



South African

Healthcare Reimagined

Industry Insights

July 2022



pwc



Foreword



We are proud to present our South African Healthcare reimaged research paper. In a time when the global pandemic has highlighted the need for equitable, quality healthcare for all South Africans, it is imperative that we join hands to collaborate on building a healthcare system that benefits society as a whole. Our Purpose at PwC is to build trust in society and solve important problems, none could be more important than the health and well-being of every person, regardless of socio-economic status or geographic location. As we embark on a new chapter of healthcare in South Africa, the challenges are plenty, but so too are the opportunities for collaboration, growth, and innovation. This research piece has included over 31 of the top healthcare executives in South Africa, and one theme remained consistent. Working together, we can achieve a dynamic, innovative, and patient-centric health eco-system.

– Shirley Machaba, CEO Southern Africa, PwC South Africa



Shirley Machaba, Southern Africa CEO

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Note: Percentages in graphs may not total to 100 due to rounding and/ or exclusion of certain responses



Glossary of terms

Term	Definition
AI	Artificial Intelligence
API	Active Pharmaceutical Ingredient
CEO	Chief Executive Officer
COO	Chief Operating Officer
COVID-19	Coronavirus Disease 2019
ESG	Environment, Social, Governance
IoT	Internet of Things
MD	Managing Director
NDoH	National Department of Health
NHI	National Health Insurance
NHIF	National Health Insurance Fund
POPIA	Protection of Personal Information Act
PPPs	Public Private Partnerships
R&D	Research and Development
SAHPRA	South African Health Products Authority



Executive Summary

Introduction

The South African healthcare industry is known to be one of the most dynamic and complex in the world. The public sector provides healthcare to ~80% of the population and accounts for approximately 48% of total healthcare spending, while the private sector provides healthcare to ~20% of the population and accounts for approximately 50% of total healthcare spending and the remaining 2% is provided by non-governmental organisations.¹ To address the disparities in the health sector of South Africa, the government introduced the National Health Insurance (NHI) Bill and the Medical Schemes Amendment Bill to the public in June 2018.¹ The intention of NHI is to ensure greater equity access and health outcomes for all South Africans.

While the industry is on the cusp of transformation - with the NHI implementation approaching, the COVID-19 pandemic has inevitably strained the industry but also led to positive changes creating opportunities for long-term reform. We should applaud the resilience of healthcare organisations in South Africa as we advance from crisis response to recovery and reform. Overnight, clinicians, healthcare providers, pharmaceutical companies, and payers shifted their work onto virtual platforms and adopted other digital technologies. As consumers grappled with a deadly new virus, providers embraced virtual technology in unprecedented numbers so that they could continue to serve patients despite restrictions on in-person interactions. This enabled them to achieve a decade's worth of reforms in a short span of time. Players across the public and private sector

have boosted data analytics capabilities to respond to ongoing shifts in healthcare needs, consumer behaviour, and the economy. This simultaneously highlighted the apparent weaknesses in areas such as supply chain and cyber security, but identified early warning signs and opportunities to innovate.

Our approach

The PwC healthcare consulting team embarked upon a first-time assessment of the state and future prospects of the healthcare industry in South Africa given all of the transformation at play. Objectives from the assessment include the understanding of the biggest risks, threats, and opportunities facing healthcare organisations in public and private sectors in South Africa. We aimed to identify the biggest innovations and disruptions expected in the next five years in the industry, and to capture the impact and response on the healthcare industry with regards to the COVID-19 pandemic. The team used a dual qualitative approach and surveyed 31 C-suite leaders of South African healthcare organisations across all sectors, by conducting in-depth interviews or online digital surveys. The executives are affiliated with a variety of sub-industries within the healthcare sector of South Africa. Although our study did not cover the entire healthcare sector in South Africa, we found five key insights that are in line with other international studies and can be used by company executives and other decision-makers to map the course of their organisation's transformation.

Key Insights

1

National Health Insurance (NHI) will revolutionise South Africa's healthcare landscape and create opportunities for public private collaboration and innovation.

2

The COVID-19 pandemic has rapidly transformed the outlook of healthcare organisations in terms of their preparedness and resilience measures.

3

The future of healthcare is brighter than ever with innovation and technical disruption progressing in leaps and bounds.

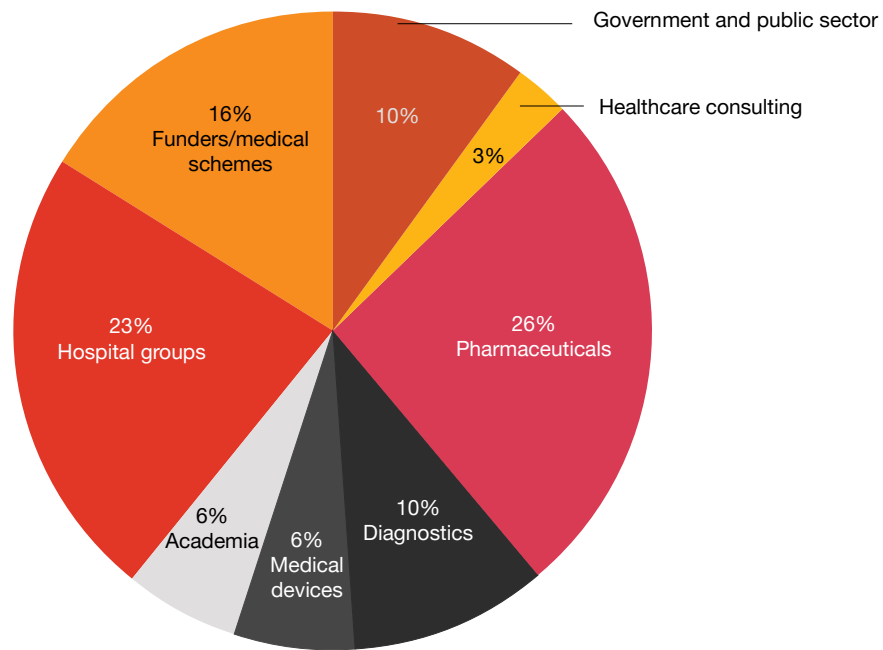
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The healthcare industry needs an increased focus on Environmental, Social, Governance (ESG) initiatives and measurements.

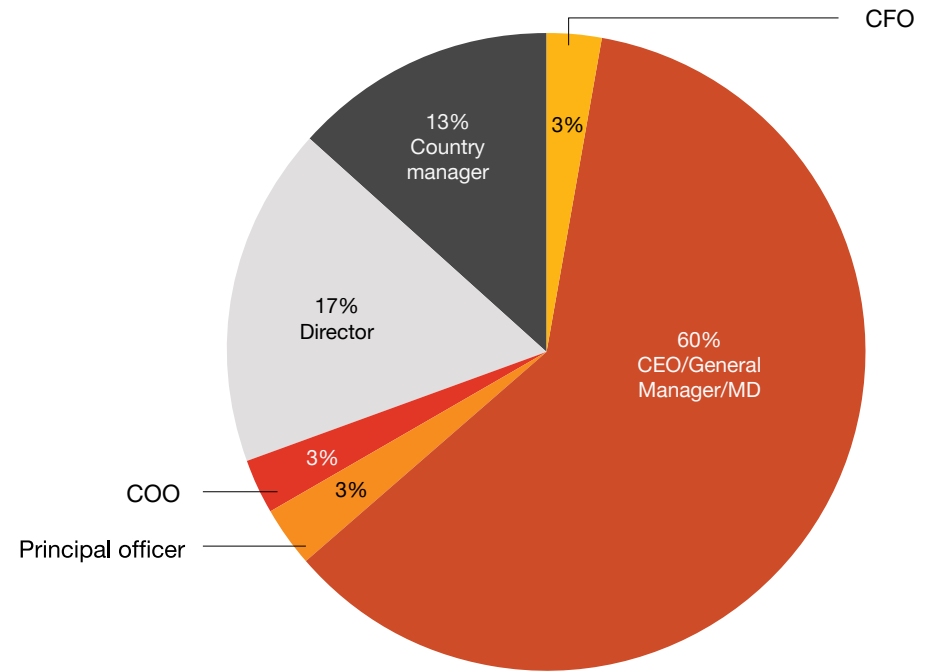
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Cybersecurity is critical for all organisations and is becoming an increased threat as data volumes increase.

Healthcare subsectors represented in this study



C-suite leaders represented in this study



Key themes and insights

Theme 1

The future of healthcare is brighter than ever

40% of respondents mentioned that International Donor Agencies are amongst their top 3 key stakeholders with whom they interact.

63% of respondents mentioned that they are implementing staff development and technical training programmes to deal with the staff shortage and upskill their staff accordingly.

65% of respondents have a dedicated innovation team. 76% of respondents have a formalised digital strategy in place.

37% of survey respondents are not consulting with patients at all when developing their organisations' strategies.

100% of respondents support the intent of NHI and the model of universal health coverage.

50% of respondents felt that NHI will achieve or partially achieve its objective of improving health access.

52% of the organisations in this survey reported having begun engaging with the National Department of Health and developing some type of plan and strategy for NHI.

Theme 2

NHI will revolutionise the healthcare landscape in South Africa.

Key themes and insights

Theme 3

The COVID-19 pandemic has rapidly transformed the outlook of healthcare organisations.

