

BRIDGING THE GAP

SOUTH AFRICA'S
HEALTHCARE INDUSTRY
2024

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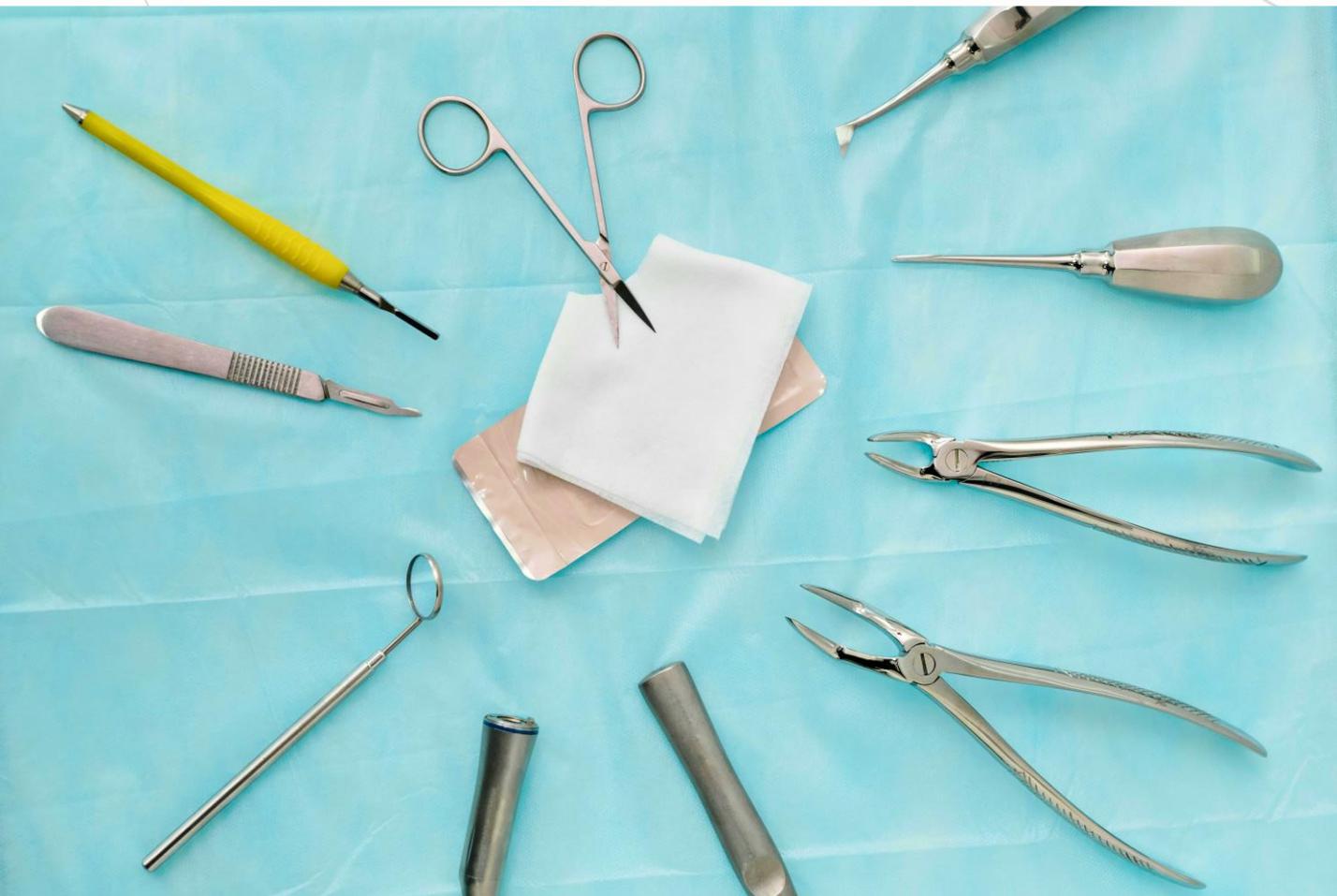




South Africa has undergone a significant period of change in the last two decades, and no more has this been evident in the country's healthcare system. Plagued by underinvestment since the mid 1990s as the economy opened up to the world, the healthcare system, like many other sectors of the economy, was left to market forces in plugging gaps which government could not. Over time this has resulted in a split in medical care provision between have's and have not's, with the latter seeking support from government almost exclusively given limited available resources, a luxury often only available to those that can afford private medical care.

In assessing the state of the South African healthcare market and satellite industries, our team here at In On Africa drew on a variety of sources including both subject matter expertise accrued via previous consulting work in the healthcare space, and open source information sourced via desktop research such as freely available academic publications, industry reports, news articles and other similar sources such as government entities.

