

Insights into the Evolution of the South African Private Primary Healthcare Clinic Market

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Abstract

When NHI is introduced in South Africa the government will purchase primary healthcare (“PHC”) services from both the public and private sector. In this regard, private PHC providers are positioning themselves to be key providers to the NHI by expanding their clinic services to various geographic areas. However, till the NHI is implemented there is a significant percentage of the population that is formally employed but do not have medical aid coverage. Both Clicks and Dis-chem have been embarking on a rapid expansion over the years acquiring the independent pharmacies which has allowed it to expand both its retail pharmacies and clinics. Recently the independent group clinics have also entered the market. To further expand their geographic reach some of the corporate and independent clinics also offer telemedicine services that allows consumers to access to GPs at much lower rates. This may be a strategy undertaken by the retail pharmacies to strengthen its position in the dispensary market, as it is convenient for patients visiting the clinic to purchase their medicines from the dispensary.

A more recent development in the PHC market is the PHC insurance offered by Clicks and Dis-chem. PHC insurance is an attractive product to the uninsured population as it provides PHC services at a much lower cost than medical aid coverage. There are several players offering PHC insurance but Clicks and Dis-chem are the only players that are active in the retail pharmacy and clinic market. Furthermore, both Clicks and Dis-chem’s focus has evolved from only retail pharmacies to a far broader offering including wholesale and distribution, clinics, telemedicine and PHC insurance providing an integrated PHC model in South Africa. Therefore, it is important to identify the key developments occurring in the PHC market as these may need to be considered for imminent mergers and acquisitions and enforcement cases taking place in the market.

Keywords: Primary healthcare; clinic; telemedicine and primary healthcare insurance

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1 INTRODUCTION

1.1 Overview

1. A key development in the South Africa healthcare system is the passing of the National Health Insurance (“NHI”) Bill by the National Assembly in June 2023. The NHI is a funding mechanism in which the government will buy healthcare services for all South Africans from healthcare providers in both the public and private sector. The NHI will enter into contracts with private and public health facilities (hospitals), as well as private health practitioners to provide healthcare services. The primary objective of the NHI bill is to ensure that all South African’s have access to affordable and accessible healthcare at the same clinic or hospital, which is located close to their home and work without incurring out of pocket payments (“OOP”). The NHI will transform the healthcare system to ensure that healthcare is more equitable, accessible, and affordable in South Africa.¹
2. A focal point of the NHI is Primary Healthcare (“PHC”) which is intrinsic to the well-functioning of a health care system. The World Health Organisation (“WHO “) simply and clearly defines PHC as, *“PHC is a whole-of-society approach to health that aims at ensuring the highest possible level of health and well-being and their equitable distribution by focusing on people’s needs and as early as possible along the continuum from health promotion and disease prevention to treatment, rehabilitation and palliative care, and as close as feasible to people’s everyday environment”*.² The WHO has emphasized that PHC is instrumental in creating more resilient healthcare systems that are better placed to deal with periods of crisis and are proactive in detecting early signs of epidemics.³
3. The South African Government has also recognised the pivotal role that PHC plays in the healthcare system through the White Paper for the Transformation of the Health System (1997), and the National Health Act (2003), which have placed PHC at the heart of the transformation of South Africa’s national health system. In 2010, the Department of Health adopted the national PHC re-engineering strategy which seeks to strengthen, amongst others,

¹ South Africa Government. Minister Joe Phaahla on passing of National Health Insurance Bill by National Assembly, 13 June 2023. [Available at: <https://www.gov.za/speeches/minister-joe-phaahla-statement-post-nhi-debate-national-assembly>]

² WHO, Primary Healthcare, 1 April 2021. [Available at: <https://www.who.int/news-room/fact-sheets/detail/primary-health-care#:~:text=%22PHC%20is%20a%20whole%20of,to%20treatment%2C%20rehabilitation%20and%20palliative.>]

³ WHO, Primary Healthcare, 1 April 2021. [Available at: <https://www.who.int/news-room/fact-sheets/detail/primary-health-care#:~:text=%22PHC%20is%20a%20whole%20of,to%20treatment%2C%20rehabilitation%20and%20palliative.>]

community-based and preventive strategies. A commitment to PHC is further entrenched in the White Paper on National Health Insurance(2017). A critical stage to the NHI is primary healthcare and making sure that the health care system is re-orientated. In other words, a system that is based on 3 main pillars: (i) prevention of disease, (ii) promotion of health; and (iii) starting the entry to health care system at the lowest level rather than at the highest level of specialists and tertiary hospitals.⁴

4. PHC is particularly important in South Africa as the country is grappling with a high burden of disease, resulting from communicable diseases such as (i) HIV/AIDS and TB; (ii) maternal and child mortality; and (iii) non-communicable diseases (“NCDs”) such as hypertension; and cardiovascular diseases, diabetes, and cancer. The covid-19 pandemic has also highlighted the inequalities in the current healthcare system and the urgent need to make quality healthcare accessible to all South Africans. Most of the population (84%) is serviced by the public sector, which is typically under resourced in terms of medical supplies, staff and has inadequate infrastructure when compared to the private sector. There is a clear disparity in the capacity available to the public and private healthcare sectors.
5. In South Africa, in the private healthcare sector, the PHC market consists of private clinics and private doctors, whereas in the public healthcare sector there is a wider array of primary healthcare facilities such as primary health clinics, community health centres, community day centres, maternal obstetric units, specialised clinics, and satellite clinics (including mobile units).⁵ In the private healthcare sector, private doctors are generally a first point of reference to the healthcare system, whereas in the public healthcare sector the uninsured population generally first visit clinics due to public clinics having a wider presence in the rural areas than hospitals.⁶
6. The introduction of the NHI and the insufficient capacity in the public clinics has led to significant developments in the private PHC market. Both the corporate and independent PHC clinics have been positioning themselves to be key providers to the NHI, as well as provide PHC services to the formally employed but uninsured population. Both Clicks Group LTD (“Clicks”) and Dis-chem Pharmacies LTD (“Dis-chem”), the largest corporate retail pharmacies, have been embarking on a rapid expansion over the years acquiring independent pharmacies, which

⁴ NDoH, Some key messages on NHI. Accessed at: <https://www.health.gov.za/wp-content/uploads/2020/11/some-key-messages-on-nhi.pdf>.

⁵ WOW, The Healthcare Sector in South Africa, 2022, pg 2.

⁶ WOW, The Healthcare Sector in South Africa, 2022, pg 8.

has allowed them to expand their retail pharmacy network. The acquisition of the retail pharmacies has facilitated the growth of Clicks and Dis-chem's clinics which are located within their retail pharmacies. Some of the independent pharmacies also have clinics located in their stores, and independent clinic groups have also entered the market which focus solely on providing PHC services to patients.

7. Furthermore, some of the independent and corporate clinics have expanded their PHC clinic services by offering telemedicine services, where the nurse provides personal care and is supported with specialist advice from a General Practitioner ("GP") via a video link. This allows the clinics to extend its geographic presence by reaching a wider population that may not typically be able to access a GP. A further development in the PHC market is the entry of Clicks and Dis-chem into the PHC insurance market which targets low-income earners who cannot afford medical aid coverage.
8. PHC is also part of the Employee Assistance Programs ("EAP") which is a voluntary work-based intervention programme, offered by employers as an employee benefit. EAPs are designed to provide support for employees who are experiencing issues that may impact their psychosocial functioning and productivity in the workplace. Services include HIV/AIDS testing, substance abuse, travel care services, and first aid. Most employers offer EAP in the workplace to improve employee wellness and health. Given that EAP may provide the entry point into the PHC market for employees, the study also considers the developments occurring in this market.

1.2 Purpose of the study

9. The introduction of the NHI has highlighted PHC as a focal point to achieving a well-functioning healthcare system. Also given the insufficient capacity of the public clinics to serve the uninsured population, the private PHC clinics are positioning themselves to serve the formally employed individuals that do not have medical aid coverage. Both Clicks and Dis-chem's focus has evolved from only retail pharmacies to a far broader offering including wholesale and distribution, clinics, telemedicine and PHC insurance providing an integrated PHC model in South Africa. The independent clinics are also developing innovative healthcare models to serve the formally employed but uninsured population. Therefore, it is important to identify the key developments occurring in the PHC market, as this will provide vital insights for future mergers and acquisitions and enforcement cases. Therefore, the study focuses on the following key developments in the PHC market:

9.1. PHC providers in the clinic market

9.2. PHC Insurance

9.3. PHC integrated value chain

9.4. EAP

1.3 Approach

10. The study comprises of both qualitative and quantitative analyses based on publicly available information gathered via desktop research and the Competition Commission's merger database.

2 DISEASE BURDEN AND THE ROLE OF PHC

2.1 Burden of disease in South Africa

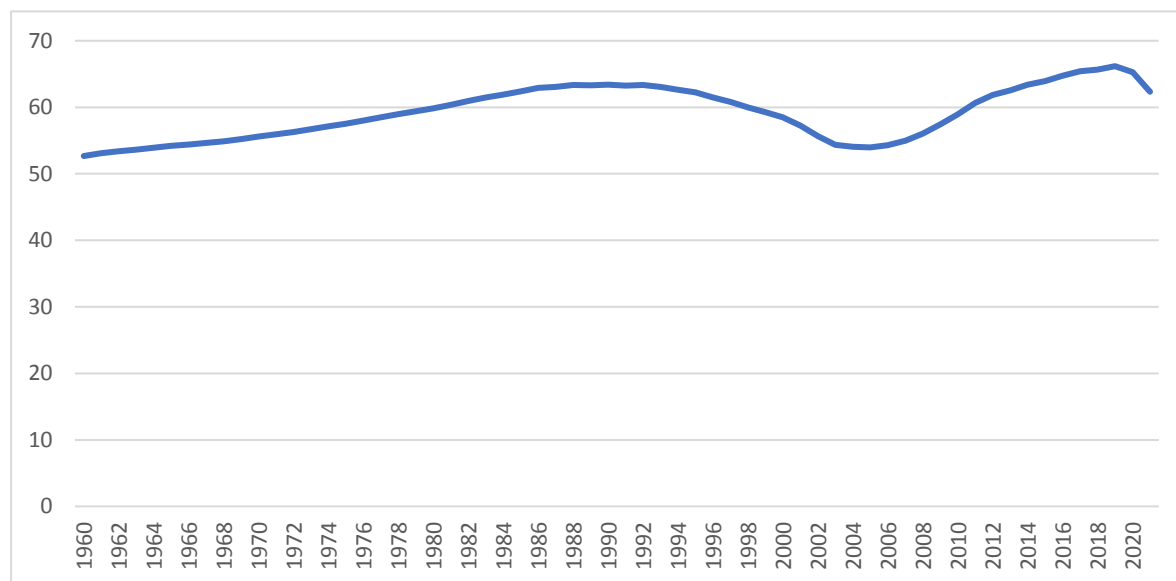
11. Disease burden measures the impact of health problems on a population, and it is typically measured using mortality, morbidity, or financial costs. It provides a method to assess the disease burden across countries to determine the health status of a population relative to other countries. Currently South Africa is grappling with a high disease burden for various illnesses. In this regard, PHC has been recognised as playing a pivotal role in preventing or reducing the high disease burden prevalent in the country, by providing essential healthcare services that reaches all communities. To ensure that PHC services are accessible and affordable to all individuals, competition can be an effective mechanism to encourage PHC facilities to offer an array of healthcare services and innovative healthcare models at competitive prices.

12. One of the metrics used to assess the health status of individuals in a country is life expectancy, which measures how long, on average, people would live based on a given set of age-specific death rates.⁷ It is an important metric to assess the health status of a country as it provides important insights into the functioning of the overall healthcare system.

