

Expansion of the private for-profit health sector in East and Southern Africa

In recent years there has been increased private for-profit health sector activity in certain countries in East and Southern Africa. External funders and governments have subsidised some of these activities. Private 'high-end' hospitals have begun to service wealthy groups, even in very low income countries. A report published in 2007 by the World Bank's International Finance Corporation (IFC) encouraged governments to facilitate further private sector growth. This policy brief explores these developments in East and Southern Africa. In contrast to the IFC report, it raises concerns about the adverse consequences of growth in the private for-profit sector, and proposes steps that Ministries of Health should take to protect the integrity and equity of their health systems.



Global initiatives promoting the private health sector in Africa

In 2007, the International Finance Corporation (IFC) released a report entitled "The Business of Health in Africa: Partnering with the private sector to improve people's lives" calling for expansion of the private health sector in Africa. The report argued that most health care funding in Africa comes from private sources, and half of spending is on private health care providers. It predicted that rapid economic growth in Africa would expand the middle-class and increase the demand for private health care. The report therefore encouraged bilateral funders and foundations, as well as governments, to invest in the private sector - especially providers and insurers - as one of the top-five most promising investment areas in Africa, expanding at the same rate as the telecommunications and infrastructure sectors. The IFC called on African governments to amend regulations and lift trade barriers that block the growth of the private sector. The World Bank in 2011 also argued for an increased role for private health insurance schemes in a report entitled "Healthy Partnerships: How governments can engage the private sector to improve health in Africa."

In 2009, the World Bank introduced the "Health in Africa Initiative," funded by the IFC,

the Gates Foundation and others, to help finance the expansion of the private health sector in Africa. This expansion was also promoted by institutions in the Netherlands, a country whose own health system is primarily funded through private insurance. A "Health Insurance Fund" supported by the Dutch Ministry of Development Cooperation, provides a mix of public, development aid and private funding to stimulate private health insurance in Africa, seen as critical to creating a demand for private health care provision. PharmAccess, a Dutch non-government organisation, manages the Fund and is actively developing models and contracts to facilitate private health insurance in Africa. Another Netherlands-based initiative, the "Investment Fund for Health in Africa," established in 2007 and with Pfizer amongst its shareholders, provides equity to invest in private health care providers. Its projects include a pharmaceutical wholesale and distribution company and a private health insurance company, Strategis, in Tanzania. It has a 20 percent stake in a private insurance scheme, AAR East Africa, that is based in Kenya but operates in many other countries in the region. Other private equity companies are investing in the health sector in Africa. For example, the US-based hedge fund Harbinger Capital Partners has bought a controlling stake in African Medical Investments (based in the Isle of Wight in the UK), which aims to become a leading operator of high-end hospitals.





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Growth of the private health sector in East and Southern Africa

There is evidence that private for-profit health care provision has expanded in Africa, particularly private hospitals and pharmaceutical manufacturers. The Indian hospital group Fortis Healthcare and African Medical Investments have initiated investments in high-end 'boutique' hospitals that target the high-income domestic, expatriate, diplomatic and medical tourism markets. The 'start-up' countries for these hospitals include Kenya, Mauritius, Mozambique and Tanzania. South African private hospital groups are also expanding into other African countries. For example, Netcare recently embarked on an IFC-brokered public-private partnership at a hospital in Lesotho. In relation to pharmaceutical manufacturers, a South African company, Aspen Pharmacare, has been expanding rapidly in the region through diversifying its product range, buying a stake in existing regional companies (such as Shelys in Tanzania) and developing a partnership with the multinational giant, GlaxoSmithKline. There have also been investments to expand private health insurance in Africa, such as the efforts spearheaded by the Dutch group PharmAccess described above.

Table 1 summarises examples of recent private sector projects in East and Southern African countries. It indicates that every country in the region is, or soon will be, affected by these private sector initiatives, even the lowest income countries. It is apparent that new private sector investment is more common in some countries, particularly Kenya, Uganda and Tanzania. PharmAccess appears to have wide presence, as do South African companies.