In order to grant the reader a holistic overview of the entire healthcare landscape, we opted for a broad-based approach that covers a variety of topical issues. These include first and foremost the various debates surrounding South Africa's two tiered healthcare system and how to achieve equal outcomes between public and private medical services. Additionally, we have sought to understand the key underlying drivers of healthcare demand in the country and how these are changing in line with the South Africa's status as an urbanising middle income economy. In crafting some suggestions for a way forward we have sought to also highlight several opportunities for interested parties to consider, including ones from auxiliary industries such as hospital management and education.





Africa's healthcare is in crisis but is far from facing collapse, thanks to several sector players dedicated to finding better ways to improve African health. South Africa, which has the continent's most sophisticated healthcare system, has reimagined the national healthcare landscape with the launching of its National Health Insurance (NHI) plan, which is intended to overhaul the country's healthcare system by lowering costs, ending waste and improving access to healthcare. After having learnt much from South Africa's response to the Covid-19 pandemic, all of Africa will be monitoring the NHI rollout, hoping to learn about its healthcare policies and practices. The challenges faced by South Africa are similar to those in other African nations, despite South Africa's more advanced medical infrastructure, which makes the country a hub for medical tourism. Challenges include a shortage of medical personnel, antiquated and inadequate healthcare facilities and a two-tiered healthcare system that sees affluent patients and medical tourists enjoy modern private hospitals while the majority of the population struggles with inferior public facilities.

A quarter of a century has passed since all African Union countries committed themselves to allocating 15% of their annual government budgets to their health sectors. In 2024, only two countries are meeting this commitment, South Africa being one.

Breakthroughs in medical technology pioneered in Africa by South Africa, Kenya and some North African countries are poised to mitigate many of the current healthcare landscape problems. Expanded training is addressing Africa's shortage of qualified medical personnel. Drones are delivering medicines to remote clinics, which for the first time are electrified with solar power. Electronic health record keeping has streamlined data collection, and the obstacles of waste and inefficiency are now understood and remedies are being found.



*President Cyril Ramaphosa signs the NHI into law in May 2024. The bill is set to have wide-ranging effects on the industry at large as it seeks to level the playing field between private and public medical care
Image Courtesy: GovernmentZA/Flickr*



Public vs private healthcare

In South Africa, the inequities of its two-tiered healthcare system are an extension of apartheid-era healthcare policies, when government spending on healthcare in white areas was more than three times what was spent on that in black areas. Post-apartheid, healthcare inequities have been perpetuated by the expansion of private healthcare facilities. The state-funded public health sector serves 71% of the population, while private healthcare paid by individuals out-of-pocket or through insurance schemes serves around 27% of the population. Both private and public healthcare is found to be grossly inefficient by a Wits University study, following the Covid-19 pandemic. The introduction of the NHI is intended to make healthcare more equal and efficient.

Economy of scale is one way to lower costs, with public purchase of medicines reducing costs. A majority (87%) of brand medicines used in private sector facilities costs more than at public healthcare facilities, with the differential of 395%. Private healthcare in South Africa is also complicated by monopolisation: Netcare, Life Healthcare and Mediclinic own 80% of private hospitals, which gives a handful of companies' financial domination of the healthcare market, allowing them to dictate costs. One of the primary challenges of the new NHI initiative is to overcome these market forces.

South Africa has developed a flourishing private healthcare because, as a more developed African country, it has a population of middle-class, wealthy and insured individuals who can afford out-of-pocket costs of private facilities. They can also purchase health insurance as a part of their monthly budgets. Relative to high-income countries, private healthcare premiums are inexpensive, starting at ZAR500 (US\$30) per month. South Africa is almost unique in Africa in that the healthcare providers fall into only two categories: government (public health sector) and the private sector. In most African countries, a third category of healthcare providers comprises religious groups like missionary societies. However, South Africa absorbed all faith-based medical facilities into its public healthcare system nearly 50 years ago. Consequently, in South Africa, the public-private sector is split one to two, with 3,000 public clinics and 470 public hospitals in comparison to 1,400 private clinics and 260 private hospitals.

