



cutting through complexity

South African healthcare market

Opportunities for Dutch companies

February 2015



About this report

This report was commissioned by the Embassy of the Kingdom of the Netherlands in Pretoria, South Africa. It is produced by KPMG Advisory N.V. (in this report “KPMG”) and sets out a high level analysis of the healthcare and life sciences market in South Africa, a SWOT analysis of these markets and concludes with opportunities for Dutch companies.

South Africa – a brief introduction

Roughly 51 million people reside in South Africa. Its economy is one of the largest on the continent at EUR 278 billion, with an estimated growth of 2% in 2015. South Africa's nine Provinces are governed by their own Provincial governments and have a relatively high degree of autonomy when it comes to budget allocations within the Province. Inequality, stemming from the apartheid policies that were abolished in the early nineties, is still a major social issue as are the high unemployment numbers (that range between 25% and 40%).

South Africa's healthcare system

The average life expectancy is 56 years. South Africa's health system is split between a public and private system. Health expenditure in private and public sector is more or less the same in monetary terms (in both sectors roughly EUR 9 billion), however the population that both sectors cater for differs significantly with roughly 9 million people using private healthcare and the remainder of the population (approx. 42 million) relying on public sector healthcare services.

This report discusses the South African health system in three separate sections (see next column)

1. Patients

The country is faced with a double burden of disease with a relatively high degree of communicable diseases, specifically HIV/Aids and TB, in the population that uses public sector services, and non-communicable diseases such as diabetes for those that use private sector services.

2. Providers

There are 394 public hospitals with close to 90,000 beds and 340 private hospitals with just over 35,000 beds. The private sector is dominated by three large hospital groups. The public sector employs doctors, with approximately 16,000 medical practitioners/specialists working in public sector. Due to regulation, the private sector cannot employ doctors and its roughly 14,000 doctors therefore run independent practices, typically on the premises of a private hospital.

The government has increased its budget for healthcare with a particular focus on upgrading existing facilities and implementing initiatives to strengthen human resources and supply chain management in the public system.

The Competition Commission is currently investigating potential anti-competitive behaviours in the private sector market.

3. Payers

Payers consist of

- Government; through Provincial Departments of Health.
- Private sector; through Medical Schemes (health insurance).
- Donor funded agencies, largely funded by government or international agencies based abroad.

Doing business in South Africa

Based on interviews that were held with Dutch companies already based in South Africa the following pro's and con's of doing business in South Africa were shared:

+ South Africa is a hub for doing business in Sub-Saharan Africa. Its economy and economic potential is strong.

- The currency (ZAR) is volatile, specifically when compared with the Euro or US Dollar. Procurement processes in public sector tend to be focussed on price and not always on added value, although this is gradually changing. Specifically for healthcare; there is uncertainty around the implementation of National Health Insurance.

Regularly visiting the country and having a local partner will help to succeed in the South African business environment.

Opportunities for Dutch companies

Although the ease of doing business is probably higher in private sector (cultural fit with the Netherlands), the real opportunity is within the public sector. Opportunities exist in making healthcare available to rural communities (eHealth/mHealth), developing Human Resources in health (training and knowledge sharing), the upgrading and development of public and private sector hospitals, and, the increased use of (Health) IT.

More information about the Embassy of the Kingdom of the Netherlands can be found on this website: <http://zuidafrika.nlambassade.org/>
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ANC	African National Congress	MCC	Medicines Control Council (South Africa)	ROI	Return On Investment
ART	Anti-Retroviral Treatment	MRC	Medical Research Council	SAHPRA	South African Health Products Regulatory Authority
BEE	Black Economic Empowerment (also known as BBBEE – Broad Based Black Economic Empowerment)	MSA	Medical Schemes Act	SADA	South African Dental Association
BHF	Board of Healthcare Funders	NCD	Non-Communicable Diseases	SANAC	South African National Aids Council
CMS	Council for Medical Schemes	NDP	National Development Plan	SANEC	South African Netherlands Chamber of Commerce
DA	Democratic Alliance	NDoH	National Department of Health	SAMA	South African Medical Association
DRG	Diagnosis Related Group	NGO	Non-Governmental Organisations	SAMED	South African Medical Device Industry Association
DSP	Designated Service Provider	NHI	National Health Insurance	SANC	South African Nursing Council
GDP	Gross Domestic Product	NHN	National Hospital Network	SAPC	South African Pharmacy Council
GGDA	Gauteng Growth and Development Agency	OHSC	Office of Health Standards Compliance	SAPPF	South African Private Practitioner Forum
GEMS	Government Employee Medical Scheme	OOP	Out Of Pocket (Payments)	TB	Tuberculosis
GFATM	Global Fund to Fight Aids, TB and Malaria	OTC	Over The Counter	THE	Total Health Expenditure
HASA	Hospital Association of South Africa	PEPFAR	US President's Emergency Plan for AIDS Relief	VAT	Value Added Tax
HIV / AIDS	Human Immunodeficiency Virus / Acquired Immunodeficiency Syndrome	PFMA	Public Finance Management Act	WHO	World Health Organization
HPCSA	Health Professions Council South Africa	PHC	Primary Health Care		
IDC	Industrial Development Corporation	PMB	Prescribed Minimum Benefits		
IMF	International Monetary Fund	PPP	Public Private Partnerships		
JSE	Johannesburg Stock Exchange	PPPFA	Preferential Procurement Framework Act		
		REF	Risk Equalisation Fund		

Introduction



The currency used in this report is the Euro. The following exchange rates are applied (average 2014)

1 EUR = ZAR 14,07

1 USD = ZAR 11,08

1 EUR = USD 1,27

The sources that were used for this report can be found in the appendix.

This document gives you a brief overview of the South African health system, its trends and opportunities for Dutch companies. It is produced in collaboration with the Embassy of the Kingdom of the Netherlands in Pretoria. Throughout this report potential opportunities are highlighted by using the following indicators:

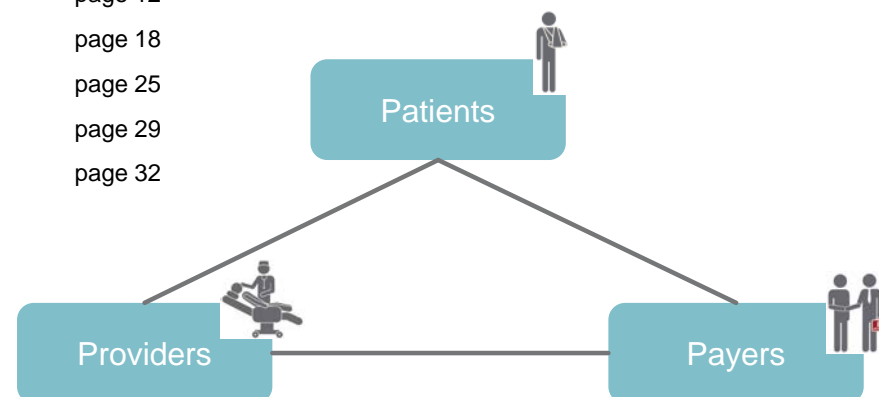
- Opportunity, high probability of success for Dutch organisations.
- Opportunity, medium to low probability of success for Dutch organisations.
- No opportunity for Dutch organisations.

Please note that we have taken a broad perspective when it comes to Dutch organisations, in other words; this colour rating is of generic nature and not specifically geared towards a specific organisation(s).

Patients, providers and payers play a role in any health system in the world. In the Netherlands the providers would be hospitals and doctors and payers would be represented by health insurers. In South Africa the providers are public sector and private sector hospitals and the payers are represented by government – in public sector – and Medical Schemes – in private sector. We have structured this report alongside the lines of patients, providers and payers, supplemented with a short overview on the South African economy and health system, the outcomes of interviews and lessons learnt from Dutch companies who are already active on South African soil, as well as a swot analysis.

The structure of this document is as follows:

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cutting through complexity

Introduction to South Africa's health system

Demographics and high-level healthcare
indicators

The South African economy and healthcare
system at a glance

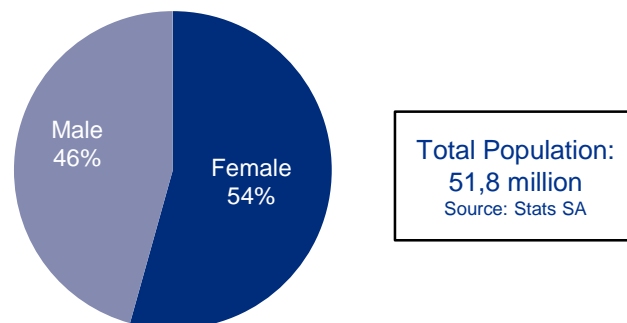


Introduction to South Africa's health system

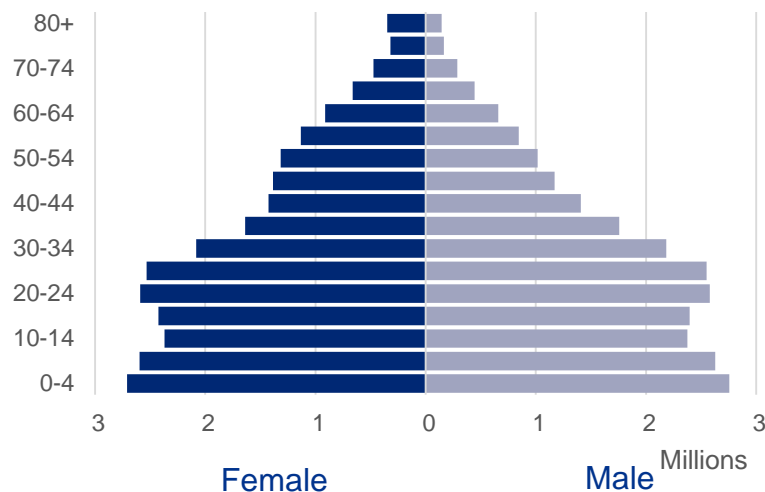
Demographics and high-level healthcare indicators

- Life expectancy is low in South Africa, specifically when compared to countries that spend equivalent amounts on healthcare and/or other BRICS countries. Due to increased availability of Anti-Retroviral Treatment (ART), life expectancy has been increasing in recent years.
- Health expenditure in private and public sector is more or less the same in monetary terms, however the population that both sectors cater for differs significantly with roughly 8,5 million people using private healthcare and the remainder of the population relying on public sector healthcare services.

Gender breakdown of the South African population



Population Pyramid depicting the South African age distribution



Healthcare indicators

- Life expectancy at birth
 - Male: **54.2** years
 - Female: **58.1** years
 - Total: **56.1** years
- Mortality rate under 5 (per 1,000 population): **44.6**
- Prevalence of HIV, total (% of population 15 – 49 years): **17.9%**
- Estimated number of AIDS deaths (in 2012): **240,000**
- Number of Malaria cases reported (in 2012): **5,629**
- Incidence of Tuberculosis: **1,003** (per 100,000 population).

Health system indicators

- Total turnover (size) of the healthcare industry: EUR 21,5 billion
- Total turnover (size) of the pharmaceutical industry: EUR 2,4 billion
- Total turnover (size) of the medical technology industry: EUR 710 million
- Health expenditure (% GDP total): **8.9%**
- Health expenditure (% GDP public): **4.4%**
- Health expenditure (% GDP private): **4.5%**
- Health expenditure per capita in current USD: EUR 414

Footnote:

The demographic data provided in this report is from the World Bank data and Statistics South Africa. These figures were accurate as of 2012. The demographic data trends have remained similar without significant change since 2012. The summary alongside, still accurately reflects current demographic trends in South Africa.

