


Interview with Omar Ehsan, General Manager, IMS Health South Africa

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General Manager of IMS Africa since January 2010. What is the strategic importance of South Africa for IMS Global and for your personal country portfolio?



For us, like many other multinationals (MNCs), South Africa remains a vibrant growth market. It is a country that we see as key for expansion into the Sub-Sahara region and wider Central Africa. South Africa market continues to grow at +6% on a MAT (Moving Annual Total) basis for 2011. The main drivers of that growth are from the consumer healthcare sector and increased generic usage.

Indeed, before the end of Apartheid, many African nations would not buy from South Africa. Today, the mindsets are changing. Mr Kahanovitz of Litha told us he has a vision of becoming Africa-centric and not only South Africa-centric, using the country as a springboard to Africa. How realistic is it to run an Africa-centric business?

It is becoming more of a reality today than ever before. We are starting to see our client base and more importantly G20 economies mobilising their resources and operations to focus on AFRICA. China already has strong ties to Africa making huge investments in healthcare staff, earlier in 2011. With a collective GDP of \$USD1.1trillion by 2020 and a 120 million households seeing double digit growth in disposable income, it becomes hard to ignore the growth potential.

However, Investors have to be very mindful of the various different cultures and the way of doing business. The most widely spoken language in Africa is Arabic. As a result, being Africa-centric implies focusing on four different business cultures with various levels of healthcare provision for the population. Sub Sahara and Central Africa is currently still dependant upon foreign direct investment and donor organisations that serve the healthcare needs of the population while in North Africa expansion of social insurance to improve access to healthcare is becoming the norm. Morocco over the last 3 years introduced international reference pricing to control healthcare budget spend on protected brands while expanding out the government led RAME (Régime d'Assistance Médicale des Economiquement Démunis) programme to improve market access to 8.5million people living below the poverty line, which is eagerly anticipated for launch in 2012.

When we first arrived in South Africa, we had this initial idea of using the following title for our final report: "South Africa: leading a pharma model for an entire continent". Do you think this title would be appropriate?

South Africa will continue to be a dominant player in Africa for the next three to five years and the implementation of IRP (International Reference Pricing) and aspiration of rolling universal healthcare

(NHI) will be observed very carefully by other African economies. There are some very dynamic healthcare economies that are getting a lot of emphasis in Africa, namely Algeria, Kenya and Nigeria. By 2015, Algeria is forecasted to reach \$4.1 billion in pharmaceutical sales. It has a population similar to the size of South Africa and growth is fuelled in the main from income derived from oil & gas exports. As South Africa growth rates slow down over the next 5 years, healthcare economies like Algeria, Nigeria and Kenya will experience strong high single digit growth rates.

The challenge that South Africa is facing is that the country is reaching healthcare maturity. When you reach maturity with only 17% of the population receiving consistent high quality medical cover, you have a problem. The remaining 83% are just not generating enough income to support expansion and provision of effective healthcare to everyone. That is what the government has recognized, when launching the NHI: you cannot continue to invest and expand healthcare to everyone without the wider population contributing financially to the healthcare systems.

The total private healthcare market currently is growing by 7% to 8% at the moment, but in 2010 and 2011, authorities had frozen prices for drugs. As a result, pharmaceutical companies will look to see where they can get additional growth from South Africa.

One of the forecasts that IMS is making for South Africa is that the pharma market growth will stabilise between 4%-6%. Branded products will not be getting higher penetration simply because more people will get access to healthcare. It will be perhaps in certain key therapy areas like oncology and diabetes, but there will be more and more emphasis on generic manufacturing and greater price controls.

This dynamic is going to drive the South African market growth towards a plateau in the next two years. Beyond that, the growth will stabilize somewhere between 4% and 6% if the SEP price freezes remains in place, and I do not see any reason why this should change before the general elections in 2014.

In the context of the NHI and the healthcare reforms, what is the special role of IMS in helping its clients integrate the growth and adapt to the changes in the market?

One of the key facets of the NHI is going to be the increased visibility and the impact that the pharmaceutical industry has within the NHI. Increased roles and responsibilities for key stakeholders like GPs, Pharmacies, Patients and Medical Schemes will enrich the interactions. The ability to accurately measure the dynamics in the NHI will mean IMS offerings will remain relevant. We are investigating possibilities to explore the various interactions between Pharmacists, GPs, Medical representatives and even the dynamics of patient information if possible. That is where we are investing our energies to have our data points picking up these particular dynamics.