Private healthcare outmatches public in terms of available resources



37% of General Practitioners



59% of Medical Specialists



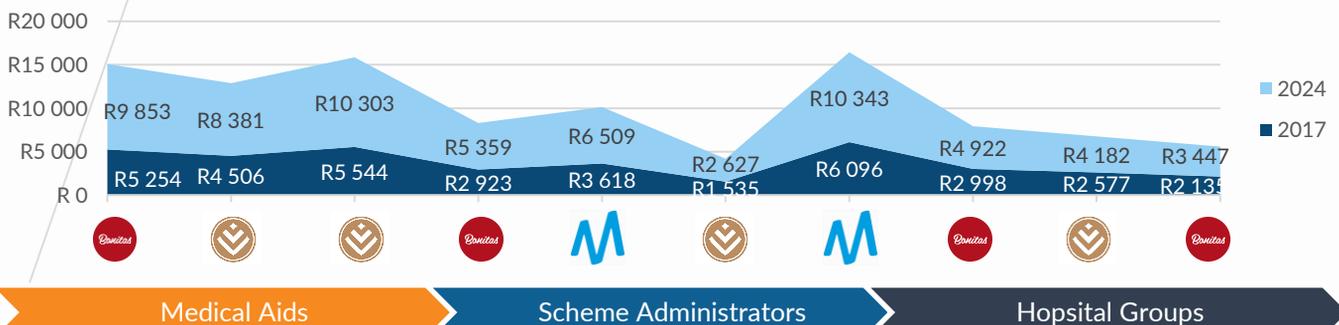
38% of Nurses



28% of Hospital Beds

Despite the private sector playing a key role, only 17% of South Africans have access to private medical aid given costs.

Medical aid rate prices by provider and scheme 2017 vs 2024



Discovery Bonitas

2 companies account for 70% of open medical scheme market

Discovery Medscheme

2 companies account for 76% of administrator market

NETCARE MEDICLINIC Life HEALTH CARE

3 firms hold 83% of the private hospital market

Data courtesy: Health Systems Trust, Competition Commission, BusinessTech; 2018-2024



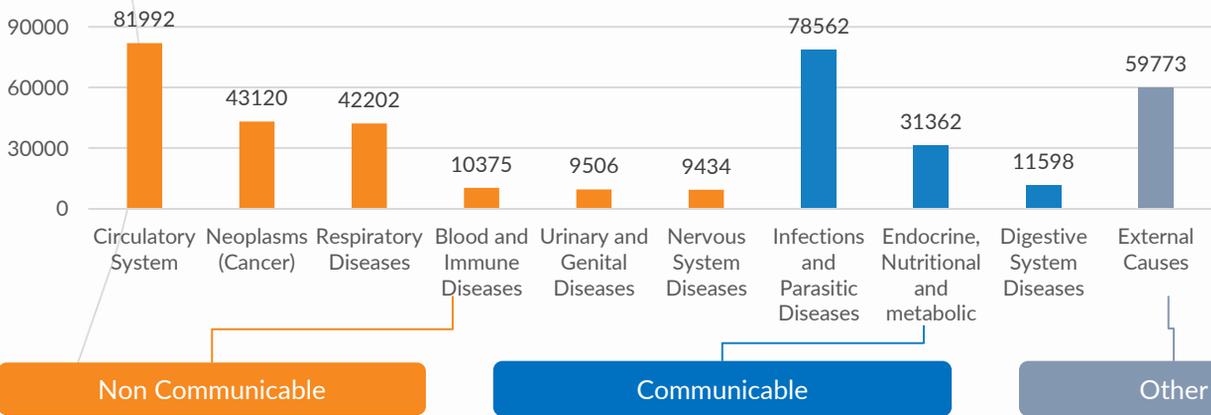
Maladies propelling uptake

The five highest causes of mortality in Africa are acute respiratory infections, HIV/AIDS, diarrhoea, malaria and tuberculosis (TB), which together are responsible for 80% of the total infectious disease burden in Africa, claiming more than six million people every year. Malaria, TB and HIV/AIDS particularly burden low- and middle-income countries. Diseases of affluence, such as diabetes and hypertension from sedentary lifestyles and rich foods, are plaguing Africa's more affluent nations. Altogether, the cost of diseases each year exceeds US\$800 billion in Africa, mostly through loss of worker productivity.

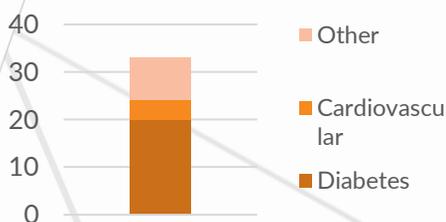
South Africa has an advanced medical data-collection system relative to other countries, and based on information from Statistics South Africa, the WHO compiled a comprehensive health profile of the nation. The main cause of death in South Africa is TB, although its percentage of national mortalities (8.8% of total deaths) is lower than other countries. A communicable disease, TB is often associated with poor living conditions and the inability to access healthcare in a timely manner. While poverty and access to healthcare are issues in South Africa, they are less acute challenges than in lower-income African nations. Following TB, the respiratory diseases influenza and pneumonia account for 5.2% of South African deaths.

