



Healthcare Market Insights for South Africa

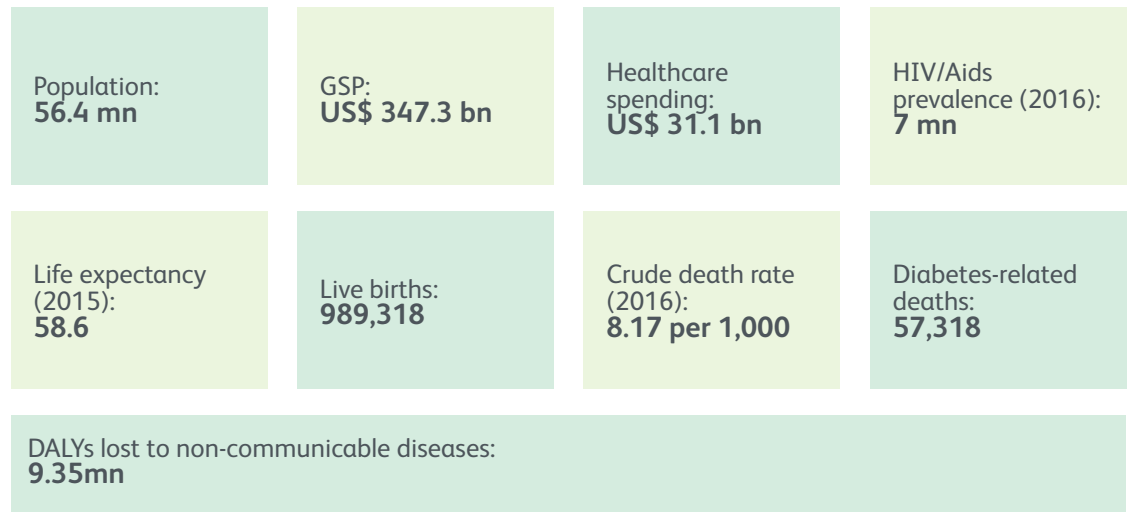
Report by

Africa Health 

By Informa Markets

Healthcare Market Synopsis

Topline Healthcare Stats For South Africa



Source: Statistics South Africa/Health Systems Trust South Africa/ 2017 figures from Fitch Solutions

Disease Burden

While South Africa's largest killer remains the HIV/AIDS epidemic, nearly 100 South Africans die of heart attacks or strokes each day, although this figure is significantly less than the 1,000 people that are estimated to die of AIDS. More than 7 million adults smoke, around 6.3 million suffer from hypertension, and 5 million have high cholesterol.

According to Fitch Solutions' Disease Database, over 9.35 million disability-adjusted life years (DALYs) were lost to non-communicable diseases in 2017, compared to 10.64 million DALYs lost to communicable diseases. By 2030, the DALYs lost to non-communicable diseases, as a percentage of total DALYs will increase to 61.2%, compared to 24.7% for communicable diseases.

According to the 2016 UNAIDS report, around 7 million people in South Africa have HIV/AIDS, with 180,000 associated deaths recorded in 2015. The country also had the highest rate of new HIV infections in the world at over 380,000 in 2015.

Over the long term, HIV/AIDS will continue to place tremendous demands on the

country's health system and the economy as the disease affects all age groups and both sexes.

According to Globocan, the number of new cases of cancer in South Africa will increase by nearly 49% by 2030 compared to 2012. The majority of these new cases will come from males and females over the age of 65. Prostate, breast, lung, cervical and colorectal cancers will dominate the oncology therapeutic landscape, with Globocan data suggesting that these conditions will collectively account for 51% of the total number of new cases in 2030.

Similarly, lifestyle-related diseases are a growing concern for the South African government. The IDF estimates that 5.5% of the adult population in South Africa is currently diagnosed with diabetes and that in 2017: there were 1.55 million cases of diabetes in adults that were undiagnosed. This is a concern as there are numerous medical complications that can result from diabetes, leading to considerable indirect healthcare costs.

Healthcare System

South Africa currently runs a two-tiered healthcare system, comprising the public and the smaller, but fast-growing private sector. The country spent 9.0% of its GDP on healthcare in 2017 - higher than the 5% the World Health Organisation (WHO) recommends for a country of its socio-economic status. However, despite this high expenditure, health outcomes remain poor in comparison with similar middle-income countries. This poor performance is attributed mainly to the inequities between the public and private sectors.