- South Africa's economy remains one of the largest on the African continent and can leverage off a solid legal framework and sophisticated financial services industry.
- The size of the South African economy is estimated at EUR 279 billion. (Nigeria is EUR 410 billion, Netherlands is EUR 672 billion).
- However, economic growth is lagging behind other countries, partially due to strikes in the mining industry.
- South Africa is often described as a third and first world country in one.
- Corruption and weak management has hampered the development and delivery of some Provincial healthcare systems.

Economic developments

South Africa's GDP is estimated at EUR 279 billion. The economy is lagging behind many other African states in terms of growth which is forecasted to be slow in the upcoming years. The country's GDP actually dropped by 0.6% in the first quarter of 2014 due to strikes in the mining industry that lasted for five months. Trade and labour unions continue to play a dominant role in wage increases in most industries. The IMF predicts the economy to grow with 2% in 2015.

The labour market faces several skills shortages – especially in several medical specialisms and nurses. **South Africa's economy faces high levels of unemployment** which is currently estimated at 25.5%, with youth unemployment hovering around 40%.

The South African economy is diverse and the country has all of the commodities that are essential for international competition. The country's trade deficit is forecasted to be just over 6% of GDP in 2014. The sectors with the largest contribution to GDP are; financial services; wholesale, retail and tourism; manufacturing; mining; and, transport.

The country has one of the more **sophisticated infrastructure systems** in Africa and infrastructure remains a key expenditure priority for government.

Political situation

The African National Congress (ANC) has been the dominant party since the introduction of democracy in 1994. They won 62% of the vote in the May 2014 elections, however their support is on the decline. One Province (Western Cape, Cape Town) is being governed by the main opposition party the Democratic Alliance (DA) since 2009.

The National Development Plan sets out South Africa's vision for 2030 and includes plans to strengthen the healthcare system. A primary step in uplifting the healthcare system's performance is the creation of the single-payer National Health Insurance (NHI) system. This will require collaboration between the Government and the private sector as there is a general belief, from both Government and private sector, that the two could strengthen each other.

Having said that, relations between the Government and the private health sector have been difficult over recent years, with the country's Health Minister, Dr. Aaron Motsoaledi, being very vocal about the role of private sector providers in the high cost of private healthcare.

South Africa's nine Provinces are governed by their own Provincial governments. Every Province has a Premier, an executive council (similar to the National Cabinet) and runs Provincial Departments, e.g. the Provincial Department of Health and the Provincial Department of Education. This means that the Provinces have a relatively high degree of autonomy when it comes to making policy and budgetary decisions.

Social developments

Many of South Africa's present social issues stem from its turbulent past that was characterised by the policy of Apartheid. As a result, **South Africa has one of the highest Gini-coefficients in the world**, meaning income is very unevenly distributed among the population. Some would describe South Africa as a third and first world country in one.

Corruption in the public health system remains a significant concern for the Government and the Health Minister, Dr Motsoaledi, has pointed to this as one of the key causes of the financial and operational collapse of some of the country's Provincial health systems.

The HIV/AIDS pandemic is still a major problem, but **usage of ARTs has increased** and they are provided for free for many.

Technological situation

Mobile coverage is high, but broadband access is low and bandwidth is limited.

There is an electricity supply shortage with electricity blackouts regularly occurring, though investment in building new supply is high by the country's sole energy provider Eskom.

Introduction to South Africa's health system

The South African healthcare system at a glance

- **South Africa's health system is split between a public and private system. These systems spend similar amounts of money (both roughly EUR 9,25 billion), however the private system serves 16% of the population and the public system looks after 84% of the population.**
- **The government has increased its budget for healthcare with a particular focus on upgrading existing facilities and implementing initiatives to strengthen human resources and supply chain management in the public system.**
- **Currently, the Competition Commission is investigating the root causes of the high costs of care in the private sector.**

The healthcare system is split between a public and a private system. The are almost entirely separate, but share a clinical workforce to a certain extent and patient populations are not entirely mutually exclusive. For example, patients increasingly use the private system for primary healthcare and fall back on the public system if further treatment is required.

In 2012 total healthcare spending in South Africa was EUR 19,7 billion, equally split between the public and private sector, and is forecast to reach EUR 30 billion by 2017. The government has begun to increase public healthcare expenditure.

The private system serves approximately 16% of the population. Only 14% of this expenditure is out-of-pocket which implies that most of private health expenditure is reimbursed by health insurers, or Medical Schemes as they are called in South Africa. Medical Scheme funding is critical to the sustainability and profitability of the private hospital sector in South Africa. The remaining healthcare expenditure is used by **the public system to serve the approximately 84% of the population** who are not privately insured.

Although obtaining a balance in private and public healthcare equality will not be redressed in the next five to ten years, the government has already begun to increase public healthcare expenditure in the short term, with a particular focus on upgrading existing facilities and implementing initiatives to strengthen human resources and supply chain management, as well as set a base level of quality standards, through the Office of Health Standards Compliance.

The government is also exploring mechanisms, such as the Competition Commission Inquiry, to investigate the root causes of the high costs of care in the private sector. This investigation is intended to 'lift the veil' on the systems and incentives which exist in the private healthcare sector, as a whole, and the private hospital market, specifically. The Commission has reason to believe that there are features of the sector that prevent, distort or restrict competition and it aims to understand how to promote competition in the healthcare sector.

There is not always a clear distinction between those that use the private sector and those that use the public sector. More and more are inclined to use private sector primary healthcare services and to fall back on public sector facilities if further (diagnostic) treatment is required. Over and above this phenomenon, the market for 'hospital cash-plan' products has shown growth in recent years with an increasing number of patients receiving partial coverage for the costs they incur when admitted in private hospital settings.

The government has announced plans to implement National Health Insurance. As it currently stands this policy encompasses the following initiatives:

- Creation of an NHI fund (single payer system)
- Quality regulator – the Office of Health Standards Compliance. This office has been established and started its work in both public and private sector.
- Payment reforms, moving towards a Diagnosis Related Group (DRG) system of reimbursement.

Other initiatives that are also included in the NHI policy document that was published in August 2011 that are specifically linked to improving service delivery in the public sector are:

- Restructuring Primary Health Care (PHC).
- Delivery of human resources strategy that intends to produce more nurses, doctors and health scientists.
- More autonomous hospitals, increasing the autonomy of hospital management making them less 'dependent' on Provincial governments and empowering them to make strategic decisions themselves. This also relates to the establishment of the Academy for Leadership and Management in Healthcare.

Little has happened after the Green Paper on the NHI was published in August 2011. As such, there is a high degree of uncertainty in the market about what the exact plans of government are with regards to the NHI.

Patient





South Africa faces a quadruple burden of disease that impacts heavily on the public sector:

- 1) HIV/AIDS and TB
- 2) Violence and injury
- 3) Maternal, newborn & child health
- 4) Non-Communicable Diseases.

This picture looks different for the private sector where a high prevalence of Diabetes, Hypertension, Hyperlipidaemia, Asthma, Heart and Gastro-intestinal conditions is seen.

Burden of disease

The country is faced with a double burden of disease with a relatively high degree of communicable diseases, specifically HIV/Aids and TB, in the population that uses public sector services, and non-communicable diseases for those that use private sector services.

Burden of disease – public sector

Four main groups can be distinguished:

- **HIV/AIDS and TB:** South Africa has more than 23 times the global average rate of HIV/AIDS and more than 7 times the global average disease burden of TB.
 - 17% of the global HIV cases are in South Africa. The prevalence of HIV is 17.9% in the population group between 15 and 49 years of age.
 - 5% of the global TB burden falls on South Africa. The incidence of Tuberculosis (per 100,000 population) is 1,003
- **Violence and injury:** South Africa has more than double the global average rate of violence and injury (including traffic accidents).
- **Maternal, newborn & child health:** South Africa has 2-3 times greater rates of maternal and child diseases than other comparable countries
 - According to UNICEF, 4,300 mothers die due to complications of pregnancy and childbirth every year in South Africa. In addition 20,000 babies are stillborn and another 23,000 die in their first month of life. Approximately 75,000 children will not reach the age of 5 years – 61% of these deaths could be avoided.
- **Non-Communicable Diseases (NCD's):** South Africa has 2-3 times the burden of chronic diseases of other developing countries

Whilst non-communicable disease rates are rising fast, by far the larger burden comes from communicable diseases such as HIV/AIDS and TB and is borne by the public system.

Burden of disease – private sector

Since there is such a strong divide between the public and private sector we have included the following information about the burden of disease in the private sector as this differs from the burden in the public sector:

- Non-communicable diseases account for the largest part of the disease burden on the private health system. The top 5 diseases treated by the private system, measured per 1,000 beneficiaries, are:
 - Hypertension (118.81 sufferers per 1,000 beneficiaries)
 - Hyperlipidaemia (54.25)
 - Diabetes Mellitus Type 2 (34.89)
 - Asthma (28.44)
 - HIV (24.51). The HIV rate of 2.5% is far lower than the rate of 17.9% for the general population.

The upper middle class tend to be the predominant component of the Medical Scheme population. This population is typically affected by the NCD's as is confirmed by the data above. Studies have predicted that the burden of disease related to NCDs will increase substantially in South Africa over the next decade.

Most people buying open Medical Scheme coverage do this through a broker. Buying healthcare coverage directly from the Medical Scheme is uncommon. The brokers are powerful and heavily incentivised by Medical Schemes. In 2013, the Open Schemes* spent EUR 110 million on broker incentives. Some employers make it mandatory to join a closed Medical Scheme they have a contract with, for example, KPMG employees are obliged to enrol with the Chartered Accountants Medical Aid Fund (CAMAF), a closed Medical Scheme.

**Open Schemes can accept everybody applying for insurance, as opposed to closed Schemes – like the Government Employee Medical Scheme (GEMS) – that only allow members from specific groups and/or employers.*



● Access to sanitation has improved since 1994, however, big differences are seen between and within Provinces when it comes to having access to piped (tap) water and flush toilets.

• There are no patient stakeholder organisations that represents the voice of the patient.

● Medical Research is overseen by the Medical Research Council that conducts research in collaboration with universities.

Sanitation

The levels of access to basic sanitation vary greatly across the country. In Gauteng – regarded as the wealthiest province in South Africa – 62.1% of respondents to the 2011 census claimed to have access to piped (tap) water inside their dwelling. This figure was a mere 18.4% in the province of Limpopo, but 75.1% in Western Cape. The national average is 46.3%. Access to flush toilets connected to a sewage system also varies greatly. 85.4% and 89.6% of respondents had access to flush toilets in Gauteng and Western Cape respectively, but only 21.9% in Limpopo did. The national average is 60.1%.

Stakeholder organisations

Unlike what is seen in the Netherlands, there is a lack of a formal stakeholder organisation or organisations which represents patients and gives them a voice. There are, however, a few methods by which patients can give feedback on healthcare and make themselves heard:

- There is a relatively popular website called hellopeter.com on which patients can publicly submit compliments or complaints for companies to respond to.
- Patients insured with a private Medical Scheme can indirectly make themselves heard via their Medical Scheme.
- As a patient you can also log a complaint at the Health Professions Council of South Africa (HPCSA), the South African Medical Association (SAMA), the Provincial Department of Health, and the Office of Health Standards Compliance (OHSC).