While the third most-common killer, sexually transmitted HIV/AIDS, accounts for 5.1% of deaths, concerted efforts to address this disease have been laudable. From a high of 282,902 South African deaths in 2006, the mortality numbers descended significantly over the next two decades, until in 2022, 85,796 HIV/AIDS deaths were recorded. Slightly below HIV/AIDS in terms of percentage of mortality in South Africa was cerebrovascular diseases, which accounted for 4.9% of deaths, and diabetes mellitus, responsible for 4.8%. Heart disease remains a concern, accounting for 4.6% of deaths, and related maladies like hypertensive diseases were responsible for 3.7% of South African deaths.

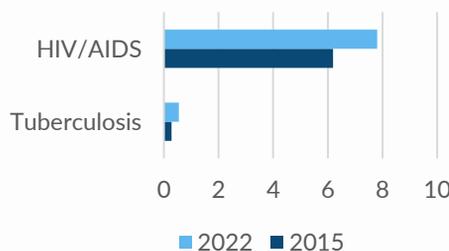
Primary causes of death in selected sample 1997-2017



Annual cost of non-communicable diseases ZAR billions



Number of cases Millions



50% Increase in Murder rate in 2022/23 vs decade earlier

50% Road accident death increase 2010-2018

17% Excess pedestrian road deaths compared to the UN average

Data courtesy: Statistics South Africa, Wits University, Spotlight NSP, OECD, Business Live; 2015-2023



Health insurance

Only universal healthcare coverage will address the challenges of medical access and uniform quality. South Africa is already the continental leader in healthcare coverage: 13% of South Africans are covered by some form of health insurance. South Africa's NHI initiative will be closely monitored as it is implemented by the rest of Africa – in some countries like Niger health insurance coverage is held by less than 1% of the population. All African countries have agreed to ensuring their people can access universal healthcare coverage by 2030 as one of the UN's Sustainable Development Goals. Judging by the current number of insured Africans, attaining the goal seems unrealistic.

South Africa is pioneering universal healthcare coverage with its NHI plan, and it is doing so within an African context by addressing problems like the divide between rural and urban development, financial challenges faced by a government with several important and competing social welfare needs and the flight of medical professionals attracted to better-paying jobs overseas. With public health insurance, individuals covered are expected to pay a portion of the monthly premium. This has inhibited widespread health insurance coverage because of the significant rich-poor gap and extensive poverty found in South Africa and even more extensively elsewhere in Africa. Across the continent, 672 million people lacked access to basic healthcare in 2023, according to the World Health Organization (WHO), and the reason is largely inadequate government spending on health infrastructure, including health insurance. A remedy for healthcare financing is the foundation of what will be the continent's most progressive public health insurance scheme, South Africa's NHI.

Government health policies

Governments are Africans' primary healthcare providers, and as such, it is governments' policies that determine the strength of healthcare systems. South Africa was among the African Union countries that signed the Abuja Declaration, committing itself to allocating at least 15% of its annual budget to improving the health sector. After 23 years, South Africa joins Cabo Verde as the only two African Union countries that actually fulfilled that commitment. Yet, healthcare in South Africa (and Cabo Verde) is unevenly accessible to the public, and the system suffers many faults. Success of public healthcare in South Africa is not just a matter of policy for adequate policies exist; it is a matter of implementation.

South Africa's healthcare policies originate from its Department of Health, which monitors every facet of the health sector to meet shortcomings. Policies range from the trivial, such as the National Nurses Uniform Policy of January 2024, to the farsighted like the National Mental Health Policy Framework and Strategic Plan 2023-2030. Some policies are ad hoc efforts to address healthcare emergencies, such as South Africa's Covid-19 guidelines, while others are aimed at a particular demographic, designed to guide spending on a group of South Africans in crisis, with an example being the National Adolescent and Youth Health policy.



*President Cyril Ramaphosa at a stakeholder consultation meeting on the NHI
Image courtesy: GovernmentZA/Flickr*



Climate-change driven crisis

South Africa's Department of Health has noted that climate change will worsen health risks in the country over the next few decades. These include heat stress that particularly threatens the young and old; vector-borne diseases such as malaria, dengue fever and yellow fever; injuries from extreme weather events; respiratory diseases from air pollution; communicable diseases, such as HIV/AIDS, TB and cholera; and non-communicable diseases, such as cardio-vascular diseases. Mental health issues exacerbated by climate change will worsen, as will malnutrition due to food insecurity.

