

## Introduction

There has been recent growth in the private for-profit health sector in East and Southern African countries. The growth of the private sector is being promoted by organisations such as the World Bank. African governments are being encouraged to facilitate private sector growth through changing their policies and laws and providing funding for the private sector. Donors are also being encouraged to fund the private health sector in Africa. What parts of the private sector are growing, what are the consequences of a growing private health sector and what should civil society organisations and Ministries of Health be doing to protect the integrity of their health systems?

## What do we mean by the private for-profit health sector?

The private health sector includes health service providers and organisations that help fund health services (such as private health insurance schemes) that are not part of government structures. Some of these are not-for-profit, such as mission hospitals, but others are for-profit, meaning that they not only want to cover the costs of providing a service (or running an insurance scheme) but also want to generate a profit. For-profit providers include: doctors, dentists and other health professionals who have their own practice; chemists or pharmacists; private clinics and hospitals that are either owned by the doctors who work in them or by a private company; and companies that manufacture and sell medicines.

## Who is promoting the growth of the private for-profit health sector in Africa?

In 2009 the IFC, the African Development Bank and other development organisations such as the Gates Foundation, set up the "Africa Health Fund" as part of the IFC-World Bank "Health in Africa Initiative" to fund investments in the private health sector in Africa. Commercial companies, such as Shell and Heineken, supported by the Dutch government, have also set up a "Health Insurance Fund" to help set up private health insurance schemes in Africa. This Fund is run by PharmAccess, a Dutch NGO. Another Dutch initiative was to establish the "Investment Fund for Health in Africa", which includes the multi-national drug company Pfizer in its shareholders, to invest in private health care providers.

## WHAT ARE THE CONSEQUENCES OF GROWTH IN THE PRIVATE FOR-PROFIT HEALTH SECTOR?

- ◆ South Africa has the longest and most extensive experience of the private for-profit health sector in the region. What are the challenges resulting from growth in this sector?
  - ◊ Private insurance schemes only cover 16% of the population, so each scheme has a limited number of members. This threatens the financial sustainability of individual schemes.
  - ◆ This means that members do not benefit to a meaningful extent from the sharing of financial and health risks between members which is the underlying purpose of health insurance.
- ◆ Private insurance schemes have to pay out large amounts of money to cover the health care costs of their members, and these amounts are increasing rapidly every year.
  - ◊ This means that they have to increase the contributions that for-profit hospital groups in SA, that own over 80% of the private hospital beds. Private hospital fees have increased very rapidly in recent years.
  - ◆ Many government funds are allocated to private health insurance.
    - ◊ Insurance scheme members are allowed to claim a tax deduction on contributions to these schemes (so government wise to encourage the growth of the private for-profit health sector without a good framework of regulations).
- ◆ There are three large private paid by government.
  - ◊ Also, the largest single group of private insurance scheme members are civil servants, and most of their contribution is paid by government.

## What should civil society organisations do?

It is important for civil society organisations to highlight that the growth of the private for-profit health sector will not necessarily be to the benefit of African countries. This growth can create more inequity in the health system, where the private for-profit sector mainly benefits richer groups and can drain health professionals from the public health sector, further disadvantaging poorer groups. An equitable health system, which meets the needs of all residents, is an important way to build social solidarity and so it is important to monitor what is happening in the private for-profit sector.

- ◆ Civil society organisations can contribute to monitoring efforts to increase the private for-profit health sector by finding out if any activities in their country are being funded or promoted by:
  - ◆ The Africa Health Fund,
  - ◆ PharmAccess,
  - ◆ The Investment Fund for Health in Africa, or
  - ◆ African Medical Investments.

If any of these organisations are active in your country, it would be useful to find out what activities they are involved in and discuss how these activities may affect the overall health system.

- ◆ Civil society groups should also call on government:
  - ◆ Not to use tax funds to support the development of the private for-profit sector, given that these services benefit a minority of the population and those who invest in them.
  - ◆ To assess the impact of any proposed for-profit activities on the overall health sector before allowing it to proceed, and to make this impact assessment report public.
  - ◆ To put in place adequate regulations and to collect accurate information on private sector health services. In particular, government should be required to routinely make available information on the number of private hospital beds, private clinics and doctors and other health professionals working in the private sector compared with the public sector.