50% of survey respondents reported that the pandemic accelerated their organisation's journey to reach its goals. Additionally, 21% reported no setbacks for the organisation due to the pandemic

76% of respondents believed that their organisation had been very agile during the pandemic

69% of respondents to the survey believed that the COVID-19 pandemic has negatively impacted the morale, engagement, and productivity of their workforce

29% of the organisations in the current survey reported that they are not ESG-focused at this stage.

71% and 65% of survey respondents reported higher importance of the social and governance pillar. 6% of the organisations believed the environment pillar in healthcare is NOT important at this stage.

Only 28% of the respondents believe that their organisation is mature in terms of the social pillar. In contrast only 11% believe they are mature in their environment and government pillars of ESG. 71% of the survey respondents believed that their ESG plan could be a differentiator for them.

Theme 4

The Healthcare sector needs an increased focus on Environment, Social and Governance (ESG) efforts.

Key insights

Theme 5

Cybersecurity is a critical risk for all organisations.

Only 21% of respondents felt totally secure from cyberattacks

87% of respondents in the private sector believe that their current data protection regulations and policy are sufficient to protect their patients' or sensitive information



The future of healthcare is brighter than ever

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We need to be agile in the face of technology and innovation. Our future is dependent on that.

CEO – healthcare organisation South Africa



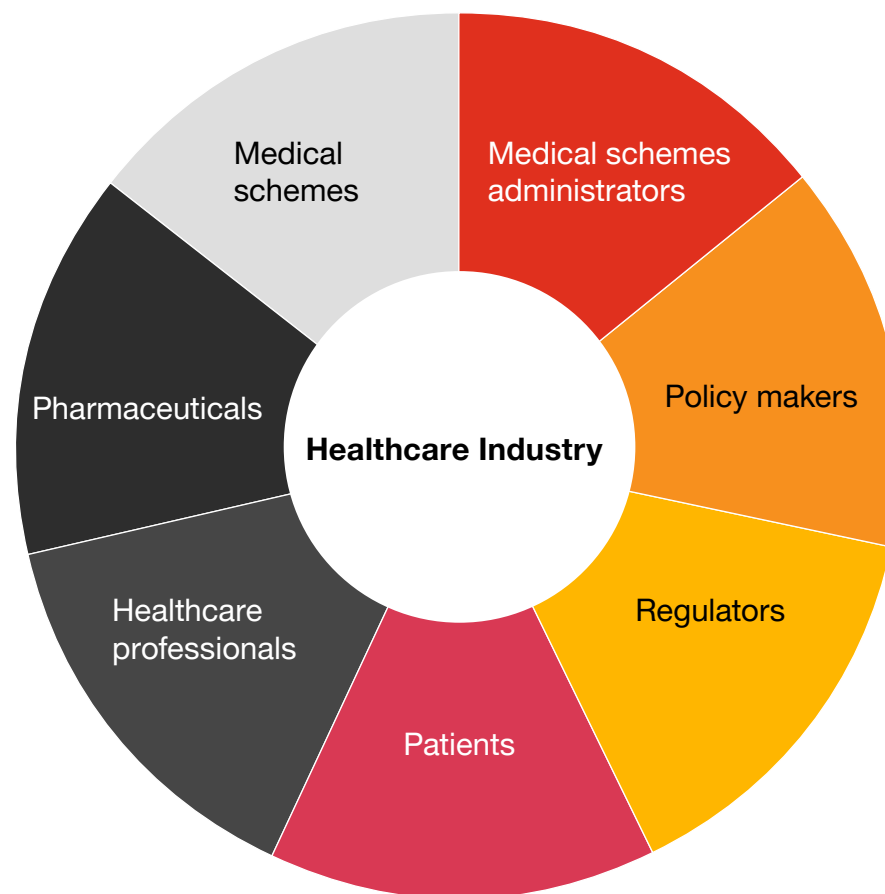
The current state of the healthcare industry in South Africa

The healthcare industry in South Africa is influenced by several stakeholders. When asked about the level of collaboration amongst survey organisations and these stakeholders, **70% of the organisations reported to have a high level of collaboration with the various stakeholders, especially with National Department of Health (NDoH) and international donor agencies.**

The NDoH is the ultimate custodian of the healthcare sector in South Africa and stakeholders from both the public and private healthcare sectors influence the industry in differing yet an intersecting manner. Interestingly in the current study, **40% of respondents suggested that international donors are amongst the top three key stakeholders in South Africa whom they interact with.** Although, South Africa is one of the least aid-dependent countries in Africa, international donor agencies play a critical role in providing funding and resource support to the South African healthcare system. They support the South African government as a strategic extra-budgetary resource to improve systems, share best practices, experiment with new models, unlock bottlenecks, add sustainable value, and play catalytic roles in the delivery of healthcare services.

40% of respondents mentioned that International Donor Agencies are amongst their top 3 key stakeholders with whom they interact.

Stakeholders involved in the healthcare industry of South Africa

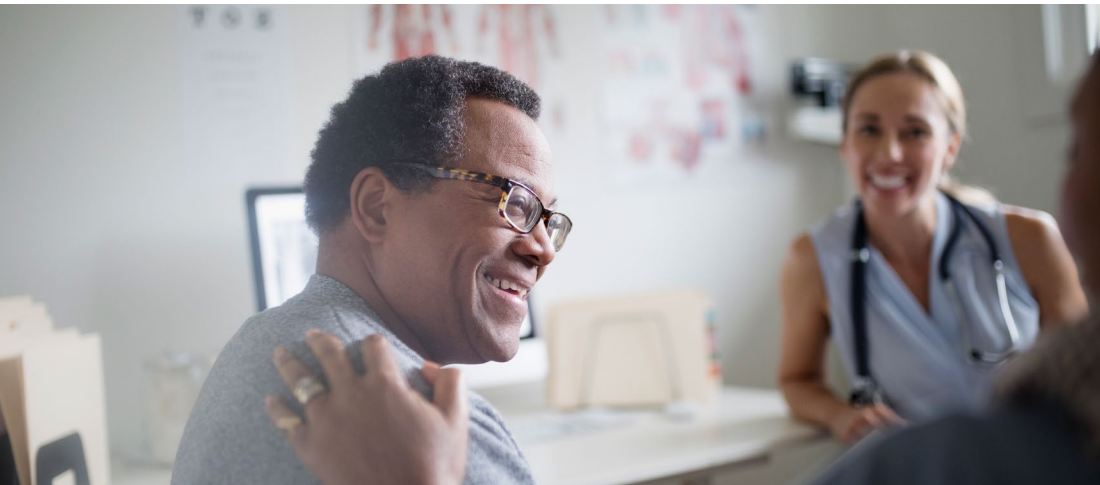
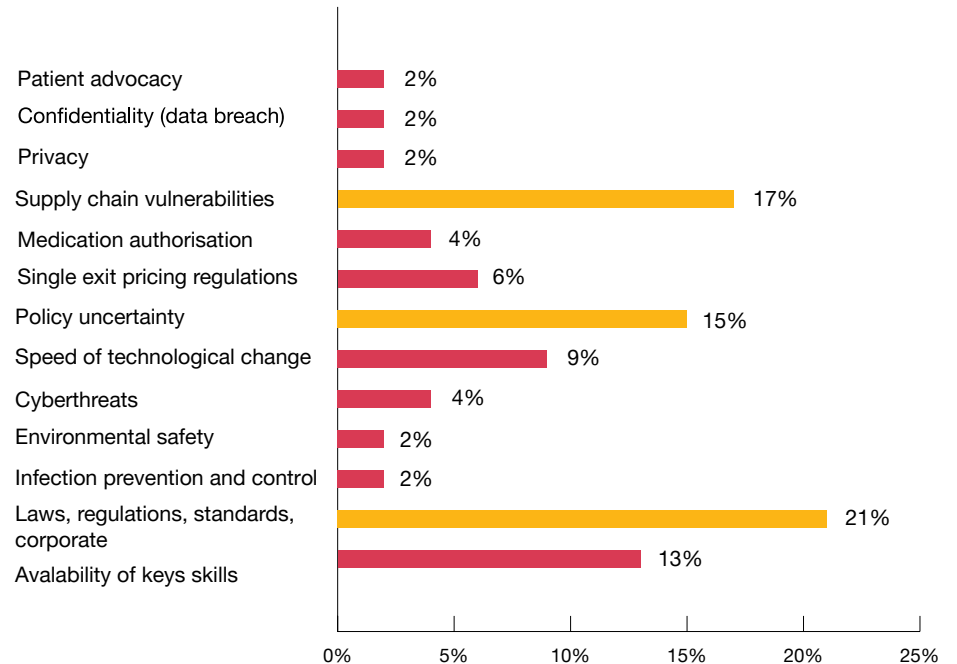


Current risks and threats for healthcare organisations

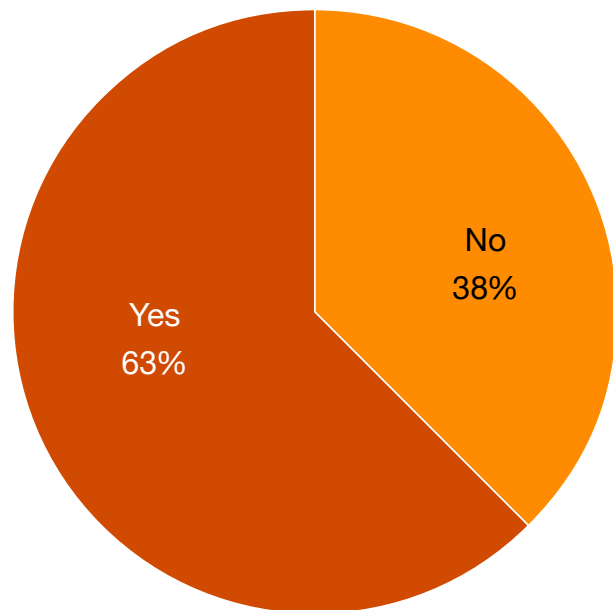
In the current survey, **laws, regulations, standards, corporate compliance, and policy uncertainty** are the top risks impacting the respondent's organisation in South Africa. Additionally, **50% of the survey respondents reported that healthcare policies and regulations are limiting them from delivering organisational growth**. With NHI on the horizon, uncertainties around the implementation plan, governance, and funding of the NHI, was expressed from several respondents. Additionally, single exit pricing and restrictions within the Medical Schemes Act and not allowing the opportunity to develop low-cost benefits were identified as critical threats. However, **90% of the respondents confirmed that their organisation is confident in mitigating these risks and threats** by collaborating and engaging with industry associations, policy makers, and the public sector to harness long term relationships and collaboration during the NHI implementation and beyond.