Cultural focus needs to shift to the primary care sector in South Africa and it is this sector that requires investment in staff and medical talent. Therefore we fundamentally believe that the pharmaceutical industry will adjust its commercial model and relationships accordingly, while the secondary care sector is over-burdened. Today, when a South African falls ill, there is a high probability he or she will go to a public hospital. The first point of contact should be the GP within the patient's living area; however, there is a cultural habit in South Africa to go to a hospital for anything. This is crippling the public sector hospitals, considering the large volume of people turning up for ailments that a nurse can deal with in short space of time within a GP Practice or Pharmacy.

Furthermore, one of our key strategies for our South African operation is not only to deal with the pharmaceutical industry, as I would like IMS South Africa to be at the center of the healthcare debate, with various stakeholders, with investors, with the Department of Health, with pricing committees, and with different associations of which there are multiple of. On occasion, there

will be a commercial engagement and on others, IMS will simply donate the information.

South Africa is Africa's most diversified economy, financially strong, and is now implementing the National Health Insurance. Most African leaders are looking at South Africa to assess if they can replicate the South African model in the future. What special responsibilities and authorities does the South African industry have for the future of the African nations?

They have a huge responsibility. The whole continent is keeping a very close eye on what is happening in South Africa. African leaders with a similar population profile such as Kenya & Algeria are watching. The other nations are definitely looking at South Africa to pick up on two things: how do they do it? What are the effective policies that are making the NHI a success?

The key question which is on everyone's mind at the moment and mostly in the private sector: how will it be financed?

There are a number of options that perhaps can be considered: increase the personal income tax levels for the working population, or continue to squeeze the price on branded products, make savings to the healthcare budget, and then reallocate the savings to the NHI.

The country has to make some very difficult decisions in the coming months and none of them are easy to implement, however If the government and the nation want universal healthcare from cradle to grave, there will be a price for it.

What is very clear is that the primary care sector is going to be the key to success. Getting the primary care infrastructures right not only means having more reps in the field, it also implies having the right quality of GPs in South Africa, the right number of nurses located in specific parts of South Africa, offering them the right salary, and making sure that the medical universities in South Africa are creating enough supply of high quality students.

There is today a great deal of talent leaving South Africa because the country does not provide highly paid jobs. The current labour shortage needs to be addressed very seriously in the context of the NHI. The GP community in South Africa is not well funded and over-burdened.

Further considerations and investments need to be made into looking at best practice in other more developed countries, outside the continent. The British NHS system is one example, while not perfect; it certainly is an advanced healthcare system, the French and US systems also. I would like to see more international advice being driven to South Africa, as a means of saying: "here are all the mistakes we have made". In the UK, NHS sector is the largest employer in the country " one million people work for the NHS. Does South Africa want that?

The ambition to have everyone on universal healthcare is admirable. The NHI is the right model stance to take. It is not a political stance; it is a moral stance, but morality implies cost.

What objectives have you set for IMS South Africa to grow in the next three years?

The objectives for IMS's South African operations are very clear.

The first priority is to invest in data assets that are going to make us ready for NHI roll out. We have to be at the forefront of providing best-in-class insights to all the healthcare stakeholders objectively so that they can make even more informed decisions as the country implements its program.

The second priority is to use the South African operation, all that talent and expertise, and all the learning that we get from South Africa to be rolled out to the Sub-Saharan African markets. The Ministries, Departments of Health, and General Managers of countries such as Kenya, Uganda, Tanzania, can benefit from IMS's high level of information, knowledge and insight.

The third key objective for IMS is to make investment in what we call our specialty market. We are definitely seeing a huge emphasis upon key markets, such as oncology and diabetes, as two key therapeutic areas that are getting a great deal of attention from our clients as well as from the Department of Health. Policies are being constantly formulated around those two key areas.

As the General Manager of IMS Africa, what is your final message to the readers of Pharmaceutical Executive?

South Africa is by far the most dynamic healthcare market I have seen in a very long time, and I have experience of working in a wide range of countries across West, Central and East Europe. I am privileged to be in South Africa because of its dynamic environment.

I welcome more healthcare experts and talent to come to South Africa. The country is at the crossroads of something new being born in Africa. Despite the difficulties and political agenda, it is admirable to see the NHI aspiration come out into the public forum. Despite the prevalence of HIV and other diseases in South Africa, the country has stood up and said: "we need to have universal healthcare". The last time that happened was in the early 1950s in the UK.

A new healthcare scheme is being born: Between 2012 and 2020 the NHI will, strengthen and begin to take shape for the nation. This is not a sprint, but a marathon. The country's healthcare system must view as a "national treasure" and it must be allowed to grow and become sustainable for the future healthcare provision of its people. I feel privileged and honoured to be part of this experience.

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