. Motsoaledi was lauded in Parliament for turning the country's healthcare sector around when he delivered his budget vote speech in May. In the 2012/13 financial year, an aggregate amount of R19,9bn was allocated and transferred to provinces for different kinds of grants. Of that amount 99,1% was spent.

***Fewer doctors confident about profession's future; Foreign doctors flock to SA for vital trauma training***

*The Star, 2 May; Sunday Argus, 26 May 2013*

According to a fourth quarter survey conducted last year by the Professional Provident Society (PPS) among 150 doctors countrywide, confidence in the future of the profession in the country has dropped from **64% to 59%**, and **61% of practitioners said they disagreed with the principle behind the NHI scheme, while 84% did not believe the NHI was the solution.**

- \* Meanwhile foreign doctors flock to SA because the trauma unit experience they get in a matter of months would take decades in their home countries. This reflects the sad reality of the high levels of violence and carnage here. Dr Casey Barbaro, a surgeon from California who has worked at Groote Schuur for the past five months, said the experience was more than he could ever have hoped for.

***Spike in complaints against doctors; KZN health department sued for R1,1bn; Doctors coining it***

*The Saturday Star, 4 May; The Times, 10 May; SAPA, 12 May; Business Day, 14 May 2013*

**The number of complaints against medical practitioners is steadily increasing by 25% since 2009.** The HPCSA has received 248 complaints since April last year, ranging from misdiagnosis and unethical advertising to unacceptable or inappropriate relationships with patients. **Most complaints were for overcharging, fraud and theft, incompetence, insufficient care and negligence.**

- \* **The KwaZulu-Natal health department is being sued for at least R1,1bn for medical negligence.** There were 165 lawsuits against the department; most of them for allegedly botched child-births and omissions during pregnancies at public hospitals.
- \* Over 100 KZN doctors have claimed more than R22m from a medical aid scheme for private work carried out at a time when they should have been attending to patients in state hospitals. KZN state doctors were not allowed to do paid work outside their official duties or use state resources for such duties, but a report found 354 state doctors had private practice licenses.

***MEC slams 'tsotsis' masquerading as doctors; Use more clinics; Waiting lists for surgery; Medics' exodus; public-sector doctors in private practice; SARS checks; Private wards in public hospitals; Budget***

*City Press, 19 May; The Star, 7, 28 May; The Times, 8 May; SAPA, 8, 23 May; Health-e News, 6 May 2013*

Specialists at Charlotte Maxeke Hospital in Johannesburg were among those implicated in looting public funds, costing the Gauteng government more than R100m in unlawful overtime claims. Health MEC Hope Papo accused some of the doctors of being "tsotsis" (thugs) who survived on irregular overtime claims. The hospital had lost 11 anaesthetists, a dermatologist, 3 doctors in surgery, 4 in radiology, 1 in internal medicine and a paediatrician this year; some of them resigned soon after an investigation into fraudulent claims, during which the DoH saved more than R120m from further claims. Papo said the doctors either did not want to register that they were at work or use a clocking system. Doctors are required to contribute 40 hours' work before they could claim overtime. **Papo added that the departure of the specialists would have little effect on the running of the hospital, and that plans were in place to appoint new doctors.**

- \* However, earlier in the month it was reported that **the resignation of 12 specialist anaesthetists in one month at Charlotte Maxeke** will halve the number of surgical operations at one of the country's biggest hospitals. They are angry because the DoH cancelled an agreement that allowed them to work one day a week in private practice to supplement their income. **Private work offers at least three times more pay.** The department said the doctors did not work the agreed 40 hours a week at the government hospital, but the specialists say they worked at least 10 hours a day and put in overtime at night and at weekends. **The overtime issue has spilled over to specialist theatre nurses**, who are refusing to work extra overtime. The SA Medical Association has asked lawyers to find out why overtime pay for specialists was cut from April, resulting in their earning R8 000 less. Spokesman Simon Zwane denied there was a crisis at the hospital
- \* **Papo urged the province's residents to make more use of clinics to help ease a strain on hospitals in the province.** Gauteng has more than 300 clinics and 32 community health centres which offer primary health care to patients; and 26 of them are open 24-hours a day. They provide services for patients with chronic illnesses such as diabetes, epilepsy,

tuberculosis, and those on ART. Department spokesman Simon Zwane said that the number of patients at outpatient departments of central hospitals grew to more than 2,6m between January and April this year. Those treated at district (762 968) and regional hospitals (1 895 496) also increased in the last quarter. The increase was due to patients being referred by other provinces such as Limpopo, Mpumalanga and North West, as well as patients from countries such as Zimbabwe, Mozambique, and Swaziland.