Supply chain vulnerabilities were identified as a top risk impacting the respondent's business in South Africa. Building resilient healthcare supply chains has taken on a new urgency globally in light of the COVID-19 pandemic. The traditional approach to managing the complex web of organisations, people, activities, information, and resources that supply products and services to consumers has fallen short. This has left many organisations scrambling. The pandemic highlighted key vulnerabilities of the supply chain such as over reliance on markets in India and China for key manufacturing ingredients such as Active Pharmaceutical Ingredients (APIs). Globally, local manufacturing and data and analytics investments are booming.

Question: Which three of these risks and threats are currently impacting your business most?



Question: Have you implemented development programmes for your staff as the requirements are rapidly changing?



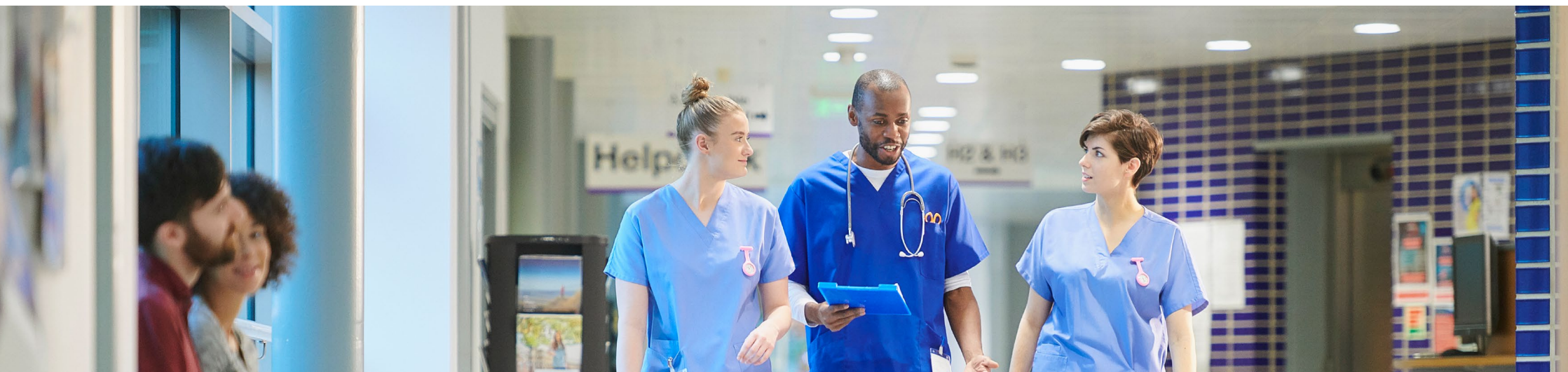
In terms of threats impacting the sustainability of the respondents organisation, once again NHI and **upskilling and talent retention** were reported as **key threats**.

The global skills shortage is evident. 80 million health workers will be needed by the end of the 2030s to meet the demands of the global population.² This is double the number of healthcare workers that existed in 2013.² There is a huge risk of not meeting this demand, mostly in lower-income countries. Nurses make up half of that gap: The world needs an additional nine million nurses and midwives in order to reach Sustainable Development Goal three of ensuring healthy lives and promoting well-being for all.

Increases in automation, changes in demographics, and evolving regulations make it more challenging for organisations to attract and retain the skilled talent they need to keep pace with the speed of technological change in healthcare. The digital age in healthcare requires continuous upskilling of the workforce. **In the current survey, 63% of respondents reported implementing development programmes for their staff to keep up with the changing environment and skills required.**

The Fourth Industrial Revolution has ushered in new business models and creative ways of working that require critical advancements in technical, digital and soft skills. Those skills are in very short supply. Indeed, the availability of key skills has been a top ten 'extreme concern' for the last decade, impeding innovation and prompting higher people costs. Employers and employees will have to work together and invest in upskilling or risk irrelevance.

63% of respondents mentioned that they are implementing staff development and technical training programmes to deal with the staff shortage and upskill their staff accordingly.



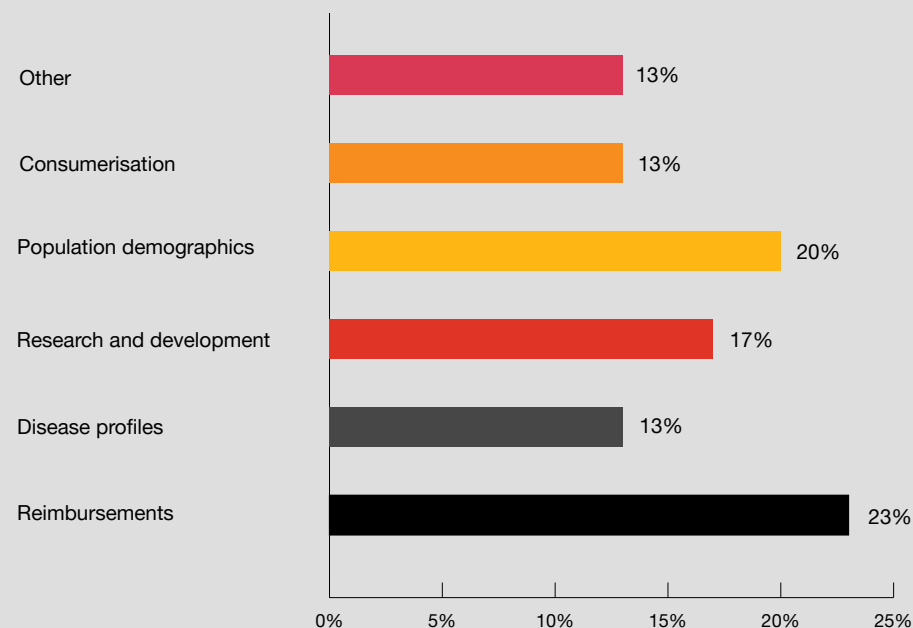
The future of healthcare is all about innovation

The survey respondents believed that the greatest level of disruption in the healthcare industry of South Africa will come from reimbursements, followed by population demographics and research and development (R&D). The NHI will bring about fundamental changes in the healthcare reimbursement landscape. South Africa is in the process of undergoing a demographic transition due to an ageing population. Within the next couple of decades, the median age is expected to rise from 27.6 years to 31 years.³ Furthermore, the influence of westernisation has promoted additional health risk factors in the population, such as obesity and the rise of non-communicable diseases. With the changing demographics and diseases profiles, R&D for new innovative health solutions and management will be required. To this end, many organisations are innovation focused and plan on having large investments in R&D going forward. **37% of survey respondents believe that improvements in healthcare will be brought about by innovation**, and many organisations are gearing up to embrace innovation

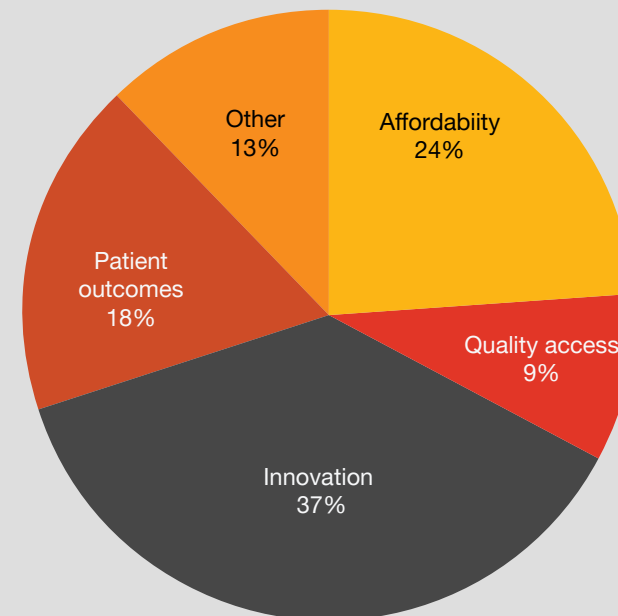
and technology. **65% of the respondents confirmed having a dedicated innovation team in their organisation at present, with 35% of respondents planning for an innovation focused team in the near future.**

Themes of telemedicine, artificial intelligence (AI) and digitisation were also identified in the survey, with **76% of the survey respondents confirming that they have a formalised digital strategy in place.** It is evident that digital transformation in healthcare is crucial for a patient-centric approach. It can help healthcare providers streamline operations, understand what the patient requires, build loyalty and trust, and offer a better user experience. Today, healthcare digitisation is reshaping the way in which patients interact with healthcare professionals and share medical data. Examples of digitisation in healthcare include telemedicine, blockchain, remote monitoring, AI medical devices, and electronic health records. All of which are on the rise in South Africa.