Flooding in the KwaZulu-Natal province in 2022 was the region's worst in history in terms of the 435 lives lost. Temperatures countrywide reached record highs in 2024, while extreme weather events were on the rise, leading to health maladies from heat-related illnesses to deaths from drowning. Just as Africa is tantalisingly close to ending the scourge of malaria, regional warming has worked against the ultimate achievement of this goal by increasing the breeding areas of Anopheles mosquitoes that transmit malaria pathogens to humans. In September 2024, the tropical climate of the Democratic Republic of Congo recorded an outbreak of Mpox, but with unseasonably warm weather to the south, the disease also moved southward to South Africa, which confirmed 25 cases.

From the Horn of Africa to South Africa along the Indian Ocean coast, 45 million children have their lives endangered by multiple and often overlapping crises intensified by climate change, including cholera outbreaks and malnutrition caused by food shortages and poverty exacerbated by crops ravaged by drought and floods. Near or sharing the same latitude as South Africa, Madagascar, Zambia and Zimbabwe declared national emergencies as conditions worsened by climate change put millions of people at risk of disease. Because diseases and harmful conditions facilitated by rising temperatures will remain public health emergencies into the foreseeable future, mitigation strategies like South Africa's National Climate Change Response Policy are being promulgated. This policy identifies adaptation measures for reducing the impacts of climate change on human health, including reducing pollutants, creating heat-health measures and strengthening food security policies.



Air pollution

South Africa produces more CO2 emissions than many similarly sized economies, sitting in 12th position, globally.

Top emitters

-  Transport
-  Metals
-  Power

100%
South Africans who breathe unsafe air according to WHO standards

25 800
Number of South African premature deaths due to air pollution (2019)



Water pollution

Years of underinvestment in local sewage systems have degraded the local water supply

64 % of Wastewater Treatment Plants produce untreated water

1395
No of reported cholera cases during most recent outbreak

20%
Deaths in infants under 5 which may be attributable to diarrhea



Industrial pollution

Mine runoff and other industrial pollution has taken a toll on large tracts of arable land, impacting health of nearby communities

478
Abandoned mines and mine dumps in Gauteng

Key mine pollutants

- Arsenic
- Copper
- Cobalt
- Nickel
- Lead
- Zinc

70%
Of South Africans say the government should do more to prevent pollution

61%
Similarly, South Africans feel that mining pollution should be more regulated

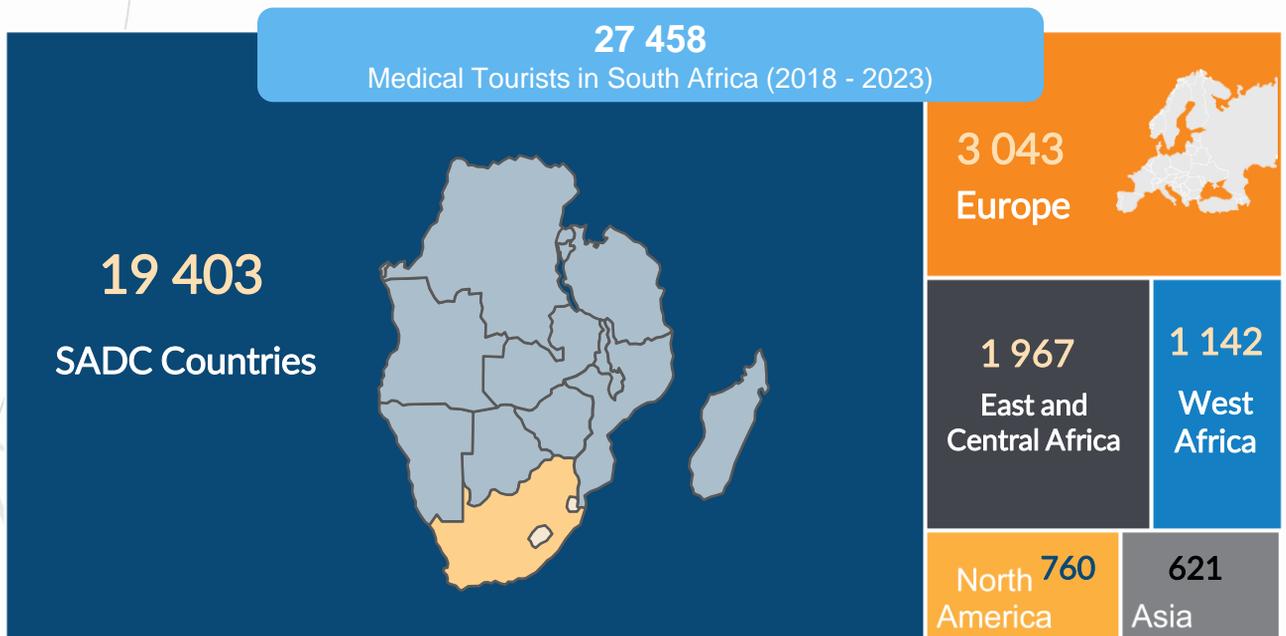
Data courtesy: Clean Air Fund, South African Government, The Conversation, Afrobarometer; 2022-2023



