

2015 health care outlook South Africa

South Africa's health care spending, which totalled \$29.8 billion in 2013, is projected to increase steadily from 2014 to 2018, to a total of \$39 billion.¹ Meanwhile, spending as a proportion of GDP is expected to remain stable, at around 8.5 percent.²

Continued spending growth reflects the South African government's efforts to address shortcomings in the country's under-funded public health system, as well as the extension of HIV and AIDS testing and treatment.³ The government throughout the 2014 fiscal began gradually selecting pilot sites and conducting various projects to improve health care systems in the selected districts, with significant national and provincial support. These are being done as precursors for the roll-out of the National Health Insurance (NHI) system. It is designed to ensure that all

**Estimated health care expenditure:
\$29.8 billion in 2013**

**Health care as a share of GDP:
8.5 percent in 2013**

South African citizens have access to essential health care. The NHI system is expected to be funded through personal taxation and mandatory employer contributions.⁴

South Africa's health care system is two-pronged: a large, under-resourced and overused public sector and a small, well-funded and well-equipped private sector. While the public sector provides health care for 80 percent of the population, it accounted for only 47.9 percent of total health care spending in 2012, according to the World Health Organisation (WHO).⁵ Of the disproportionately private-sector spending, 81 percent comes from private prepaid plans and about 14 percent from out of pocket (OOP) payments. Private insurance is unaffordable for the majority of the population unless they are enrolled in a corporate health insurance plan.⁶

South Africa's most pressing health care challenge in 2015 — one which spans funders, administrators and providers — is how to lower costs across the value chain while improving health care outcomes for patients.

Like most countries, South Africa's most pressing health care challenge in 2015 — one which spans funders, administrators and providers — is how to lower costs across the value chain while also improving health care outcomes for patients. Transitioning from a volume- to value- and outcomes-based care delivery model, implementing process standardisation, and improving cost transparency will likely prove critical in overcoming this challenge.

South Africa's cost challenges are compounded by patient access issues. The public sector struggled to recruit and retain enough skilled medical staff, with the number of doctors being merely 0.6 per 1 000 people, according to WHO.⁷ The government is pursuing bilateral and multilateral agreements aimed at discouraging other countries from

¹ *Industry Report, Healthcare: South Africa*, The Economist Intelligence Unit, April 2014

² *Ibid*

³ *Ibid*

⁴ *Ibid*

⁵ *Ibid*

⁶ *Ibid*

⁷ *Industry Report, Healthcare: South Africa*, The Economist Intelligence Unit, April 2014

“poaching” South African health care workers. However, most countries — contending with their own staff shortages — have not been very responsive to these agreements.⁸

There are currently more than 400 public hospitals and around 215 private hospitals in South Africa. The government has acknowledged the need to significantly improve the quality of care in public hospitals. To improve standards, it views public–private partnerships (PPPs) as a way to fund improvements. In addition, private hospital groups have offered to support the public sector in areas such as training, patient administration and pharmacy management.⁹

The disparity in access to good health care between South Africa’s public and private sectors provides huge opportunities for innovative reforms that will increase access to wider sections of the population and generate additional

value and revenue. For example, technology advances such as mobile health (mHealth) and telemedicine can bring help to many rural and/or remote areas.

Medical devices that allow early detection and diagnosis might also prove to be impactful. For example, LifeQ (developed by South African-based HealthQ) uses optical sensors and non invasive devices to measure key physiological metrics. Such technologies could prove critical in providing quick and easy diagnostics in developing and developed markets alike.¹⁰

Stakeholders in South Africa’s health care sector should consider technology advances, PPPs and value-based funding models as viable ways to lower costs and improve patient outcomes. Organisations that develop and refine such models are more likely to become industry leaders, grow their market share and address the country’s health care challenges.



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To learn more about the global trends and issues impacting the health care sector, please visit our 2015 global health care sector outlook at www.deloitte.com/healthcareoutlook.

⁸ Ibid

⁹ Ibid

¹⁰ <http://ehealthnews.co.za/news/healthq-revolutionises-wearable-tech/>

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