Question: Where do you expect to see the greatest level of disruption in healthcare?



Question: Which areas will improve most in South Africa over the next five years?



65% of respondents have a dedicated innovation team. 76% of respondents have a formalised digital strategy in place.

Technology innovation will be patient focused

Technological innovation encompasses many aspects of healthcare, service delivery, product innovation, and more. **Survey respondents believe that most technological advances will be seen in R&D, specifically targeted therapy, and drug development. This is in line with international trends where technology has been a critical driver of advances in drug discovery. Examples include, automation, nanotechnology in targeted therapy, nanofluidics, imaging, software, and assay technologies.** Targeted therapy in cancer for example has been a focus area for many years and has shown promising results.

Data analytics is on the rise in healthcare. Correspondingly, **15% of respondents believe that technology will be focused on payer-provider analytics.** These initiatives have demonstrated substantial cost savings globally, as well as the potential for reducing healthcare costs locally through data centricity, predictive analytics, and AI.

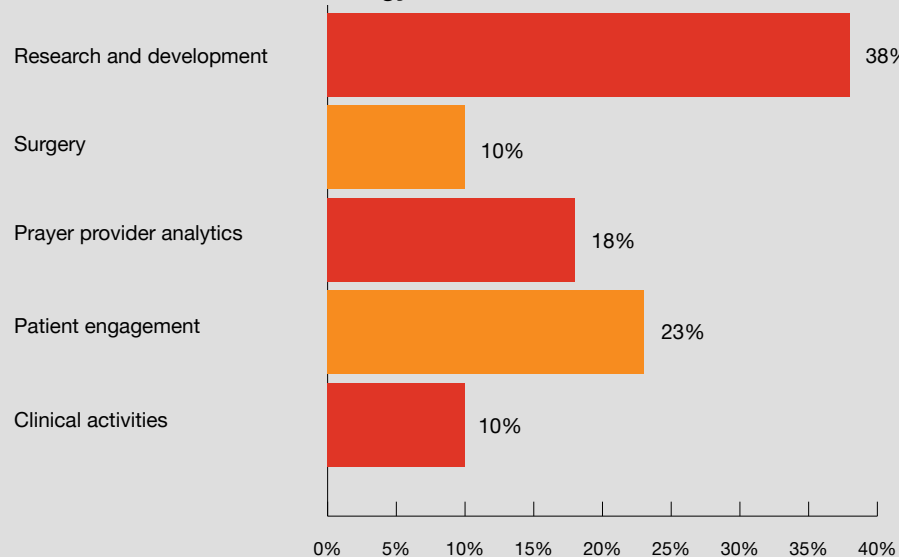
10% of survey respondents believe that technology innovations will be focused on surgery. AI, surgical robots, and 3D printing are increasingly gaining momentum globally.

Technological innovation encompasses many aspects of healthcare, service delivery, product innovation, and more. **Survey respondents believe that most technological advances will be seen in innovative patient engagement models.** Healthcare delivery is transcending beyond the four walls of clinics and hospitals, and while the idea of

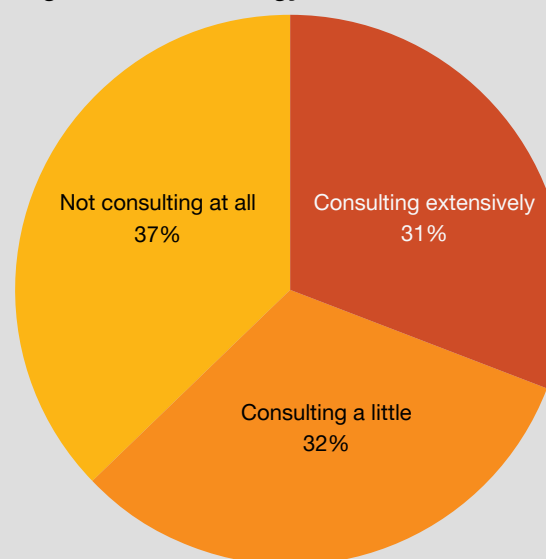
care being delivered entirely remotely was initially distant into the future, the COVID-19 pandemic has brought about accelerated adoption of telemedicine. Developing virtual care telemedicine capabilities requires substantial investment. The COVID-19 pandemic has driven deals, often in the form of healthcare organisation partnerships with virtual care providers and tech players. However, striking the right balance in virtual care is critical. Creating the right blend of virtual and in-person care can lower costs and free-up funds for further enhancements if payers, providers, and patients can work together to improve the overall patient experience. Before major progress can be made, adoption rates must stabilise, for healthcare to deliver both clinical excellence and operational efficiency in a patient-centric manner.

Co-creation of organisational strategies with the ultimate consumer - being the patient, is still vastly lacking in South Africa. A mere 31% of respondents reported that they included patients when developing their organisational strategies. This is in stark contrast with 100% of respondents reporting that they believe that patients are at the center of healthcare. Furthermore, **37% of survey respondents are not consulting with patients at all when developing their organisations' strategies.** This suggests that the industry needs to make an effort to listen to patients, understand their journey, and engage patient advocacy groups. Improving patient health literacy levels will be key for patient empowerment in a South Africa.

Question: Where will technology innovations be focused?



Question: To what extent are you consulting patients when developing your organisation's strategy?



37% of survey respondents are not consulting with patients at all when developing their organisations' strategies.



“

Patients are key role players and decision makers and they need to be considered and consulted throughout the health value chain

Managing director – SA healthcare organisation

NHI will revolutionise the healthcare landscape in South Africa



The purpose of NHI is to provide access and care to all patients. This goal is the same for all stakeholders

MD – healthcare multinational organisation



Is South Africa ready for NHI?

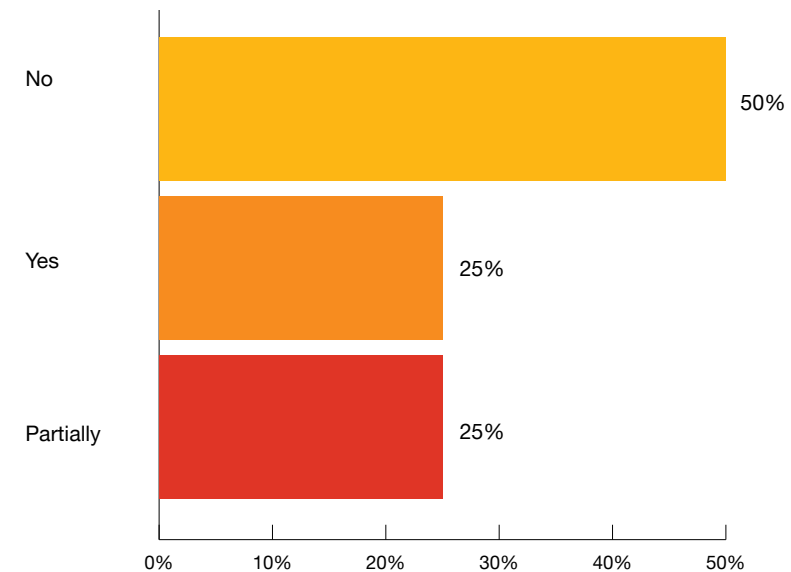
The National Health Insurance (NHI) is a healthcare financing system designed to pool funds to provide universal access to quality, affordable healthcare services for all South Africans and long-term residents.⁴ The purpose of NHI is to achieve universal access to quality healthcare services in South Africa under section 27 of the Constitution; to establish a National Health Insurance Fund (NHIF) and to set out its powers, functions, and governance structures; and to provide a framework for the strategic purchasing of healthcare services by the fund on behalf of users.⁴

Half of the survey participants believe that NHI will guarantee or partially guarantee equal access to healthcare whilst 100% of respondents support the intent of NHI and the model of universal health coverage. Some areas of clarity regarding the coverage and range of benefits to be provided, governance structures, the risk of corruption, healthcare worker capacity, and the impact on the private sector were raised by respondents.

Funding, governance, partnerships and dialogue is key for the success of NHI

Universal access to healthcare is morally and ethically correct, but these types of initiatives are most successful and sustainable when they are collaboratively planned, resourced, and demonstrate resilience in partnering. Our respondents mentioned that further detail regarding the implementation plan, governance, and funding of NHI is eagerly awaited. Participant responses revealed that access to funding, effective governance, meaningful public-private partnerships (PPPs), and the importance of transparency and communication between key players will be key success factors for the NHI. Respondents expressed an eagerness and willingness to collaborate across sectors to form successful partnerships. This would need to be done through robust dialogue between the public and private sectors and consideration of all aspects of the funds implementation, including legal, governance, policy frameworks, and socio-political aspects such as public sector capacity and the financial implications of partnerships. Management of these partnerships is likely to be guided by global and local best practices in healthcare purchasing, provisioning, procuring, and managing health services. These best practices will improve access, equity, quality, and innovation while serving the current uninsured population and leveling the playing fields to access quality healthcare.

Question: Will NHI meet its objective of providing equitable healthcare access to everyone in South Africa?