Medical research

Medical research in South Africa is promoted by a para-statal organisation called the Medical Research Council (MRC), which is responsible for government-supported medical and health research. Much of this is done through research units attached to universities. Medical research in South Africa faces a number of problems. Whilst the funding situation is good when compared to other African countries, it is in dire straits when compared to that in most western countries. In 2012 the South African government funded EUR 31,5 million to EUR 35,4 million of medical research.

A major focus of South African medical research is understanding and projecting the prevalence and impact of diseases among different segments of the population. Unsurprisingly, HIV/AIDS and TB are also major focus areas for research.

Major pharmaceutical companies have invested a lot in running clinical trials in South Africa, which has created a very good clinical trials infrastructure. This infrastructure includes specialised consultancies, academics in universities and clinicians experienced in running clinical trials. Some local pharmaceutical companies who traditionally specialised in generics also do research into new drugs in South Africa. This research is usually done in partnership with universities.

Lastly there are several not-for-profit research institutes like the Aurum institute.

Provider





There are 394 public hospitals with close to 90,000 beds and 340 private hospitals with just over 35,000 beds. The number of beds in the public sector has declined over past decades because of a stronger focus and financial means being put behind primary healthcare predominantly delivered in smaller clinics.

The private hospital sector is dominated by three hospital groups that hold 71% of the private hospital bed capacity.

The Hospital Association of South Africa (HASA) and the National Hospital Network (NHN) are the main stakeholders when it comes to private healthcare providers. For public sector these would be the Provincial Departments of Health.

Hospitals

Hospital beds, in South Africa, are provided by the public and private sector. While the total number of hospital beds has been declining slightly, since 1998, the private sector beds have continued to increase.

Hospitals public

There are 394 public hospitals, and 89,460 public hospital beds throughout South Africa. **There are an average of 1.6 public hospital beds per 1,000 population.** The distribution of hospitals (both public and private) is uneven across the nine provinces of South Africa. KwaZulu Natal and the Eastern Cape have the highest ratio of public sector beds to population size. Mpumalanga, in contrast, has the lowest ratio of beds to population.

In theory there is a referral pattern in the public sector where Primary Health Care is provided by outreach teams, clinics and community health centres; secondary care is provided by district and regional hospitals; and, tertiary care is provided in academic centres of which the country has ten. However, this referral pattern is not always adhered to by patients and doctors.

Hospitals private

There are 340 private hospitals and day clinics; and 35,351 private hospital beds in South Africa. **On average, there are 0.6 private hospital beds per 1,000 population.** Gauteng has the highest ratio of private beds to population size (1.2 beds per 1,000 population). Limpopo (0.1 beds per 1,000 population), Eastern Cape and Northern Cape (0.3 beds per population each) have the lowest ratio of private beds to population. Some people say there is an oversupply of private healthcare facilities in the urban areas leading to supplier induced demand.

The number of private sector beds has been steadily increasing over the previous decades. Healthcare providers have grown 8.32% in the last year while admissions to hospitals for insured patients increased by 6%.

The average length of stay for these admissions have also increased by 5.8% in the last year.

The private hospital market is dominated by three major hospital groups: Life Healthcare, Netcare Ltd and Mediclinic International. Together these have a 71% share of the private hospital market. These three hospital groups are all listed at the Johannesburg Stock Exchange (JSE). These groups all run private hospitals outside South African borders (in the UK, the Middle East, Switzerland and India) and are also investing heavily in the local market. For example, Netcare has indicated that they will invest EUR 140 million in 2015 to expand facilities.

Many smaller hospitals are members of the National Hospital Network (NHN), which has a 17% market share.

The concentration of care among so few organisations and the high prices charged has caused concern from the Competition Commission. An investigation has been launched to determine whether there have been any competition breaches, which may lead to a reduction in the price of private healthcare and an increase in the number of people who can afford it.

Stakeholders in the hospital market

Organisations that represent hospitals in South Africa include:

- The **Hospital Association of South Africa (HASA)**. HASA is a not-for-profit organisation that represents over 80% of South Africa's private hospitals, or 28,000 beds. Its role is to represent the interests of its member private hospitals and steer the industry in a positive direction.
- The **National Hospital Network (NHN)**. NHN is a group of independent represents a far smaller group of private hospitals with a 17% share of the private hospital market. It provides significantly more services than the Hospital Association of South Africa, however, such as marketing of its members' facilities and training.

Both HASA and NHN represent private hospitals in South Africa.



- Private hospital groups are expanding their networks of facilities and are upgrading existing and building new hospitals. There is also an increased interest from foreign private hospital groups to set up store on the African continent.
- Public sector is also investing in revitalising public sector hospitals.
- There will be a stronger focus on IT and Electronic Health Records.
- Designated Service Providers are becoming increasingly important.

Trends in the private hospital market

- The most innovative providers are not the traditional providers that offer healthcare in a curative, expensive, setting, but are rather those providers that invest in **step-down, rehabilitative centres and/or primary care centres that aim to keep the patient out of the hospitals**. Examples of these groups are Intercare and Cure Day Clinics. We also see there is strong appetite for payers to fund these initiatives.
- The existing 'big three' providers are **expanding their network of facilities and continue adding beds to their network of hospitals**. Netcare, the largest hospital group in the country, announced a EUR 140 million investment for 2015.
- There is an increased interest from non South African private hospital groups that are investigating a potential move to the African continent. We expect that this will be welcomed by the South African government as long as a new provider will cater for the lower to middle income groups.
- Electronic Health Record (EHR) systems are only used to a limited extent in the big hospital groups. Most doctors would still report in paper patient files. **The expectation is, as is seen in health systems in other countries, that IT is going to play a more dominant role in healthcare practices.**
- Funders of private healthcare (Medical Schemes) are becoming increasingly familiar with innovative care commissioning models. An example of this is the roll-out of **Designated Service Provider networks (DSPs)**. This means that certain policyholders will only receive full reimbursement from the Medical Scheme if they go to a healthcare provider that forms part of the DSP.





- Doctors are unevenly spread across the public and private healthcare system with a total of 13,000 specialists and medical practitioners working in the public sector – looking after 43 million people. There are 14,000 specialists and medical practitioners working in the private sector – looking after 8 million people.
- It is not uncommon for 'public sector patients' to use the services of private sector GPs and to use public sector facilities should further diagnosis and/or treatment be needed.
- The main stakeholders are SAMA, KZN MCC, IPAF, SAPPF and the professional associations per speciality.

Healthcare professionals

South African doctors, especially the specialists, are considered valuable assets in the country, given the scarcity of their skill and their strong market power. This is driven by their direct contact to patients, giving them the ability to influence the utilisation of other healthcare services in the rest of the healthcare continuum.

Medical practitioners and specialists

All of the health care professions incorporated in the scope of the Health Professions Council of South Africa (HPCSA) are required to register with the HPCSA, whose role is to set and maintain both professional and ethical standards. 40,000 medical professionals are registered with the HPCSA, though only approximately 30,000 medical practitioners are practicing in South Africa.

The public sector employs the following number of doctors:

- Approximately 11,500 medical practitioners/GPs.
- Approximately 4,500 medical specialists.

The private sector houses (the private sector cannot employ medical specialists or practitioners due to HPCSA regulation):

- Approximately 7,500 GPs. It is not uncommon for GPs running a private practice to see 'public sector patients' that pay their consult out of pocket.
- Approximately 6,700 specialists. The pathologists and radiologists take the biggest piece of the pie when it comes to revenues paid to specialists by the Medical Schemes.

This again shows the **unequal distribution of resources between the public and private sector** and shows the **shortage of medical staff, specifically in the public sector**. It is, however, an extremely long and difficult for foreign doctors to register in South Africa. The average time to register is highly variable with some doctors complaining that it took longer than two years.

Many specialists and medical practitioners prefer to work in the private sector because of better rates and working environment. Support systems in the public sector are weak (for example; limited use of IT and a weak supply chain), which impacts significantly on the ability of the clinical workforce to provide optimal patient care.

Stakeholders

One of the largest and most influential is the South African Medical Association (SAMA) and 70% of doctors across both the public and private healthcare systems are members. SAMA is seen as one of the most important stakeholders by government and is typically involved in future policy making and shaping debate.

GPs in South Africa would typically form part of SAMA. However, there is a group of GPs that is quite active and vocal when it comes to the role GPs play in the larger health system and they are situated in the Durban Area; The KwaZulu-Natal Managed Care Coalition (KZN MCC).

The Independent Practice Association Foundation (IPAF) acts very much in line with what KZN MCC does but at a national level. IPAF represents GPs working in private practices in negotiating with Medical Schemes and their administrators. They support managed care initiatives that are rolled out by the Medical Schemes.

There are a number of associations representing medical specialists. Most specialties have their own associations – for example, psychiatrists are represented by the South African Society of Psychiatrists – but there is also a more general association called the South African Private Practitioners Forum (SAPPF) which represents the private medical practice and is dominated by medical specialists. SAPPF is becoming quite actively involved in some national debates.

Nurses

Access to and the quality of education in South Africa has long plagued the country and the long term effects have resulted in shortages in the number of skilled workers. There is a significant shortage of nurses in the country.



- There are just under 95,000 nurses in South Africa. They easily transfer between the public and private sector.

- The pharmaceutical industry in South Africa can be described as mature and heavily regulated. Due to this, the barriers to enter the market are high. However, those Dutch companies that need a mature pharmaceutical market could see this as a pro. Most revenue is generated in the private sector (85% of total revenues).

- The Medicine Control Council (MCC) is responsible for the registration of medicines and medical devices but is plagued by delays resulting in long registration times.

Nurses (continued)

There are an estimated 93,049 nurses in South Africa, that is 1.80 nurses per 1,000 population. Nurses tend to 'flow' between the public and private health systems, as well as between private hospital groups. As opposed to what one might think, nurses in the public sector receive a slightly higher salary, on average, than those in the private sector. However, job satisfaction is significantly higher for private sector nurses. This is mainly due to the perceived level of safety in the workplace. Workload and work schedule, management, salary and autonomy also contributed to the differences in satisfaction levels.

The South African Nursing Council (SANC) exerts a significant influence over the nursing workforce. In particular, task shifting to nurses can be restricted both by the SANC and unions, who define a nurse's role tightly. Nurse prescribing, for example, can only be carried out by community nurses in the public sector and only for a limited range of conditions.

Over and above the SANC there are several Unions that represent the nurses in national debates.

Pharmaceutical market

The drugs market in South Africa was valued at EUR 2,42 billion in 2013, with 85% of this business conducted in the private sector and 15% in the public sector. It is dominated by prescription drugs sales, and whilst patented drugs had the majority of the prescription drug market (64.5%), the market share of generics will increase rapidly over the next 10 years to over 40%, despite generic drug prices being very low. South Africa has a significant pharmaceutical industry, with exports totalling EUR 110 million in 2013. South Africa is still very reliant on imports to meet its pharmaceutical needs, however, and imports totalled over EUR 1,43 billion in 2013.

South Africa's pharmaceutical regulatory framework is the most advanced on the continent, and more advanced than that governing pathology, radiology, medical technology and private healthcare.