According to a 2018 report by South Africa's Competition Commission, when it comes to the private healthcare sector, South Africa faces a problem of over-servicing and oversupplying. The report gives three examples to illustrate this:

- Firstly, hospital admission rates are extremely high. South Africa's rate was higher than all but two of 17 other OECD countries used as comparisons in the report.
- The Commission also looked at seven different surgical procedures. In four, South Africa had the highest usage rates.
- Lastly, the Commission looked at the number of people that get admitted to intensive care units. It found that South Africa had higher admission rates than eight other countries with comparable published data.

Health Insurance

In order to obtain universal healthcare in the country, the African National Congress is in the process of implementing National Health Insurance (NHI), which aims to provide all South Africans with health services they need while making financial contributions according to their ability to pay. In August 2018, South Africa's Department of Health announced that the new National Health Insurance (NHI) plan would guarantee the provision of quality healthcare for more than 60% of the population unable to afford medical aid cover.

On 26th July 2019, the Government released the NHI Bill creating an NHI Fund paves the way for a comprehensive overhaul of South Africa's health system.



Medical Devices

According to Export.gov, South Africa is one of the largest medical devices' markets in the Middle East & Africa (MEA) region. Spending on medical devices as a proportion of wealth is lower than average for this region, at around 0.3 % of GDP and 4.0 % of health expenditure (2015).

Projections for 2019 show that the market will grow at around 6.7 % in US\$ terms, amounting to US\$1.8 billion by 2023. But challenges remain due to high unemployment, sluggish economic growth and currency fluctuations. Most of the major product categories will be affected, which include consumables, diagnostics, dental, and orthopaedics. Medical device imports will grow modestly, and South African exports will remain muted.

Medical Tourism

Source: Statistics South Africa/Health Systems Trust South Africa/ 2017 figures from Fitch Solutions

South Africa is Africa's market leader in providing medical tourism services. In the five years from 2006 to 2010, more than 2.5 million medical tourists visited South Africa, out of which less than 10 % were from high-income countries and more than

85 % from other African countries, mostly from neighbouring Lesotho, Swaziland, Mozambique and Zimbabwe. In 2012, between 300,000 and 350,000 tourists from all around Africa travelled to South Africa for medical treatment.

Healthcare Industry Forecasts

According to Fitch Solutions, South Africa will continue to pursue universal healthcare coverage, with the implementation of its new intellectual property policy covering public healthcare. While efforts are being made to improve the health of the population, South Africa's healthcare system is still underdeveloped in key aspects that will limit commercial rewards for drugmakers and private healthcare providers over the coming years. This is especially so as the government focuses on addressing basic services while containing costs.

Healthcare expenditure in South Africa is evenly distributed between the public and private sectors, although inequality persists in the quality of healthcare services. Over five years from 2017, Fitch Solutions expect the healthcare market to increase by a compound annual growth rate (CAGR) of 4.7 % in US\$ terms to reach a value of US\$37 billion by 2022. Fitch Solutions also expect a similar growth rate over the next decade to reach a value of US\$47.1 billion by 2027.

10 Year Forecasts

- The South African economy will grow at a slow pace of around 2.2 % annually over the coming ten years FROM 2017.
- Power shortages, industrial action and divestment in the mining sector will weigh on economic expansion, resulting in long-term economic underperformance versus emerging market peers.
- The South African government estimates that real GDP growth would need to be around 7.0 % annually for unemployment to decline meaningfully. Current growth is significantly below this level and, as a result, the country will continue to face high levels of unemployment.



Healthcare by Key Provinces

Source: Fitch Solutions

With the 24th largest population in the world (estimated at 56.4 million in 2017), and the fifth-largest in Africa after Nigeria, Ethiopia, Egypt and Democratic Republic of Congo (DRC), the country is divided into nine sub-national provinces. The province of Gauteng, home to approximately 25 % of the population, is where the national capital, Pretoria, is located. The country's legislative and judicial capital cities, Cape Town and Bloemfontein, are located in the Western Cape province and Free State province respectively.



