

MEDIA RELEASE

19 January 2012

Competition Commission recommends prohibition of healthcare merger

The Competition Commission has made a recommendation to the Competition Tribunal to prohibit the acquisition of Joint Medical Holdings Limited (“JMH”) by Life Healthcare Group (Pty) Ltd (“LHG”), a wholly owned subsidiary of Life Healthcare Group Holdings Ltd. According to the Commission’s assessment, LHG is increasing its shareholding in JMH from joint to sole control.

LHG owns various hospitals throughout South Africa whilst JMH owns five hospitals in and around the Durban area. As such, the product overlap occurs in the Durban area.

The Commission found that the combination of LHG and JMH creates regional dominance which undermines the ability of funders to stimulate competition between hospitals in the Durban area by pitting them against each other when negotiating terms and conditions of service. The proposed merger is likely to lead to the erosion of the countervailing power of large medical schemes especially in terms of their ability to construct cost-effective Designated Service Provider Networks. Such networks enable medical funders to achieve discounts from hospitals, which translate into lower contribution rates by medical aid members.

Furthermore, a shift from joint to sole control of JMH could mean that the countervailing power of the non-LHG shareholders, who are mostly doctors, will be substantially reduced.

The proposed merger is likely to substantially prevent or lessen competition in the Durban area and consequently lead to increases in the cost of healthcare.

“We are concerned about what seems like creeping concentration and regional dominance of hospital groups, and will assess hospital mergers very carefully”, said Shan Ramburuth, the Competition Commissioner.

ENDS

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