13. **Figure 1** shows South Africa's life expectancy at birth measured in total years for the period 1960-2021.

⁷ OECD (2021), Health at a Glance 2021: OECD Indicators, OECD Publishing, Paris, <https://doi.org/10.1787/ae3016b9-en>.

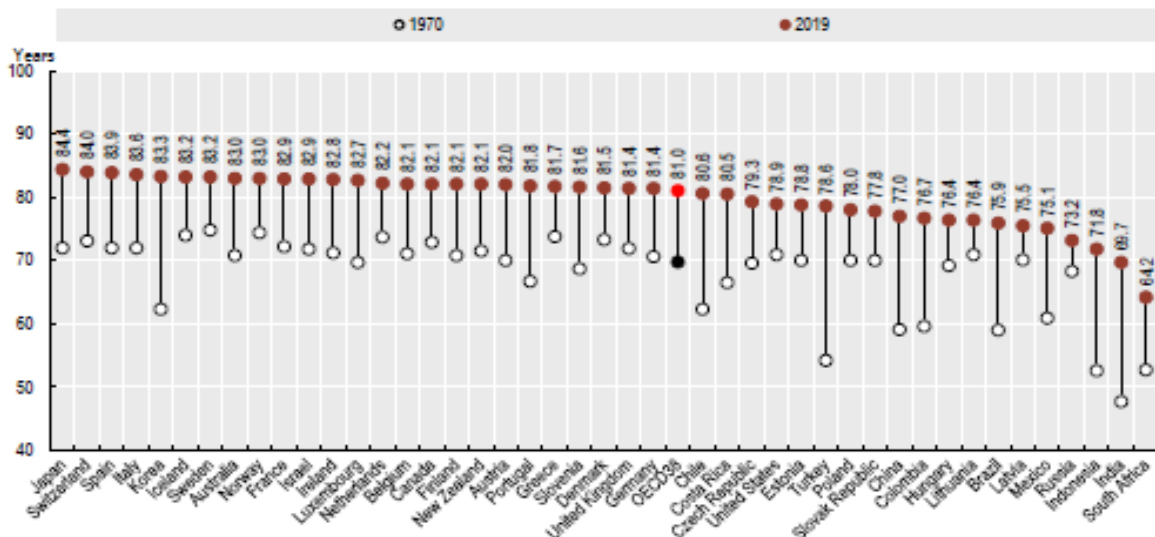
Figure 1: Life expectancy at birth, total (years) South Africa



Source: <https://data.worldbank.org/indicator/SP.DYN.LE00.IN?locations=ZA>.

14. The figure above shows that in 1960 South Africa's life expectancy was 52 years and for the most part life expectancy has been steadily increasing over time, increasing to 62 years in 2021. South Africa has made significant progress in its life expectancy over time, however, when compared to the OECD countries as well as its partner countries (Brazil, China, India, Indonesia, Russia), South Africa significantly lags behinds these countries. **Figure 2** shows the life expectancy for South Africa and the OECD and its partner countries for the years 1970 and 2019.

Figure 2: Life expectancy at birth, 1970 and 2019



Source: OECD (2021), Health at a Glance 2021: OECD Indicators, OECD Publishing, Paris, <https://doi.org/10.1787/ae3016b9-en>.

15. The figure above shows that South Africa’s life expectancy in 2019 was 64.2 years which was much lower than the OECD average at 81.4 years and was also the lowest life expectancy among the OCED countries and its partner countries. South Africa’s lower life expectancy may be due to its high burden of disease resulting from communicable diseases such as (i) HIV/AIDS and Tuberculosis (“TB”), (ii) maternal and child mortality, and (iii) non-communicable diseases such as hypertension and cardiovascular diseases, diabetes, cancer, mental illnesses, and chronic lung diseases like asthma.⁸ Currently, South Africa has the fourth highest prevalence rate of HIV in the world⁹ with 5.7 million individuals infected with HIV¹⁰ and ranks eighth amongst the top 30 high-TB burden countries, accounting for three percent of all TB cases worldwide.¹¹

16. **Table 1** shows the top ten underlying natural causes of death in South Africa for the period 2016-2018.

Table 1: The ten leading underlying natural causes of death, 2016–2018

Causes of death (based on ICD-10)	2016			2017			2018		
	Rank	Number	%	Rank	Number	%	Rank	Number	%
Tuberculosis	1	30 541	6,5%	1	29 441	6,4%	1	27 450	6,0%
Diabetes mellitus	2	25 857	5,5%	2	25 896	5,6%	2	26 879	5,9%
Cerebrovascular diseases	4	23 759	5,0%	3	22 806	5,0%	3	22 997	5,1%

⁸ WHO, Country Cooperation Strategy, 2018.

⁹ <https://www.statista.com/statistics/270209/countries-with-the-highest-global-hiv-prevalence/>

¹⁰ <https://www.cdc.gov/globalhealth/countries/southafrica/why/default.htm>.

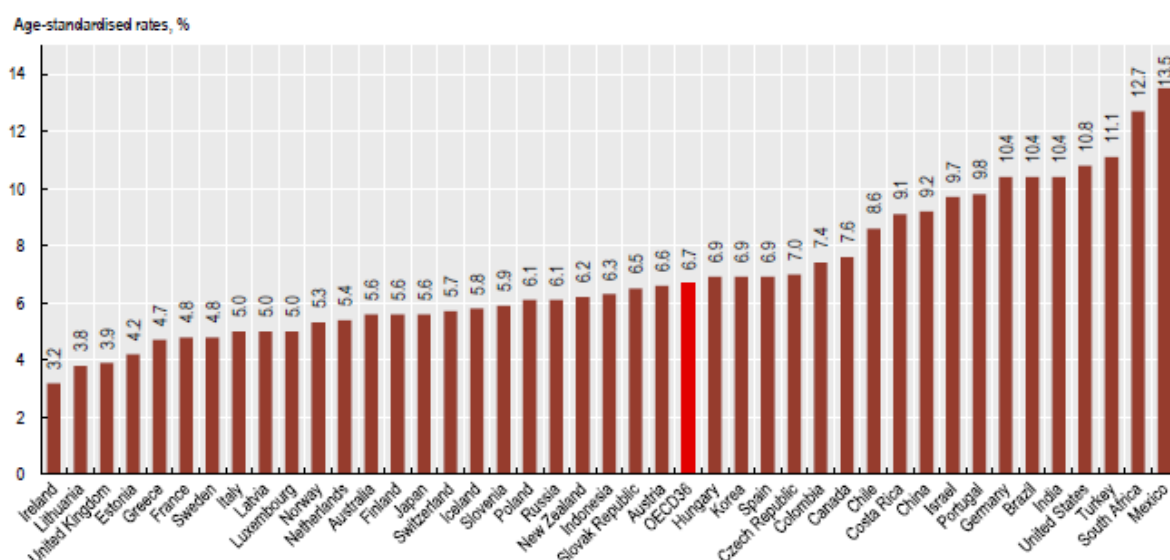
¹¹ Clinton Health Access Initiative. Supporting improved tuberculosis screening in South Africa, 25 March 2022.

Other forms of heart disease	3	24 611	5,2%	4	23 032	5,0%	4	22 940	5,1%
Human immunodeficiency virus [HIV] disease	5	22 571	4,8%	5	22 032	4,8%	5	21 894	4,8%
Hypertensive diseases	6	20 331	4,3%	6	20 309	4,4%	6	20 576	4,5%
Influenza and pneumonia	7	20 203	4,3%	7	19 226	4,2%	7	17 569	3,9%
Ischaemic heart diseases	8	13 295	2,8%	9	13 050	2,8%	8	13 598	3,0%
Chronic lower respiratory diseases	10	13 097	2,8%	8	13 509	2,9%	9	13 579	3,0%
Malignant neoplasms of digestive organs							10	10 808	2,4%
Other viral diseases	9	16 902	3,6%	10	12 869	2,8%			
Other Natural		206 981	43,9%		203 724	44,4%		201 564	44,4%
Non-natural		53 807	11,4%		53 189	11,6%		54 160	11,9%
All causes		471 955			459 083	100,0%		454 014	100,0%

Source: Stats SA Mortality and causes of death in South Africa: Findings from death notification 2018.

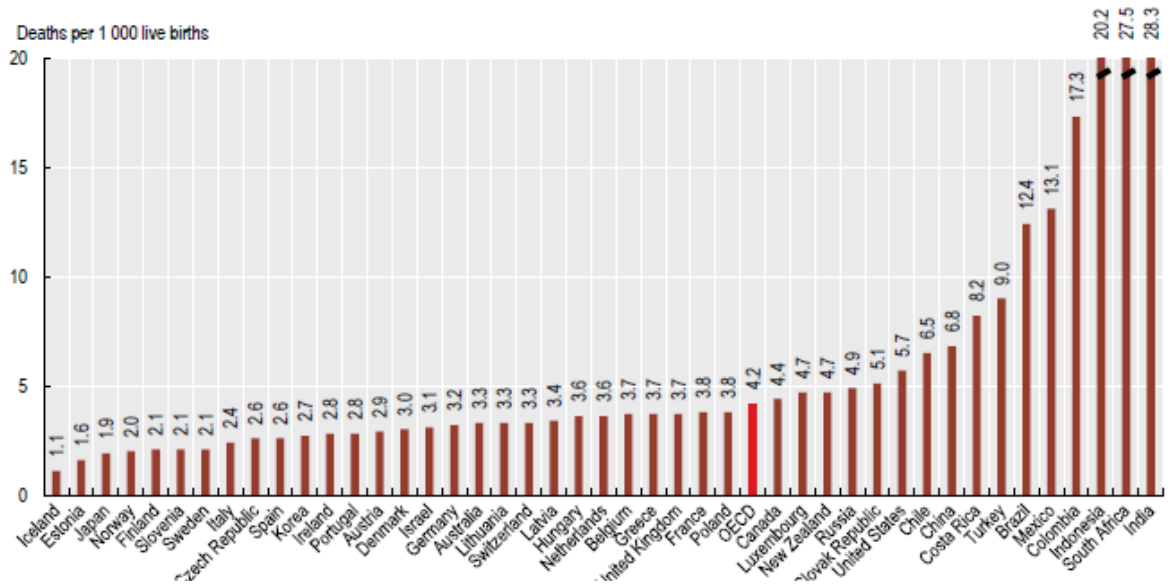
17. The table above shows that over the relevant period the death rate for diabetes, cerebrovascular diseases, hypertensive diseases, ischaemic heart disease and chronic lower respiratory diseases have increased slightly. In 2018 diabetes and cerebrovascular diseases was the second and third leading cause of natural deaths in South Africa. The death rate for HIV/AIDS was consistent during the relevant period. Notably, the death rate for TB declined from 6,5% in 2016 to 6,0% in 2018 but remains the leading cause of death in South Africa. Although there has been an improvement in the number of deaths for some of the top 10 deaths by natural diseases, South Africa is still grappling with a high burden of disease when compared to the OECD countries and its partner countries as shown in the figures below .

Figure 3: Type 1 and type 2 diabetes prevalence among adults, 2019 (or nearest year)



Source: OECD (2021), Health at a Glance 2021: OECD Indicators, OECD Publishing, Paris, <https://doi.org/10.1787/ae3016b9-en>.

Figure 4: Infant mortality, 2019 (or nearest year)



Source: OECD (2021), Health at a Glance 2021: OECD Indicators, OECD Publishing, Paris, <https://doi.org/10.1787/ae3016b9-en>.

18. The figures above show that for the year 2019, South Africa had the second highest prevalence rate for type 1 and type 2 diabetes in adults. In South Africa 12,7% of the population was living with diabetes, almost twice the OECD average of 6,7%. For infant mortality, South Africa again had the second highest infant mortality rate when compared to the OECD countries. South Africa had 27.5 deaths per 1 000 live births which was significantly higher than the OECD average at 4.2 deaths per 1 000 live births.