All pharmacists and pharmacist assistants must be registered with the South African Pharmacy Council (SAPC). The Pharmacy Act regulates the pharmaceutical industry in its entirety. It provides the legislation which the Medicines Control Council (MCC) uses to build their regulations in order to ensure the efficacy of the pharmaceutical industry and the structures within it. The MCC is responsible for the registration of all medicines for use in South Africa, as well as medical devices and clinical trials. Registering drugs coming into the country can take 4-5 years.

Another example of this stringent regulatory framework is the Single Exit Price (SEP) to determine the maximum price for all prescription medicines. This is set by looking at the price basket of Canada, New Zealand, Spain and Australia and selecting the lowest price.

Pharmacists are allowed to charge a 'dispensing fee' over and above this to cover their costs and remunerate them for the advice that they give to patients. Larger mark-ups may be charged on cheaper drugs, to incentivize use of generic drugs. **There are just over 11,000 registered pharmacists in South Africa.** The majority of the pharmacy market is still made up of **independent retail pharmacies**, especially in the more outlying areas and smaller towns across the country. **Corporate pharmacies, which tend to be more prevalent in urban areas, hold the second largest part of the market.** Courier pharmacies are becoming more popular as the demand for them increases with more Medical Schemes making use of them to deliver their member's medications, especially in rural and outlying areas.



- The medical technology market has an estimated value of USD 1,0 billion.
- Due to a lack of quality regulation, the industry is concerned about suboptimal products entering the country.
- MCC, that also regulates the medical technology market, is foreseen to be replaced by the South African Health Products Regulatory Agency (SAHPRA). SAHPRA is designed to overcome the shortcomings of MCC and will also have an expanded mandate to regulate the medical technology and diagnostics market.

Pharmaceutical patents

Pharmaceutical patents are a controversial topic in South Africa, with pharmaceutical companies being accused of extending the patents of their drugs through making insignificant changes to them and then re-patenting them, which may explain why so many drug patents are issued in South Africa – in 2008 2,400 drug patents were granted.

Patents are said to be awarded as long as the relevant paperwork has been properly submitted and the relevant fees paid. A study by the University of Pretoria found that 80% of patents in South Africa would not have been granted if the country interrogated patent applications properly. The pharmaceutical industry is therefore often accused of making insignificant changes to their drugs and then re-patenting them in a process known as 'evergreening'. This allows them to extend the time period before generics may be produced and therefore drives up the costs of drugs in South Africa.

Stakeholders pharmacy

The top ten multinational pharmaceutical manufacturers in South Africa are Aspen, Adcock Ingram, Sanofi, Pfizer, Novartis, Cipro Medpro, Johnson & Johnson, Merck & Co., AstraZeneca, and Bayer.

The major corporate pharmacy chains are Clicks, Dischem, and Medirite.

The major courier pharmacies are Pharmacy Direct, Medipost, and the aforementioned corporate (or chain) pharmacies.

Over and above the regulator, The South African Pharmacy Council, the industry is represented through several organisations amongst which are the Innovative Pharmaceutical Association South Africa (IPASA), the Pharmaceutical Society of South Africa, the Southern African Generic Medicines Association and the National Association of Pharmaceutical Manufacturers.

Medical technology market

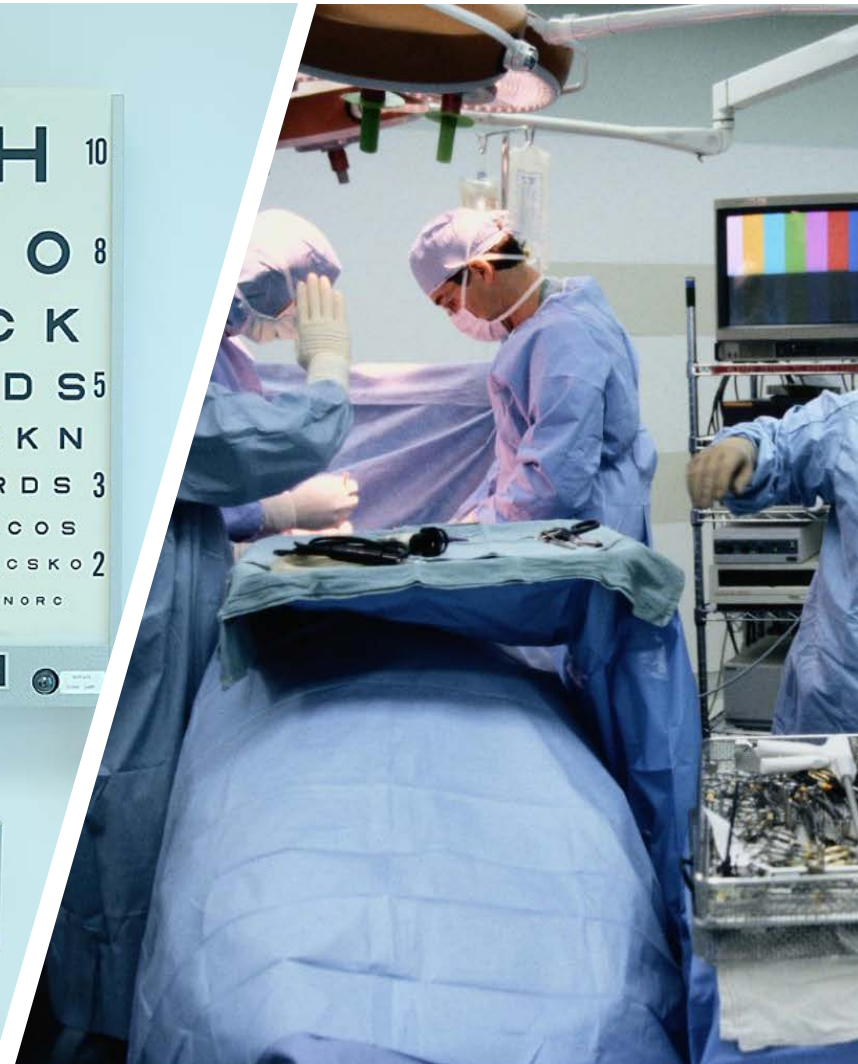
The **South African medical technology market has an estimated value of EUR 790 million** and constitutes 0.4% of the global medical technology market. The majority of companies import medical technology products from other parts of the world, but 80% of the total exports of medical technology products from South Africa go to other African countries.

There is no price and quality regulation for medical equipment. The consequence of this is that medical schemes decide for which consumable medical devices (e.g. hip prosthetics) they will pay. Discovery Health have a dedicated department (Clinical Policy Unit – CPU) to make these decisions and many other medical schemes follow Discovery Health's decisions on what should or shouldn't be covered.

Stakeholders Medical Technology

A key stakeholder in the industry is the South African Medical Device Industry Association (SAMEDI), which has around 150 members including many of the larger medical equipment companies like Philips, GE and Siemens, as well as agents, distributors and local manufacturers. Other medical device associations are also members of SAMEDI, such as the South African Laboratory and Diagnostic Association (SALDA), The Medical Imaging Systems Association (MISA) and MDMSA (Medical Device Manufacturers of South Africa).

Payer





- The National Department of Health has acknowledged that the health system is underperforming and is seeking to tackle the root causes. Investments are centred around:

- Preventing and treating HIV and AIDS
- Revitalising hospitals
- Providing specialised tertiary services through human resource development and training

- The full documents that were used for this section, the National Department of Health's strategic plan 2014/15 to 2018/19 and the Annual Performance Plan 2014/15 – 2016/17 can be downloaded by following [this link](#)
- More information about the National Development Plan can be found by following [this link](#)

Public Sector – National Department of Health

The public health system uses 49% of the total country healthcare expenditure to serve the approximately 84% of the population who are not privately insured. The public sector offers free primary healthcare through a diverse range of primary care facilities. Secondary and tertiary care are delivered through hospitals that are classified as either District, Regional, Tertiary or Academic hospitals. Public hospital care must be paid for in full by those who earn more than R6,000 a month. Those who earn less than this threshold qualify for subsidy; and those who are formally unemployed or dependent on state grants receive free hospital care. However, the R6,000 threshold has not been reviewed recently to account for inflation.

The public system has typically been characterised as suffering from a lack of resources –in particular human resources and medicines. However, it is often management challenges at a provincial and district level in areas including supply chain, financial management, workforce planning and system leadership which underpin the **service delivery challenges** that are most apparent to the press and the public.

Furthermore, the public sector's poor service delivery is severely affected by poor infrastructure and backlogs in capital projects. The national debate about public sector service delivery in healthcare is therefore undergoing a shift, driven in part by a Government that is looking to build support for its National Health Insurance (NHI) reforms.

Roles and responsibilities for delivering public healthcare are split between the National Department of Health and Provincial Departments of Health. The priorities that the National Department of Health has, in line with the National Development Plan (NDP), are listed below. By 2030 South Africa should have:

1. Raised life expectancy of South Africans to at least 70 years.
2. Progressively improve TB prevention and cure.
3. Reduce maternal, infant and child mortality.
4. Significantly reduce prevalence of NCDs.

5. Reduce injury, accidents and violence by 50 percent from 2010 levels.
6. Complete health system reforms.
7. Primary healthcare teams provide care to families and communities through community outreach teams, school based teams and more clinics. The idea is to treat patients in the home environment as opposed to an (expensive) hospital setting.
8. Universal healthcare coverage.
9. Fill posts with skilled, committed and competent individuals.

The following priorities emanate from this:

1. Address the social determinants that affect health and disease, through promoting healthy diets and physical activity and better collaboration across sectors.
2. Strengthen the health system through better leadership and management, accountability and (quality) control, for example by the OHSC.
3. Improve health information systems (m-health).
4. Prevent and reduce the disease burden and promote health.
5. Financing universal healthcare coverage.
6. Improve human resources in the health sector through appropriately skilled nurses and increased investment in health personnel development.
7. Review management positions and appointments and strengthen accountability mechanisms.
8. Improve quality by using evidence.
9. Create meaningful public-private partnerships.



- The total budget for healthcare was EUR 2,13 billion in 2014. Most funds were used for HIV/AIDS and TB programmes, followed by tertiary healthcare planning and policy, upgrading infrastructure and human resources.

More information on Gauteng Department of Health can be found by following [this link](#).

More information on the Western Cape Department of Health can be found by following [this link](#).

More information on the KwaZulu-Natal Department of Health can be found by following [this link](#).

Public Sector – National Department of Health (continued)

The National Department of Health spent EUR 2,13 billion on healthcare in 2013/14. The largest areas of expenditure were:

- EUR 780 million on key development programmes: HIV and AIDS, TB and Maternal, Child and Women's Health
- EUR 630 million on Tertiary Health Care Planning and Policy, which focuses on developing an effective referral system to ensure clear delineation of responsibilities by level of care, guidelines for referrals, improved communication and quality improvement plans for hospitals.
- EUR 450 million on Health Facilities Infrastructure Management, focuses on coordinating and funding health infrastructure development.
- EUR 140 million on Human Resources for Health.

Public Sector – Provincial Departments of Health

As was mentioned above, **the Provincial Departments of Health have a relatively high degree of freedom when it comes to setting their policies for healthcare.** They receive direction from the National Department of Health in terms of national policies that need to be implemented. **Their budget is allocated from Provincial Treasury, who in turn received their budget from National Treasury.** It is important to note that, besides some specific earmarked grants, there is no flow of money between the National Department of Health and the Provincial Departments of Health. This page contains an overview of the strategic plans of the more populous Provinces being Gauteng, Western Cape and Kwa-Zulu Natal. The table on the right gives a brief overview of how much money is spend where in each of these Provinces.