Consequences of the growth of the private health sector

Countries in the region can learn from the experience of South Africa, the country with the longest and most extensive experience of the formal private sector in the region. In South Africa, deregulation of the private sector in the late 1980s was linked to a spread of private health insurers, fragmenting pooled funds and reducing the

cross-subsidies between groups at different levels of income and risk of ill health. The growth of private insurance was associated with rising insurance premiums, rising fees charged by private providers (especially hospitals) and falling coverage of health services. There was also increased vertical integration, where a single company is involved in private hospitals, ambulance services and a range of other health care activities, restricting competition. The expansion of the private sector attracted skilled health professionals away from the public sector. These trends have proved very difficult to reverse during the early 2000s and remain amongst the biggest obstacles to health system transformation in South Africa. The experience suggests that governments and bilateral funders would be unwise to encourage the unfettered expansion of the private for-profit sector in the rest of the region.

Actions governments can take to protect the health system

While the theoretical benefits of private expansion are being actively promoted by global initiatives, in practice private sector expansion is accompanied by some adverse consequences, as demonstrated by the experience of South Africa and elsewhere.

Governments need to consider fully the benefits and adverse consequences of private sector expansion. They need to protect against private for-profit initiatives distorting service provision, raising prices and reducing equitable access to good health care.

The evidence suggests that governments need to establish a number of conditions in East and Southern Africa to ensure that private-for-profit expansion in health supports social objectives:

1. information to monitor private for-profit health initiatives and their impact;
2. strong policy and regulatory frameworks governing the private for-profit sector;
3. well-negotiated contracts with private health care companies that avoid government taking a greater share of the risk, and penalise companies that violate contracts;



Table 1: Examples of recent or planned private sector initiatives in the countries of East and Southern Africa

Country	Mixed development finance and private equity funds		Private equity funds	Debt financing	Pharmaceutical companies		Private hospital groups					General insurer	Health insurer	Private sector-oriented NGO
	Africa Health Fund	Health Insurance Fund			Aspen Pharma-care (with Glaxo Smith Kline) (SA)	Shelys	Africa Medical Investments (VIP Health-care Solutions)	Fortis (India)	Life-care* (SA)	Medi-clinic (SA)	Net-care (SA)			
Angola	(✓)													✓
Botswana												(✓)		
DRC	(✓)					✓		(✓)						✓
Kenya	✓		✓	✓		✓		✓						✓
Lesotho												(✓)		
Madagascar														✓
Malawi						✓								✓
Mauritius						✓			✓					
Mozambique	(✓)							✓						✓
Namibia		(✓)									✓			✓
Rwanda	(✓)		✓			✓		(✓)						✓
South Africa	(✓)					✓				✓				✓
Swaziland														
Tanzania	(✓)	✓	✓	✓		✓		✓					✓	✓
Uganda	(✓)		✓			✓		(✓)						✓
Zambia	(✓)			✓		✓								✓
Zimbabwe								✓				(✓)		✓

Source: Doherty (2011). SA = South Africa
 • Not clear where in Africa this company will be expanding, ✓ Institution in this country in 2011, (✓) Institution was planning to expand to this country in 2011



4. prevention of private sector capture of public subsidies, drain of public sector health workers, fragmentation of funding into small risk pools that reduce financial protection, and rising costs of care; and
5. prevention of restricted competition and limited choice through vertical and horizontal integration of health care companies.

To secure these conditions, Ministries of Health need to:

- Raise with their colleagues in government both the advantages and pitfalls of growth of the for-profit private health sector as part of economic growth policies;
- Assess and make clear the opportunity costs of supporting the for-private health sector as opposed to investing in and developing the public health system;
- Require health impact assessments as an obligatory element of investment applications of for-profit private sector initiatives, particularly if subsidised by public funds;
- Monitor and evaluate the activities and impact of existing private-for-profit health sector activities on national health goals and strategies;
- Develop comprehensive policies and a robust regulatory framework, and set up capacities to monitor private sector activity, manage contracts and enforce regulation;
- Firmly control the development of monopolies and unethical business practices; and
- Prioritise activities that improve coverage in rural areas and low-income populations.

While Ministries address these challenges of for-profit private sector expansion, and align external funders to national policies on the private health sector, it is equally important to inject adequate resources into the public health system to ensure that it provides a viable, quality, accessible option for universal health coverage.

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