Topline Healthcare Stats

- Population: 14.3 mn
- GSP: US\$118.79 bn
- Hospitals: 134 (public and private)
- Hospital beds: 36,538
- Medical practitioners per 1,000: 0.7
- Life expectancy (2015): 60.7
- Crude death rate: 7.0 per 1,000

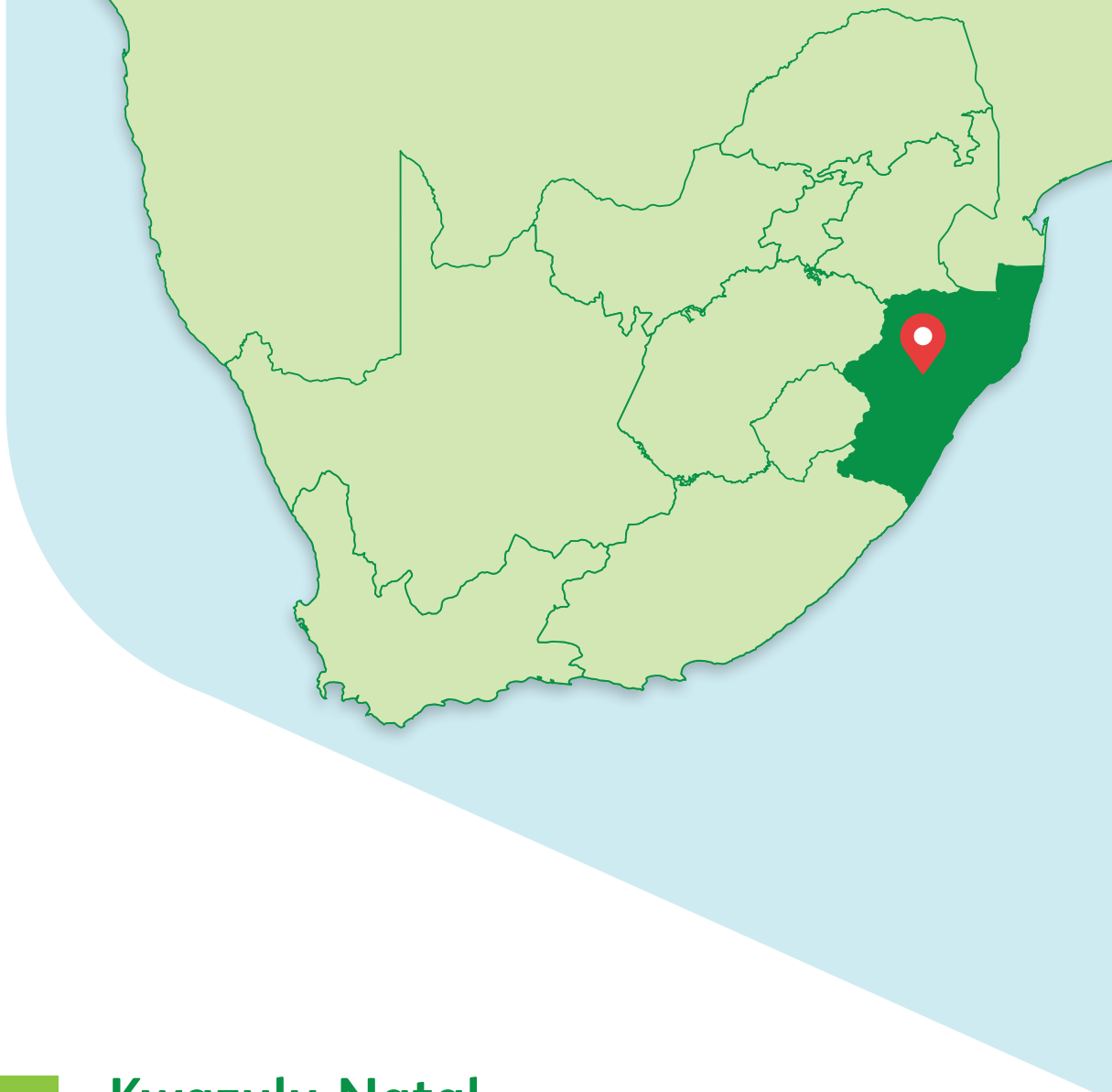
Source: Statistics South Africa/ Health Systems Trust South Africa/ 2017 figures from Fitch Solutions

Gauteng

Although the smallest province by land area, Gauteng is the economic and financial hub of the country and it is the most populated state (forecasted to increase to 15.6 million by 2022) making it the most attractive province for public and private healthcare investment.

While the province currently boasts the highest number of hospitals, hospital beds, medical practitioners and nurses, the growing population is expected to be a catalyst for a considerable increase in the number of physicians and nurses over this five-year period (10,009 registered medical practitioners and 40,489 professional nurses by 2020). However, due to the high cost of private-sector treatment, the majority is only able to access care at public hospitals.

Gauteng is typical of a big-city environment and fast-paced corporate lifestyle. Pollution and affluent, urban lifestyles shape the burden of disease in the province, which is comprised of non-communicable diseases such as cancer, diabetes, cardiovascular and respiratory disease.