- \* Meanwhile, the Fostateng private wards in four Gauteng public hospitals last year ran at a loss of around R40m, according to DA spokesman Jack Bloom. The losses were caused by low bed occupancy, under-charging of services, and slow debt collection.
- \* **The 10 021 patients who are awaiting major surgery in Gauteng hospitals can expect to remain without treatment for about 18 months.** The Gauteng DoH has revealed that backlogs in cataract, knee, hip, spine and cardiac operations are so immense that thousands of people in need of relief are left in the lurch. DA spokesman Jack Bloom called for the contracting of private providers to alleviate the heavy demand for surgery. **He suspected mismanagement and improper use of resources was the reason for long waiting lists.** The Gauteng DoH said it was too expensive to contract private healthcare providers.
- \* **Remunerative Work Outside the Public Service (RWOPS):** According to an article in the *SA Medical Journal* in December, some specialists employed by the Nelson Mandela Academic Complex and/or Walter Sisulu University in Mthatha earned between R6 500 and R12 600 extra by doing private work over six months in 2011. The latest salary scales, updated in April, show that a newly qualified specialist will earn R747 674 a year, plus R200 000 a year for 16 hours of commuted overtime each week. After five years, the annual salary will be around R854 751, plus overtime of R200 000. The head of a unit (former principal specialist) will earn R1 168 488 a year plus overtime, while the head of a clinical department (former chief specialist) R1 460 886 per annum, excluding overtime. According to the 2004 Public Service Commission probe into private work abuse in Gauteng, more than half the specialists had private practices.
- \* Meanwhile **Motsoaledi is turning to the taxman to help nab state doctors who ditch patients during business hours to work in private clinics, hospitals and practices.** Criminal charges would be brought against those found guilty. He hopes getting the SA Revenue Service (SARS) involved will help identify doctors and specialists who are not declaring the tax on their private work. The Limpopo, Eastern Cape and KwaZulu- Natal departments are collectively investigating more than 500 doctors they believe are cheating.
- \* **For the first time in many years, no over-expenditure was recorded in the Gauteng DoH's department's finances.** The 2012/13 budget allocation of R27bn was, "fully spent by the end of the financial year ... a first in this department in over a decade".

## 5. MEDICAL SCHEMES

### ***CMS relocates***

*Press release by CMS*

The CMS has relocated from its offices in Hatfield, Pretoria to **Block A, Eco Glades 2, Office Park, 420 Witch-Hazel Street, Centurion, 0157**. New postal address: Private Bag X34, Hatfield, 0028; Contact centre: 0861 123 267 or 0861 123 CMS. Switchboard: 012 431 0500; Fax: 012 430 7644; e-mail-addresses: [information@medicalschemes.com](mailto:information@medicalschemes.com) or [complaints@medicalschemes.com](mailto:complaints@medicalschemes.com). CMS will keep the current telephone number and extensions of staff (subject to approval of the Independent Communications Authority of SA).

### ***Selfmed duo face inquiry over 'failed governance'***

*Business Day, 9 May 2013*

**The husband and wife team at the helm of Selfmed Medical Scheme has been suspended** and are to face a disciplinary inquiry, following an interim out-of-court agreement. This follows a CMS investigation into alleged governance failings, the appointment of Leon Bester as scheme CEO and his wife Martha as marketing director with a six-fold increase in salary, as well as the scheme's board of trustees agreeing to pay the couple R725 000 in 2009 for relocating from Johannesburg to Cape Town. Despite its alleged governance failings, Selfmed was financially stable and had a solvency ratio of 115%, the council said.