Gauteng

The strategic priorities for the Gauteng Department of Health are:

- Improved health and wellbeing with an emphasis on vulnerable groups.

- Reduction in the rate of new HIV infections by 50% and reduction in the number of deaths from TB and AIDS by 20%.
- Increased efficiency of service implementation.
- Human capital management and development for better health outcomes.

Please note that **the Gauteng Department of Health has been placed 'under administration' of the Provincial Treasury due to severe malfunctioning over the past years.** This means that over and above the objectives set out above the Department is working on a turnaround strategy focussing on; finance and financial management; human resources management; district health services for PHC; hospital management; medico-legal services; health information systems; communication and social mobilisation; and, health infrastructure management and development.

		Expenditure by provincial DoH:		
	Main services included	GP	WC	KZN
District Health Services	To provide primary healthcare services, district hospital services, and HIV and AIDS care.	EUR 640 million	EUR 426 million	EUR 924 million
Provincial Health Services	To provide both general and specialised hospital care.	EUR 497 million	EUR 213 million	EUR 568 million
Central Health Services	To provide highly specialised healthcare services, including training and research.	EUR 568 million	EUR 355 million	EUR 213 million
Other services	Health Sciences and Training, administration, support services, facilities management, emergency medical services.	EUR 213 million	EUR 142 million	EUR 355 million
Total		EUR 1,918 billion	EUR 1,136 billion	EUR 2,060 billion
Total per capita, per Province		EUR 156	EUR 196	EUR 200



The strategic goals for the Departments of Health in the three most populous Provinces do not differ much from those that are set at a National level. This means that there is a clear focus on:

- Reducing and treating the burden of disease;
- Developing the medical workforce;
- Investments in infrastructure; and,
- Investing in health technology (specifically in Western Cape where this is most developed)

The private sector payers consist of Medical Schemes and to a smaller degree of short-term insurance companies selling gap cover and hospital plan products.

The largest Schemes are Discovery Health Medical Scheme and the Government Employee Medical Scheme (GEMS).

Western Cape

The strategic goals for the Western Cape Department of Health are:

- Address the burden of disease.
- Improve the quality of health services and the patient experience.
- Ensure and maintain organizational strategic management capacity and synergy.
- Develop and maintain a capacitated workforce to deliver the required health services.
- Develop and maintain appropriate health technology, Infrastructure and ICT.
- Optimal financial management to maximize health outcomes.

KwaZulu-Natal

The strategic goals for the KwaZulu-Natal Department of Health are:

- Overhaul provincial health services.
- Improve the efficiency and quality of health services.
- Reduce morbidity and mortality due to communicable diseases and non-communicable conditions and illnesses.

What can be seen in the above is that these goals are not very different from those that are set at a National level. Moreover, all Provinces are currently testing some of the foreseen NHI policies in so called pilot districts, of which there are ten in the country as a whole.

KPMG's work with the Provincial Departments of Health confirms that primary healthcare delivery as well as support processes are weak. According to our insights the biggest obstacles are the poor leadership and management capabilities, a disengaged and demotivated clinical workforce and the weak supply chain and financial management processes, resulting in stock (medicines and equipment) outages.

Private sector

The funders of private healthcare are Medical Schemes (health insurers). The private system serves approximately 16% of the population, but uses approximately 51% of the total healthcare expenditure. There are 26 open Medical Aids and 68 closed Medical Schemes that **insure 8.7 million people**. Open Medical Schemes are available for everyone to join who can afford to pay for them. Close Schemes tend to be formed around employee groups and are only available to employees of specific organisations (e.g. Anglo Medical Scheme for Anglo American employees). The largest open Scheme is Discovery Health Medical Scheme that covers over 50% of those that are insured in the open Scheme market. The largest closed Scheme is GEMS, they cover almost 50% in the Closed Scheme market.

Medical Schemes have struggled to tap into new segments of the population and growth in the industry could be described as stagnant as a result. The Schemes' explanation is the high rise of medical costs which is in turn reflected in the premiums they charge on a monthly basis. This even poses the risk of existing members leaving the funds.

Medical Schemes and administrators are also concerned about the level of cover that new members are choosing and the risk profile of those members. Medical Schemes cannot refuse access to anyone (open enrolment) and may not risk-rate members, in accordance with the principle of 'community rating', which means that sicker and older members may not be discriminated against. In addition, there is a concern in the Medical Schemes industry that 'anti-selection' is preventing Medical Schemes from maintaining a broad risk pool and that this, in turn, prevents Medical Schemes from passing on the benefits of risk pooling to members through lower premiums. A risk equalization fund that is in place in the Netherlands, does not exist in South Africa. This means that Medical Schemes carry the full risk of the population they insure.

System of medical allowances – Prescribed Minimum Benefits (PMB)

Regulations enforce that conditions which are classified as PMBs are covered by Medical Schemes in full.



- The Medical Schemes are governed by the Medical Schemes Act and represented by the Board of Healthcare Funders (BHF).
- Medical Schemes need to reimburse the (chronic) conditions and diagnoses that are included under the Prescribed Minimum Benefits (PMB). A full list of these PMBs can be found [here](#).
- Draft regulation applicable to the short-term insurance products of GAP cover and hospital plans are seen as a risk by most Medical Schemes. Others would argue that cheaper health insurance products make healthcare insurance coverage available to a larger population – something the Medical Schemes failed to do.
- The Medical Scheme market has consolidated in the past decade and this trend is foreseen to continue.

PMBs have been implemented to ensure that every Scheme provides at least a basic package of care*.

According to the Medical Schemes Act (MSA) and its regulations, all Medical Schemes have to cover the costs related to the following diagnosis, treatment and care procedures, known collectively as the Prescribed Minimum Benefits (PMBs):

- Any life-threatening emergency medical condition;
- A defined set of 270 diagnoses; and,
- 27 chronic conditions.

Innovative therapy is not always covered and would typically be considered on a case by case basis. South Africa's largest open Scheme, Discovery Health Medical Scheme, and its administrator, Discovery Health, play an important role in approving what procedure is reimbursed. Their Clinical Policy Unit investigates the effectiveness of new procedures and medical technology and the rest of the Medical Scheme industry tends to follow their decision. Having said that, there are techniques that are reimbursed, even though the cost-effectiveness has not (yet) been scientifically proven. An example is the DaVinci robotic technique for urology procedures that is covered on the top-end Discovery Medical Scheme packages.

Additional insurance products – gap cover and hospital cash plans

Because of the perceived high premium rates charged by Medical Schemes, more and more people opt for additional insurance products that are commonly known as “gap-cover” and/or “Hospital plans”. These two products are short-term insurance products and would NOT fall under the Medical Schemes Act. Gap cover applies to any, inpatient and outpatient, medical professional charges a patient is faced with that are not covered by his Medical Scheme. Gap cover is a supplementary product for those that would be insured through a Medical Scheme. A hospital plan would be a substitute for Medical Scheme coverage and would pay out a cash benefit per hospital admission day. Typically this cash benefit is only paid out after discharge and only when certain conditions were met (i.e. the patient had to be hospitalised for a minimum number of days).

In April 2014, National Treasury released draft regulations on the demarcation (i.e. differentiation) between short-term health insurance products (i.e. gap cover and hospital cash plans) and Medical Schemes. The intention of the regulations is to define more clearly what is classified as health insurance and clarify the nature of the service provided to consumers in instances where there appears to be ambiguity in the legislation. Specifically for healthcare it would allow a framework in which insurance companies (not Medical Schemes) would be able to risk rate their clients. Some players in the healthcare market very much welcome this regulation as it would open up health insurance for more people. Others criticise these new regulation as the coverage in the packages that are not subject to the Medical Schemes Act is limited and would expose enrolees to even more financial risk. Medical Schemes fear it will skew their risk pools as the young and healthy are more likely to opt for a cheaper insurance product (“why pay for Medical Scheme coverage that is expensive if I'm not using it”).

Trends in the private payer sector

- **Moderate consolidation** in the Medical Scheme market, bringing the number of Schemes down from 140 in 2000, to 94 at the end of 2012. It is foreseen that this consolidation will continue in the upcoming years resulting in 5 large Schemes in 10 years time.
- **Loyalty programmes** are becoming very popular. Discovery's Vitality programme is very well-known and rewards healthy behaviour (gym visits, healthy food) with awards (i.e. discounts on flights, car hire and cinema visits). This will be copied by other Medical Schemes
- Medical Schemes become better in **detecting fraud**.
- There is **no pricing regulation** in South Africa, although this might change after the Competition Commission has finalised its investigation into the private sector (expected; early 2016).
- Most contracts are based on **DRG-type product** constructions and most private hospital groups now use ICD10 coding.



- Medical Schemes are moving towards becoming 'activist payers' with new commission models, DSP networks and loyalty programmes for their clients.
- Donor funding is typically organized around specific disease profiles.
- Donor funds are expected to decrease in the upcoming years.

Trends in the private payer sector (continued)

- **More and more innovative commissioning models** and the implementation of Designated Service Provider networks (DSPs). Similar to what is seen in the Netherlands, this implies that certain policies only allow a patient to go to certain healthcare providers that are part of the network. It is not unlikely that Medical Schemes will start incorporating healthcare outcomes in future contracts; this is a trend that is seen in more developed health systems throughout the world.

Donors

The South African government has relied heavily upon donor funding over the past 20 years to deal, in particular with the HIV and TB epidemic. **Currently South Africa is experiencing a reduction in financial aid from international donors due to strains on the global economy.** Funding from donors is expected to continue to decrease steadily over the next couple of years. According to the South African National AIDS Council (SANAC) the National AIDS Spending assessment undertaken in 2011/12 indicated that in 2009/10, external sources contributed 16.4% of total expenditure. Over the three year period from 2007/08 to 2009/10, external aid rose dramatically by 68% between 2007/08 and 2008/09 from EUR 90 million to EUR 150 million. In 2009/10 this stood at EUR 150 million. The Global Fund and the President's Emergency Plan For AIDS Relief (PEPFAR) comprise approximately 95% of Development Partner funding. Despite PEPFAR's reduction in funds this is unlikely to change. A few years ago PEPFAR invested approximately EUR 320 million per year towards South Africa's fight against HIV. By 2017, they will have steadily decreased this investment to EUR 160 million per year. In addition, PEPFAR's funding priorities have changed as their focus has shifted from treatment to prevention.

In 2012/13 funding from the Global Fund for HIV programmes in South Africa exceeded EUR 700 million and SANAC is confident that this level of investment should remain consistent over the medium to long term assuming that all grants perform satisfactorily. A TB funding stream under the Global Fund's New Funding Model amounts to approximately EUR 12,8 million. This funding is expected to remain relatively constant over the medium to long-term.

Key stakeholders – Donors

The main players in this field are; PEPFAR; Global Fund; SANAC; and, several governments (Germany, UK, Netherlands, European Union).





- Also in procurement there is a strong divide between how public sector and how private sector procures its products and services.

- Public sector procurement processes are regulated by the PFMA and the PPPFA and BEE and price play an important part in awarding a bid. The processes are however slow and in some instances plagued by irregularities.

- Every organisation in the private sector may determine its own procurement policies and procedures.