Topline Healthcare Stats

- Population: 11.3 mn
- GSP: US\$55.5 bn
- Hospitals: 94 (public and private)
- Hospital beds: 22,881 (public and private)
- Medical practitioners per 1,000: 0.5
- Life expectancy (2015): 54.1
- Crude death rate: 7.6 per 1,000

Source: Statistics South Africa/
Health Systems Trust South
Africa/ 2017 figures from Fitch
Solutions

Kwazulu-Natal

Located in the southeast of South Africa, KwaZulu-Natal is the second-most populous province in South Africa. However, forecasts suggest relatively weak population growth over the medium term, with the population expected to remain at around 11.8 million by 2022.

In comparison with other provinces, KwaZulu-Natal has very poor demographics. In 2015, life expectancy was the lowest across all provinces. Low life expectancy and a high number of deaths are attributed to the high HIV prevalence rate (16.9% according to the latest Global AIDS response report (2015), well above the national prevalence of 12.2%).

Leading causes of death are tuberculosis, influenza and pneumonia, all common infections associated with HIV/AIDS. With communicable diseases like HIV/AIDS a priority healthcare focus for the South African government, it is unsurprising that KwaZulu-Natal has the second-highest number of public hospitals, estimated at 80 in 2016.



Topline Healthcare Stats

- Population: 6.5 mn
- GSP: US\$47.5 bn
- Hospitals: 103 (public and private)
- Hospital beds: 20,970
- Medical practitioners per 1,000: 0.9
- Life expectancy (2015): 64.4
- Crude death rate: 7.6 per 1,000

Source: Statistics South Africa/
Health Systems Trust South
Africa/ 2017 figures from Fitch
Solutions

Western Cape

The Western Cape population is forecast to reach 7.1 million by 2022. In contrast to KwaZulu-Natal, the population of the Western Cape had the highest life expectancy in 2016, estimated at 64.4.

According to Fitch Solutions, the Western Cape's healthcare system is one of the more developed and well resourced in the country, with a history of efficient management and use of healthcare services. The Western Cape government has a well-established 'Healthcare Vision 2030' that has been endorsed by the provincial cabinet. While many of the healthcare targets are overly ambitious, this development certainly highlights the government's greater commitment to improving healthcare outcomes in a phased, district-level approach.

In light of the historical trend of diminishing numbers of public hospitals in the Western Cape, the total number of public hospitals is forecasted to remain largely unchanged. In the medium term, Fitch Solutions expect the private hospital sector to meet greater healthcare demand, as the province's population is forecast to reach 7.1 million by 2022.



Topline Healthcare Stats

- Population: 6.51 mn
- GSP: US\$4,084 bn
- Hospitals: 108 (public and private)
- Hospital beds: 20,970
- Medical practitioners per 1,000: 0.4
- Life expectancy (2015): 56
- Crude death rate: 10.2 per 1,000

Source: Statistics South Africa/ Health Systems Trust South Africa/ 2017 figures from Fitch Solutions

Eastern Cape

The Eastern Cape's gross state product per capita has been the lowest across the country's provinces since 2008, and Fitch Solutions forecast it to remain so through to 2022 reaching US\$5,128. The province's demographics illustrate a relatively poor standard of living as well as economic underdevelopment with lower crude birth rate and higher crude death rate than the country average.

The Eastern Cape's healthcare system is largely underdeveloped. The province lacks infrastructure run by the private sector, with demand for private healthcare services relatively weak with the number of public hospital beds has been largely stagnant since 2011. Furthermore, huge staff shortages and weak primary care are considered to be the two most pressing problems in the Eastern Cape health system. However, nurses are expected to show a gradual increase over the forecast period from an estimated 15,830 in 2017, increasing to 17,062 by 2022.

In October 2017, South Africa's Higher Education Department announced that a new medical school would open by 2020 in the Eastern Cape. In the same month, a review of South Africa's demographics found that Eastern Cape has the highest proportion of rural children under six years old, which has implications for healthcare access and medicine availability.