100% of respondents support the intent of NHI and the model of universal health coverage

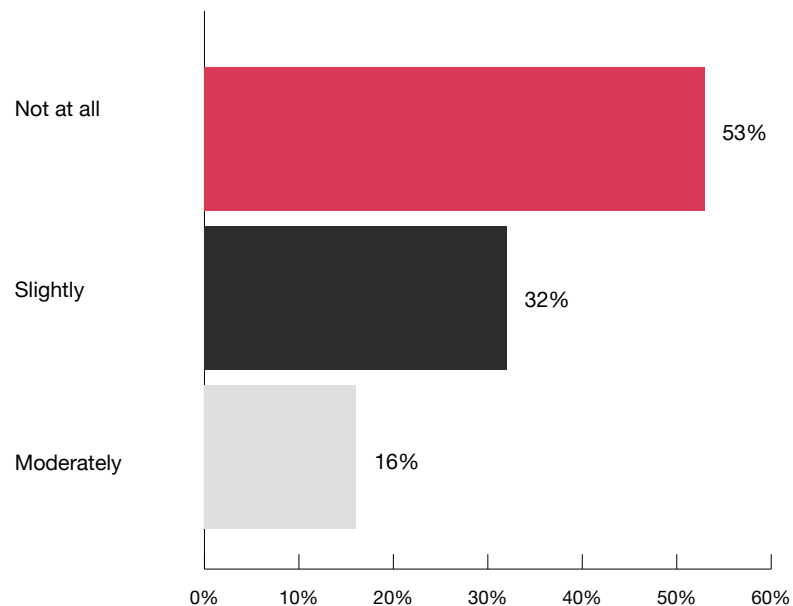


Will NHI improve health outcomes?

More than half of the respondents thought that the NHI would likely not improve South Africa's health outcomes in its early phases. Similarly half felt that it will achieve or partially achieve its objectives. However, public trust in the healthcare system and the NHI governance has to be achieved first and considerable change management across the public and private sectors will be required. Respondents also felt that unless stakeholder relationships are managed carefully and well before the rollout, there may be hesitation from all stakeholders due to a lack of transparency and communication.

The right mix of skills and people will also be critical to the success of the NHI, including healthcare workers and personnel at all levels. Collaboration and dialogue with healthcare workers are critical to preventing the loss of key talent from South Africa, as healthcare workers and their buy-in into the NHI will form the backbone of the healthcare delivery.

Question: To what extent do you believe NHI will improve health outcomes across the public and private sectors?



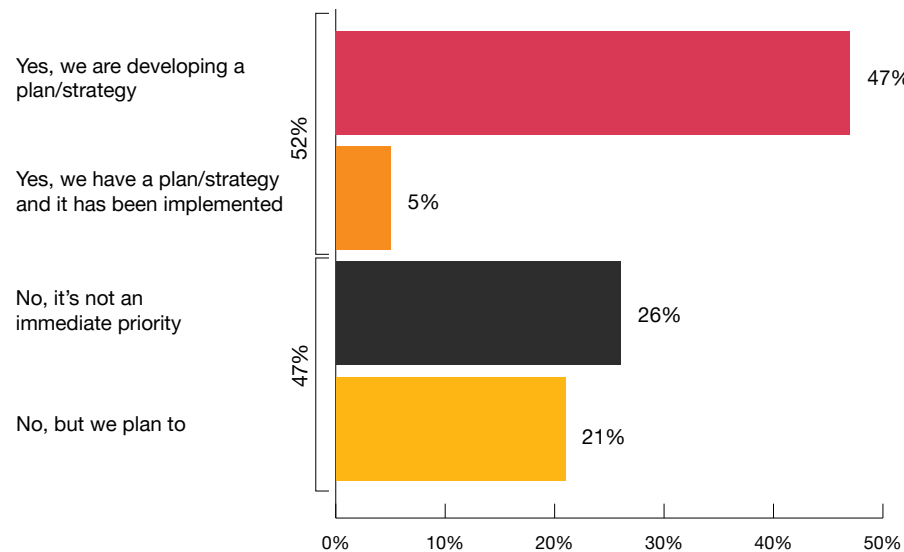
Collaboration and dialogue with healthcare workers are critical to preventing the loss of key talent from South Africa

Are healthcare organisations ready for NHI?

When it comes to NHI readiness of healthcare organisations, the medical schemes and pharmaceutical companies are particularly concerned about their role in NHI. **52%** of the organisations in this survey reported having begun engaging with the National Department of Health and developing some type of plan and strategy for NHI. On the other hand, **47%** of the organisations have no plan for NHI and **26%** believe it is not a priority.

The lack of clarity on the roles and responsibilities of the various private sector players is a rising concern in the industry. Dialogue and transparency are required to support collaboration. This is important to ensure subsectors and organisations are adequately prepared for the NHI and have the model included in their organisational strategies.

Question: Have you developed and/or implemented a plan/strategy around NHI?



52% of the organisations in this survey reported having begun engaging with the National Department of Health and developing some type of plan and strategy for NHI.

COVID-19 has rapidly transformed the outlook of healthcare organisations



The pandemic is a catalyst for many good things, including the uptake of technology and increased focus on our people and their health

CEO – multinational healthcare organisation



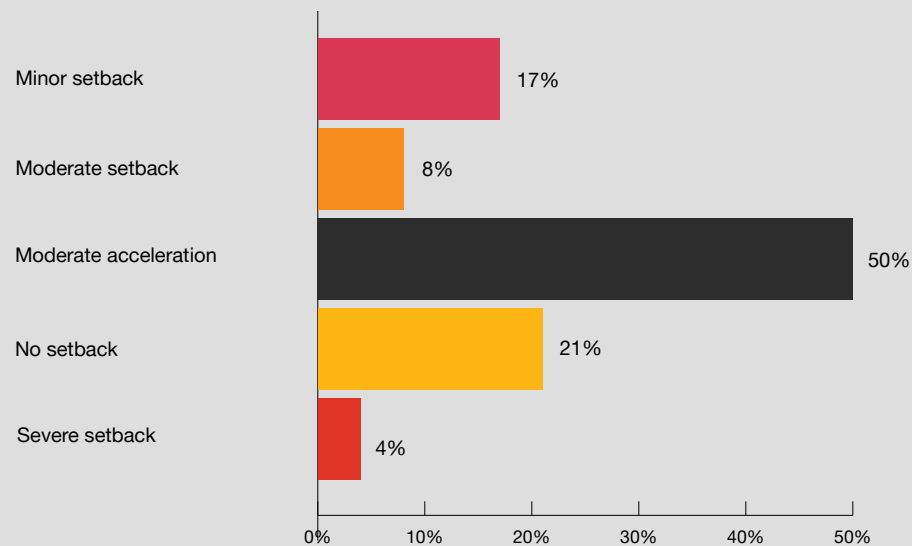
COVID-19 accelerated change in healthcare

The COVID-19 pandemic has brought about both opportunities and challenges to the healthcare industry. **50% of survey respondents reported that the pandemic accelerated their organisation's journey to reach its goals. Additionally, 21% reported no setbacks for the organisation due to the pandemic.** The COVID-19 pandemic has illuminated key data and analytics and collaboration challenges that we've long seen in the industry. However, the sense of urgency in our collective response to COVID-19 rallied stakeholders around a common purpose. As a result, healthcare organisations have seen an accelerated digital transformation, not just in data and analytics, but across the entire healthcare ecosystem. This allows them to progress towards their long-term goals.

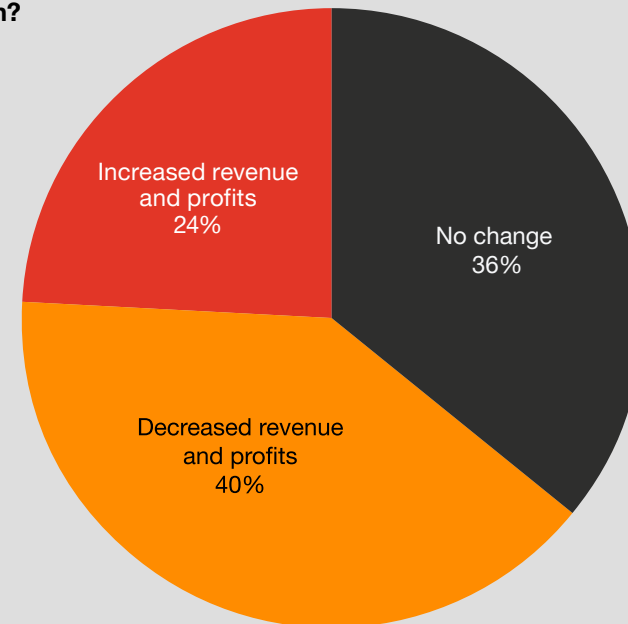
In terms of commercial impact, 40% of respondents reported decreased revenue and profits in their organisation. However 36% of survey respondents reported no impact on

their commercials and 24% in fact claimed to have gained revenue and profits. Many organisations faced initial revenue loss due to increased restrictions and lockdowns, but organisations that were critical for COVID-19 medicine, personal protective equipment, and oxygen supply had increased revenue where COVID-19 treatment and management became a new revenue stream. On the other hand, reductions in elective surgery and other healthcare utilisation contributed to reduced revenue for many clinical organisations. Additionally, large capital expenditures were made by these organisations in technology to support virtual/ remote care for patients. Overall, some organisations with many portfolios and service offerings had mixed commercial impact. This was because one portfolio had reduced revenue and another with increased revenue, cancelling out the effects and leading to little to no overall commercial impact on their organisation.

