Interview: Tania Zulu Holt – Associate Principal, McKinsey & Company, South Africa



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Tania Zulu Holt, Associate Principal at McKinsey & Company elaborates on the current pressures on the South African healthcare system, discusses the importance of innovation and emphasizes the need for a hybrid model between the public and private sector to meet the healthcare needs of the country's population.

Can you describe how South Africa's healthcare landscape has evolved over time and what pressures the healthcare system currently faces?

The pharmaceutical market in South Africa is currently growing faster than the established world but at a slower rate in comparison to the other BRICS.

In terms of the complexities, every country has its particular challenges.

In South Africa, the overarching challenge is how to transition from a two-tier system that includes a private and a public sector, which predominantly serves the upper class and the rest of the population, to a model that is able to serve the growing middle class more effectively. It is probably unrealistic that the emerging middle class will be able to afford private health insurance at the current price points, and the public system does not appear to have the capacity to do so. With a stagnating top of the pyramid and a growing middle class, we will need to develop a hybrid model

that enables quality access to care for the majority of the population.

What type of operating challenges have these dynamics created for pharmaceutical companies in Africa?

Companies need to rethink their commercial models when entering the market in South Africa. Historically, we have seen growth by simply serving the top of the pyramid. However, with growth at the top of the pyramid slowing, companies will need to consider how best to partner with the public sector and other stakeholders to increase patient access.

We are seeing movement from the government around national health insurance and it is likely that this will also mean that there will be future growth opportunities for Pharma. In collaboration with the government, pharmaceutical companies should be able to capture part of that growth.

In light of the current debate about what the future will look like for South Africa's healthcare system, South Africa will need to look outside, for example to countries like China that have successfully reached the middle class. This example offers a great lesson for South Africa to determine how to provide lean principles within the provision of care to lower price points and increase quality.

Given that the country's immediate needs are focused on ensuring access to basic medicines to the majority of the population, do you think the current healthcare platform adequately rewards innovation?

There is a lot of focus on the National Health Insurance (NHI) which aims to extend to appropriate, efficient and quality health services.

As the government runs pilots around the National Health Insurance (NHI), the private sector will need to determine how they can play an active partner role in these pilots to bring innovation to the table. While I am not certain what the final delivery model will look like, I believe that if we bring together a diverse group of industry professionals across provider, payer, pharmaceutical, government, and civil society groups, we are more likely to find the best innovative model for the country.

How will the National Health Insurance eventually shape the way healthcare companies will conduct business in South Africa?

We're still in the very early days so it is difficult to predict. However, based on the current debate, it appears that there's going to be a larger market for the industry to do business in but how

exactly this will materialize is not clear. However, if you are expanding access to quality healthcare for more people, the healthcare market should grow. We can expect more growth from generics versus on the innovative side taking into account the price pressure induced by the public system.

Do you think the country itself can benefit from a stronger focus on innovation or should it rather focus on building its own infrastructure?

Innovation is key. If we are only trying to replicate models that have proven successful in other countries we're probably not going to reap the full benefits as each country has its own unique challenges. There is no doubt that innovation needs to happen from within the country as well. In that sense, it's a combination of looking outside for good ideas and subsequently considering our own context in order to determine what will work.

Although South Africa has seen the rise of local champions, the country is still heavily dependent on imports to meet domestic demands. What hurdles are preventing the country from cultivating a stronger local manufacturing base?

We have to put this question into context. If you compare South Africa to the rest of Africa, there is a much stronger manufacturing base here. We do not celebrate enough that we are almost self-sufficient in areas such as HIV and TB. I think there is a huge opportunity for the South African pharmaceutical industry to expand into the rest of Africa. However, not many companies have realized this yet and are actively leveraging the opportunity.

Moreover, most multinational companies (MNCs) have their headquarters for Sub-Sahara Africa based in South Africa. Thus, the importance of South Africa then becomes very clear. Nevertheless, we have to think about how we maintain our competitive edge over the coming decades. This will be a challenge for the industry considering the growth of other African countries like Nigeria.

Traditionally, other African countries have looked to South Africa for thought leadership and industry developments. But especially with the more agile and adaptable nature of markets like Nigeria or Kenya, will South Africa be able to maintain this positioning at its current pace? Why or why not?

From a healthcare perspective, South Africa has a much more sophisticated base (e.g. large private hospital providers, health insurance companies etc) and the country is ahead in comparison to other African countries. In order to maintain its leading position, the healthcare industry should look at the retail industry, which has managed to expand significantly from South Africa throughout the rest of Africa. If companies that are already based in South Africa do not take that step,

businesses from outside eventually will.

What have been the biggest pitfalls when companies try to penetrate the SA market?

I wouldn't say that people have necessarily made mistakes but instead have gone down the traditional road, which predominantly focuses on the private sector. The challenge but also the opportunity for a majority of companies that are already here will be to find a way to engage within the public sector with adequate scale.

On a personal note, what factors made you get involved in healthcare?

I think the industry is fascinating and there is great opportunity to make a real difference. The unmet needs for patients in Africa are huge. So far, there has been some success in providing basic access to healthcare, with a particular focus on the communicable diseases, but there is still a lot to be done.

Looking ahead, non-communicable diseases is an area that will become a huge burden and one that will need to be addressed. It remains uncertain how this will occur but we have not yet seen the establishment of an agency for non-communicable diseases for Africa. There is no equivalent to the global fund of communicable diseases.

We are already starting to witness some of the consequences of non-communicable diseases. This raises a huge question for our government and for people living in Africa: what are we going to do about it? Do we get external funding as we did for communicable diseases? Or do we have to prioritize the money that we have to solve the problem? This is a huge challenge and the best brains in this world should be thinking about this topic. If we do not develop a plan, the impact will go beyond the healthcare system, e.g. the productivity of people will be limited.

Moving forward, how would you like to see the healthcare landscape evolve?

I would like to see the healthcare industry and the government collaborate on a larger scale to provide South Africans access to quality healthcare. Primary healthcare is a very cost-effective place to start but we should not forget the more advanced non-communicable diseases. In order for a new healthcare model to realize, we need a partnership with all stakeholders, from insurance providers to drug and medical device manufacturers. Only then will this vision successfully materialize.

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