## What type of private for-profit health sector growth is happening in East and Southern Africa?

Most of the large investment in the private for-profit health sector in Africa has been in:

- ◆ **Pharmaceutical manufacturing**, for example, a South African company called Aspen Pharmacare has been buying a share of the Tanzanian company Shelys.
- ◆ **Private hospitals**, for example, "African Medical Investments" focuses on private hospitals to serve high-income groups, including: the richest citizens, expatriates (that is, foreigners living in the country) and increasingly medical tourists (that is, people who come to the country specifically to use health services). Other examples of private groups in Africa are the Netcare group, Life Healthcare and Medi-Clinic, etc.

## What action should government take to protect the health system?

- ◆ Government has a responsibility to protect the health system against private for-profit initiatives distorting service provision, raising prices or reducing equitable access to good health care. Some of the key actions that Ministries of Health could take in this regard include:
  - ◆ Put in place regulation frameworks that require investors to obtain government approval for any new initiative and require all private for-profit providers and insurance organisers to provide information on their activities;
  - ◆ Require that rigorous health system impact assessments be undertaken before any new private for-profit activity is initiated;
  - ◆ Firmly control the development of monopolies and unethical business practices in the private health sector.

## Where you can access more information:

### This leaflet is based on:

- J Doherty (2011). Expansion of the private health sector in East and Southern Africa. EQUINET Discussion Paper 87. Harare: EQUINET. <http://www.equinet africa.org/bibl/docs/EQ%20Diss%2087%20Private%20HS.pdf>

### See the following report for an overview of the private health sector in each East and Southern African country:

- N Foster (2012). Private sector involvement in health services in East and Southern Africa. EQUINET Discussion Paper 89. Harare: EQUINET. <http://www.equinet africa.org/bibl/docs/Diss89%20PrivsecESA.pdf>

### Oxfam has produced a number of reports on private health sector growth, such as:

- <http://www.oxfam.org/en/policy/bp125-blind-optimism>
- [http://www.oxfam.org/en/news/pressreleases2006/pr060901\\_essential\\_services](http://www.oxfam.org/en/news/pressreleases2006/pr060901_essential_services)
- <http://www.oxfam.org/en/pressroom/pressrelease/2009-02-12/rich-countries-world-bank-must-stop-pushing-privatized-health-to-poorpushing-privatized-health-to-poor>



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# THE GROWTH OF THE PRIVATE FOR-PROFIT HEALTH SECTOR IN EAST & SOUTHERN AFRICA

## What should civil society organisations do?





# THE GROWTH OF THE PRIVATE FOR-PROFIT HEALTH SECTOR IN EAST AND SOUTHERN AFRICA

## What is the private for-profit health sector?

The sector includes health service providers and organisations that help fund health services that are not part of government structures. These providers want to cover the costs of providing a service (or running an insurance scheme) and generate a profit.

## Key concerns with private sector growth?

- Only the very rich benefit from private for-profit services.
- Limited tax money is used to support private for-profit health care providers and insurance, rather than funding public sector services to benefit all.
- When the private sector grows, there are fewer doctors and other health professionals working in the public sector.

## Who is promoting the growth of this sector in Africa?

The main groups pushing for the growth of private for-profit health care providers and private insurance schemes in Africa are the International Finance Corporation of the World Bank and Dutch companies supported by the Dutch government.

## How is this investment spent?

Most of the investment is going into companies to produce drugs and private hospitals, particularly hospitals to serve the richest citizens, expatriates and tourists. Quite a lot of the investment is coming from South African companies. There are also efforts to increase private health insurance, which helps to pay for services from private health care providers.

## What should civil society organisations do?

### Contribute to monitoring efforts:

- Find out if any activities in your country are being funded or promoted by the Africa Health Fund, PharmAccess, the Investment Fund for Health in Africa, or African Medical Investments.

### Call on government:

- Not to use tax funds to support the development of the private for-profit sector.

- To assess the impact of any proposed for-profit activities on the overall health sector before allowing it to proceed, and to make this impact assessment report publicly available.
- To put in place adequate regulations and to collect accurate information on private sector health services.

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