## 6. PHARMACEUTICALS

### ***Setback for state's AIDS drugs plan as investor pulls out***

*Business Day, 24 May 2013*

Government's Ketlaphela project that will manufacture key ingredients for AIDS drugs has been set back after its Swiss investor, Lonza, withdrew its promise to invest R500m. Ketlaphela is a joint venture between Pelchem, the only fluoro-chemical company in the southern hemisphere, and the Industrial Development Corporation (IDC). The IDC would invest R1bn and Pelchem R100m. The product plant will be built near the nuclear facility at Pelindaba and will create more than 1 600 jobs. It is expected to reduce SA's R15bn pharmaceutical trade deficit by 10%. Ketlaphela hoped to market its first products by 2017.

### ***EU regulator digs in for drug data fight***

*Reuters, 1 May 2013*

According to European Medicines Agency's (EMA) Executive Director, Guido Rasi, the pharmaceutical industry will be the loser in the long run if it does not accept the **need for greater transparency** in the face of mounting public distrust. Since November 2010, the EMA has released 1,6m pages of detailed clinical trial information - reflecting growing public demands for more openness to prevent producers from concealing adverse drug effects. Its policy was challenged by both AbbVie and Intermune, which sought an injunction in cases relating to requests for the release of data about their drugs. GSK, on the other hand, said last year it would routinely release patient-level data from its trials. Roche agreed to hand over data from all clinical trials of its best-selling flu drug Tamiflu to a group of researchers.

The EMA plans to establish a process for the release of full clinical trial data in 2014.

### ***Viagra sells online as hard-up Pfizer tackles counterfeits***

*SAPA-AP, 7 May 2013*

Pfizer will begin selling its erectile dysfunction pill Viagra directly to patients on its website. A prescription will still be needed and the first three pills of the first order will be free. **Unscrupulous online pharmacies increasingly offer patients counterfeit versions of Viagra and other brand name drugs for up to 95% off with no prescription needed.** Patients do not realise the drugs are fake or that legitimate pharmacies require a prescription. According to a 2011 study, in which Pfizer bought "Viagra" from 22 popular internet pharmacies and tested the pills, 77% were counterfeit. Most had half or less of the promised level of the active ingredient. If Pfizer's strategy works, drug makers could begin selling other medicines online.

### ***Netcare calls for medicine price inquiry***

*Business Day, 21 May 2013*

Netcare Chief Executive Richard Friedland said the group paid 40% more for medicines in SA than overseas. This supports claims that **medicine prices in SA are among the highest in the world.** In December last year, DoH proposed that medicine prices in the private sector be determined by choosing the lowest price among five countries: SA, Australia, New Zealand, Canada and Spain. But pharmaceutical firms warned this could bury their local operations. The DoH approved a 5,8% medicines single exit price (SEP) increase at the beginning of the year. Since the government introduced the SEP in 2004, the regulation has slashed drug prices significantly. In 2004 alone, the SEP directly cut medicine prices by 19%. Friedland said although the CC is supposed to identify structural issues, it should also look at the drug prices.

### ***New pharmaceutical body to tackle drug registration delay; Medical innovation***

*Business Day, 22 May; Business Report, 21 May 2013*

The first order of business for the Innovative Pharmaceutical Association of SA (IPASA) will be dealing with delays in registering new products with the Medicines Control Council (MCC). IPASA was formed in April by the merger of Innovative Medicines SA (IMSA) and the Pharmaceutical Industry Association of SA (PIASA). IPASA has committed itself to represent only those pharmaceutical companies dedicated to exploring, developing and bringing innovative medicines to the SA market. With 24 member companies, including Pfizer, Novartis and Bayer Healthcare, the association could be very influential. It has tightened the membership criteria used by IMSA and PIASA, shedding local generics manufacturer Adcock Ingram, Fresenius-Kabi, Nkunzi, Umsinsi and the African Clinical Research Organisation.