Procurement public sector

All government organisations – including public hospitals and Departments of Health – are regulated by a number of pieces of legislation when it comes to procurement, such as the Public Finance Management Act (PFMA), the National Treasury Regulations, the Supply Chain and Procurement regulations, and the Preferential Procurement Framework Act (PPFA).

When a tender is received by a public sector organization it is first put through a pre-qualification assessment to check that the documentation is in order (e.g. that a tax certificate and BEE certificate is present).

Then it is assessed to see if it meets the technical and functional criteria. This is done on a pass/fail basis. Then a price and Black Economic Empowerment (BEE) assessment is done. Contracts below R 1 million are assessed using a methodology called the “80/20 preference point system”, and those above EUR 700.000 (ZAR 1 million) use the “90/10 preference point system”. The numbers refers to the weighting used in the scoring of a tender: in the 80/20 system there is a maximum of 80 points available to be awarded for the price of a tender (the lowest-priced tender will receive 80 points) and 20 points for the Black Economic Empowerment status of the tenderer. A similar system is applied to 90/10.

There are various platforms where public tenders are published including websites and newspapers. Public sector tenders are considered to be relatively transparent and are open to everyone. The main challenges in the current procurement environment are:

- Long lead times for making decisions/final award on public tenders;
- Shortage of skills of public sector procurement employees;
- Lack of compliance with procurement regulations, though this sometimes creates a more effective procurement process.
- One of the biggest challenges is fraud and corruption (bribery)

Procurement private sector

Private sector is generally more mature in terms of procurement processes, people, and systems. **Each company may determine its policies and procedures and is not required to allow everyone to bid.**

However, each sector has a charter related to social and economic transformation with specific targets and guidelines. These contribute to a company's BBBEE rating and so companies are incentivised to follow them.

The three large hospital groups are known for their professional procurement departments.

Insights from Dutch companies working in South Africa





Introduction

This section contains insights from four Dutch companies, of which three work in healthcare, that have been active in South Africa for a number of years. These companies are:

- Mammoet;
- Philips healthcare;
- Lamboo Mobile Medical; and,
- Delft DI.

The interviews with these organisations focussed on the topics and risks set out below. The trends in the healthcare sector identified by them have been included in the sections above.

Experience of working in the South African environment – lessons learnt

Most experiences are positive which is reflected in the relatively long time these companies have been working in South Africa. Contributing factors to this are:

- **Ideal hub for doing business in Africa** and to upscale business activity in other Sub-Saharan countries.
- Local partnership with a mature business model and highly educated staff;
- Collaboration with research institutes (Aurum); and,
- **The economy and economic potential of South Africa** as a hub into other African countries; with a wealth of natural resources; and, a well-developed infrastructure;

Less positive experiences were mentioned in terms of:

- BEE, however, this risk could be mitigated by choosing the right business partner. One company also gave the advice not to focus too much on BEE as it is relatively easy to address by employing local staff and investing in their training.

- **The Rand (ZAR) is weakening** and a worsening exchange rate could seriously impact on profits. Most companies we spoke with only **contract in dollars or euro's** to mitigate this risk.
- Doing business in South Africa takes long (longer than you would be used to in the Netherlands) and it requires upfront investment, e.g. visiting the country, building a network and finding a local business partner.
- Some interviewees mentioned corruption as a risk, but they are all in agreement that if you choose to stay away from corruption/bribery you won't have to deal with it. The advice is to be very clear to everybody that you run your business in an honest way.
- The private sector clients, including the private healthcare providers, are generally tough customers that expect 24/7 service and quick response times. The big three hospital groups work with preferred suppliers, have a centralised national procurement department and it is hard to 'get in'.
- Procurement in public sector was very narrowly focussed on price only. Some respondents have indicated that is changing and slowly but surely **Return On Investment (ROI) arguments are finding their way to the negotiating table**.
- Concerns about the fact that the country is being downgraded by international rating agencies and in line with this; government is not always clear on what its intentions are.
- **Many acting positions in public sector**. This delays (strategic) decision making.
- **Uncertainty about the NHI** and the progress that has been made till now in the pilot districts.
- **Low levels of innovation** and less open-minded towards innovation. A prime focus for South Africa is job creation and it is often perceived that new techniques cut out jobs rather than create them.

Doing business in South Africa

Insights from Dutch companies working in South Africa



- It is **hard to get money out of the country**. The South African Reserve Bank is quite powerful and checks foreign money transfers (and has to approve them).
- New visa regulations make it hard(er) for foreigners to work in South Africa.

Do's and don'ts when working in South Africa

The following "do's" were mentioned in the interviews:

- **Seek a local partner** that knows the local business environment and culture, speaks the language and has a network. The public sector is dominated by an African culture and you need to understand this before you can do business in public sector. The private sector has a more euro-centric culture.
- **Visit South Africa regularly** and ask your business partner and/or your client to visit the Netherlands as well, or try to meet each other at international conferences. Some companies have indicated that you may expect your potential South African client to travel to the Netherlands as well, because if they do, you know there is a serious interest in your product.
- Try to **join a trade mission** organised by Dutch government. This is an ideal way to be introduced into a new country, to generate business and/or to find a local business partner. Also, in the Netherlands, join focus groups that are either active in your field of business or industry, or those that specifically focus on the target country you are interested in. An example mentioned in this regard is Dutch Trade and Investment Board and FME's Task Force Healthcare.
- Set up key account management, specifically to unlock opportunities in the public sector. This requires local recruits that are made responsible for key account management. Local staff also better understand the exact pain points and discussions that take place within Provincial Departments of Health.

- Understand that you are playing in and **serving two markets**: a sophisticated private sector and a public sector with weak management and support systems.

The following "don'ts" were mentioned in the interviews:

- **Don't do business by using email and phone calls only**. Make sure you visit South Africa regularly as it speaks to your commitment of making this business successful outside the Netherlands. You can only generate work and do business when you are physically present in a country.
- **Don't approach Africa as one country**. Like is the case in Europe, every country comes with its own language and customs.

How a business should organise its approach to market.

- Although it is generally believed to be easier to work in/with private sector institutions in South Africa, all interviewees indicated that **the real opportunity is in public sector**.
- Make sure you understand where the money is coming from; who is going to fund your idea? This is specifically relevant if your business depends on donor funded agencies or government. Government follows a relatively rigid process of budget allocation which means that ad hoc large investments are unlikely to happen. It is recommended, for both donor funded and government work, to be part of future investment discussions as early in the process as possible. As one interviewee puts it "if you receive a tender and you were not aware that it was going to be published, you stand little chance of winning it as you lack insights into what the client really needs".
In private sector this means understanding how funders (Medical Schemes) allow for certain procedures, services, material, etc. to be reimbursed. Put more strongly: if the major funders (i.e. Discovery Health) do not approve your product it is very unlikely that the major hospital groups will use your product.
- In line with this; **invest in building relationships**, either by doing this yourself or by using your local business partner. Manoeuvre yourself in a position that you form part of the environment.



- Networks in (South) Africa are small and if you do not provide a solid service to your client, word will spread quickly. Also; don't enter the market with a paternalistic / 'know-it-all' approach or idea of selling 'second-rank' products.
- A North-Western European company is considered to be a plus as people understand that products adhere to high quality standards and companies value client service delivery and after-sales support.
- Most companies indicate that, when entering South Africa, to **focus on Gauteng** and then on KwaZulu-Natal and/or Western Cape. These are the Provinces with the highest economic activity, population numbers and opportunities. Some interviewees have indicated that if you start in Western Cape you might face difficulties in moving to other Provinces in South Africa because of the differences in political leadership in Western Cape Province and the rest of the country.
- **Take an operational approach. The operation of the health system sits with the Provincial Department of Health;** that should be a starting point. For policy and strategic matters you interact with the National Department of Health however.
- When you come to South Africa you have to be aware of the **skills gap**. You have to overcome this hurdle by using expats from the Netherlands in the first years but **localise your sales department as soon as possible**. The market is relatively small and it is hard to break into this market as a foreigner.

Acknowledgement

- The Dutch Embassy and KPMG would like to thank Mammoet, Philips, Delft DI and Lamboo Mobile Medical for sharing their insights.

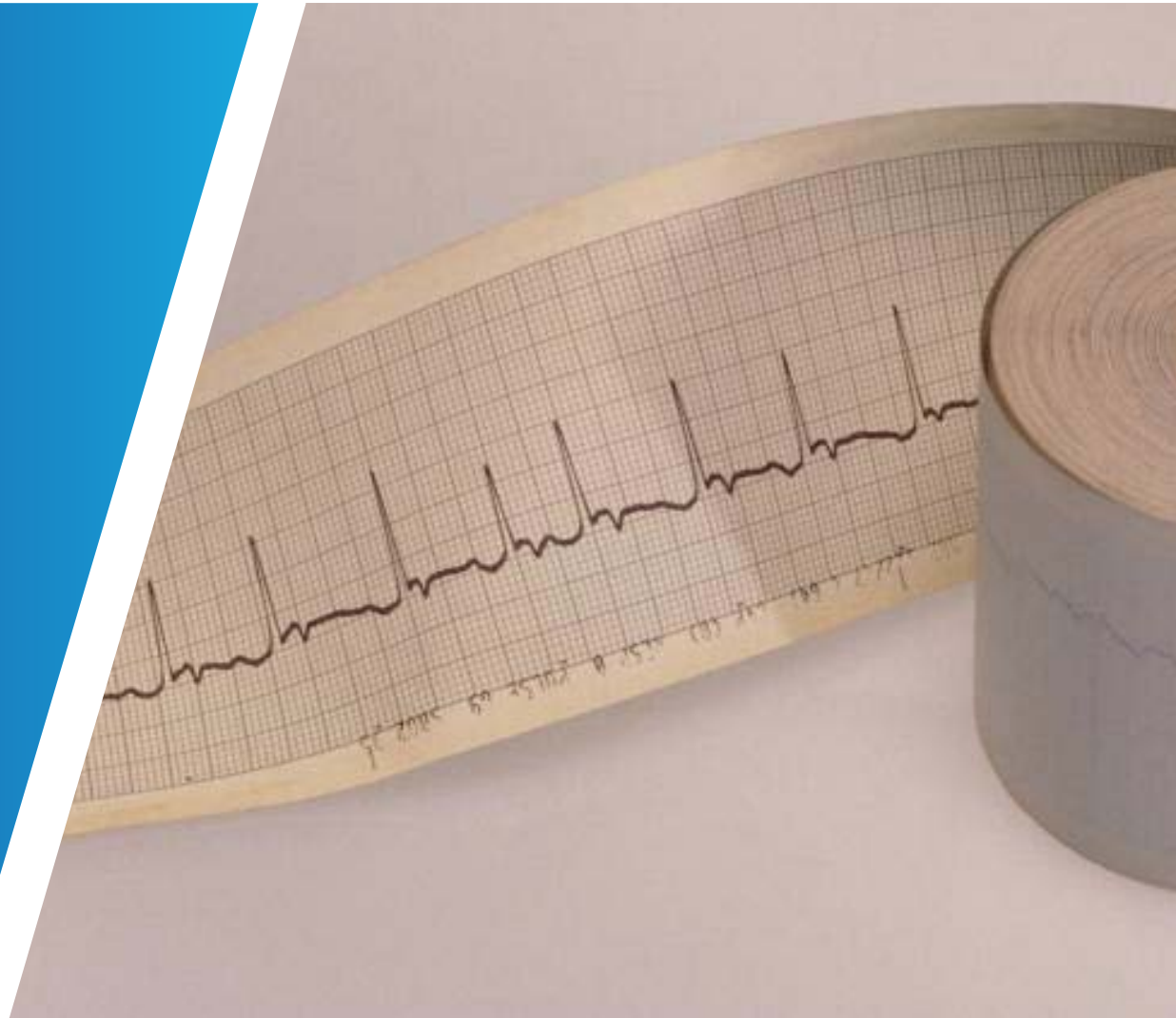
SWOT

Strengths

Weaknesses

Opportunities

Threats





The following is an analysis of the strengths, weaknesses, opportunities and threats of and in the South African health system. The opportunities and threats present in the health system will clearly be different for different organisations, so the analysis has been kept relatively high-level and general.