Question: To what extent has the COVID-19 pandemic impacted your organisation's achievement of its intended goals?



Question: What commercial impact has the COVID-19 pandemic had on your organisation?



50% of survey respondents reported that the pandemic accelerated their organisation's journey to reach its goals. Additionally, 21% reported no setbacks for the organisation due to the pandemic

Healthcare organisations were profoundly agile in the face of the COVID-19 pandemic

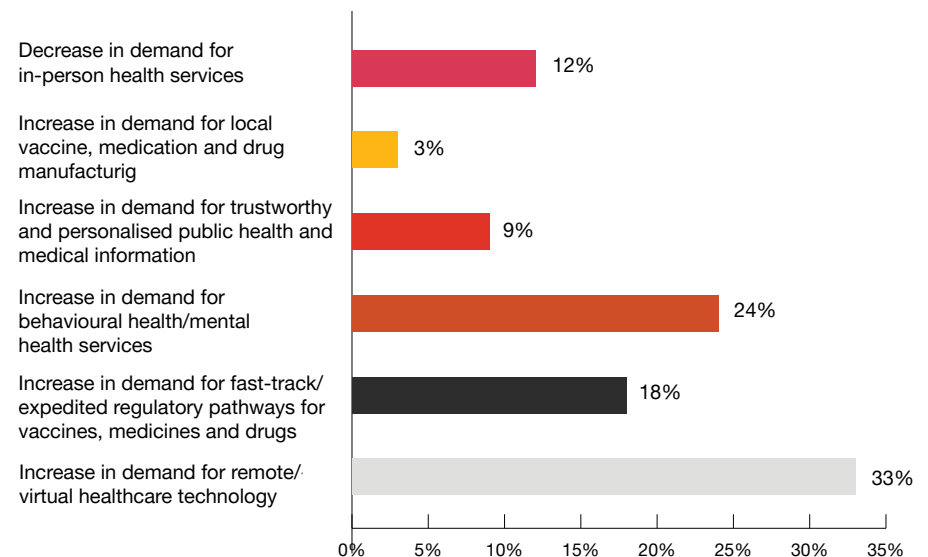
The pandemic forced an immediate halt to most in-person, non-urgent care and promoted a quick uptake of virtual healthcare. Since the initial spike, utilisation of virtual healthcare has declined somewhat. But it remains at a level significantly higher than it was before the pandemic. The actions of investors and players and the opinions of consumers suggest that demand for virtual care will remain high even post the pandemic. In line with this, in the current study, the most pronounced **long-term impact of COVID-19 also included an increase in demand for virtual healthcare technology and a decrease in demand for in-person health services.** Even post the pandemic, advances in technology and consumers' desire for convenience will drive the adoption of virtual care to a level that disrupts the traditional care delivery system. As a result, provider and payer organisations will inevitably need to develop sustainable, forward-looking, comprehensive virtual care strategies that make sense from both a patient care and business perspective.

There are challenges with virtual healthcare. A key challenge for a clinical organisation is determining the right mix of virtual and in-person care and the types of virtual care that meet patients' needs while advancing strategic goals. Some specialities, including chronic disease management and care for mental health, might be better suited to virtual care. There may also be a gap between the demand for virtual care and the capacity to deliver it effectively. Investing correctly in increased and enhanced virtual care capabilities could attract patients drawn to remote care's convenience. This could expand the accessible patient population as physical presence becomes less relevant, and generate savings through improved clinician efficiency and reduced facility needs. Triaging care in the most appropriate setting, whether virtual or in-person, will create further efficiencies and improve outcomes. And of course, all of this will require substantial investments and funding which may serve as a bottleneck in the public sector.

Remarkably, in the current study, **76% of respondents believed that their organisation had been very agile during the pandemic**, especially when meeting its supply and demand needs. South African healthcare organisations stepped up to the crisis swiftly in comparison to many countries. Organisations have been impressive in quickly embracing technologies to serve the needs of patients.

In the current survey another top long term impact of the COVID-19 pandemic was the **increase in demand for behavioural health/ mental health services.** In the PwC global consumer survey, 36% of respondents said they had experienced symptoms of anxiety or depression as a result of the pandemic. 44% of respondents who had participated in video virtual care said they were interested in using it for mental health services even after the risk of COVID-19 subsides. The pandemic induced a considerable degree of fear, worry and concern in the population at large and among certain groups in particular. This includes older adults, care providers and people with underlying health conditions.

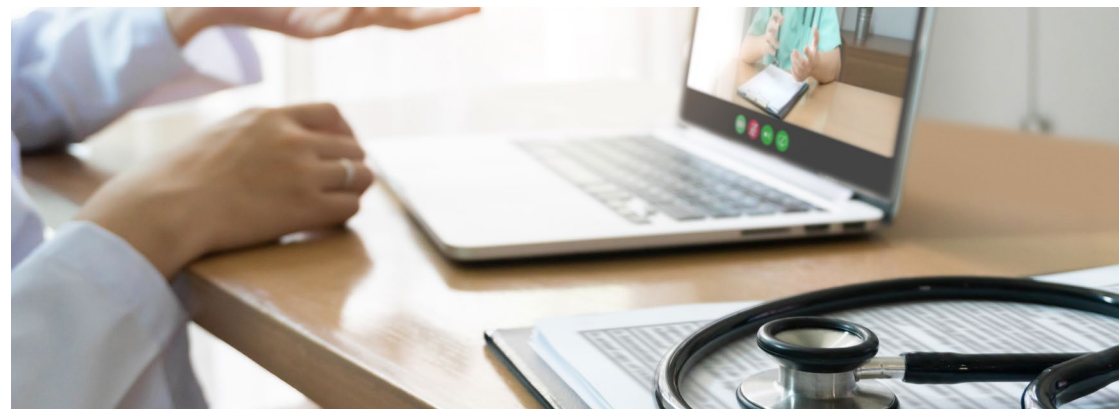
Question: What changes in consumer/client behaviour resulting from the COVID-19 crisis will have the greatest long-term impact on your organisation?



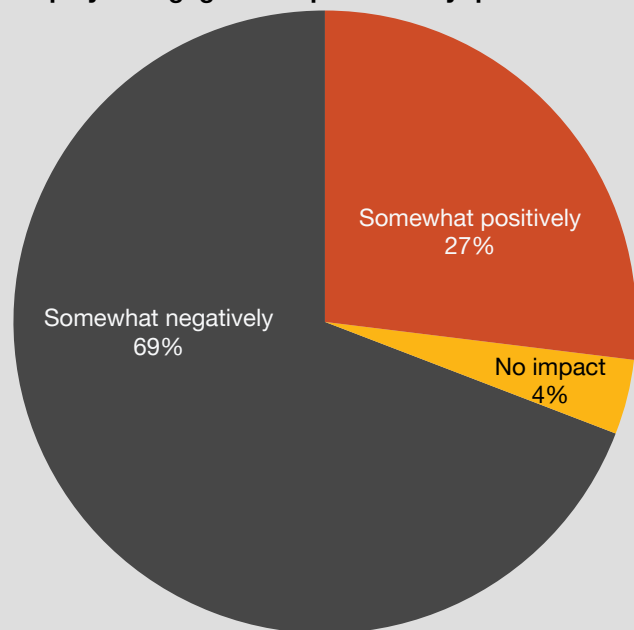
76% of respondents believed that their organisation had been very agile during the pandemic.

COVID-19 impacted the mental health of the healthcare workforce

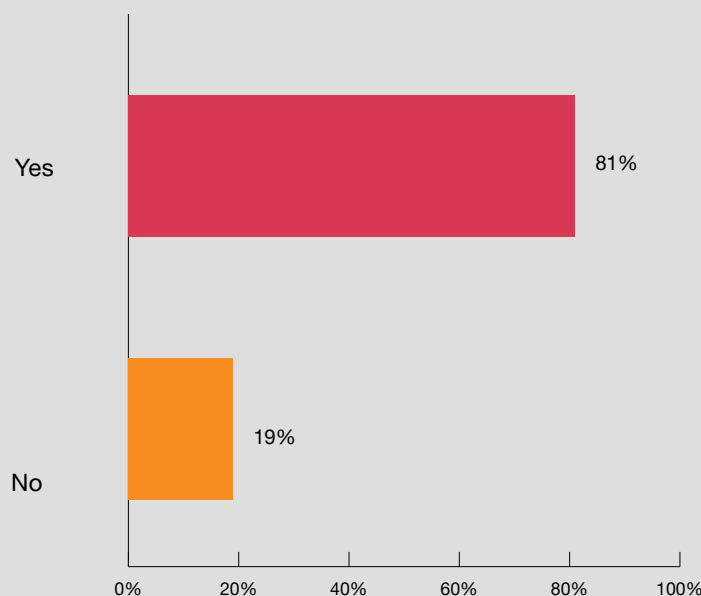
69% of respondents to the survey believed that the COVID-19 pandemic has negatively impacted the morale, engagement, and productivity of their workforce. A new way of working, with sudden virtual environments with high pressure on healthcare delivery has impacted both engagement and mental health of the healthcare workforce. A study by the World Bank also found that Covid-19's impact on the health workforce has resulted in exhaustion and increasing attrition, which has worsened existing health worker shortages in South Africa. Frontline healthcare workers are directly at risk of physical and mental consequences as a result of providing care to patients with COVID-19. However, the healthcare workers behind the scenes are also facing exhaustion and mental health issues in the industry. Employees of both the public and private sectors are required to work long hours and to meet increasing patient demands. Many organisations are now putting in place measures to mitigate the impact of COVID-19 on the mental health of their workforce. Accordingly, in the current survey, 81% of organisations have also worked on programmes related to mental health.