Medical tourism

The Medical Tourism Association ranked South Africa in 22nd position for global medical tourism in its 2020-2021 Global Medical Index which assessed 46 nations on key variables in performance. Medical tourism is defined by the WHO as travel to a foreign country for non-essential procedures such as cosmetic surgery, while medical travel is defined as that done for essential healthcare in pursuit of procedures unavailable in the patient's home country. South Africa is positioned to reap a larger portion of the US\$1 billion a year that Africans spend annually on medical services performed in medical facilities outside of Africa. South Africa has state-of-the-art facilities in Gauteng, KwaZulu-Natal, Mpumalanga and the Western Cape provinces. What is more, South Africa is in the unique position of offering travel packages that combine medical tourism with conventional tourism. Africans choosing to go abroad for medical procedures will have the inducement of KwaZulu-Natal's and the Western Cape's beaches and tourist attractions and the attractions of inland provinces. In addition, South Africa's medical facilities are considerably less expensive than those in Europe. South Africa has well-established medical research facilities at its universities and hospitals, and patients from all over the world come to undergo the latest advancements in oncology and stem cell therapy.

Statistics South Africa reports that 27,458 travellers arrived in South Africa for medical purposes between 2018 and 2023, a figure lower than it should be due to a travel shut-down during the Covid-19 pandemic. More than half of patients arrived from Southern African Development Community countries. Southern African countries' medical facilities do not compare with their counterparts in South Africa for quality and modern technology, but most importantly, South Africa offers specialised treatments and often life-saving procedures that are not available elsewhere on the sub-continent. However, patients arrive from all continents, drawn by a currency exchange rate that is extremely favourable to them. In 2023, the South African rand traded up to 18 per US dollar, and on average, the exchange rate with the euro was one rand to €0.0497. The most sought procedure is cosmetic surgery. Globally, slightly more women are medical tourists than men. Further, when medical tourists seek out countries' facilities for services, they prioritise hospitals where the English language is primarily spoken. Cosmetic surgery costs between ZAR 34,000 – ZAR 103,000 (US\$2,000-US\$6,000) in South Africa, compared to ZAR137,000 – ZAR258,000 (US\$8,000-US\$15,000) in the US. Hip replacement surgery, costing ZAR206,000- ZAR258,000 (US\$12,000-US\$15,000) in South Africa, costs ZAR516,000-ZAR689,000 (US\$30,000-US\$40,000) in the US. IVF treatments are ZAR52,000-ZAR86,000 (US\$3,000-US\$5,000) in South Africa, opposed to ZAR172,000-ZAR258,000 (US\$10,000-US\$15,000) in the US.



Data courtesy: Statistics South Africa, Mail & Guardian; 2024



Urban and rural healthcare programmes

The duality of healthcare offered in Africa – with rural residents significantly underserved by their national healthcare infrastructures compared to urban residents – is less a matter of rich versus poor but more of a reflection of the slower overall development of rural areas. So glaring is this divide that some analysts note that healthcare systems in rural and urban areas might seem to be in two different countries entirely. Statistics bear this out. In South Africa, a child living in the rural Eastern Cape province is more than twice as likely to die in the first year of life than a child from the Western Cape, where Cape Town and other metropolises provide world-class healthcare. A TB patient in urban Gauteng has a 20% greater chance of being cured of the disease than a TB patient in the North West province. Having an urban address means having better access to healthcare, according to a government study that noted urban residents face shorter hospital admission times, shorter travel distances to a health facility and often enjoy private transport during medical emergencies. Urban residents in South Africa enjoy private outpatient care unavailable to rural patients. In particular, South Africa's older rural residents recorded significantly lower overall health status and lower quality of life than their urban counterparts.

Nearly two-thirds of Africans reside in rural areas. This varies from 80% in less economically developed like Eswatini to 43% in more industrialised countries like South Africa. Of rural dwellers, four out of five (80%) are deprived of necessary healthcare due to several factors. One is the paucity of medical facilities. Nations' ministries of health build facilities to accommodate a certain number of patients. In dense urban environments, the surrounding areas manage to fill a clinic or hospital's intended capacity, and patients are not distant from healthcare. The same facility in a rural area must draw its patient capacity from a much larger geographic area, subjecting some users to long travel times. Security is a major concern for often-remote healthcare facilities. Rural clinics are vulnerable to criminals who rob facilities and patients and abuse staff. Distance from police posts increases the vulnerability of healthcare facilities, which is one reason that doctors and nurses working for the public sector are often reluctant to work in remote areas.