Strengths

- Access to ARTs for HIV-infected patients has been free for patients who cannot afford to pay for it themselves for over ten years, and actual usage of antiretroviral drugs has rapidly increased and is foreseen to increase even further in future years due to Government's plans to increase the availability of medication.
- The amount being spent in the public healthcare system is growing with a clear focus on investments in infrastructure, PHC and HR.
- Private healthcare is well funded and staffed. Private hospitals often have access to the latest medical equipment and well-trained and motivated staff. Waiting times in private healthcare facilities are usually very short.
- The regulatory environment for the pharmaceutical industry is modern and strong.
- Healthcare is a national priority area for the South African government. 8.7% of GDP is spent on healthcare – a higher percentage than many middle-income countries.

Weaknesses

- Public Sector
 - The public healthcare system is severely underfunded given the large section of the population that it needs to cover.
 - There is a high level of corruption in many parts of the healthcare system, although government is focusing on eliminating this.

Weaknesses (continued)

- Private Sector
 - The current private health provider market is dominated by an oligopoly.
 - There are some stringent licensing and accreditation requirements for private healthcare providers which may constrain potential business models.
 - South Africa has regulations which prevent the employment of doctors by private hospitals. Hospitals are able to offer doctors rooms in their hospital from which to practice, however, the practice is run independently of the hospital. The Competition Commission inquiry plans to investigate the relationship between doctors practicing from hospital premises and the hospitals. This is relevant for the Commission because doctors, although they cannot be employed by private hospitals, are allowed to own shares of the hospital (group).
- Overall
 - South Africa has a shortage of professional skills. This is particularly true for certain geographic regions of the country. Furthermore, there has been a significant flow of professionals out of the country in the recent past.
 - South Africa has one of the highest infection rates of HIV/AIDS in the world. HIV/AIDS not only puts a huge strain on the healthcare system itself, but also increases the susceptibility of people with AIDS to acquiring further illnesses.
 - The process to approve new drugs is slow and not thorough.

Opportunities*

- There is an emerging middle class in South Africa which are demanding higher quality care. There is an opportunity to develop care delivery models that are 'low-cost, high quality'. This allows for expansion of healthcare services to those who currently can't afford healthcare in the private sector. Currently 70% of the employed population does not have Medical Scheme coverage.
- The creation of the single-payer National Health Insurance (NHI) is likely to require innovation and collaboration between the Government and private sector providers in providing publicly funded healthcare. Also the NHI is likely to absorb some of the current initiatives around HR-upscaling and upskilling and investments in infrastructure. NHI pilot districts offer a good opportunity to test certain business models at a relatively small scale. Also, the desire for government to move towards a DRG based contracting system requires insight and knowledge transfer in the field of clinical coding (ICD 10) but also requires significant investments in IT as the current IT penetration in the public system is low. The latter is reflected in the strategic plans from Western Cape Department of Health.
- There is rising demand for diabetes and other chronic disease management treatments. Government is also looking to methods how to better manage chronic patients (this would include patients on ART treatment).
- South Africa acts as an attractive export base into less politically stable Southern African nations for healthcare services and pharmaceutical products.
- In 2014, government initiated 'operation Phakisa'. This programme aims to implement policies better, faster and more effectively. This initiative is implemented in two sectors being, the 'ocean economy' and healthcare. Work sessions include representatives from government (national and provincial), private sector, labour and academia. Once delivery plans have been completed, the actual implementation will be closely followed by the Presidency and other senior government officials.

Threats

- General
 - Details of the NHI are still unclear, and may lead to further centralization and bureaucracy, thereby weakening the healthcare system. However, an updated NHI Policy document ("white paper" has yet to be published).
 - Patient satisfaction – there are growing expectations amongst the emerging middle class
 - Competition from Indian drug and medical technology products is rising. In the absence of quality regulation, this poses healthcare risks to the population, specifically in public sector.
- Public Sector
 - Hospital-acquired infections, medical litigation, negligence (falls, medical errors and pressure sores). Negligence claims against the Department of Health Gauteng alone add up to EUR 85 million.
- Private sector
 - The healthcare provider market is dominated by an oligopoly. A new entrant may be pushed out of the market by the current big hospital groups through their powerful position in the market.
 - Tariffs from dominant funders. If healthcare providers are charging more to their patients than reimbursed by Medical Schemes, patients need to accept a co-payment.
 - Since hospitals are not able to employ doctors, they need to ensure they have strong relationships with doctors to maintain the referrals to their facility, adherence to treatment protocols and levels of quality.
 - The outcome from Competition Commission Inquiry is still unclear and may cause some significant changes in regulation based on the findings.

Opportunities for Dutch companies



- In coming up with opportunities for Dutch companies we have taken a generic approach that would cater for a broad audience of interested Dutch companies. Please understand that an opportunity for one company could be a risk for another and vice versa.

Specifically for Dutch company the following trends and opportunities are relevant:

- South African's economy remains one of the strongest on the continent and a significant amount of money is spent in the healthcare sector (EUR 24 billion combined for healthcare, pharmaceuticals and medical technology).
- Having said that, economic growth seems to have come to a slow-down due to the global economic crisis and the expected growth is 2% for 2015.
- There is a growing middle class that will demand better quality healthcare. Also, the country is faced with a double burden of disease with communicable diseases being most prevalent in the public sector population and non-communicable diseases in the private sector.
- As such both public and private sector are investing in renovating and building new hospitals. This could be an opportunity for Dutch construction companies and (healthcare specialised) architects.
- However, government procurement processes are tedious and take long.
- The private sector specifically will also continuously seek to contain costs. An opportunity exists where a nexus can be reached between people, process and technology. This could be used to develop low-cost, high quality care delivery models.
- Making healthcare available to rural communities in Primary Healthcare settings could be considered a 'sweet spot'. This asks for innovative care delivery models in which Dutch companies could play a part on multiple facets (hardware, i.e. like Lamboo, Philips and Delft DI delivering machinery and equipment; software; IT systems that capture information remotely but store it centrally; and, in the field of support, for example logistics).

- Further to that last point: procurement processes, specifically in public sector, are weak and this has an impact on the care delivery process in public sector facilities. Expertise in logistics, linked with IT systems in the pharmaceutical supply chain, is something that is desperately needed in public sector. This could be an opportunity for Dutch companies, leveraging the country's reputation on logistic services.
- As was confirmed in the interviews, most opportunities exist in the public sector. Over and above the investment in renovating hospitals and building new ones the government invest heavily in:
- Treatment and prevention of HIV/AIDS and TB. The treatment and prevention of HIV/AIDS and TB is a relatively saturated market and Government prefers local manufacturers of ART to deliver products for these services. Minor opportunities could exist in the supporting (logistics) processes for Dutch companies, though ART delivery is, in some instances, outsourced to commercial courier pharmacies.
- Human Resources Development and knowledge sharing. The training of (clinical) human resources provides Dutch training agencies with an opportunity. This could potentially be achieved through IT-enabled remote learning systems. Although Government's focus has been on the clinical workforce, upskilling staff in 'back office' departments is an opportunity as well. Lastly, knowledge sharing about the unique elements of the Dutch health system and health economics could also be worth exploring. A specific element worth exploring in this regard is the Risk Equalisation Fund (REF) that is in place in the Netherlands. This fund protects health insurers from bad risks they insure and is one of the elements that makes the Dutch health system unique. South Africa has considered implementing a REF about a decade ago. This didn't go ahead, but the discussions that were held about a REF are not forgotten and could be brought to life in the light of the NHI policy again. Expertise and experience in this field is critical to make this a success and Dutch academia are well placed to assist South African organisations with this.

South Africa's health system

Opportunities for Dutch companies

- In coming up with opportunities for Dutch companies we have taken a generic approach that would cater for a broad audience of interested Dutch companies. Please understand that an opportunity for one company could be a risk for another and vice versa.

- The usage of IT is low in both public and private sector which creates opportunities for any business working in IT. If global trends are followed, there will be an increased appetite for Electronic Health Records.
- SITA is the State's information technology organisation and most public sector IT investments are run through and by SITA.
- Funds for business growth and innovation are available from the Industrial Development Corporation (IDC) – with a dedicated healthcare strategic business unit. More information can be found following [this link](#). Funds in Gauteng specifically could also be applied for from the Gauteng Growth and Development Agency. More information can be found by following [this link](#).





Appendices

Appendix A – sources

Appendix B – Where to start?

Sources that were used for this report

Council for Medical Scheme, Annual Report Data 2012/2013

Worldbank, dataset, <http://data.worldbank.org/>

BMI (2014). South Africa Pharmaceuticals and Healthcare Report

National Department of Health Strategic Plan 2014/15 to 2018/19

National Department of Health Annual Performance Plan 2014/15 – 2016/17

National Department of Health, Human Resources for the Health Sector, 2012/13 – 2016/17

Gauteng Department of Health, Turnaround Strategy

Gauteng Department of Health, Annual Report 2013.

KwaZulu-Natal Department of Health, Annual Performance Plan 2014/15 – 2016/17

KwaZulu-Natal Department of Health, Strategic Plan 2010 – 2014

Western Cape, Annual Performance Plan, 2014-2015

ECONEX, The South African Healthcare Sector: Role and contribution to the economy

Pouris A, Pouris A. Patents and economic development in South Africa: Managing intellectual property rights. S Afr J Sci. 011;107(11/12), Art. #355, 10 pages.

Netcare 2013 annual report

Mediclinic International annual report 2013

Life Healthcare Group Annual Report 2013

Competition Commission, <http://www.compcom.co.za/healthcare-inquiry/>

<http://www.sappf.co.za/About/Menifesto>

<http://www.timeslive.co.za/news/2014/01/17/hospital-horrors-costing-sa-plenty>

BD Live, <http://www.bdlive.co.za/business/healthcare/2014/11/25/netcare-to-spend-r2bn-on-expansion>

BD Live, <http://www.bdlive.co.za/national/health/2012/12/11/gauteng-takes-over-health-turnaround>

<http://www.sanews.gov.za/south-africa/operation-phakisa-move-sa-forward>

About this section

This section contains contact details and links to websites where you can find further information for specific stakeholders. This section concludes with a potential approach in contacting these organisations.

Please note that the information presented in this section represents the situation as of December 2014. This information is subject to change. Please consult the websites included in this section before contacting any persons mentioned in this section.

Embassy of the Kingdom of the Netherlands.

- More information and reading material is available via this link (<http://zuidafrika.nlambassade.org/zaken-doen>).
- Head of Economics Affairs, Mrs. Tineke Mulder (Tineke.mulder@minbuza.nl or +27 (0)12 425 4550).