2.2 The role of PHC in mitigating the high burden of disease

19. Given the high burden of disease in South Africa, PHC can be instrumental in improving the health outcomes of individuals. PHC has been recognised as a catalyst for improving individuals health outcomes close to their homes and communities and addressing a country's demographic and epidemiological concerns in a cost-effective manner. This is due to PHC focusing on the basic healthcare needs of individuals such as educating on nutrition, water and sanitation that empowers communities to make informed healthcare changes.¹²

20. According to the WHO, about 930 million people worldwide are at risk of falling into poverty due to out-of-pocket health spending of 10% or more of their household budget. Most (90%) essential universal healthcare interventions can be delivered through PHC and there are

¹² WHO, Primary Health Care on the Road to Universal Health Coverage 2019 Global Monitoring Report.

significant cost efficiencies in using an integrative PHC approach. The introduction of PHC interventions across low and middle-income countries could save 60 million lives and increase average life expectancy by 3.7 years by 2030.¹³ PHC also plays an important role in achieving UHC as it provides multidisciplinary services that encompass promotive, preventive, curative, rehabilitative and palliative health services without individuals incurring the financial burden.

21. PHC can produce a range of economic benefits through its potential to improve health outcomes, health system efficiency and health equity such as the following:¹⁴
 - 21.1. Health outcomes – primary care can improve population health in terms of life expectancy, all-cause mortality, maternal, infant, and neonatal mortality as well as mental health outcomes.
 - 21.2. Health system efficiency – primary care can reduce total hospitalizations, avoidable admissions, and emergency admissions and hospitalizations.
 - 21.3. Health equity – primary care improves equitable access to health care and equitable health outcomes.

22. PHC is also instrumental in creating more resilient healthcare systems especially during periods of crisis. It allows for a more proactive approach as the facilities in local communities can be active with preventing, diagnosing, and treating patients to mitigate the need for secondary care and the associated costs that are incurred in this level. According to the WHO, although the evidence is still evolving there is widespread recognition that PHC is the “front door” of the health system and provides the foundation for the strengthening of the essential public health functions to confront public health crises such as COVID-19.¹⁵

23. The South African government has also recognised the imperative role that PHC can play in transforming the South African healthcare system when NHI is introduced in the market. NHI is a health financing system that is designed to pool funds together to provide access to quality and affordable personal health services to all South Africans based on their health needs, irrespective of their socio-economic status. It is a fund that will pay for health care for all South Africans, there will be no fees charged at the health facility because the NHI fund will cover the costs of care. NHI will offer all South Africans and legal residents’ access to a defined package of comprehensive health services, and it is committed to offering a wide range of services as

¹³ <https://www.who.int/news-room/fact-sheets/detail/primary-health-care>.

¹⁴ WHO, Building the economic case for primary health care: a scoping review, 2018.

¹⁵ <https://www.who.int/news-room/fact-sheets/detail/primary-health-care>.

possible. The service offering will range from PHC to specialized tertiary and quaternary levels of care.¹⁶

24. The White Paper on National Health Insurance notes that there is a rapidly growing burden of chronic diseases such as diabetes and hypertension in South Africa, much of which could be prevented through a robust prevention, health education and promotion programme. PHC is based on 3 main pillars: (i) prevention of disease; (ii) promotion of health; and (iii) starting the entry to health care system at the lowest level rather than at the highest level of specialists and tertiary hospitals. Currently, the entry level into accessing health services is mostly at an inappropriate level of care (secondary, tertiary and specialist services) rather than at a primary health care level. This has significantly contributed to the high costs of health care and the inefficiency of the health system.¹⁷ PHC can facilitate the effective provision of healthcare services to every community to cater for their various healthcare needs throughout their lives.

2.3 Competition in PHC market

25. Competition can play an important role in healthcare markets as it can increase price competition among healthcare providers, encourage innovative healthcare models and improve the quality of healthcare services. Competition creates an environment that encourages firms to compete on factors that are beneficial to patients. The OECD notes that, "*The issue for policy makers... is not whether markets are good or bad, but whether fostering some aspects of competition and markets in the health sector can lead to more rational use of resources, and which aspects of competition have the greatest potential to get results.*"¹⁸
26. In a research study undertaken by McKinsey it was found that competition has a greater impact in some markets than others, with competition in primary healthcare offering consumers improved quality outcomes and a mechanism to control costs.¹⁹ It was noted that most countries are making PHC the focal point of their healthcare system. At the primary level there is a large volume of patients requiring primary healthcare services, therefore encouraging competition between providers can lead to improved health outcomes for individuals. PHC is the segment of the market that competition can be easily introduced and therefore have a significant impact on patients by improving the quality and efficiency of care. To encourage competition both within primary care and between primary care and acute care providers,

¹⁶ Department of Health, NHI, Understanding National Health Insurance.

¹⁷ Department of Health. White Paper on National Health Insurance, 11 December 2015.

¹⁸ (OECD, 2009.)

¹⁹ <https://www.mckinsey.com/industries/healthcare/our-insights/when-and-how-provider-competition-can-improve-health-care-delivery>.

most health systems will need to increase their primary care capacity to handle higher volumes and to improve the capabilities of their primary care clinicians and managers.²⁰

27. Research studies have also shown that competitive PHC markets increase patient satisfaction and result in improved outcomes for patients. Evidence from England suggest that about 40% of English patients choose the nearest practice. However, choice of practice is also affected by practice quality and characteristics of GPs (Santos, Gravelle & Propper, 2017). There is also evidence that in 2010 GP practices in areas with more competition were associated with higher quality (Pike, 2010). Another study using data from 2005–2012 found that competition (as measured by the number of doctors within a small distance of the practice) increases patient satisfaction and, to a lesser extent, clinical quality (Gravelle et al., 2019).
28. Evidence from Norway shows that by allowing patients to choose their GP rather than being assigned to GPs in their areas led to GPs being more responsive to patients as the number of GP consultations as well as patient satisfaction increased and waiting time for consultations fell from 8.3 to 7.2 days (Barros, 2017). Further studies found that GPs operating in more competitive markets (using a proxy of available patient list slots) have higher numbers of referrals (Iversen & Ma, 2011), therefore more easily accommodating patient requests for specialist visits, and fewer emergency admissions (Islam & Kjerstad, 2016).²¹

2.4 Conclusion

29. Considering the high disease burden in South Africa, PHC is essential to improving the health outcomes of individuals, providing a wide range of healthcare services that can prevent the need for secondary and tertiary treatment and unnecessary OOPs. If patients are not able to access PHC at an affordable price this may result in the delay or forgoing of treatment, which can hinder their health outcomes or require individuals to use their savings or to borrow to fund their basic healthcare needs. Studies have shown that competition in PHC markets result in improved health outcomes and reduced costs for patients, as well as increasing patient satisfaction. Therefore, it is imperative to have a well-functioning competitive PHC market that provides healthcare services that are both accessible and affordable to all individuals.

²⁰ <https://www.mckinsey.com/industries/healthcare/our-insights/when-and-how-provider-competition-can-improve-health-care-delivery>.

²¹ WHO, Does provider competition improve health care quality and efficiency? Expectations and evidence from Europe, 14 November 2022.

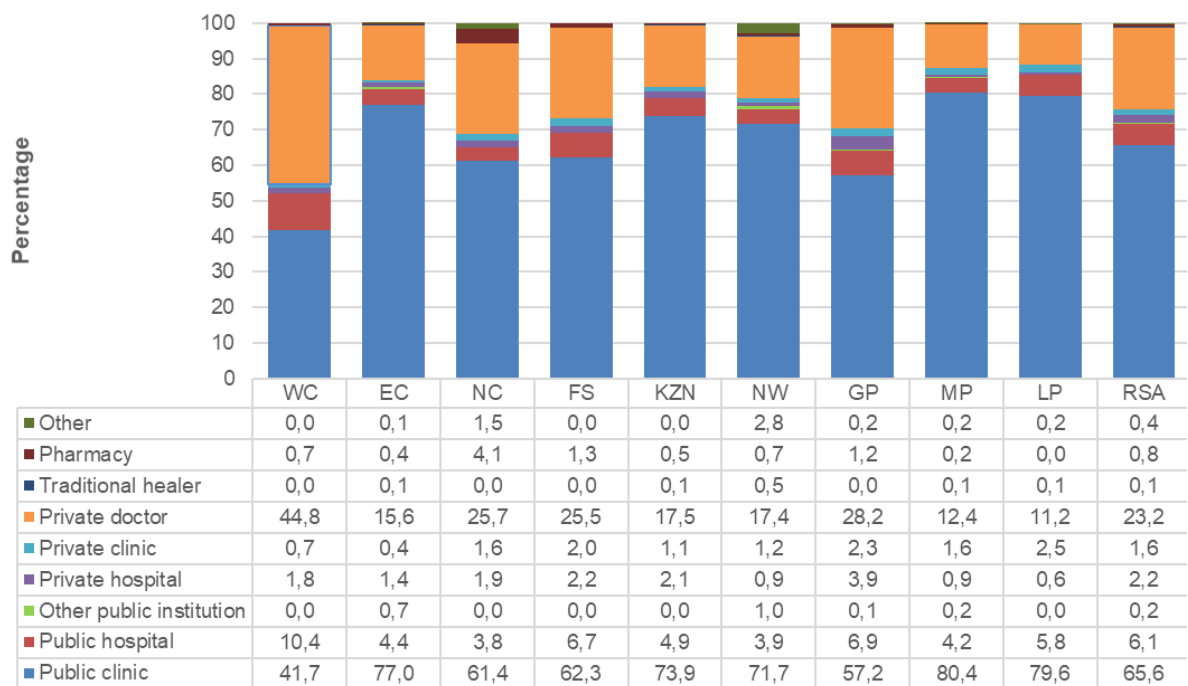
3 PHC PROVIDERS IN THE CLINIC MARKET

3.1 The usage of PHC services

30. In South Africa, the healthcare system consists of a public and private sector that operate in tandem along each other. The public sector serves most of the population (84%) with the remainder of the population served by the private sector. In the private healthcare sector, the primary healthcare market consists of private clinics and private doctors, whereas in the public healthcare sector there is a wider array of primary healthcare facilities such as primary health clinics, community health centres, community day centres, maternal obstetric units, specialised clinics, and satellite clinics (including mobile units). Services include immunisation; TB treatment; HIV counselling and testing; antiretroviral (ARV) therapy; contraceptive services; termination of pregnancy counselling; post-exposure prophylaxis; cervical screening; dental services; mental health and management of sexually transmitted infections.²²
31. The type of healthcare facility an individual typically first visits when they fall ill or have an accident differs by the private and public sector. The percentage distribution of the type of health-care facility consulted first by households when members fall ill or get injured by province for the year 2021 is shown in **Figure 5**.

Figure 5: Percentage distribution of the type of health-care facility consulted first by households when members fall ill or get injured by province, 2021

²² WOW, The Healthcare Sector in South Africa, 2022, pg 2.



Source: Stats SA, General Household Survey 2021.

32. The figure above shows that most of the population (65.6%) generally first visits a public clinic when a household member falls ill or has an accident, followed by a private doctor at 23,2%, while only 1.6% of the population visit a private clinic. In the private healthcare sector, private doctors are generally a first point of reference to the healthcare system. For the uninsured population public clinics are usually the first point of reference due to public clinics having a wider presence in the rural areas than hospitals.²³ The figure above accentuates the importance of clinics in South Africa, as most of the population use public clinics as a first point of reference to the healthcare system.
33. Notably, some of the uninsured population do visit a private healthcare facility when household members first fall ill or have an accident. Considering that 84% of the population is uninsured,²⁴ but only 71,7% (public clinic and public hospital) access either the public clinic or public hospital as a first point of reference, implies that approximately 12.3% of the uninsured population are first accessing the private sector for their healthcare needs and paying OOP. There are certain key factors that influence an individual's preference for the private sector. A paper by Surrender et al. found that while the public sector PHC services are free there are many barriers to access including availability of and distance to facilities and cost of transport.