The Transnet-Phelophepa trains offer mobile health clinics that travel nine months out of the year to areas of rural South Africa

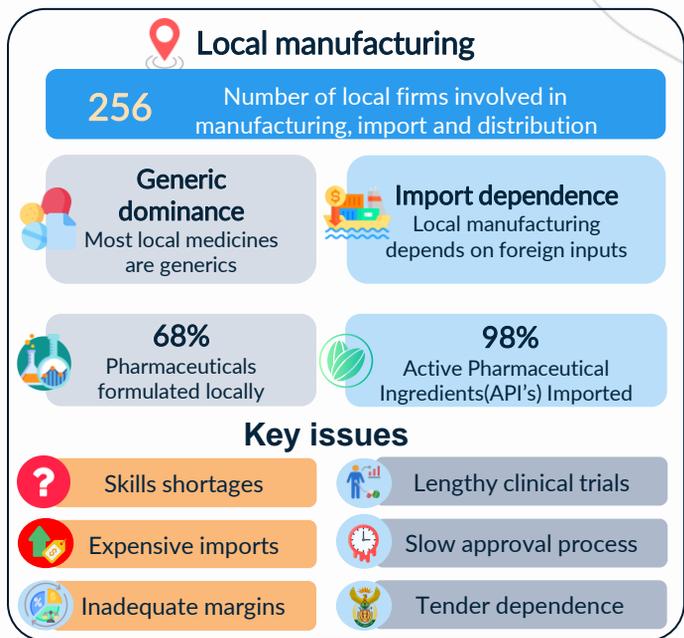
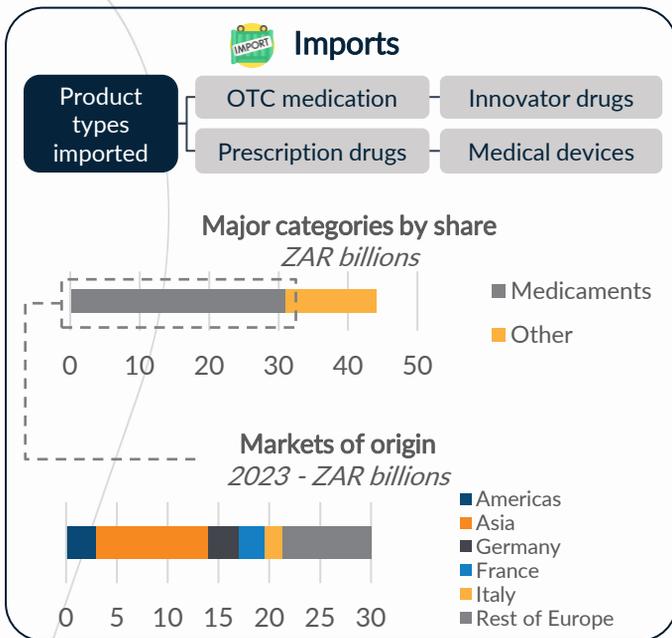
Image courtesy: Bob Adams/WikiCommons



Pharmaceutical manufacturing

Although South Africa is one of Africa's major sources of locally made medications, the continent's pharmaceutical needs are so extensive that Africa is primarily served by imports. Billions of dollars go to foreign medications manufacturers every year. Starting up such a company is a precise pharmaceutical operation whose product must be rigorously tested by governmental organisations throughout Africa for certification. However, the needs are so great that the rewards warrant the risk: currently, Africa imports up to 80% of its pharmaceuticals. Local manufacturing of verifiable medicines is essential: of all the counterfeit drugs circulating throughout the world, 42% are sold in Africa. As the Covid-19 pandemic demonstrated, emergency demand for medication quickly depletes medicinal stockpiles, and the transportation challenges during that pandemic led to shortages and fatalities that worsened the health crisis. The pandemic underscored the investment opportunity to be had in boosting the medicinal supply-chain, through technologies like air drones and refrigerated vehicles.

With 265 companies making medicines and medical devices, South Africa's production in this field is the largest and most advanced in Sub-Saharan Africa. However, more than half are focused on supplying the private sector, while only 10% supply exclusively to the public sector. The NHI scheme is supposed to bring down private healthcare's high costs of medications and drive down the costs of medical devices through economies of scale. The biggest selling products are consumables (masks, gloves, etc.) and diagnostic devices, meaning investment in this sector ranges from unsophisticated products to highly technical devices. Furthermore, South Africa's traditional healers are recognised in academic circles as living repositories of knowledge on indigenous herbal medicines. As demand increases for natural remedies, South Africa's natural pharmaceutical bounty will be the basis of new enterprises designed to meet this market niche.



