

FINANCIAL NEWS: MORE HIGHLIGHTS

What DHMS pays Discovery for administration services

“Discovery Health Medical Scheme (DHMS) paid R5.389 bn to Discovery Health in administration expenses last year,” reported *MoneyWeb* (21 June 2021). Administration fees comprised 7.23% of gross contributions last year (2019: 7.38%), while managed care fees were 2.54% of gross contributions (2019: 2.53%).

“Discovery Health also provides administration and managed care services to another 18 restricted schemes, covering over 3.5 m medical scheme members. DHMS notes in its annual report that its ‘gross administration expenditure is the seventh lowest [as a percentage of gross contribution income] out of 20 schemes in the open scheme market’. The average administration fee per member in 2020 was R336.84 -5.25% higher than the prior year, “primarily reflecting the impact of an annual CPI-linked increase”.

Ascendis looks set to be solely a local player

Health group Ascendis has struck a deal with lenders that involves it exchanging its European businesses to extinguish about €447-m (R7.6-bn) in debt, leaving the company with assets only in SA, reported *Business Day* (12 May 2021).

Ascendis, valued at about R400-m on the JSE, said its board and management unanimously supported the restructuring deal. It involves the group giving up Cyprus-based pharmaceutical maker Remedica, and its ownership of Sun Wave Pharma in Romania. Europe contributed 55% of revenue in Ascendis’s half-year, but almost three-quarters of its operating profit, though the group will be selling some of its SA businesses as well.

Vaccine market looks completely different this year’

In February *The Financial Times* reported that the world’s three biggest vaccine makers, GlaxoSmithKline, Merck and Sanofi were left playing catch-up, after upstarts like Moderna and BioNTech demonstrated their mastery of new technologies that will shape the industry for years to come.

According to Zain Rizvi, a medicine access researcher at advocacy group Public Citizen, the “immense scarcity” of vaccines around the world is directly connected to these big pharma groups being “missing in action”. The vaccine market already looks completely different this year.

Drug makers slam vaccine patent waiver

In May *Reuters* reported that, according to drug makers, US President Joe Biden’s support for waiving patents of Covid-19 vaccines could disrupt a fragile supply chain and that rich countries should instead share more generously with the developing world.

The International Federation of Pharmaceutical Manufacturers and Associations (IFPMA) said that if adopted by the World Trade Organisation, the proposal would invite new manufacturers that lack essential know-how and oversight from the inventors to crowd out established contractors.

Vaccine claimants give up right to sue

In April it was reported that - in terms of new regulations for the compensation fund - South Africans who claim from a Covid-19 vaccine injury fund will give up rights to approach the courts to sue the government or health workers should they suffer severe injury from taking the injection. This follows as drug companies providing vaccines to SA, like Johnson & Johnson (J&J) and Pfizer, insisted on a no-fault compensation scheme run by the government as a prerequisite for supplying the vaccines.

Provincial health departments in dire straits

Health Minister Zweli Mkhize told Parliament that the Gauteng health department has racked up more than R12-bn in irregular expenses during the past five years. (*News24* 13 June 2021). Irregular expenditure at all nine provincial health departments has skyrocketed over this period.

North West health department's irregular expenditure bill for the past five years tops R4.7-bn and the Free-State reported of R1.6-bn in irregular expenditure

Dis-Chem reports huge increase in revenue

DIS-Chem Pharmacies has reported double-digit growth of 12.1% in group revenue to R11.6-bn for the 22 weeks to February 2, with online sales surging 218%, reported *Business Report* (18 Feb 2021). Dis-Chem said the increase in online sales was a result of consumers preferring to stay safe and shopping from the comfort of their homes as new Covid-19 infections climbed towards the end of last year. Retail revenue increased 10.3% to R10.4-bn and the group continued to gain market share in all its core categories.

Dis-Chem increased its store network by 10 new stores, contributing R123-mn to revenue.

Clicks buys Pick n Pay's retail pharmacy business

SA's largest pharmacy retail network, Clicks, announced that it plans to buy the Pick n Pay's retail pharmacy business, including 25 in-store pharmacies which will be rebranded to Clicks.

Clicks opened its 600th pharmacy in February and the acquisition will increase its national presence to 632, reported *Moneyweb* (10 May 2021). The retail pharmacy chain plans to have 900 stores in SA, with a pharmacy in each.

Pick n Pay COO Adrian Naude said that its growth plans do not include its pharmacies, and the group wanted to ensure that staff jobs were saved, which the transaction will ensure. The pharmacists will be employed by Clicks. The merger is subject to approval by the competition and regulatory authorities.

Dis-Chem and Clicks gear up for vaccine roll-out

Dis-Chem has announced that it is planning for the next stage of the vaccine rollout in partnership with Business for SA (B4SA) and the Department of Health. The company is in negotiation with landlords and retailers as well as nursing agencies to supply the vaccination services that the 191 Dis-Chem stores plan to provide.

According to Clicks CEO Vikesh Ramsunder, the retailer has the necessary infrastructure, including more than 600 pharmacies and 192 clinics, to help facilitate the vaccination roll-out.

Clicks and Dis-Chem will also be able to distribute vaccines to other vaccination sites.

Chantal Marx, head of investment research at FNB, said using Dis-Chem and Clicks as part of the vaccine rollout is "a very clever way of scaling distribution and makes perfect sense". Clicks and Dis-Chem "won't be making any money", but she expects in-store sales to spike as the newly vaccinated wait the required 15 minutes after the jab to ensure that there are no side-effects.