### ***Cancer immunotherapy medicines could rake in \$35bn a year***

*Reuters, 22 May 2013*

A new wave of medicines that tap the power of the immune system to fight cancer could become the biggest drug class in history, with potential sales of \$35bn a year. New immunotherapy drugs are designed to target areas that act as brakes on the immune system. Their effect can last a lot longer as they "reset" the immune system effectively to remember how to keep fighting cancer cells. Products from Bristol-Myers Squibb's Nivolumab and Roche's MPDL3280A have been successful against a

variety of cancers, according to preliminary trial results. Details will be presented at a meeting of the American Society of Clinical Oncology in Chicago early next month. Other leading players with a range of drugs, vaccines and cell therapy treatments in the cancer immunotherapy field include GSK, AstraZeneca, Novartis, Merck & Co and Amgen.

### ***Pharmacies get tough on codeine abuse***

*Business Day, 23 May 2013*

**The abuse of medicines containing codeine may soon lead pharmacies to ask consumers for personal details in order to track their consumption.** From June SA's biggest retail pharmacy chains - including DisChem, Clicks, and MediRite – will be implementing a computerised system for monitoring sales of codeine-containing drugs. Smaller pharmacy groups are expected to follow suit. In consultation with the MCC, a threshold of 4mg per month had been set, but this could be overridden by a pharmacist if necessary. The "Codeine Care Project" will use a 2D barcode printed on packs of codeine-containing medicines and a central database to monitor the use of these drugs. The barcode is embedded in a PharmaTag, which can hold data that a consumer can access with a cell phone, or tracking data relevant to the pharmacist.

## **7. FINANCIAL NEWS**

### ***Cipla Medpro shareholders vote for takeover***

*Business Day, 16 May 2013*

**Shareholders of Cipla Medpro have voted overwhelmingly (99,7%) in favour of a R4,46-bn takeover bid from Indian giant Cipla;** a move analysts say may herald stiffer competition for its local rivals, Adcock Ingram and Aspen Pharmacare. Cipla Medpro is SA's third-biggest listed pharmaceutical company, with a market cap of R4,23bn. It has had a long-standing relationship with Mumbai-based Cipla, which provides about 85% of the generic medicines it sells in SA. Cipla's offer of R10/share is subject to approval from the competition authorities in SA, Botswana, Namibia and the Common Market for Eastern and Southern Africa. Cipla Medpro's acting CEO Johan du Preez said he did not foresee problems with the competition authorities and the deal was expected to be finalised on August 16. No management changes were expected and Cipla India had yet to determine its black economic empowerment (BEE) strategy for Cipla Medpro.

### ***Sanofi profit wilts under competition***

*Bloomberg, 2 May 2013*

France's largest drug manufacturer, Sanofi, has reported a larger than expected fall of 34% in first-quarter profit, crimped by generic competition to three key medicines in the US. Profit excluding, some costs fell to €1,6bn, or €1,22/share a year earlier. CEO Chris Viehbacher has sought partnerships and acquisitions to replenish Sanofi's drug pipeline and make up for the revenue losses caused by generic competition to the Plavix blood thinner and other top-selling products. New products such as Aubagio, (multiple sclerosis), Lyxumia (diabetes), and Auvi-Q (which guides users through emergency allergy injections) are being introduced. Revenue dropped 5,3% to €8,1-bn in the first quarter of the year, missing the average analyst estimate for €8,3bn. Sales from its top-selling Lantus insulin treatment increased by 20% to €1,34bn.

### ***Pfizer's posts drop in quarterly profit, cuts full-year outlook***

*Reuters, 30 April 2013*

Pfizer reported lower than expected quarterly earnings and revenue, and the largest US drug maker trimmed its full-year profit outlook, sending its shares down 3%. The company said that it earned \$2,75bn, or 38c/share, in the first quarter; compared with \$1,79bn, or 24c/share, a year earlier. Sales of Prevnar 13, the company's third-biggest product, fell 10% to \$846m. Emerging market sales had jumped 17% in the prior quarter. Sales of generic medicines fell 16% to \$2,35bn. Sales of cholesterol fighter Lipitor, which has been competing with cheaper generics, plunged 55% to \$626m, and Viagra sales fell 7% to \$461m.