Topline Healthcare Stats

- Population: 5.74 mn
- GSP: US\$25.3 bn
- Hospitals: 54 (public and private)
- Hospital beds: 8,728 (public and private)
- Medical practitioners per 1,000: 0.2
- Life expectancy (2015): 62.7
- Crude death rate: 8.0 per 1,000

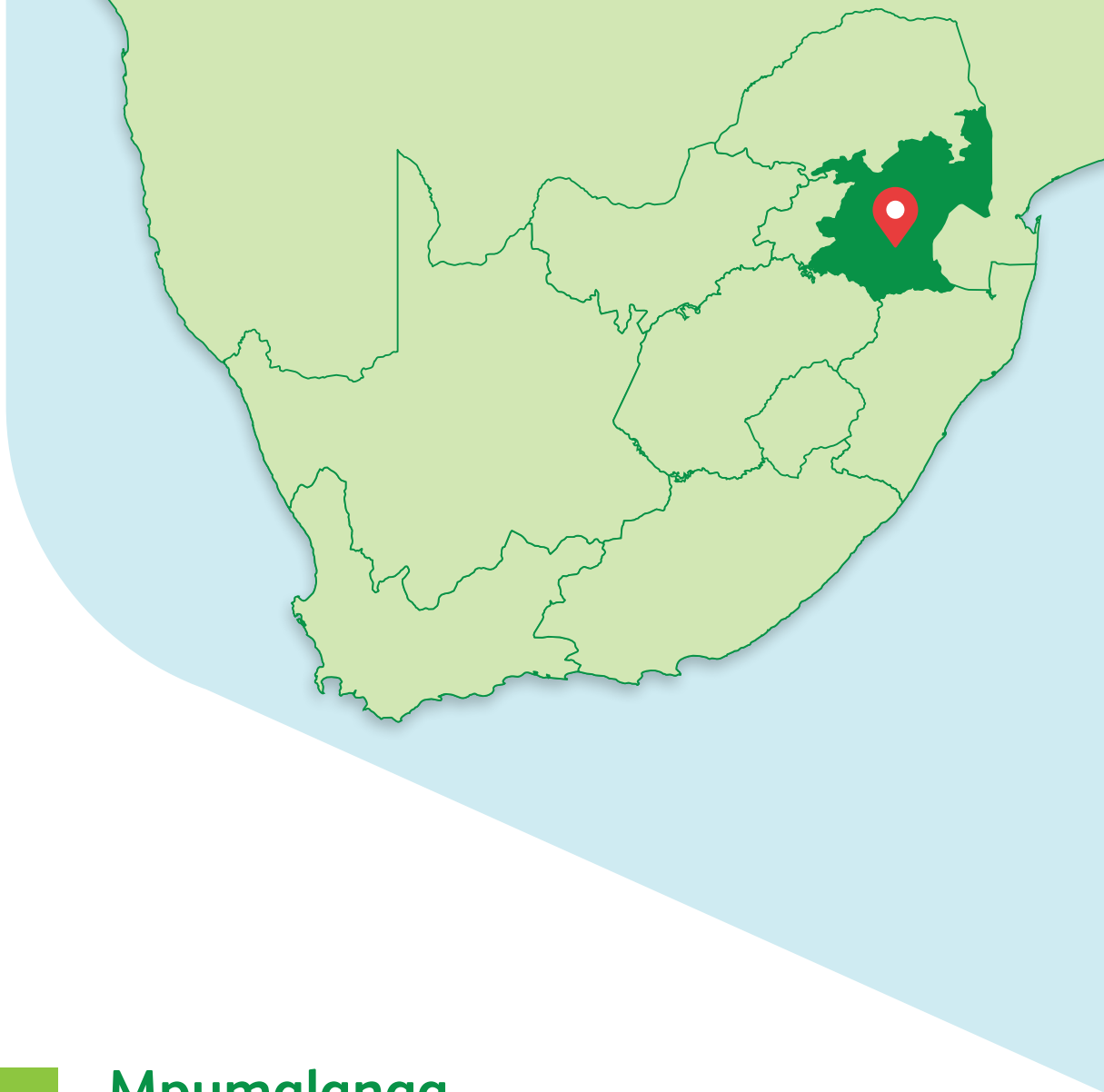
Source: Statistics South Africa/
Health Systems Trust South
Africa/ 2017 figures from Fitch
Solutions

Limpopo

According to Statistics South Africa, Limpopo has the highest level of poverty, with 78.9% of the population living below the national poverty line. However, Limpopo has shown great improvements in its economy and standard of living over the past years.

Meanwhile, according to the latest available data from Health Systems Trust and Statistics South Africa, Limpopo has the highest birth rate in the country in 2017 (21.4 births per 1,000 population) and the third-highest number of live births at 122,947. Although consistently declining between 2008 and 2015, Limpopo's life expectancy of 62.7 in 2015 is the second-highest in the country following the Western Cape.

The number of medical professionals in Limpopo, including public doctors and nurses, has been steadily increasing since 2010. Like most other provinces, Limpopo's death rate has declined between 2008 and 2016, from 10.2 to 8.0, indicative of greater public healthcare provision and an improvement in basic healthcare services.



