



NEWSFLASH

JULY 2012

GROWTH SLOW IN PRIVATE HEALTHCARE INDUSTRY

While the Government Employees' Medical Scheme (GEMS) continues to bring more beneficiaries under the healthcare net, overall industry growth is close to stagnant.

André Meyer, CEO of Medscheme, said excluding the new lives coming on to the GEMS scheme, the industry was not seeing much in the way of growth. GEMS itself continues to have a direct influence on the market as many government employees have left open medical schemes to join GEMS. As many of these individuals historically have a better claims profile than non-government employees, the level of claims pressure in some open schemes has increased. He said some smaller schemes and administrators, faced with lower membership and a worsening membership claims profile were not likely to survive and many would be forced to merge with larger players. He added that this was one of the factors driving consolidation in the market and expected this trend to continue.

Meyer said medical scheme administrators operated in a high volume, low margin environment; one that did not favor the smaller players. He said that given the way things were going at the moment, consolidation was likely to go to the point where there were only three large administrators left in the market. Further, Meyer said, there were about 10-million medical scheme members in this country, served by about 98 medical schemes and that was simply too many for the size of the market. He said ultimately, the consumer would benefit from this wave of consolidation as larger schemes and their administrators had more bargaining power and they could help to keep costs down.

However, he said, consolidation did not mean a wave of administrator takeovers: it was very risky to buy another administrator as there was no clear view as to the viability of the schemes they administered nor was there any guarantee that schemes would opt to stay following a takeover. Meyer said schemes could move anywhere, any time and no one was going to pay for a business that might not have any value in 12 months' time. He said Medscheme would continue to support the open medical schemes that it administered and encourage them to merge with other schemes.

*'Health is like money,
we never have a true
idea of its value until
we lose it'*

Josh Billings

*PSG Konsult Corporate
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IN THIS ISSUE

- Growth Slow in Private Healthcare Industry
- World Hepatitis Day

Growth Slow in Private Healthcare Industry continued...

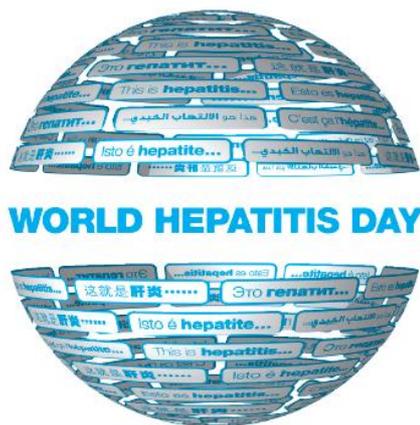
Dr Tumi Seane, acting CEO of Sechaba Medical Solutions, said the industry is still experiencing some growth. He said that in terms of membership, the average net growth was between four percent and five percent according to the Council for Medical Schemes annual report on 2009 to 2010. The largest increase was from the Government Employees' Medical Scheme. He said for some years the industry had been trying to encourage employers to provide medical cover for all their employees.

While extending medical cover to the entire workforce was a cost, there were benefits in the form of employee morale, productivity gains and reduced absenteeism. Seane said employers had well-developed human resource policies and conditions of employment that sought to support this notion. However, they all had to work within budgetary constraints and the result was the members were inclined to choose the less costly or more contribution-affordable option.

Dr Johan Pretorius, CEO of Universal Healthcare, said the private healthcare sector was managing to grow despite challenging market conditions. He said GEMS was generating growth and there was also some expansion in the middle and lower market segments. Pretorius said the formalised labor sector was negotiating more effectively for improved employee benefit packages, including medical scheme benefits. In addition, SA had an upwardly mobile middle-class which was contributing to the growth in the market. He said that over the past five years about 500 000 new lives had come under the private healthcare net through medical schemes. This also illustrated that the industry was proving increasingly effective in making private healthcare available to more South Africans. Pretorius said that affordability continued to be the major challenge. For example, regulations required medical schemes to adhere to prescribed minimum benefits and pay for these services at invoice value and not necessarily at the scheme's tariff. He said there was a slow upward trend in the average cost of prescribed minimum benefits as a consequence of a lack of regulation with regard to the pricing of healthcare services and added that there was a regulatory gap as pharmacists' fees were regulated but medical service providers were not covered by any limit.

Andrew Gillingham: Business Day, 20 June 2012

28 JULY IS WORLD HEPATITIS DAY



Hepatitis is the inflammation of the liver and can be caused by a wide range of things. One of the most common causes of chronic hepatitis is viral infection. Hepatitis B and C are two such viruses and together kill approximately one million people a year. 500 million people around the world are currently infected with chronic hepatitis B or C and one in three people have been exposed to one or both viruses. Unlike hepatitis C, hepatitis B can be prevented through effective vaccination.

The World Hepatitis Alliance is planning a Guinness World Record attempt to celebrate World Hepatitis Day on 28 July 2012 by having the most people performing the "see no evil, hear no evil, speak no evil" actions in 24 hours at multiple venues around the world.

For more information or to join the Guinness World Record attempt log onto <http://www.worldhepatitisalliance.org>

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on any of the topics contained in this newsflash

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