²³ WOW, The Healthcare Sector in South Africa, 2018, pg 8.

²⁴ Uninsured refers to individuals that do not belong to a medical scheme.

Moreover, differences in the quality of service between the public and private sector regarding medicines, equipment, waiting times and infection control are conspicuous.²⁵

34. A paper by Govender *et al.* sought to understand what drives the behavior of low-income patients across the public clinic and private providers²⁶ in South Africa. Of the participants accessing the private clinic, convenience (71%) and quality of care (59%) were key reasons for choosing the private sector, while those individuals accessing the public sector indicated that affordability (67%) and a convenient location (60%) were the main reasons for usually accessing care at a public health facility. In terms of the level of satisfaction with the care received, 97% of private sector clients were either very satisfied or satisfied with the service compared to 74% in the public sector. The dissatisfaction experienced in the public clinic was due to the long waiting times, staff shortages, inadequate opening hours, or cramped facilities. The study also found that participants usually utilising a mix of facilities indicated that a convenient location (48%) and affordability (39%) were the main reasons for assessing the public sector access, while quality of care (71%) and location convenience (42%) emerged as key drivers for the private sector.²⁷

35. Unjani an independent private clinic group also noted that for most of the population when the need for healthcare arises their first point of reference is public clinics. Alternatively, individuals may opt to delay or avoid treatment until they are seriously ill. This may be due to the travelling time or transport costs that make it challenging to access public clinics. On the other hand, their previous experience involving low quality of care, long queues, inadequate consultation times, and inadequate equipment and medication may discourage individuals from visiting a public clinic. People from higher-income households with some medical insurance, are more likely to seek healthcare than people from lower-income households. The latter prefer to wait before they incur the costs associated with healthcare.²⁸

3.2 Demand for private PHC clinic services

36. Most of the PHC clinic providers operate their clinics from within their pharmacy. “Community” retail pharmacies are traditionally pharmacist-owned with some of these independent

²⁵ Rebecca Surender, Robert Van Niekerk, Bridget Hannah, Lucie Allan and Maylene Shung-King. The drive for universal healthcare in South Africa: views from private general practitioners. *Health Policy and Planning* 2015;30:759–767 doi:10.1093/heapol/czu053.

²⁶ Primarily providing services to the low-income mostly uninsured patient population.

²⁷ Govender *et al.* *BMC Public Health* (2021) 21:1649 <https://doi.org/10.1186/s12889-021-11678-9>.

²⁸ Unjani Clinic, Annual Report 2021.

pharmacies belong to a pharmacy group or network. Pharmacies that are part of a corporate group include Clicks, Dis-Chem, Shoprite Holdings LTD (Shoprite and Checkers) and SPAR Group LTD (“SPAR”), are known as corporate retail pharmacies. They may be company-owned or franchises, in-store pharmacies, or standalone stores.²⁹ There are both independent and corporate private PHC clinics in South Africa with the main groups briefly described below.

36.1. Alma clinic is a franchise model that is owned by nurses and doctors and has four clinics.

The services include communicable and non-communicable disease management options, basic pathology, basic radiology and support services, basic dentistry, and ophthalmology.³⁰

36.2. Alpha Pharm PTY LTD (“Alpha”) is the largest independent community care pharmacy group established in 1972.³¹ Alpha Pharm has the widest reach geographically, including remote rural areas comprising 415 branded pharmacy franchises and operates 144 clinics. Alpha Pharm wholesales pharmaceuticals, supplying scheduled and non-scheduled ethical and generic products and toiletries to member pharmacies.³²

36.3. Arrie Nel Pharmacy Group (Pty) Ltd was established in 2019. The Arrie Nel Pharmacy Group (Pty) Ltd retails, wholesales, warehouses and distributes pharmaceutical products. The company owns a total of 99 pharmacies that operate 21 clinics.³³

36.4. Clicks was established in November 1995 and is active in the retailing of health, medical devices, beauty, and lifestyle products and covers the pharmaceutical supply chain from wholesale distribution to retail pharmacy. The Clicks Pharmacy retail chain comprises 782 stores with approximately 673 in-store pharmacies and 199 clinics.³⁴

36.5. Netclinic is a digital healthcare group that delivers personalised primary care services to township communities in South Africa. The clinics are run by a team of Healthcare Practitioners, consisting of Doctors, Nurses, and Community Health Workers. The team provides primary care services to patients and families from the local communities consisting of four clinics with plans to open 25 new clinics.³⁵

²⁹ WOW, The Pharmaceutical Industry, 2020.

³⁰ <https://www.alma-clinic.com/franchisees/>.

³¹ <https://www.alphapharmacies.co.za/about-alpha-pharm/>.

³² WOW, The Pharmaceutical Industry, 2020.

³³ WOW, The Pharmaceutical Industry, 2020.

³⁴ Clicks Group Limited. Integrated Annual Report. 2022.

³⁵ <https://netclinic.co.za/about/>.

36.6. SPAR operates as a wholesaler and distributor of foodstuffs, hair and skin care products, sanitisers and toiletries, and services to various retail outlets including SPAR retail grocery stores, Build it building materials outlets, TOPS at SPAR liquor stores and Pharmacy at SPAR healthcare and pharmacy outlets.

36.7. Unjani Clinics is a network of Black women-owned clinics providing a full range of holistic primary healthcare services to employed but uninsured patients with 140 health facilities in the network. It is the first national nurse-led primary healthcare initiative in South Africa. Their mission is to empower black women, build a sustainable network of nurse owned and operated primary healthcare clinics nationally and create permanent jobs. Unjani Clinics aims to complement government facilities by serving patients who can pay something towards their healthcare. Their focus is on the employed uninsured market (more than 12 million people in South Africa) which is the portion of the population that has access to some finances for their healthcare needs but cannot afford a GP consultation or the cost of private medical aid.³⁶

36.8. Dis-Chem wholesales and retails pharmaceutical, medical devices, health, and beauty products, including hair care, skin care and cosmetic products. Dis-Chem's retail operations comprise a network of 289 retail pharmacy stores, its e-commerce website, and its corporate wellness clinics with 466 clinics.³⁷

36.9. The Local Choice (TLC), a retail pharmacy franchise group, which includes independently owned franchises and TLC corporate stores is owned by Dis-Chem. The TLC franchise group had 153 stores.³⁸

37.

38. **Figure 6,**

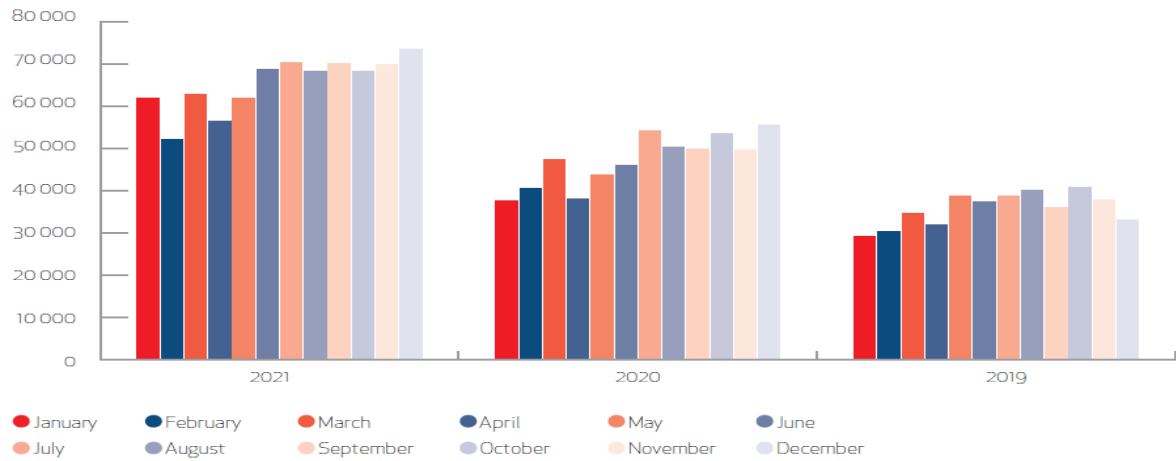
³⁶ <https://www.unjaniclinic.co.za/about-unjani-npc/>.

³⁷ WOW, The Pharmaceutical Industry, 2020.

³⁸ WOW, The Pharmaceutical Industry, 2020.

39. **Figure 7, and Error! Reference source not found.** shows the increase in demand for selected private PHC clinics namely: Unjani Clinic, Clicks and Dis-chem.

Figure 6: Unjani Clinic, patient statistics, 2019-2021



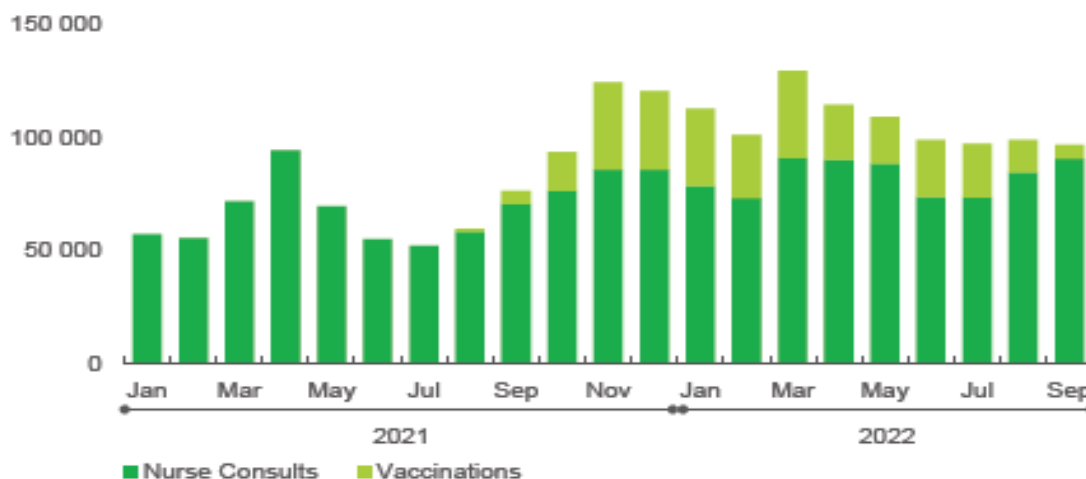
Source: Unjani Clinic, Annual Report 2021.

40. The figure above shows that for Unjani clinic, during the period 2019-2021 the number of patients increased every month. In 2019 the number of patients ranged between 30 000-40 000 per month, with the range increasing to approximately 38 000-55 000 in 2020 per month. In 2021 there was a significant increase in the number of patients visiting the Ujani Clinic per month (52 000-72 000).

41.

42. **Figure 7** shows the number of nurse-led clinic consults at Dis-chem.

Figure 7: Nurse-led clinic consults



Source: Dis-chem Annual Report, 2023.

43. The figure above shows that the number of nurse-led clinic consults at Dis-chem increased every month (except for April) in 2022 compared to the previous year.
44. In 2020 during the covid-19 pandemic Clicks announced that they will be providing free primary healthcare services for patients without medical aid. The free primary healthcare services include temperature, blood pressure, cholesterol, and glucose screenings.³⁹ The services contribute to reducing foot traffic in state facilities and ensure that Covid-19 co-morbidities such as diabetes, blood pressure and HIV/AIDS were better managed. The Clicks Helping Hand Trust also assists mothers and babies who cannot access government facilities with nutritional education, health checks and vaccinations for children.⁴⁰
45. **Table 2** shows the number of uninsured people using the free clinics services/baby clinics at Clicks for the period 2020-2022.