Topline Healthcare Stats

- Population: 4.45 mn
- GSP: US\$26.2 bn
- Hospitals: 47 (public and private)
- Hospital beds: 5,880 (public and private)
- Medical practitioners per 1,000: 0.3
- Life expectancy (2015): 62.7
- Crude death rate: 57 per 1,000

Source: Statistics South Africa/ Health Systems Trust South Africa/ 2017 figures from Fitch Solutions

Mpumalanga

While Mpumalanga's birth rate and number of live births have been volatile over the last few years, the number of deaths, like the majority of other provinces, has steadily declined between 2008 and 2016 from 47,651 to 33,261.

Mpumalanga's healthcare system is dominated by state provision, with the number of public hospitals (34) more than twice that of private hospitals (12) in 2017. Despite the closure of one public hospital in 2012, favourable changes have occurred to Mpumalanga's public healthcare indicators since 2009, with the number of medical professionals increasing, higher bed occupancy rates and declining infant mortality, according to Fitch Solutions. Similarly, hospital bed numbers and the number of doctors and nurses has also increased – a trend which is forecast to continue over the coming years.

However, according to the South Africa Human Rights Commission (SAHRC), several hospitals in the province are in a critical state, suffering from critical shortages of doctors, nurses and other professional personnel.



Topline Healthcare Stats

- Population: 3.9 mn
- GSP: US\$22.7 bn
- Hospitals: 38 (public and private)
- Hospital beds: 7,091 (public and private)
- Medical practitioners per 1,000: 0.3
- Life expectancy (2015): 58.5
- Crude death rate: 9.2 per 1,000

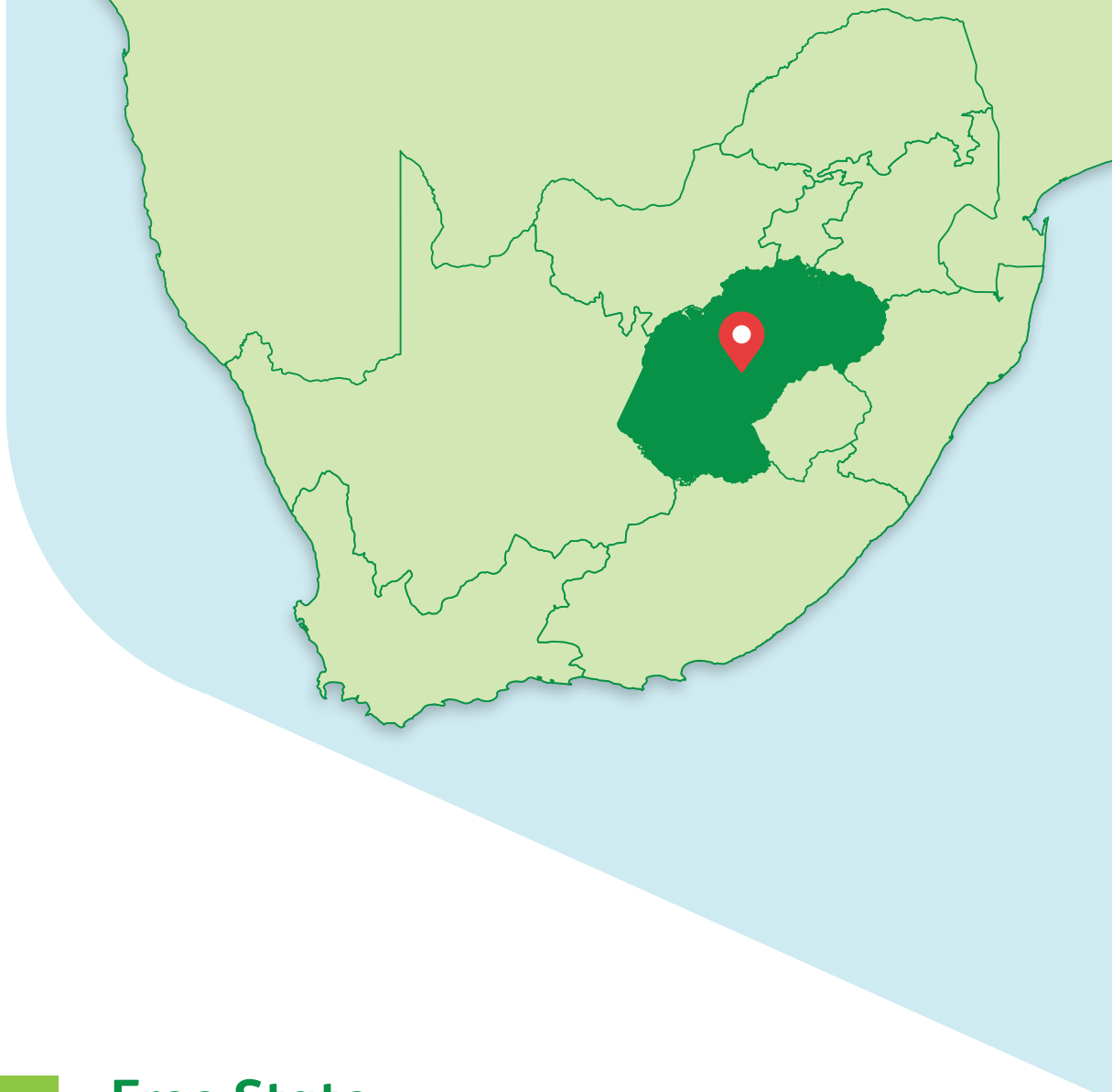
Source: Statistics South Africa/
Health Systems Trust South
Africa/ 2017 figures from Fitch
Solutions