### ***Adcock Ingram: Bidding war; Adcock keeps quiet on proposal; French drug firm touted as bidder***

*The Business Times, 12 May; Business Report, 13 May; Business Day, 10, 23 May 2013*

**The takeover battle for Adcock Ingram has taken a new twist as a mystery bidder entered** the fray with an offer for SA's largest supplier of hospital products. The offer for a controlling stake or all shares rivals an earlier offer to purchase a controlling stake in the drug maker by Brian Joffe-led Bidvest. Adcock is seen as a good defensive play for investors because of its strong brands, among them Corenza C and Panado.

\* Meanwhile insiders say **a number of multinational companies have been looking to carve up Adcock** ever since Bidvest made an opportunistic R6,2bn bid for it in March. **French pharmaceutical group Sanofi, US-based Baxter, Israel's Teva and UK-based Reckitt-Benckiser are some of the names** that have been mentioned as possibly being behind the pro-

posals. One industry analyst said that because of a number of licensing agreements between Adcock and international partners, it was unlikely that one international drug company would be able to buy 100% of Adcock.

- \* London-based private equity firm **Actis has also emerged as a possible bidder.**

### ***Litha stock lower despite profit turnaround;***

*Business Day, 10, May 2013*

Litha Healthcare's turnover in the first quarter of 2013 was up 14% to R271,6m versus the same period last year. Litha has struggled because of a weakening rand and a slump in sales to the state. CEO Selwyn Kahanovitz said the group would see a pick-up in results in the next quarter as various products had been signed off by the MCC. The Pharmaplan acquisition would also show a positive return then. Litha provides services, products and solutions to public and private hospitals and government healthcare programmes in Southern Africa. It has three divisions: Litha Biotech (vaccines), Litha Medical (medical devices and equipment), and Litha Pharma (pharmaceuticals and complementary medicines). Litha's earnings before interest, taxes, depreciation and amortisation (EBITDA) were up 52% compared with the fourth quarter of last year.

### ***Life Healthcare results***

*Business Day, 15 May 2013*

Life Healthcare reported a 19,6% increase in undiluted headline earnings per share to 76.3c for the six months to March 31, up from 68.8c in the same period last year. Revenue rose 7% to R5,64bn compared with R5,27bn last year, while operating profit rose 12,7% to R1,36bn, compared with R1,21bn last year.

### ***Netcare results; Hospital inflation to remain below CPI***

*Business Day, 21 May; Ingé Lamprecht: The Citizen, 21 May 2013*

Netcare posted R4,1bn profit for the six months to March. The company received a non-cash profit of R3,27bn from the deconsolidation of the General Healthcare Group property businesses, PropCo 1. Adjusted headline earnings a share from continuing operations rose 21% to 62.7c. Netcare decreased its beneficial interest in PropCo 1 to 50% in January, and generated revenue of R13,3bn, up 8,5% from R12,29bn in March last year. SA operations grew operating profit by 7,9 % to R1,23bn. EBITDA margin widened to 20,1% from 19,6%. UK revenue rose marginally to £430m from £427,9m last year. Two new hospitals will be built in Polokwane and Pinehaven, west of Johannesburg, later this year.

- \* The group's Medicross family medical and dental centres have performed well; new facilities have opened in Carlswald (Midrand), Rangeview (West Rand) and Khayelitsha in the Western Cape.

### ***Mediclinic's Results***

*Business Day, 23 May 2013*

Mediclinic's market capitalisation has climbed to about R57bn. Rivals Netcare and Life Healthcare have market capitalisations of R33bn and R37bn, respectively. The group has businesses in SA, Switzerland and the United Arab Emirates. Mediclinic delivered a 12% increase in normalised revenue, stripping out once-off items, to R24,7bn, up from R22bn last year. Patient days have increased by 3,5% and the average income per bed day 4,6%. Normalised EBITDA rose 15% to R5,38bn, compared with R4,66bn last year. The effects of the once-off items, which included refinancing its Swiss debt and a buyout of minority interests in its Dubai business, led to a R740m loss. The company refinanced its Swiss debt ahead of its maturity date in October 2014 after concluding a R5bn rights offer.