Table 2: Clicks: Number of people using the free clinics services/baby clinics

2020	2021	2022

³⁹ <https://www.clicksgroup.co.za/clicks-helping-hand-trust-offers-free-primary-healthcare-services/>.

⁴⁰ Clicks Group Limited. Integrated Annual Report.2021.

20 775	78 773	87 660
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Source: Clicks Group Limited. Integrated Annual Report. 2022.

46. The table above shows that 20 775 people visited the clinic in 2020 which increased significantly to 78 773 in 2021 and to 87 660 in 2022. During the period 2020-2022 the number of uninsured people visiting the clinic increased by 322%.
47. The increase in demand for private PHC clinic services may be due to the following factors: (i) constraints faced in the public sector, (ii) the high price of private doctors, and (iii) the high price of medical aid coverage that precludes the uninsured population from purchasing medical aid. The high price of medical aid has rendered it unaffordable to most of the population resulting in stagnant medical aid coverage. **Table 3** shows the medical aid coverage for the period 2002-2021.

Table 3: Medical aid coverage, 2002-2021 (%)⁴¹

	2002	2004	2008	2010	2012	2014	2016	2018	2019	2020	2021
% covered by a medical aid scheme	15,93	15,49	16,34	17,73	17,62	17,73	17,15	16,45	17,26	15,19	16,09
% not covered by a medical aid scheme	84,07	84,51	83,66	82,27	82,38	82,27	82,85	83,55	82,74	84,81	83,91

Source: Stats SA, General Household Survey, 2021.

48. The table above shows that during the period 2002-2021, medical aid coverage peaked at 17.73% in 2010 and 2014 and has since declined to 16,09% in 2021%. Over the 20-year period there has been minimal growth in medical aid coverage, which may be due to it being unattainable to most people due to the high costs. Although households may not belong to a medical scheme, there are some individuals that still first visit a private clinic if household members fall ill or have accidents. **Table 4** shows the percentage of insured and uninsured individuals that utilize the private clinics and private doctor/specialist for their usual consultation for the period 2020-2021.

Table 4: The percentage of insured and uninsured individuals that utilize the private PHC market for their usual consultation, 2020-2021

		Insured	Uninsured	Total
Private clinic	2020	54%	46%	100%
	2021	58%	42%	100%

⁴¹ This does not represent the total population of South Africa, as some individuals did not know if they belong to a medical scheme or did not specify.

Private doctor/specialist	2020	70%	30%	100%
	2021	74%	26%	100%

Source: Stats SA, General Household Survey 2020 & 2021.

49. The table above shows that in 2020 of the individuals using the private clinic, the uninsured comprised 46% (149 000) of the total, which decreased to 42% (117 000) in 2021. The table also shows that in 2020 of the individuals using the private doctor/specialist, the uninsured comprised a lower percentage at 30%, which decreased to 26% in 2021. The results from the table show that the uninsured population that generally first visit the private sector prefer the private clinic to the private doctor/specialist, which may be due to the lower costs of accessing treatment at the clinic.
50. The number of the uninsured population using private clinics and as a result paying OOP for their treatments is concerning. Discovery Health’s research has shown that there are five to eight million South African residents in formal employment who do not have medical aid. These individuals utilize the private healthcare sector for their primary healthcare needs and are paying out-of-pocket for each consultation and for prescribed medication for each point of entry.⁴² Notably, there has been a decline in the number of uninsured people using the private PHC services which may be due to the costs of the services. According to the WOW, “*Role players have indicated that a growing number of uninsured consumers who pay for private primary health care services OOP are increasingly unable to do so and are reliant on the public health sector,*”. This may explain the observed decline in the utilisation for private PHC by the uninsured population shown in **Table 4**.⁴³

3.3 Private PHC expenditure

51. This section analyses the utilisation of healthcare services provided by registered nurses for out of hospital services which is more aligned with clinics and the general medical practice, as well as the expenditure of these services for the period 2020-2021.
52. Error! Reference source not found. shows the utilization of registered nurses for out of hospital claims for the period 2020-2021.

⁴² Clicks announces affordable private healthcare cover – Flexicare. Available at: <https://www.news24.com/fin24/partnercontent/clicks-announces-affordable-private-healthcare-cover-flexicare-20230214>.

⁴³ WOW, The Pharmaceutical Industry in South Africa, December 2020.

Table 5: Utilisations of healthcare services (registered nurses), 2020-2021

	2020	2021
Average number of patients per 1 000 beneficiaries (ratio)	16,96	22,51
Average number of visits per patient (ratio)	2,97	3,11
Average amount claimed per patient (R)	638,64	733,69
Average medical savings account amount paid per patient (R)	86,45	96,62
Average risk amount paid per patient (R)	434,26	481,74
Average total amount paid per patient (R)	520,71	578,36

Source: CMS annual report 2021/22.

53. The table above shows that the average number of patients per 1 000 beneficiaries (ratio) utilising the services of registered nurses increased from 16,96 in 2020 to 22,51 in 2021 an average increase of 32,72% in a one-year period. The average number of visits per patient (ratio) also increased from 2,97 in 2020 to 3,11 in 2021. The statistics above shows that there is an increase in both the number of patients and visits to registered nurses indicating that there has been an increase in demand for the services. The average total amount paid per patient increased from R520,71 to R578,38 an increase of 11%, with most of the payment paid from risk.
54. **Table 6** shows the utilization of healthcare services for the general medical practice for the period 2020-2021.

Table 6: Utilisations of healthcare services (General Medical Practice), 2020-2021

Out-of-Hospital	2020	2021
Average number of patients per 1 000 beneficiaries (ratio)	667,39	702,75
Average number of visits per patient (ratio)	3,11	3,29
Average amount claimed per patient (R)	510,70	539,33
Average medical savings account amount paid per patient (R)	107,78	104,72
Average risk amount paid per patient (R)	363,18	386,68
Average total amount paid per patient (R)	470,96	491,40

Source: CMS annual report 2021/22.

55. The table above shows that there is a higher average number of patients per 1 000 beneficiaries (ratio) utilising the services of the general medical practice compared to registered nurses. In 2021 on average 22,51 patients utilised the services of registered nurses which is significantly lower than the 702,75 patients that visited a general medical practice. Notably, the average total amount paid per patient is higher for registered nurses at R578,36 compared to R491,40 paid at a general medical practice, a price difference of 18%. However, the average amount paid

from the medical savings account per patient is lower for registered nurses at R96,92 compared to the R104,72 paid for the general medical practice services.

56. In terms of total private healthcare expenditure, the general medical practice represented 5,17% and 5,08% of expenditure in 2020 and 2021 respectively. Registered nurses, on the other hand, represented a minimal percentage of total private healthcare expenditure at 0,15% for both the years 2020 and 2021.

57. The expenditure analysis shows that in the private sector general medical practice is more widely used than the services of registered nurses, but the average number of patients visiting the clinics and the frequency of the visits is increasing.

3.4 Market structure

58. The study assessed the market structure of the private PHC clinic market to gain a better understanding of the main players in the market and their respective market shares. **Table 7** shows the main private PHC clinics groups in South Africa and their number of clinics and the percentage the clinics contribute to the market.

Table 7: Main private PHC clinics

Pharmacy Group	PHC clinics	%
Alma Clinic	4	0%
Alpha Pharm	144	13%
Arrie Nel	21	2%
Clicks	199	18%
Netclinic	4	0%
Unjani	140	13%
Dis-chem	466	42%
TLC	135	11%
Total	1110	100%

Source: Commission's own compilation using the information gathered from the company's annual reports and websites.

59. The table above shows that of the main pharmacy groups in the private market, Dis-chem which also consist of TLC has the most clinics representing more than half of the market at 53%, followed by Clicks that has a much lower representation at 18% and then Alpha pharm and Unjani that both comprise 13% of the market. The other players have a minimal market share accounting for less than 3% of the private PHC clinic market. Notably, the players with the greatest number of clinics are the corporate pharmacy groups (Clicks and Dis-chem), followed by Alpha Pharm which is group of independent pharmacies and Unjani being the only provider that has a solely based clinic model.

3.5 Growth in clinics

60. As seen above Dis-chem has the largest number of clinics in the private PHC clinic market which can be attributed to its strategic acquisition of independent pharmacies over the years. Previously the retail pharmacy network main consisted of community pharmacies whose businesses were primarily prescription driven. There has been a paradigm shift in the market with the corporate groups gaining market share resulting in the independent pharmacies losing market share. The extensive expansion of the retail pharmacies has a substantial bearing on the clinic market, as it allows the corporate retail pharmacy groups to expand its clinic services quickly and effectively since the clinics are in the retail pharmacy stores.
61. Dis-Chem has been implementing a series of mergers within the retail pharmaceutical market over the years with only a few of these being notifiable to the Commission. Dis-Chem has been embarking on a creeping mergers strategy where it was growing its market share and pharmacy network undetected and without its regulatory oversight. More recently, in the 2021 financial year, Dis-chem concluded a deal with Mediclinic to take ownership of their outpatient pharmacies and opened three pilot stores in Mediclinic hospitals. It also realised a franchise agreement to rebrand all airport pharmacies to Dis-Chem pharmacies.⁴⁴ Dis-Chem also acquired 100% of Baby City on 1 January 2021. Baby City is a specialist baby retailer that operates a network of 33 stores across South Africa, selling a comprehensive range of branded baby products primarily focused on first-time parents.⁴⁵
62. Clicks has also embarked on a concerted acquisition strategy to acquire small pharmacies through the cumulative effect of the many acquisitions over the past, the majority of which were not notified to the Commission. Although Clicks has embarked on a creeping merger strategy, the Commission did not find sufficient evidence during the Pick n Pay transaction to suggest that Clicks had exercised market power from its creeping mergers strategy, as there did not appear to be adverse price effects. Yet the Commission remained concerned about Clicks' creeping merger strategy and whether it may afford Clicks market power in future. Therefore, the Commission imposed a condition that required Clicks to inform it of all future acquisitions of retail pharmacies.⁴⁶

⁴⁴ Dis-chem Pharmacies Integrated Report 2021.

⁴⁵ Dis-chem Pharmacies Integrated Report 2021.

⁴⁶ Government Gazette Department of Trade, Industry and Competition, Clicks and Pick n Pay merger, 23 September 2022. Available at: https://www.gov.za/sites/default/files/gcis_document/202209/46959gon2532.pdf.

63. **Error! Reference source not found.** shows the growth rate of the main pharmacy groups by retail stores for the period 2017-2021.

Table 8: Number of retail pharmacies , 2018-2020

	2018	2019	2020
Clicks	510	545	585
Dis-chem	129	149	165
TLC	88	91	104
Medirite	145	144	144
Spar	41	69	73
Independents	2455	2407	2347
Total	3368	3405	3418

Source: Commission’s own compilation using the information gathered from the company’s annual reports and Measuring concentration and participation in the South African, economy: levels and trends report (November 2021).

64. The table above shows that of the corporate retail pharmacies, Clicks has the most pharmacies for the relevant period with 585 in 2020, followed by Dis-chem (including TLC) with 269. Medirite has a much lower number of pharmacies at 104, with Spar having the least number of pharmacies among the corporate groups with 73 pharmacies. The corporate groups comprise almost a third of the total pharmacies. Clicks, Dis-chem and Spar have been consistently increasing the number of their pharmacies while Medirite has been relatively consistent with its number of pharmacies. Pure Pharmacy Holdings trading as Medicare Health and Pick n Pay, were also active in the pharmacy market but have since been purchased by Dis-chem and Clicks. In October 2021, Dis-Chem acquired 100% of the outstanding share capital in Pure Pharmacy Holdings. Medicare had a chain of 50 stores accelerating the growth of Dis-Chem’s store network.⁴⁷ In 2021 Clicks acquired the retail pharmacy business of Pick n Pay, including 25 in-store pharmacies which have been rebranded to Clicks.⁴⁸ Notably, the number of independent pharmacies decreased from 2 455 in 2018 to 2 347 in 2020.