Question: To what extent has the COVID-19 pandemic impacted the morale/ level of employee engagement/ productivity/ performance of your workers and staff?



Question: Did your organisation put measures in place to mitigate the impact of COVID-19 on the mental health of your workforce?



Healthcare needs an increased focus on ESG



ESG is critical. Being in healthcare doesn't necessarily mean we are being socially responsible. There are other aspects to ESG and we need to look at community perspective as well

GM – healthcare organisation

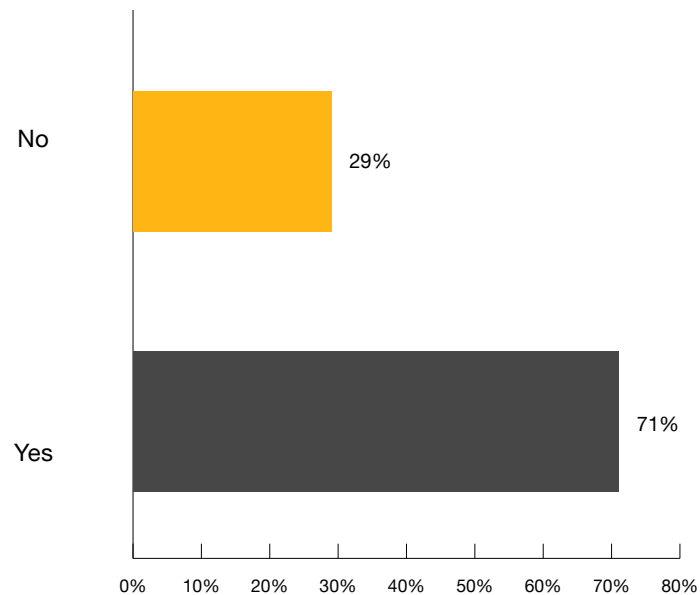


Are healthcare organisations ESG focused?

Environmental, social, and governance (ESG) efforts have increased in the healthcare industry globally. **Surprisingly 29% of the organisations in the current survey reported that they are not ESG-focused at this stage.** The COVID-19 pandemic has reshuffled priorities in many organisations but ironically it has also highlighted the crucial need for social equality as shown by vaccine and healthcare access inequality in many settings.

The healthcare industry has always embraced the social pillar of ESG efforts due to its focus on developing medicines, vaccines, and devices.⁶ However, in our research, many leaders demonstrated a renewed focus on social aspects **such as improving access to medicine, particularly cost-effective medicines and the investments in generics.**

Question: Do you have an ESG plan and focus in your organisation?



The Social Pillar is a focus for healthcare industry in South Africa

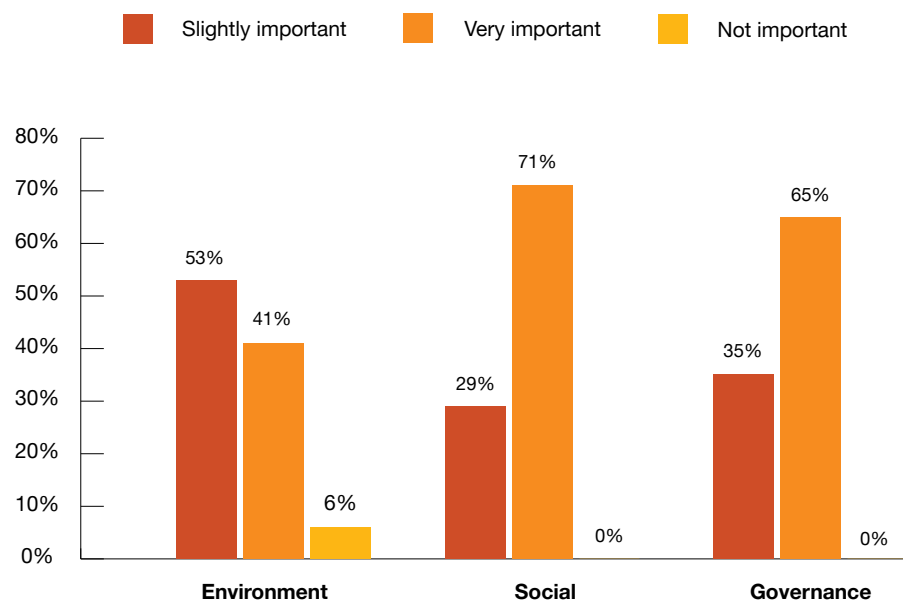
When it comes to the level of importance: in the survey, 71% and 65% of survey respondents reported higher importance of the social and governance pillar, respectively, when engaging with their customers. This includes social aspects such as employee wellness initiatives, diversity of executive leadership team, diversity of board of directors, training on diversity, workforce diversity, inclusion and equity, consideration of diversity and inclusion when contracting vendors and third parties, the gender pay gap and privacy. For the governance pillar, this includes parameters such as a formalised and documented transformation plan, gender and race representation at executive leadership level, a formalised and documented ESG plan with measurable metrics and timelines, and policies regarding fraud and corruption etc.

The environment pillar has been on the back foot for healthcare organisations for the longest time. In our survey, it was refreshing to hear in the interviews that many organisations now have set targets to become carbon neutral and/ or have zero waste. However, when compared to other ESG pillars such as the social and governance aspects, **6% of the organisations believed the environment pillar in healthcare is NOT important at this stage.** It could be speculated that due to the large disparity in the social aspects of South Africa, the local market is first drawn to that pillar before focusing on environment.

On the other hand, the impact of climate change and any mitigating actions taken by organisations rarely featured in the research. Although this is a growing concern globally, locally there seemed to be low focus. One of the frustrations of dealing with climate change is the long time horizon before any real environmental results become evident. It is true that those in a position to set and implement policy may not see the fruits of these initiatives during their tenure. At the same time, young people, the consumers and workers of the future are becoming more impatient and increasing their demands for stakeholders to act.

71% and 65% of survey respondents reported higher importance of the social and governance pillar. 6% of the organisations believed the environment pillar in healthcare is NOT important at this stage.

Question: To what extent are the ESG parameters important to your customers when engaging with the healthcare sector?

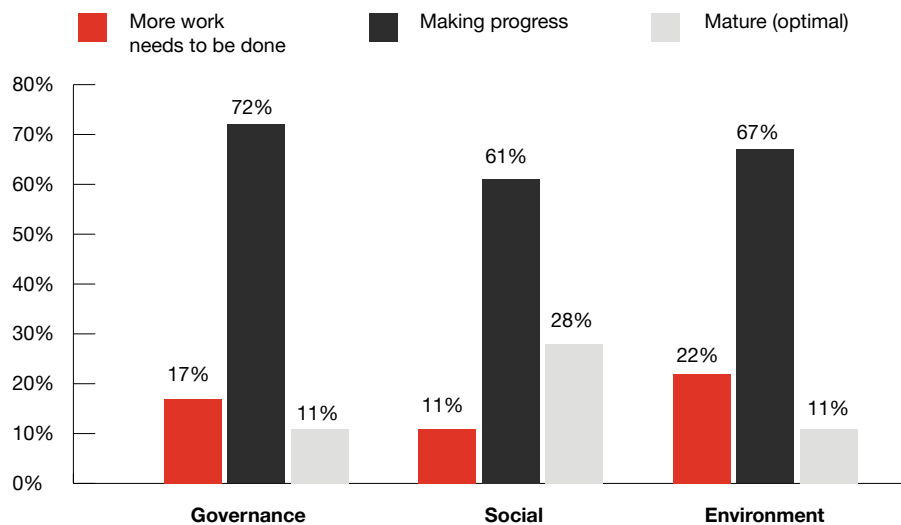


ESG can be a differentiator for healthcare organisations

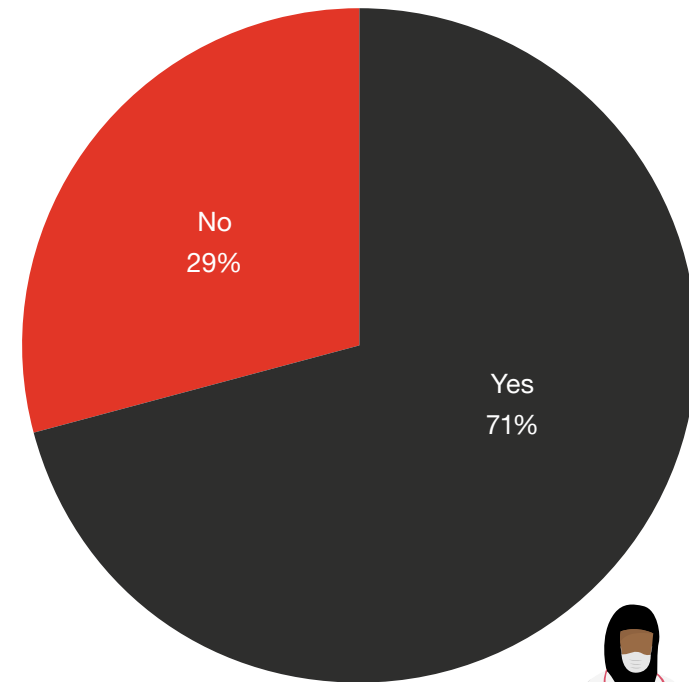
When it comes to maturity levels of healthcare organisations in terms of ESG, our research suggests that the majority of the participating organisations are making progress. **Only 28% of the respondents believe that their organisation is mature in terms of the social pillar. In contrast only 11% believe they are mature in their environment and government pillars of ESG.** ESG can certainly act as a differentiator for healthcare organisations. Currently, 71% of the survey respondents believed that their ESG plan could be a differentiator for them.