Other Dutch (government) organisations involved in supporting international trade

- The Netherlands Enterprise Agency ("Rijksdienst Voor Ondernemend Nederland") also publishes information on doing business in South Africa and has access to a company database should you be looking for a business partner in South Africa.
- More information is available via this link (<http://www.rvo.nl/onderwerpen/internationaal-ondernemen/landenoverzicht/zuid-afrika>).
- The South African Netherlands Chamber of Commerce (SANEC) guides organisations in doing business in and between South(ern) Africa and the Netherlands. Its current membership base exceeds 450 companies and other organisations.
- SANEC can be contacted at info@sanec.nl, info@sanec.co.za or telephonically via +31 (0)70 347 0781 or in South Africa via +27 (0)11 568 1234. Further contact information is available via this link (<http://www.sanec.org/contact>).

- The Task Force Health Care (TFHC) stimulates cooperation within the Dutch healthcare and life sciences sector and promotes sustainable healthcare. TFHC organises seminars, network events, trade missions and pavilions at exhibitions in order to share information on the respective countries included in their portfolio (including South Africa). More information is available via this link (<http://www.tfhc.nl/>).

South African organisations (public sector)

- As mentioned in the last section of the report, funds for business growth and innovation are available from the Industrial Development Corporation (IDC) – with a dedicated healthcare strategic business unit.
 - More information is available via this link (<http://www.idc.co.za/sbu-overview/healthcare.html>).
- Funds in Gauteng specifically could also be applied for from the Gauteng Growth and Development Agency.
 - More information is available via this link (<http://www.ggda.co.za/Pages/default.aspx>).

National Department of Health

- The Minister of Health is Dr. Aaron Motsoaledi. The Deputy Minister is Dr. Joe Phaahla.
- The Director General (DG) is Ms. Malebona Precious Matsoso.
- Contact details:
 - Physical address: Civitas Building, Cnr Thabo Sehume and Struben Streets, Pretoria
 - Postal address: Private Bag X828, Pretoria, 0001
 - Telephone number (office of the Minister): +27 (0)12 395 8086
 - Telephone number (office of the DG): +27 (0)12 395 9150
 - Twitter: @HealthZA / website: www.health.gov.za/index.php



Gauteng Department of Health

- Every Province has an executive council (similar to the National Cabinet) and one Member of the Executive Council ('MEC') has 'health' in his/her portfolio. The MEC for Health in Gauteng is Ms. Qedani Dorothy Mahlangu.
- The Provincial Department of Health is headed by Dr. B. Selebano. He is the Head of Department (HoD). This role is equivalent to the role of Director General in the National Department of Health.
- The organisational structure of the Department of Health in Gauteng is further divided into the following units; ICT, Operations (Provincial hospital and clinic operations would fall into this unit), Human Resources & OD, Corporate Services, Finance and Facility Management.
- A list of Gauteng Department of Health's senior managers as well as hospitals is available via this link (<http://www.health.gpg.gov.za/Pages/Executive-Management.aspx>).
- Contact details:
 - Physical address: 37 Sauer Street, Johannesburg, 2001
 - Postal address: Private Bag X085, Marshalltown, 2107
 - Telephone number: +27 (0)11 27 355 3503
 - Email: phume.khumalo@gauteng.gov.za
 - Twitter: @GautengHealth
 - Website: <http://www.health.gpg.gov.za>

Western Cape Department of Health

- Every Province has an executive council (similar to the National Cabinet) and one Member of the Executive Council ('MEC') has 'health' in his/her portfolio. The MEC for Health in Western Cape is Prof. NomaFrench Mbombo
- The Provincial Department of Health is headed by Prof. KC (Craig) Househam. He is the Head of Department (HoD). This role is equivalent to the role of Director General in the National Department of Health.
- The organisational structure of the Department of Health in Western Cape is further divided into the following units; specialist & emergency services, district health services, finance, strategy & health support, infrastructure & technical management and human resources.
- Contact details:
 - Physical address: 4 Dorp Street, Cape Town
 - Postal address: PO Box 2060, Cape Town, 8000
 - Telephone number: +27 (0)21 483 5477
 - Email: Hadia.Isaacs@westerncape.gov.za (general enquiries)
 - Email: Johannes.Bouwer@westerncape.gov.za (Personal Assistant MEC Health)
 - Email: Herman.VanderWesthuizen@westerncape.gov.za (Head of Office)
 - Twitter: @WesternCapeGov
 - Website: <http://www.westerncape.gov.za/health>



Kwa-Zulu Natal (KZN) Department of Health

- Every Province has an executive council (similar to the National Cabinet) and one Member of the Executive Council ('MEC') has 'health' in his/her portfolio. The MEC for Health in KZN is Dr Sibongiseni Dhlomo.
- The Provincial Department of Health is headed by Dr Sibongile Zungu. She is the Head of Department (HoD). This role is equivalent to the role of Director General in the National Department of Health.
- The organisational structure of the Department of Health in Gauteng is further divided into the following units; ICT, Operations (Provincial hospital and clinic operations would fall into this unit), Human Resources & OD, Corporate Services, Finance and Facility Management.
- A list of KZN Department of Health's senior managers is available via this link (http://www.kznhealth.gov.za/Senior_management.htm)
- Contact details:
 - Physical address: Natalia 330 Langalibalele (Longmarket) Street, Pietermaritzburg
 - Postal address: P/Bag X9051 Pietermaritzburg 3200
 - Telephone number: +27 (0)33 395 2111 (switchboard)
 - Telephone number: +27 (0)33 395 2016 (MEC Health)
 - Telephone number: +27 (0)33 395 3176 (HoD Health)
 - Email: sibongiseni.dhlomo@kznhealth.gov.za (MEC Health)
 - Email: samantha.foulkes@kznhealth.gov.za (HoD)
 - Website: <http://www.kznhealth.gov.za/>

Private sector providers

- Netcare
 - Physical address: 76 Maude Street, corner West Street, Sandton, 2196
 - Postal address: Private Bag X34, Benmore 2010
 - Telephone number: +27 (0)11 301 0000
 - Group CEO: Mr. Richard Friedland.
 - Link to Executive Management Team: http://www.netcareinvestor.co.za/over_sa.php
 - Website: www.netcare.co.za
 - Information about their procurement policies are available via this link: http://www.suppliers.netcare.co.za/live/index.php?Session_ID=0f0dc76aa5f3bde834c475400af5bf20
 - Financial information and share prices are available via this link: <http://www.netcareinvestor.co.za/>



Private sector providers (continued)

- Medi-Clinic
 - Physical address: Strand Road/Strandweg, Stellenbosch, 7600
 - Postal address: P.O. Box 456, Stellenbosch, 7599
 - Telephone number: +27 (0)21 809 6500
 - Group CEO (international): Danie Meintjies
 - Medi-Clinic Souther Africa CEO: Koert Pretorius
 - Link to executive management team: <http://www.mediclinic.com/about/Pages/management.aspx>
 - Website (South Africa): <http://www.mediclinic.co.za/Pages/default.aspx>
 - Website (International): <http://www.mediclinic.com/Pages/default.aspx>
 - Financial information and share prices are available via this link: <http://www.mediclinic.com/ir/Pages/default.aspx>
- Life Healthcare Group
 - Physical address: 21 Chaplin Rd, Illovo, 2196
 - Postal address: Private Bag X13, Northlands, 2116
 - Telephone number: +27 (0)11 219 9000
 - Group CEO (international): Mr. André Meyer
 - Link to executive management team: <http://www.lifehealthcare.co.za/IR/Directors.aspx>
 - Website: <http://www.lifehealthcare.co.za/>
 - Financial information and share prices are available via this link: <http://www.lifehealthcare.co.za/IR/Default.aspx>

Other stakeholder organisations (providers)

- Health Professions Council of South Africa (HPCSA)
 - <http://www.hpcsa.co.za/Contacts>
- South African Nursing Council
 - <http://www.sanc.co.za/contact.htm>
- South African Pharmacy Council
 - http://www.pharmcouncil.co.za/F_CustomerCare.asp
- Hospital Association of South Africa (HASA)
 - <http://www.hasa.co.za/contact-us/>
- National Hospital Network
 - <http://www.nhn.co.za/contact-us>
- South African Medical Organisation
 - <https://www.samedical.org/>
- South African Private Practitioners Forum
 - <http://www.sappf.co.za/Contact>



Private payers of healthcare (Medical Schemes)

- The Medical Scheme industry is regulated by the Council for Medical Schemes
 - <https://www.medicalschemes.com/ContactUs.aspx>
- Since most Medical Schemes are administered by administrators we have included the largest administrators' information below. Exceptions are the Government Employee Medical Scheme (GEMS) and Discovery Health Medical Scheme. More information about these two Schemes is included in the second column on this page.
- Please note that most administrators form part of a larger insurance company (also offering house, care and life insurance). Where possible we have included contact details of those people working in healthcare, alternatively we have included a link to the general website.

Administrators

- Discovery Health
 - CEO Discovery Health: Dr. Jonathan Broomberg
 - Physical address; 155 West Street, Sandton
 - Postal address; PO Box 786722, Sandton, 2146
 - Contact number: +27 11 529 2888
 - Website: www.discovery.co.za
- Momentum
 - Physical address: 268 West Avenue, Centurion
 - Website: <https://www.momentum.co.za/for/you/site-usage/contact-us>
- Metropolitan
 - Town Square, 61 St George's Mall, Cape Town

Metropolitan (continued)

- Website: <http://www.mhg.co.za/default.aspx?7ZROVmdDYGkgUtsOoS8Oec6dyPnfYYu5CLirNhR4Qx4=>
- Please note that Metropolitan and Momentum have merged into one organisation. <http://www.mmiholdings.com/en/home>

Medscheme

- CEO Medscheme: Kevin Aron
- Physical address: Cnr Lower Long Street and Hans Strijdom Avenue, Cape Town
- Postal address: PO Box 38632, Pinelands, 7430
- Website; <http://www.medscheme.com/>

Medical Schemes

- Discovery Health Medical Scheme
 - Principle Officer: Milton Streak
 - Telephone: +27 (0)11 529 2522
 - Email: principalofficer@discovery.co.za
- GEMS
 - Principle Officer: Dr Gunvant (Guni) Goolab
 - Telephone: +27 (0) 861 00 4367 (note: general enquiries)
 - Email: enquiries@gems.co.za

A pragmatic approach*

Approaching the organisations mentioned above requires preparation and targeting companies in public sector ask for a different approach as compared to companies in the private sector. Obviously, this will also depend on personal preferences your target audience has.

Some insights:

- In general, South Africans appreciate a formal approach, i.e. a signed letter (can be scanned and emailed), using titles, etc. is appreciated. Also, South Africans tend to be less direct in their communication, specifically written communication. Please be aware of the fact that South African postal services are not as reliable as in the Netherlands. Should you want to send a letter, it is recommended to scan this letter and also send it via email.
- Getting the support from, or having the Dutch Embassy co-sign these letters could be a door opener, specifically in public sector as this is seen as 'government-to-government' communication.
- Having a local business partner will help you better understand the local customs. (S)He can also provide advice on how to approach a target customer and/or use their own network to unlock opportunities.
- Lastly; be pragmatic about it. Join trade missions, conferences and symposia, use marketing material, visit the country, show a genuine interest and offer a good service.

**Also refer to page 25 - 28*



cutting through complexity

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