65. The corporate retail pharmacy’s acquisition of the independent retail pharmacies may be due to the pharmacy licencing regulations, which preclude a pharmacy licence from being approved within 500m of an existing licenced premise.⁴⁹ Since regulation prevents Clicks and Dis-chem from acquiring new pharmacy licences, it seems Clicks and Dis-chem are embarking

⁴⁷ Dis-chem Pharmacies Integrated Report 2022.

⁴⁸ Clicks Group Limited. Integrated Annual Report.2021.

⁴⁹ Department of Health. Guidelines for the issuing of licenses for pharmacy premises dated 06 November 2015.

on a strategy to circumvent these regulations, by acquiring existing licences (mainly) operated by independent pharmacies to pursue its growth strategy to increase its geographic footprint.

66. Clicks in its Annual Report for the financial year 2022 noted that, “Currently 50% of the country’s population live within 6 kilometres of a Clicks pharmacy and we aim to improve this over time as we get closer to customers.⁵⁰ Healthcare legislative and regulatory changes introduced by the Department of Health (DoH), SA Pharmacy Council (SAPC) and SA Health Products Regulatory Authority (SAHPRA) could impact on Clicks’ and UPD’s turnover and margins. Impacts include the ability to obtain pharmacy licences and to launch private label and exclusive scheduled and complementary medicines.⁵¹ It seems that Clicks is concerned about the adverse impact that the licencing regulations will have on its margins and is therefore engaging on a strategy to purchase the independent pharmacies to increase its geographic presence.

67. Dis-chem also noted in its Annual Report for the financial year 2022 that there is a shortage of retail space which may explain the rapid acquisitions of independent retail pharmacies. Dis-chem indicated that, “Part of Dis-Chem’s growth strategy is to increase the number of stores it has by opening new stores or by acquiring existing independent pharmacies and converting them into Dis-Chem pharmacies. Dis-Chem’s ability to acquire or open profitable new stores in line with its strategy depends on many factors, including its ability to identify and secure attractive acquisitions and locations for new stores. If Dis-Chem does not open new stores on a timely or profitable basis, it may not realise its growth strategy.⁵² Independent pharmacies are under pressure to remain profitable, primarily due to the SEP and insufficient front shop offerings. Dis-Chem provides a welcoming home for those seeking to access our wholesale network or convert into a TLC – or even a Dis-Chem – when the site is right. Numerous independents are in contact and this year we anticipate converting at least four independent stores into TLCs.”⁵³ The recent Medicare acquisition increased Dis-chem’s geographic presence providing the Group with access to several new markets where Dis-Chem is currently underrepresented.⁵⁴

⁵⁰ <https://businesstech.co.za/news/business/489023/clicks-to-acquire-pick-n-pay-retail-pharmacy-business/>.

⁵¹ Clicks Group Limited. Integrated Annual Report. 2022.

⁵² Dis-chem Pharmacies Integrated Report 2022.

⁵³ Dis-chem Pharmacies Integrated Report 2018.

⁵⁴ Dis-Chem Pharmacies Limited, Voluntary Announcement Relating to Acquisitions, 21 December 2021. Available at: https://www.sharenet.co.za/v3/sens_display.php?tdate=20201221080000&seq=14.

68. The extensive expansion of the corporate retail pharmacies has significant implications on the clinic market, as it facilitates the growth of this market. **Error! Reference source not found.** shows the growth in clinics for the period 2018-2022 for Clicks and Dis-chem.

Table 9: Growth in clinics

	2018	2019	2020	2021	2022
Number of clinics					
Dis-chem	225	280	325	336	466
Clicks	203	194	190	192	199
% growth					
Dis-chem		24%	16%	3%	39%
Clicks		-4%	-2%	1%	4%

Source: Clicks and Dis-chem Annual Reports 2018-2022.

69. The table above shows that Dis-chem significantly expanded its clinics in 2019 by 24% which declined to 16% and 3% in 2020 and 2021 respectively. Notably in 2022 there was substantial growth in the number of clinics (39%). Clicks has experienced a lower growth of clinics which declined in 2019 and 2020 by -4% and -1% respectively. Subsequently Clicks experienced a positive but minimal growth in its clinics of 1% and 4% in 2021 and 2022. While Clicks and Dis-chem are the largest corporate retail pharmacies, Dis-chem is the larger player in the clinic market that is embarking on an extensive expansion of its clinics when compared to Clicks.

70. In Dis-chem’s voluntary announcement relating to the PPH acquisition it was stated that PPH’s 43 in-store clinics aligns with Dis-Chem's primary care ambitions and extends the clinic network.⁵⁵ Dis-chem has at least one clinic and up to three clinics in each of its stores. In 2021 Dis-chem had 336 clinics with 380 nurses which increased to 466 with 509 nurses in 2022, a growth of 39% for clinics and 34% for nurses in one year. This is part of Dis-chem strategy to be a key provider in the PHC market as Dis-chem noted that, “ *Our goal is to increase the scope of all clinic sisters through ongoing training to be able to facilitate a primary care point of entry role*”⁵⁶ and *continue to expand clinic service offering.*”⁵⁷ Dis-chem strategy to extensively expand its clinics may be due to the pharmacy group positioning itself to be a key provider to the NHI.

71. The COVID-19 pandemic has highlighted the shortcomings in our healthcare system. The NHI will only come into effect in 2026, so there is an urgent need for PHC that is affordable and

⁵⁵ Dis-Chem Pharmacies Limited, Voluntary Announcement Relating to Acquisitions, 21 December 2021. Available at: https://www.sharenet.co.za/v3/sens_display.php?tdate=20201221080000&seq=14.

⁵⁶ Dis-chem Pharmacies Integrated Report 2022.

⁵⁷ Dis-chem Pharmacies Integrated Report 2023.

accessible. In this regard, Dis-Chem has noted that, "... they have the largest and most consistent clinic offering and are expanding the service scope of their Clinic sisters as well as investing in telemedicine technology across all their clinics to increase the reach and reduce the costs of specialist services for patients."⁵⁸ Clicks has also pointed out that the current inadequacies of the healthcare system present opportunities for the group to address shortcomings in the public healthcare services through its growing retail, pharmacy and clinic network which remains the group's primary growth area.⁵⁹

72. The public sector is also upgrading its PHC facilities in preparation for NHI but is still struggling to meet the healthcare needs of the uninsured population. In the public sector PHC is provided through a nurse-based, doctor-supported infrastructure of over 3 477 clinics and community health centres, available within 5 kms to more than 90% of the population, and free at the point of use. It is supported by an emerging system of community-based outreach teams consisting of community health workers.⁶⁰ While South Africa does have 3 477 clinics only a certain number of these facilities qualify as effective clinics referred to as "*ideal clinics*". Ideal clinics are facilities that have good infrastructure, adequate staff, adequate medicine, and other supplies, and that use good administrative processes and applicable clinical policies, protocols, and guidelines to ensure the provision of quality health services to the community.⁶¹

73. **Table 10** shows the number of ideal clinics for the period 2018/19-2020/21.

Table 10: Ideal Clinics in South Africa

	2018/19	2019/20	2021/22
Ideal clinics	1920	1906	1444

Source: National Treasury-2022 National Estimates.

74. The table above shows that the number of ideal clinics has decreased during the relevant period from 1920 in 2018/19 to 1444 in 2020/21 a decrease of 475 clinics (25%). In the 2020 National Treasury National Estimates it was noted that government aims to improve the

⁵⁸ Dis-chem CEO Report, Dis-Chem Integrated Report 2020.

⁵⁹ Clicks Group Limited. Integrated Annual Report.2022.

⁶⁰ WHO, Primary Healthcare System, case Study from South Africa, 2017.

⁶¹ <https://www.iol.co.za/news/south-africa/gauteng/only-55-of-countrys-public-health-facilities-have-ideal-clinic-status-e338491b-3a00-4b38-a582-0dce6baf8386>.

quality of care at clinics by ensuring that 2 400 primary health care facilities qualify as ideal clinics by March 2024.⁶²

3.6 Service Offering

75. The private PHC clinics offer an array of PHC services. **Table 11** shows the services offered by the main private PHC clinics groups.

⁶² Source: National Treasury-2020 National Estimates.

Table 11: Clinic services offered by the main PHC clinic groups

Adult clinic	Baby clinic	Wound Clinic
	Dischem	
Lipogram Testing	Breast Feeding	Wound clinic
HB Testing	Potty training	Minor burns
HBA1c Testing	Assisting with teething problems	Diabetic wound care
HIV Testing	Normal sleep patterns	Stitch removal
Papsmear Screening	Cramps and baby colic	
HPV Screening	Treatment and prevention of rashes	
Breast examination	Introducing solids when baby is ready	
PSA Screening	Treatment and prevention of allergies	
Pathology Testing	Everyday care for your baby	
Intramuscular administration of medication		
Adult immunization		
Homeopathic administration of medication for various conditions		
Blood Pressure Testing		
Glucose testing		
Cholesterol Screening		
	Clicks	
Adult clinic	Baby clinic	Treatment of burns & wounds
Blood pressure	Baby immunisations	
Blood glucose	Baby wellness consultations (breastfeeding, nutrition, teething advice)	
Cholesterol & lipogram	Pregnancy and mother wellness	
HIV counselling & testing	Pap smears (Selected Clinics)	
Haemoglobin test (anaemia)	Pregnancy tests	
Comprehensive health risk assessment (blood pressure, blood glucose, cholesterol)	Breast examination	
Basic health screenings (blood pressure, BMI, lifestyle report)	Contraceptive injections and tablets administered as per your doctor's prescription (dependent on availability of stock)	
Foot screening		
PSA screenings (prostate specific antigen)		
Peak flow measurement		
Specimen collection for laboratory tests		
Weight loss management		
Ear syringing/irrigation (Selected Clinics)		
Minor ailment consultation		
Urine tests		
Uric acid testing		
Blood typing		
Malaria screening		
Syphilis screening		
Oral multidrug screening		
Adult immunisations and injections		
Adult vaccinations (flu, measles, tetanus)		
Injections (immune boosters & pain medication)		
Consultations and injections: contraception, cycles, hormonal and fertility		
	Alpha pharm	
Blood pressure	Baby assessment	Wound care
BMI testing	Baby milestones	
Breast examination	Breast feeding	
Cholesterol	Pregnancy and post delivery advise	
Ear syringing		
Family planning		
Glucose testing		
Health risk assessment		
HIV counselling & testing		
Injections		
pregnancy tests (urine)		
Urine sample		
	Arrie Nel	
Female health screening and breast screening		
Pap smear		
Blood cholesterol		
Blood glucose		
Blood pressure		
BMI calculation and screening		
Iron test		
	Spar	
Family planning services	Mother and child clinic	Wound care & first aid
Immunisations		
Health screening		
	Unjani	
Circumcision	Baby and child wellness	
Heart disease and stroke education		
Vannice hesitancy education		

Source: Commission's own compilation using the information gathered from the company's websites.

76. The table above shows the type of services offered by the main pharmacy groups. The clinics typically delineate their services into three main groups: namely, adult clinic, baby clinic and wound clinic.

3.7 Telemedicine

77. Some of the private clinics also offer a telemedicine service to its patients. Telemedicine service brings specialist knowledge to primary care clinics. It enables nurses to provide better clinical care with the help of a remote GP. The nurse provides personal care and is supported with specialist advice from a GP via a video link. Where distance is a critical factor, healthcare professionals use technologies for the exchange of valid information for diagnosis, treatment and prevention of disease and injuries. Technology can also be used to share research, evaluation, and the continuing education of health care workers, with the aim of advancing the health of individuals and communities.