North West

According to Statistics South Africa, in 2017, the North West's crude birth rate was among the lowest in the country, calculated at 14.84. However, fluctuations in the number of live births and the crude birth rate between 2008 and 2015 do not suggest overall improvements in infant mortality. The North West's crude death rate consistently declined between 2008 and 2016, from 13.7 to 9.2.

Given that the province's main economic driver is mining, which generates more than half of its gross state product and provides jobs for a quarter of its workforce, population density is high around mines and mining towns. Fitch Solutions indicates that it is therefore relatively easy to obtain a high level of healthcare access in the province by building hospitals and providing healthcare services in areas where there is high population density.

However, as a relatively underdeveloped economy, the North West's disease burden largely consists of communicable diseases such as malaria and tuberculosis and, as a result of heavy mining activity, respiratory diseases and lung cancer are also common diseases.



Topline Healthcare Stats

- Population: 2.94 mn
- GSP: US\$17.6 bn
- Hospitals: 51 (public and private)
- Hospital beds: 7,384 (public and private)
- Medical practitioners per 1,000: 0.4
- Life expectancy (2015): 56.8
- Crude death rate: 10.9 per 1,000

Source: Statistics South Africa/ Health Systems Trust South Africa/ 2017 figures from Fitch Solutions

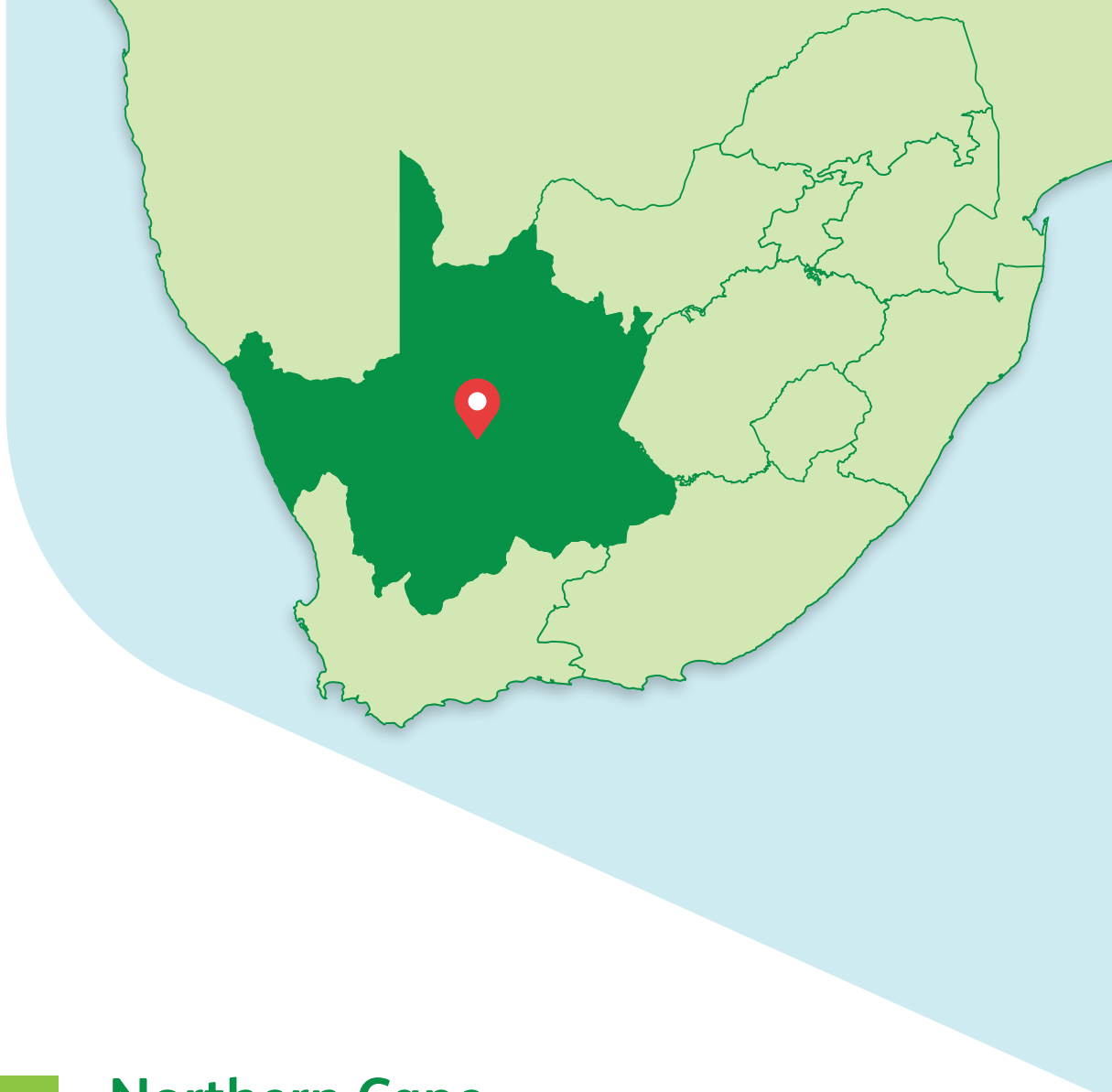
Free State

The Free State province is the third-largest province by land area; however, it is sparsely populated. Fitch Solutions highlight that sparse populations create a geographic challenge for improving healthcare access, as more hospitals and widespread infrastructure are needed across the country to reach the population.

The number of live births in the Free State has been consistently declining, from 67,356 in 2008 to 50,130 in 2017, with the crude birth rate also slumping - indicative of poor healthcare services for pregnant women.

Bordered by KwaZulu-Natal and Mpumalanga, which have the highest HIV prevalence, the Free State is at risk of developing a substantial HIV/AIDS burden, which will place greater pressure on the struggling healthcare system.