Key pharmaceutical distributors

Key pharmaceutical Manufacturers

Data courtesy: Standard Bank, Department of Trade and Industry, Invest SA



Hospital management

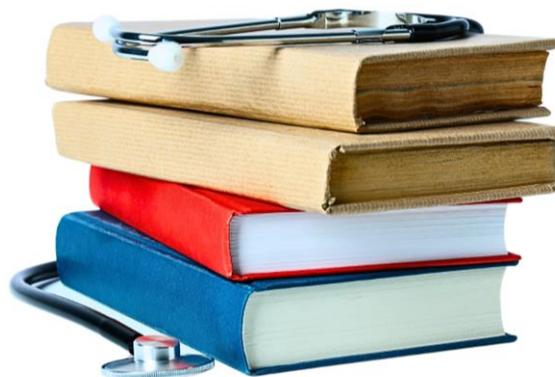
The job of hospital administrators is to ensure and improve the healthcare quality provided, improve efficiency and balance patient care with costs. In addition to healthcare facilities, general managers, middle-managers like pharmaceutical managers who oversee medicines, reception supervisors who coordinate patient information and procurement and finance managers are in demand in both the public and private healthcare sectors.

Creating a new hospital from the ground up, including staffing, is a service provided to investors into the private healthcare sector by specialised companies like Durban-based HMS. A fully functioning hospital is the result. Initially, HMS manages new hospital facilities it builds for clients until local managers can take over at the conclusion of their training. The Johannesburg firm Africa Health Care fully owns two hospitals and manages nine other hospitals, two mental health facilities and one rehabilitation centre. Hospital management courses, enabling a pool of qualified local professionals to administer a planned increase in hospitals under the government's NHI scheme, are being offered by South African universities and online educators including the University of South Africa and Regent Business School, with the latter offering an MBA in Healthcare Management. The Management College of Southern Africa, recently instituted a School of Healthcare tasked with producing new healthcare managers while offering refresher.

Education

The number of doctors per person in any country should be at least one per 1,000, according to the WHO's guidelines. South Africa comes close, recording 0.809 doctors per 1,000 South African residents. Optimal exploitation of human resources in the health sector requires strategic deployment of doctors and nurses. With doctors clustered in urban areas and employed by private hospitals, rural areas are underserved in South Africa. Investors seeking to fill the gap with healthcare education businesses can follow two routes: the training of medical personnel and community outreach programmes that bring information and instruction to rural residents and urban neighbourhoods. The latter are usually the work of UN health organisations, NGOs and government health ministries but require inputs like audio-visual devices, manuals and posters from the private sector.

Africa has numerous well-established and world class medical colleges. In South Africa, the Colleges of Medicine of South Africa, now 70 years old and with 29 constituent colleges, functions as an NGO to ensure quality standards for medical education. E-learning has become a widespread option, such as those offered by South Africa's Education for Health Africa, where courses and e-training manuals are sold to students who then pay a fee for testing. South Africa has a shortage of both doctors and nurses, partly due to inadequate training facilities, and employ strategies of training medical personnel in Cuba to compensate. Medical students are required to complete statutory internships and community service in the public health sector. Reflecting an overall increase in medical students, this has led to a rise in provincial medical interns from 1,500 in 2015 to 2,625 in 2022 and community service doctors from 1,322 to 2,369 over the same period.





IOA was established in South Africa in 2007 to become the definitive source of expert research and analysis in Africa that is focused on Africa. We are a team of more than 300 expert analysts, academics, researchers, social scientists, strategists, statisticians and editors who share their tremendous passion for all things African.



Along our journey, our mission has always been to contribute in as many ways as possible to “connecting Africa’s potential” and to the continuing rise of the African continent. Our goal is to see the African continent realise its growth and the opportunity for its people, thriving as a hub for innovation and development across all sectors. We believe that this can only be achieved through smart collaboration and well-informed decision making.

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info@inonafrica.com



This publication was developed with data and insights drawn from IOA research conducted on South Africa's healthcare sector over 2024. For more information about this and other IOA research, please get in touch with us through the contact details listed below.

Contributing authors:

Ogi Williams: Director – Consulting and Strategy
James Hall: Senior Analyst
Jacques Du Preez: Junior Analyst

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CONTACT US

info@inonafrica.com

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