78. Both the corporate and independent clinics offer telemedicine services. Clicks has partnered with Udok to offer telemedicine in 133 of its clinics.⁶³ Dis-chem and TLC have 176 and 35 clinics that offer telemedicine services respectively.⁶⁴ Independent pharmacy group Alpha pharmacies also offers telemedicine through its Alpha Doc platform.

79. In 2019 Dis-chem introduced telemedicine as part of its PHC services. In 2021 Dis-chem acquired 87.5% of Healthforce which presented the Group with an investment in a strategic asset. They invested in Telemedicine infrastructure and technology which has been accessible in their clinics at much lower rates and electronic scripting directly into dispensaries. Healthforce provided the platform for Dis-chem to offer an integrated primary care solution that spans dispensary and clinic. According to Dis-chem through the COVID-19 pandemic, Healthforce continued to experience rapid adoption of its nurse-led virtual doctor care service.⁶⁵

80. **Figure 8** shows Dis-chem's videomed consults for the period 2020-2021.

⁶³ Clicks Group, Interim Results for the Six Months Ended 28 February 2022.

⁶⁴ Dis-chem Pharmacies Integrated Report 2023.

⁶⁵ Dis-chem Pharmacies Integrated Report 2022.

Figure 8: Dis-chem videomed consults



Source: Dis-chem Annual report 2023, pg 28.

81. The figure above shows that there has been an increase in demand for Dis-chem’s telemedicine services during the period 2021-2022. Compared to 2021 there was a significant increase in the usage of telemedicine services. In January 2022 there was approximately 3000 patients using the telemedicine service which increased to almost 7000 in September 2022, an increase of 133% in less than a year. The increase in demand for telemedicine services may be due to the affordability of the service compared to a private doctor. **Table 12** shows that the telemedicine fees charged by Dis-chem and Clicks for the year 2023.

Table 12: Telemedicine fees

	Nurse Consultation	Doctor Consultation
Clicks	R88,57	R266,43 ⁶⁶ & R355 ⁶⁷
Dis-chem	R90	R250

82. The table above shows the nurse consultation fee for Clicks and Dis-chem is R88,57 and R90 respectively and the doctor consultation is R266,43 and R250 which is much lower than a private GP consultation which averages at R490 per person.⁶⁸

⁶⁶ Should the patient wish to see a doctor at any time during the consultation with the nurse, an additional top-up fee of R266.43 will be charged.

⁶⁷ Clicks Virtual Doctor consultation.

⁶⁸ CMS Integrated Annual Report 2022.

3.8 Conclusion

83. Most of the population generally first visits a public clinic when a household member falls ill or has an accident, followed by a private doctor. For the uninsured the quality of care is an important factor for accessing private PHC, while affordability is the main driver for utilising the public PHC services. Notably, the decision to access the private PHC sector is based on the affordability of the services, which causes the uninsured to switch between the private and public PHC sector. Furthermore, a convenient location is equally important for the uninsured population that access the public and private PHC sector, as most people are typically using public transport, which is an additional cost incurred when accessing healthcare services.
84. Most of the individuals using the private PHC clinic consist of the uninsured population. This may be due to the high costs of medical aid coverage that renders private insurance unaffordable and therefore individuals are unable to access private GPS. This presents an opportunity for the private clinics to provide PHC services to the formally employed but uninsured population. Currently the corporate groups Clicks and Dis-chem have the most clinics in the market. Both Clicks and Dis-chem have been embarking on a rapid expansion over the years acquiring the independent pharmacies which has allowed it to expand its clinics services. The independent pharmacies also have clinics located in their stores and recently there has been the entry of independent group clinics into the market. The corporate and independent clinics also offer telemedicine services which expands the geographic presence of their healthcare services.
85. The changes in the market structure with regards to the extensive expansion of some clinics, and the recent entry of smaller independent groups shows the evolving market dynamics occurring in the PHC clinic market. It is imperative to consider the progression of the PHC market over time, as this may provide key insights for mergers and acquisitions and enforcement cases in the PHC market.

4 PHC INSURANCE

4.1 Insurance

86. A primary healthcare plan is an insurance policy that can offer cover for a basic package of day-to-day medical expenses. PHC insurance plans usually offer a basic and comprehensive plan. That starting price gives patients access to access to GP consultations, medicine, dentistry, eye care, x-rays, flu vaccines, maternity, health checks, blood tests, procedures in GP rooms, HIV

care and private ambulance. Accident cover can be bought separately or combined with day-to-day benefits. The HMI found that there is a lack of clarity amongst consumers over the difference between medical scheme products and primary health plans. Consumers may purchase primary health plans with the expectation that these policies provide similar benefits to a medical scheme product, for a cheaper price.⁶⁹

87. PHC insurance is not a medical aid and is operating under an exemption from the Medical Schemes Act. In 2017 the Minister of Health requested that the CMS grant a two-year exemption from the MSA for primary health plans, subject to certain conditions, while the National Department of Health (“NDoH”) conducts further research into the development of a low-cost benefit option (“LCBO”) guideline. The NDoH envisages that the existing primary healthcare plans will transition into the LCBO framework once finalised. It is important to note that when the NHI is introduced, there may not be a need for the LCBO as the NHI will cover preventive, promotive, curative, and rehabilitative healthcare services.
88. The current exemption for these products, which has been extended several times, will expire in April 2024. The only primary healthcare plans currently in the market are ones that were in place in 2017. **Table 13** shows the list of all entities whose insurance products are exempted from doing the business of a medical scheme.

⁶⁹ HMI, Provisional Findings and Recommendations Report, 5 July 2018.

Table 13: List of all entities whose insurance products are exempted from doing the business of a medical scheme

Insurer	Product
African Unity Health (Pty) Ltd	Day1 Health (Pty) Ltd
	Essential Medical Proprietary Limited
	Asterio Investments (Pty) Ltd
	AGS Health (Pty) Ltd
	Getsavvi Health a division of Blackbird Group (Pty) Ltd
Auto & General Insurance Company Limited	Flexicare
	Flexicare Plus
Bryte Insurance Company Limited	Oneplan Underwriting Managers (Pty) Ltd
Centriq Insurance Company Limited	Kaelo Risk (Pty) Ltd
Constantia Insurance Company Limited	Talksure Range
	Stratum Range
	Easimed Range
	Unity Health Range
Constantia Life and Health Assurance Company Limited	Ambledown Financial Services (Pty) Ltd
Generic Insurance Company Limited	Wesmart Financial and Administration Solutions (Pty) Ltd
Liberty Group Limited	Liberty Group Limited
Lion of Africa Life Assurance Company Limited	Essential Employee Benefits (Pty) Ltd
	National Risk Managers (Pty) Ltd
MMI Group Limited	MMI Group Limited
Mutual and Federal Risk Financing Limited	Universal Health Cover (Pty) Ltd

Source: <https://www.medicalschemes.co.za/insurers/>.

89. The table above shows that there are several PHC insurance providers in the market. Since the CMS is not granting new exemptions for PHC insurance it seems that both Clicks and Dis-chem have partnered with insurers that have been granted an exemption. Clicks, in partnership with Discovery and Auto & General Insurance (exemption holder), has launched a new health insurance product Flexicare. Flexicare is administered by Discovery Health and underwritten by Auto & General Insurance .

90. Dis-chem in partnership with Kaelo (Centriq Insurance Company Limited is the exemption holder) recently launched Dis-Chem Health, private primary care insurance products. In November 2021, Dis-Chem acquired 25% of the issued share capital and shareholder claims of Kaelo. Kaelo has a complementary portfolio of health assets, including gap and primary health insurance products, occupational health clinics, and is the owner of the AskNelson psychological wellbeing platform. From 2023, individuals that purchase Dis-Chem’s Health Plus Plan will have unlimited access to Clinic Connect (virtual doctor).

91. Given the high price of medical aid coverage the PHC insurance is attractive to the insured population as it allows them to access PHC services at an affordable rate. According to Dis-chem, *"Both Dis-Chem and Kaelo are committed to playing leading roles in the universal access to affordable and quality private primary healthcare. With the public healthcare system overwhelmed, and private healthcare out of reach for many, the opportunity for affordable and quality primary healthcare insurance is sizable,"*⁷⁰ Dis-chem has noted that that uptake of PHC insurance products has exceeded their initial expectations so they will continue to evolve their offering and launch products in what we see is the health opportunity in the insurance space.⁷¹

4.2 Medical Schemes

92. A common feature in the pharmacy market is the use of DSPs/ PPNs. DSPs means, a health care provider or group of providers selected by the medical scheme as the preferred provider or providers to provide to its members diagnosis, treatment, and care in respect of one or more prescribed minimum benefit conditions. Preferred Provider Networks (PPNs) on the other hand is when funders would have a list of preferred providers to whom they channel their members without formal payment arrangements in place. Participation in the DSP/PPN networks is based *"on a willing and able provider basis"* and any provider can contract if they meet the necessary medical scheme contractual requirements.

93. The private healthcare funders are keen to enter into DSPs/PPNs with pharmacies as the dispensing fee is set for the year and it ensures best practices are adhered to. The private healthcare funders usually negotiate a lower dispensing so DSPs/PPNS are used as a mechanism to contain medicine costs. Although pharmacies receive a lower dispensing fee, they are incentivised to enter into DSPs/PPNs in return for the guaranteed customer volumes. If medical scheme members choose to not use a DSP/PPN they would incur a co-payment. It is imperative that the private healthcare funders have DSPs/PPNs with pharmacies across the country to service its members which are located nationally.

94. It is important to note that Discovery contracts with Clicks for its pharmacy services and Discovery has now partnered with Clicks to provide PHC insurance. Concerns have previously been raised about the relationship between the larger medical schemes and the corporate retail pharmacies Clicks and Dis-chem. The Independent Community Pharmacy Association ("ICPA") indicated that some medical aid providers limit the places where customers can

⁷⁰ <https://businesstech.co.za/news/trending/457986/dis-chem-targets-primary-care-coverage/>.

⁷¹ Dis-chem Pharmacies Integrated Report 2022.

purchase medication, favouring pharmacies linked to large retail groups such as Clicks or Dis-Chem. If consumers use independently run pharmacies instead of the medical aid approved pharmacy, they may face co-payments.⁷² The current partnership between Clicks and Discovery and the presence of Clicks in the clinic market, is likely to raise similar concerns that Discovery may potentially favour Clicks as a DSP in the PHC market to the exclusion of independent retail pharmacies and clinics.

4.3 Conclusion

95. PHC insurance is an attractive product to the uninsured population as it provides primary healthcare services at a lower cost than medical aid coverage. There are several players offering PHC insurance but notably Clicks and Dis-chem are the main players that are active in the retail pharmacy and clinic market, with independent pharmacies trailing. It is important to note the progression of both Clicks and Dis-chem business model, as both players are broadening their PHC services from retail pharmacy to clinics and PHC insurance offering an integrated PHC service. This is discussed further in the section below.

5 INTEGRATED VALUE CHAIN

96. The corporate retail pharmacies are part of an integrated value chain in the PHC market. The figure below shows the value chain for Clicks and Dis-chem which are active at various levels of the supply chain.

Figure 9: Clicks and Dis-chem value chain



Source: Commission’s own compilation.

97. Clicks owns wholesale subsidiary United Pharmaceutical Distributors (“UPD”). UPD has the most extensive pharmaceutical distribution services in South Africa. It provides bulk distribution services to pharmaceutical manufacturers and supplies Clicks’ national retail pharmacy network, major private hospital groups and over 1,350 independent pharmacies.