Although historically, healthcare has been associated more with the social pillar, the industry can reap rewards with an increased focus on the environment and governance pillars. For the environment, pharmaceutical companies already have to meet a stringent set of regulatory requirements to operate legally, including compliance related to reducing pollution and emissions. This could be incorporated into their ESG strategies. For the governance aspect, it is important to track ESG initiatives regularly within the organisation, with appointed ESG leaders and teams to direct focus on ESG initiatives such as gender, racial diversity, and pay equity goals.

Question: What is your organisation's overall maturity level or approach to ESG parameters?



Question: Do you think your ESG plan could be a differentiator for your organisation?



Cybersecurity is critical for all organisations



Cybersecurity is a real and constantly growing risk as we become more digital

CEO – healthcare organisation



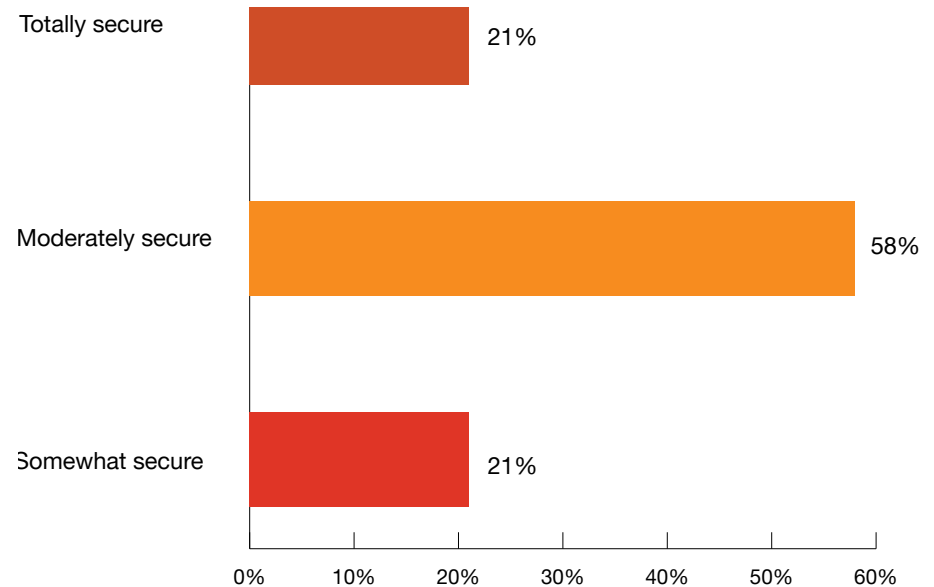
How protected is the healthcare industry from Cyberattacks?

Artificial intelligence (AI), robotics, and the Internet of Things (IoT) are technologies that leverage big data and connect the physical and digital worlds, driving the Fourth Industrial Revolution. These technologies, however, pose threats as well. The private sector's implementation of these innovations is outpacing the development of regulatory systems and standards to mitigate their risks. Organisations interested in global cybersecurity and internet governance are fragmented. There are no global or local protective frameworks capable of controlling digital technology attacks. In many cases, digital dominance is increasingly seen as both an economic competitive advantage and a national security imperative.

With the rise of new technologies, the likelihood and impact of cyberattacks are increasing and sound cyber security practices may be forgotten as organisations become more technologically dependent. As the threat landscape changes, attackers are starting to exploit novel situations, rapid technological and organisational change, and uncertainty, as demonstrated by the COVID-19 pandemic. For example, there was a 40% increase in cyberattacks in 2020.

According to our Healthcare Survey, **only 21% of respondents felt totally secure from cyberattacks**, indicating that healthcare organisations in South Africa need to focus more on cybersecurity, especially considering that patient's personal data might be at risk.

Question: How protected do you think you are from cyberattacks?



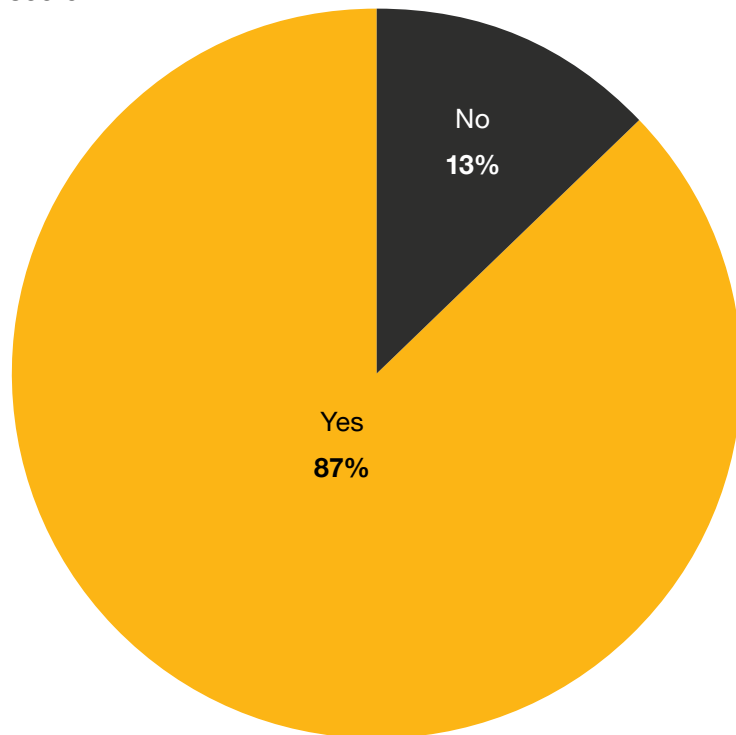
Cybersecurity needs to be taken seriously

100% of the public sector respondents believed that their organisation's current data protection regulation and policy is NOT sufficient to protect patient (or sensitive) information. Reasons for this could be because of the technology skills gap that may exist within the government. The public sector needs to access, attract and retain these skilled specialists and engineers to ensure the cybersecurity of their systems. With the Protection of Personal Information Act (POPIA) in place, it is crucial to have systems that can protect the privacy of its data. Ensuring the information captured in both public and private systems is properly protected and handled with the utmost confidentiality, is part of this process. Technology vendors in the private sector may be able to collaborate with the government and offer cybersecurity solutions.

The private sector, on the other hand, has **87% of respondents who believe that their current data protection regulations and policy are sufficient to protect their patients' or sensitive information**. There was an increased shift of more applications into the cloud to support these changes. The survey respondents shared that their organisations have upgraded and invested in data protection as a result of the COVID-19 pandemic. It is a work in progress but there are technologies needed to support remote working. Technology plays a critical role in enabling this, with organisations moving more applications to the cloud for email, document collaboration, and more. The digital revolution brings new risks, but can also be used to design security into systems from the beginning and move away from legacy information technology. The private sector of South Africa is aware of this and is investing heavily as it enters into the digital age.

Question: Do you think that your company's current data protection regulation and policy is sufficient to protect patient (or sensitive) information?

Private sector



87% of respondents in the private sector believe that their current data protection regulations and policy are sufficient to protect their patients' or sensitive information

Healthcare Reimagined

The COVID-19 pandemic has transformed the healthcare landscape. Reverting back to the same old way of doing business is no longer an option. Healthcare organisations have the opportunity to build on the lessons they learned in 2020 and 2021 by establishing a stronger footing on the balance between in-person and virtual care; embracing digital technologies and analytics to improve operations, investing in local manufacturing and building resilient supply chains, and increasing their focus on ESG. All of while protecting themselves from threats such as cyberattacks.

Healthcare organisations that do so will become stronger, more resilient, competitive and more efficient in their clinical and business outlooks. The healthcare workforce are the building blocks of the industry and upskilling is no longer a question but rather a requirement. Those furthest along in the upskilling journey cite employee retention as the primary challenge. However those just beginning the process find motivation and lack of resources to be the biggest obstacles. The reality remains, healthcare workers need to keep up with the speed of technological change and each organization is responsible for growing their workforce of the future.

The industry has a golden opportunity to come together and prepare for the momentous NHI. This will enable us to deliver equitable access and better health outcomes to all, with more sustainable and affordable costs for the people of South Africa. Public private collaboration, collective ideation and innovation linked with long term sustainable ESG solutions will transform our healthcare landscape and drive the NHI to a path of success.

Afterall, no matter what technology comes ashore, **healthcare first and foremost will always be about the patient at the heart of the matter.**



About the Authors



Etienne Dreyer is the healthcare consulting lead Partner of PwC South Africa. He has 21 years of experience in the healthcare industry, leading large complex projects and teams across the African healthcare public, donor, and private spectrum. He has helped to develop and implement sustainable digital solutions for funders, providers, donor organisations and government health Departments.



Dr Sana Charania is a manager in the healthcare consulting team and has experience with a range of healthcare clients, both from private and public sectors. She is a PhD graduate and has extensive experience in healthcare research, strategies, policy, guidelines and programme developments in the African market.

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