Private Healthcare Funding in South Africa: Probing the Future

Heyn van Rooyen
Principal Officer
contents

What’s going on?

Business models and partnerships

Probing the future

Closing
Number of schemes 2005 - 2015

Source: CMS Annual Report 2015/16
Number of beneficiaries 2005 - 2015

Source: CMS Annual Report 2015/16
Age and gender distribution of beneficiaries 2005, 2014 and 2015

Source: CMS Annual Report 2015/16
Distribution of Healthcare benefits paid 2013, 2014 and 2015

Source: CMS Annual Report 2015/16
Total benefits paid per event (visit) 2015

Source: CMS Annual Report 2015/16
Global comparison of physicians per 10,000 population (2015)

<table>
<thead>
<tr>
<th>Global trends</th>
<th>Physicians per 10,000 population</th>
</tr>
</thead>
<tbody>
<tr>
<td>Global</td>
<td>13.9</td>
</tr>
<tr>
<td>Upper middle income countries</td>
<td>16.1</td>
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<tr>
<td>BRICS countries:</td>
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<tr>
<td>South Africa</td>
<td>7.8</td>
</tr>
<tr>
<td>India</td>
<td>7.0</td>
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<tr>
<td>China</td>
<td>14.9</td>
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<tr>
<td>Brazil</td>
<td>18.9</td>
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<tr>
<td>Russia</td>
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</tr>
<tr>
<td>African region</td>
<td>2.7</td>
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</tbody>
</table>

Source: CMS Annual Report 2015/16
Risk claims ratio for all schemes 2000 – 2015 (2015 prices)

Source: CMS Annual Report 2015/16
emerging trends within the day hospital industry

Increase in facilities across major metropoles
- Rise in new license applications
- New facilities to be constructed

Direct competition strategies
- Geographical positioning
- Expansion of services

Alignment with major hospital groups
- Business synergies
- Expansion of hospital footprint

Competition on the increase
- Vying for the attention of funders
- Innovative pricing models being designed
# Consolidation Trend Among Funders

<table>
<thead>
<tr>
<th></th>
<th>2016</th>
<th></th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Top 5 Schemes</td>
<td>1,991,480</td>
<td></td>
<td>1,783,680</td>
</tr>
<tr>
<td>% Market share</td>
<td>83.98%</td>
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<td>79.12%</td>
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<tr>
<td>Top 10 Schemes</td>
<td>2,251,833</td>
<td></td>
<td>2,056,916</td>
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<tr>
<td>% Market share</td>
<td>94.96%</td>
<td></td>
<td>91.24%</td>
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</tbody>
</table>
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Closing
Medical Schemes: Non-profit funders

- Premium Income
- Reserves (25% Ratio)

Flow of funds from main funders

Hospital-For profit companies

- Various facilities spread across several disciplines
- ROI

Shareholders
Business models and partnerships

- Customer segments
- Value propositions
- Channels
- Customer relationships

- Key partnerships
- Cost structure
- Key activities
- Key resources
- Revenue streams

Customer segments

Value propositions

Channels

Customer relationships

Key partnerships

Cost structure

Key activities

Key resources

Revenue streams
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probing the future

Partnership arrangements with funders an important consideration

Sustainability – Aligned business models
Network arrangements
Service delivery
Data exchange
Risk management
Product (benefit option) design
Cost containment
contents

What’s going on?
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Closing
Thank you