- \* According to Mediclinic the high-profile case of Prof Cyril Karabus, a SA paediatric oncologist who returned home after being detained in the United Arab Emirates for nine months on a murder charge, had had no discernible effect on recruitment for doctors.

### ***Good picture***

*The Financial Mail, 3 May 2013*

**SA medical imaging equipment sales, worth \$64,9m in 2011, should crack \$100m in 2017.** Public and private sectors are driving 8% annual growth, according to Frost & Sullivan analyst Shalena Naidoo. Prices of CT scanners, reaching \$43,9m; general X-rays, \$29,2m; and mammography equipment, \$9,6m could almost double by 2008. Equipment upgrades offer easier use and quicker workflow for public hospital upgrading before NHI is implemented. Shimadzu dominates the public-sector general X-ray market.

## 8. GENERAL NEWS:

### ***MRC to downsize its research units***

*The Cape Argus, 6 May 2013*

The Medical Research Council (MRC) has confirmed that it will downsize its research units, due to funding constraints. After a six-month consultation process by the Commission for Conciliation, Mediation and Arbitration (CCMA) an agreement was reached that would minimise the potential number of retrenchments. MRC President, Prof. Salim S. Abdool Karim, said the misplacement of research meant the unit had four separate TB research units, three separate diabetes units and three units on HIV prevention. The council decided to set priorities based on the top causes of death and disease in SA. **Duplicate research units will be consolidated into 11 research units. Units such as the diabetes unit and the chronic diseases unit would merge, while other units investigating AIDS, violence and injuries, and chronic diseases (including non-communicable diseases) would expand.**

### ***Hip replacement suit underway***

*SAPA, 8 May 2013*

**Over 170 SA claimants will sue hip replacement manufacturer DePuy in a British court** for damages related to a recall of hip implants, according to medical malpractice attorneys CP van Zyl Inc. **As they were unable to sue DePuy in SA, proceedings will start in England instead.** They intend seeking millions in damages, claiming to have suffered injuries as a result of hip implants manufactured in England by DePuy, part of Johnson & Johnson. DePuy said on its website that it recalled the products in 2010 and created a worldwide reimbursement programme for recipients of the replacements in question for testing, replacement and out-of-pocket expenses. It said 93 000 implants were sold worldwide.

### ***China comes to Africa's medical aid***

*Mail & Guardian, 15 May 2013*

The first meeting on African soil to consolidate health collaboration between China and Africa was attended by 200 African and Chinese government officials, UN agencies, international aid organisations and Chinese drug companies in Gaborone, Botswana. China has been criticised for allegedly providing health assistance to Africa only to secure access to natural resources and economic markets. The focus of collaborations will imply increase business for China through cheaper Chinese medical products, especially vaccines for "African diseases".

### ***SA doctors get chance to study in US***

*Tamar Kahn: Business Day, 30 May 2013*

The Discovery Foundation has announced a new fellowship for SA mid-career doctors to study at the prestigious Massachusetts General Hospital in Boston. The first recipient of the fellowship is Neliswa Gogela, a physician working towards a PhD in Hepatology at Groote Schuur Hospital in Cape Town. She is to receive a R2,1m two-year grant, and will join the Massachusetts General Hospital's research and training programme on liver transplantation. Her research will try to understand the significance of genetic variations on the outcome of liver transplants in patients with hepatitis C.

### ***Dental association dismisses X-ray fears***

*The Star, 30 May 2013*

The South African Dental Association (SADA) has dismissed a report by *New Element* claiming that dental X-ray radiation increases the risk of tumours. The association's Dr Mehroon Khan said studies on the incidence of brain tumours caused by dental radiation had been found to be unreliable and flawed. She added that the report was biased in favour of a company that was trying to market their product. Johann Ferreira, from *New Element*, however, stood by the report and insisted it was not just about marketing their product, but about raising awareness. New Element has just launched Tru-Align, a device that is purported to minimise the risk of dental X-ray radiation by up to 75%.