⁷² <https://www.enca.com/money/chemists-square-up-to-big-guys>.

UPD has distribution centres in Gauteng, Cape Town, Durban, Bloemfontein and Gqeberha. With a market share of 31.2% in 2021 (2020: 28.9%), UPD is the largest pharmaceutical wholesaler in South Africa. In 2020 Clicks was its largest single customer, accounting for 45.3% of its sales, private hospitals 40.2% and 1,350 independent pharmacies and other channels 14.5%.⁷³ The 'Link Pharmacies' brand is owned by New Clicks South Africa (Pty) Ltd on behalf of UPD which licenses this brand to third party pharmacies. There are approximately 141 Link Pharmacies which operate on a nationwide basis.⁷⁴

98. Clicks also owns a manufacturing pharmacy, Unicorn Pharmaceuticals. The Unicorn brand has many generic medicines under its label that are only supplied to Clicks Pharmacies. On 6 May 2016, ICPA lodged a formal complaint with the NDoH alleging that [Unicorn Pharmaceuticals](#), a pharmaceutical manufacturing company in the Clicks group, and Clicks Retailers were contravening a regulation promulgated in terms of the Pharmacy Act. The regulation stipulates that a person or corporate entity that owns or has a beneficial interest in a dispensing pharmacy may not also have an interest in a manufacturing pharmacy. The purpose of the regulation was to ensure that pharmacists do not have a vested interest in the medicines that they choose to dispense or recommend.⁷⁵

99. ICPA further claimed that certain medicines are not easily substitutable, such as certain heart medicines and many epileptic medicines. If a patient is stabilised on a Unicorn brand of one such medicine, he or she is effectively restricted to using Clicks Pharmacies only, as other pharmacies cannot purchase Unicorn brand medicines. ICPA believes that the Clicks Pharmacies actively promote their own brands and that Clicks' pharmacists are incentivised to promote their Unicorn brand as their performance appraisals allegedly require that a certain percentage of sales are own-brand sales. This might put some of their pharmacists in a difficult position, either to recommend a medicine they believe is best suited to the patient or an alternative Unicorn own brand to ensure his/her performance appraisal is favourable.⁷⁶ In this

⁷³ WOW, The Pharmaceutical Industry, 2020.

⁷⁴ Government Gazette Department of Trade, Industry and Competition, Clicks and Pick n Pay merger, 23 September 2022. Available at: https://www.gov.za/sites/default/files/gcis_document/202209/46959gon2532.pdf.

⁷⁵ Clicks under attack by independent pharmacists, 7 June 2022. [Available at: <https://www.biznews.com/undictated/2022/06/07/clicks-under-attack-independent-pharmacists>].

⁷⁶ Clicks under attack by independent pharmacists, 7 June 2022. [Available at: <https://www.biznews.com/undictated/2022/06/07/clicks-under-attack-independent-pharmacists>].

regard, in June 2023 the Constitutional Court ruled the company had contravened regulations to the Pharmacy Act.

100. Clicks is a larger player in the healthcare industry. Based on market capitalisation (R75.4bn in January 2022), revenue (R37.34bn in 2021) and store footprint. Its pharmacy dispensary segment contributed over R11bn (29.5%) to overall sales with the front shop health segment (including vitamins and supplements) contributing R10.34bn (27.7%). Based on the value of sales, the group has market share of 23.4% in the pharmacy dispensary segment and 32.5% in the front shop health segment. It has 782 Clicks stores (of which 42 are in other African countries) including 621 in-store pharmacies. Clicks ClubCard has over 9.2 million active members and is one of the largest loyalty programmes in South Africa. With the capacity to administer 600,000 vaccinations per month, Clicks is the largest private sector vaccination provider in South Africa.⁷⁷

101. Dis-Chem is also active at the wholesale level and had a R31bn market capitalisation in January 2022. Its dispensary segment contributed R9.73bn (37%) to total group revenue of R26.3bn in the financial year ended 28 February 2021, and is its largest business unit. The group's loyalty benefits programme has over 6.2 million active benefit members, up from 5.5 million in the previous year.⁷⁸ Dis-Chem aims to invest heavily in its pharmacies and nursing skills as part of an ambitious strategy to build an integrated primary health-care system. According to Dis-Chem, "the pharmaceutical group is repositioning its brand from being a pharmacy retailer to being a health care provider. They are investing to further entrench their primary healthcare mandate as it will provide them with access to segments of the population who have historically not been covered by the private healthcare sector. This will assist Dis-Chem in providing deeper access to healthcare, to a wider and underserved community and builds on other strategic infrastructure and asset investments made in prior periods".⁷⁹

102. Shoprite and Spar are also active in the wholesale pharmaceutical market. In 2017 Spar acquired the S Buys pharmaceutical wholesale business expanding its presence in the pharmaceutical market.⁸⁰ Transpharm is a wholesale brand that distributes pharmaceutical products and surgical equipment across South Africa to Shoprite's Medirite counters and third-

⁷⁷ WOW, The Pharmaceutical Industry, 2020.

⁷⁸ WOW, The Pharmaceutical Industry, 2020.

⁷⁹ <https://cfo.co.za/articles/dis-chem-continues-on-its-acquisition-trail/>.

⁸⁰ Spar Annual Report 2022.

party business-to-business customers. Medirite distribution represents 27% of the Transpharm business.⁸¹

103. Both Clicks and Dis-chem's focus have evolved from only retail pharmacies to a far broader offering including wholesale and distribution, clinics, telemedicine and PHC insurance. The growth in Clicks and Dis-chem's clinics, together with their telemedicine offering and the launch of their health insurance offerings positions them to play an important role in the delivery of PHC services. Both Clicks and Dis-chem, which are vertically integrated, and are continuously enlarging its footprint at both the retail level and clinic level. This may be a strategy for the retail pharmacies to strengthen its position in the dispensary market as it is convenient for patients visiting the clinic to purchase their medicines from the dispensary.

5.1 Conclusion

104. It seems that Clicks and Dis-chem are repositioning their business from being a pharmacy retailer to building an integrated PHC model. Both groups are investing significantly to grow its retail pharmacy, clinics and PHC insurance businesses. The broadening of their business activities may entrench their position in the PHC market, which may adversely impact the smaller independent firms that are not integrated along the supply chain. It is important to consider these market dynamics when investigating mergers and acquisitions notified in the PHC market.

6 EMPLOYEE ASSISTANCE PROGRAMS

105. Employee Assistance Programme, is a voluntary work-based intervention programme, offered by employers as an employee benefit. EAPs are designed to provide support for employees who are experiencing life issues that may impact their psycho-social functioning and productivity in the workplace, which may result in absenteeism, amongst other workplace issues. EAPs can be in-house or outsourced. Many organisations, rather than employing or assigning an EAP manager and team, choose to hire a third-party service provider to assist in developing and implementing effective and reliable EAPs.⁸² There are various external service providers with the most popular being ICAS-SA, Life: Careways, Workforce, Life Assist, Metropolitan Health, Healthchoices, Kealo, and Proactive Health Solutions. The

⁸¹ Shoprite Annual Report 2022.

⁸² <https://www.eapasa.co.za/about-eapa-sa/what-is-an-employee-assistance-programme/#:~:text=EAPs%20are%20designed%20to%20provide,be%20in%2Dhouse%20or%20outsourced.>

few international service providers in South Africa include Universal Health, Chestnut Global Partners, and Workplace Options.⁸³

106. A description of the main market participants is provided below.

106.1. Workforce provides occupational healthcare services encompassing workplace employee health management, high-risk compliance and extending to comprehensive corporate wellness solutions across all industry sectors. These services are delivered by 66 onsite clinics at various clients, all of which provide primary care, Covid-19 prevention and occupational healthcare; six walk-in occupational health centres nationally; and nine mobile units providing occupational health screening.

106.2. Life Employee Health Solutions (“Life EHS”) is the brand name for the Life Occupational Health and Careways Wellness businesses, providing a range of health and wellness solutions and services for organisations across South Africa. They provide contracted on-site occupational and primary healthcare services to large private and public employers. Life is the largest corporate wellness and occupational health provider in South Africa with 250 occupational health clinics, 83 employee wellness clinics and 485 258 enrolled employees.

106.3. ICAS provides a comprehensive range of preventative care and counselling services in the country. ICAS has 16 onsite clinics with 713 609 enrolled employees.

107. In terms of merger activity, Life Occupational Health acquired Careways Wellness in 2015 and acquired EOH Workplace Health and Wellness in October 2017. Life Health’s 2022 Annual report indicated that Life EHS is the largest corporate wellness and occupational health provider in South Africa. In 2016 the Head of Employee Wellness at Life EHS indicated that, “Our competitor market is any service in the health and wellness industry, ranging from onsite occupational and primary healthcare clinics, through to executive wellness, employee assistance programmes and fitness centres.”⁸⁴ While there are several players in the EAP market it is important to note that Life EHS has acquired two competitors in the last five years and is the largest player in the market.

⁸³ Govender, T. & Vandayar, R. (2018). EAP in South Africa: HIV/AIDS pandemic drives development. *Journal of Employee Assistance*, 48(4), 12 - 21.

⁸⁴ HR Indaba Africa 2018: Life EHS is Life Healthcare's employee wellness business. [Available at: <https://chro.co.za/articles/hr-indaba-africa-2018-life-ehs-is-life-healthcares-employee-wellness-business/>].

6.1 Conclusion

108. The EAP providers do compete to a limited extent with the private clinics as they provide basic PHC services such as HIV/AIDS testing, substance abuse, travel care services, and first aid whereas the clinic provide a more comprehensive PHC services. Given that EAP may provide the entry point into the PHC market for employees, we may need to consider the developments occurring in this market.

7 CONCLUSION

109. The introduction of the NHI will result in government purchasing PHC services from both the public and private sector. In this regard, PHC providers are positioning themselves to be key providers to the NHI by expanding their clinic services to various geographic areas. However, till the NHI is implemented there is a significant percentage of the population that is formally employed but do not have medical aid coverage. It is estimated five to eight million South African residents in formal employment do not have medical aid. These market dynamics have resulted in significant developments in the PHC market, with the PHC providers investing substantially to expand their current business activities and invest in new PHC product markets.

110. Both Clicks and Dis-chem have been embarking on a rapid expansion over the years acquiring the independent pharmacies which has allowed it to expand both its retail pharmacies and clinics. The independent pharmacies also have clinics located in their stores and recently the independent group clinics have entered the market. To further expand their geographic reach some of the corporate and independent clinics also offer telemedicine services that allows consumers access to GPs at much lower rates and electronic scripting directly into dispensaries. The digital platform offers an integrated PHC service to consumers that spans both dispensary and clinic. This may be a strategy for the retail pharmacies to strengthen its position in the dispensary market as, it is convenient for patients visiting the clinic to purchase their medicines from the dispensary.

111. A recent development in the PHC market is the PHC insurance offered by Clicks and Dis-chem. PHC insurance is an attractive product to the uninsured population as it provides PHC services at a much lower cost than medical aid coverage. There are several players offering PHC insurance but Clicks and Dis-chem are the only players that are active in the retail pharmacy and clinic market. Both Clicks and Dis-chem's focus has evolved from only retail pharmacies to

a far broader offering including wholesale and distribution, clinics, telemedicine and PHC insurance providing an integrated PHC model in South Africa.

112. It is important to identify the key developments occurring in the PHC market as these may need to be considered for imminent mergers and acquisitions and enforcement cases taking place in the market. The broadening of the corporate firm's business activities creates an integrated PHC model that may entrench the firms position in the market, which may have implications for the smaller independent firms that are not integrated along the supply chain. It is imperative to consider the progression of the PHC market over time, as this may provide key insights for mergers and acquisitions and enforcement cases in the PHC market.