Fitch Solutions expect the number of hospitals to remain relatively stable over the 2017-2022 forecast period, along with the bed occupancy rate. However, the numbers of medical practitioners and nurses are expected to rise gradually.



Topline Healthcare Stats

- Population: 1.2 mn
- GSP: US\$7.4 bn
- Hospitals: 20 (public and private)
- Hospital beds: 1,810 (public and private)
- Medical practitioners per 1,000: 0.4
- Life expectancy (2015): 61.4
- Crude death rate: 11.6 per 1,000

Source: Statistics South Africa/
Health Systems Trust South
Africa/ 2017 figures from Fitch
Solutions

Northern Cape

The Northern Cape is the largest province by land area in South Africa, as well as the most sparsely populated. As such, it is the most challenging province in which to obtain sufficient healthcare access and, unsurprisingly, has the lowest number of total hospitals.

The number of hospital beds per 1,000 people has remained at a relatively stable level between 2011 and 2016. Between 2017 and 2022, this is anticipated to remain broadly unchanged, increasing only gradually, highlighting the lack of funds in the public healthcare sector and consequent lack of healthcare improvement in the province.

Like Limpopo and the Western Cape, the Northern Cape has witnessed a decline in its population's life expectancy from 2009 to 2015. According to data from the Health Systems Trust, life expectancy in the Northern Cape decreased from 61.7 years in 2009 to 61.4 years in 2015. Although this is largely insignificant, it marks a contrast to the remaining six provinces that have witnessed a rise in life expectancy over the same period, indicative of the differences in healthcare outcomes.

References

“Understanding South Africa’s Regional Healthcare Markets”,
FitchSolutions, 2018

<https://www.export.gov/article?id=South-Africa-medical-devices>

<http://gco.iarc.fr/today/fact-sheets-populations>

<http://theconversation.com/explainer-how-competitive-is-south-africas-private-health-care-sector-99799>

<https://www.who.int/countries/zaf/en/>

<https://www.unaids.org/en/regionscountries/countries/southafrica>