

HEALTHCARE SECTOR IN GHANA

Ghana's healthcare sector is one of the most advanced in West Africa. With large-scale investments in infrastructure, expanding insurance coverage and an increasing role for private investors, Ghana's health sector is evolving rapidly. Though the country has done well in addressing pressing health care issues, there is still work to be done on areas including communicable diseases, infant care and maternal health. However, the growing incidence of non-communicable diseases presents a new range of challenges. With government resources limited, there is growing scope for the private sector to participate in the construction, management, consultancy and financing aspects of health care.

SUB-SECTORS

The health care system is overseen by two (2) main agencies. The Ministry of Health (MoH) is responsible for policy-making as well as evaluation and monitoring, while the Ghana Health Service (GHS) is charged with implementing and administering health services across the country. This separation of responsibilities occurred after the enactment of Act 525. Over the past decades, Ghana's health care priorities have been to expand towards universal coverage and to improve the key indicators of general health, including reducing preventable mortality and increasing life expectancy. There has been substantial progress while it does fall short of performance in developed countries.

Associations and agencies within the sector are as follows:-

- Ghana Medical and Dental Council
- Pharmacy Council
- Ghana Registered Nurses and Midwives
- Alternative Medicine Council
- Food and Drugs Authority
- Private Hospitals and Maternity Homes Board
- National Health Insurance Authority
- Ghana national Drugs Programme
- Christian Health Association, Ghana
- Ghana Health Service

For detailed information on the above agencies, kindly refer to their websites.

NATIONAL HEALTH INSURANCE SCHEME (NHIS)

Successive governments have launched several initiatives to widen access to healthcare since its inception, including the subsidized National Health Insurance Scheme (NHIS). However, Ghana's NHIS will continue to come under increasing scrutiny with regards to its financial sustainability, with the National Health Insurance Authority (NHIA) posting consistent deficits. Ghana's government has talked about diverting a significant amount of its anticipated oil revenue into the healthcare sector; however, with oil prices having fallen substantially since the end of 2014, the country's state finances will be thrown into question. However, with the oil sector accounting for under 10% of fiscal revenues, and the ramping up of oil production, we expect the government's funding of the healthcare sector to be, for the most part, unaffected by the recent decline in oil prices.

The government allocated a 17% increase in funding to GHS2.7bn (USD695mn) towards the healthcare sector in its 2015 state budget, highlighting its commitment to the sector. Moreover, the 2016 State

Budget announced funding of GHS3.4bn (USD887mn) for the health sector, an increase from GHS2.7bn (USD704mn) allocated in the 2015 budget. Of this allocation, 63% was to be used for the funding of primary healthcare programmes. Moreover, the National Health Insurance Levy, first introduced in April 2015 and placed upon financial institutions, was expected to yield GHS6.9bn (USD1.8bn) in 2016 and be put towards funding the NHIS. This falls in line with the 15% target set at the Abuja declaration in Nigeria. However, while this appears to be a positive development, it is important to note that the government has under-spent its healthcare budget each year for the past five years. The last two years have seen the budget disbursement rate drop to below two-thirds of that allocated, leading us to believe that this year's budget is likely to be under spent once again, providing another risk to investors.

PHARMACEUTICAL SECTOR

Ghana's pharmaceutical market is amongst the largest in the West African region. Ghana's pharmaceutical market was valued at GHS1.1bn (USD290mn) in 2015, which is fairly modest in global terms and even by regional standards, representing just under USD11 per capita. Prescription medicines dominate the market representing 73% by value, while OTC medicines occupy a considerably smaller share at 27%. The prescription market share is split relatively evenly between patented drugs and generic drugs. However, we expect the market to become increasingly penetrated by generic medicines over the long-term, somewhat eroding patented medicines' share. Pharmaceutical sales accounted for 0.8% of GDP and 25% of total healthcare expenditure in 2015.

As of 2015, healthcare expenditure in Ghana was valued at GHS4.4bn (USD1.16bn), with public healthcare expenditure accounting for just under 60% of the overall market share. We expect this to increase as a proportion of total healthcare spending as reforms to Ghana's NHIS are passed and healthcare spending represents just over 3% of GDP with per capita spending at USD42. Private healthcare expenditure was valued at GHS1.8bn (USD470mn) in 2015, corresponding to 40% of the total market share.

The Pharmaceutical Manufacturers Association of Ghana has 38 registered members, with domestic companies accounting for 30% of the country's pharmaceutical market. The main domestic players are Danadams, M&G Pharmaceuticals, Ayrton Drug Manufacturing and LaGray Chemical Company. There is a multinational presence in Ghana and some work in collaboration with local firms through domestic partnerships - GlaxoSmithKline, for example, uses Ghanaian firm Ernest Chemists (which works in retail, distribution and drug manufacturing). The company also works with Roche and Johnson & Johnson.

Healthcare Infrastructure

Expanding health care infrastructure has been a top priority for the MoH in recent years, with substantial investments in a range of hospital and clinic construction projects. The Ghanaian healthcare sector will benefit from investments into expanding healthcare with the government's spending of more than USD1bn on key healthcare infrastructure projects over the coming years aimed at increasing access for the population. This will improve public health services in the long term, further boosting insurance uptake.

Healthcare Insurance

As it stands, those under 18, over 70 and pregnant women are all exempt from contributions to Ghana's NHIS, yet they represent over half of the total 11.2mn subscribers. In fact, it is estimated that between 65 and 70% of subscribers do not contribute to the scheme, creating a large funding gap which was reported at GHS337mn (USD88mn) in 2016. Social security contributions from formal sector employees account for 22% of NHIS revenue, but these contributors only represent 3.5% of those registered.

Planned Reforms

In July 2016, stakeholders from Ghana's Health Service (GHS) and NHIA met to discuss proposals for strengthening the country's NHIS and achieving universal health coverage. Policy reforms put forward included:

- Increasing the current contribution of 2.5% VAT to 3.5%.
- Extensive membership awareness campaigns to encourage NHIS enrolment.
- A universally guaranteed primary healthcare package for all members of the NHIS. Chairman of the NHIS Review Technical committee, Dr Chris Atim, announced that 'guaranteed primary healthcare will ensure that all Community-based Health Planning and Services compounds are accessible to all NHIS card holders'.
- A guaranteed maternal and child healthcare package at all levels of the health system.
- Capitation of the NHIS payment system as to address the issue of late payments of claims to health service providers.

An increase of the current contribution of 2.5% VAT to 3.5% would be the most sustainable method, given that funds from VAT contribute over 70% of NHIA revenue. In fact, there appears to be a consensus that parliament is prepared to pass legislation allowing an additional allocation of 1% of VAT to the scheme.

INDUSTRY TRENDS & ANALYSIS

- Ghana is a relatively attractive market for pharmaceutical investment in West Africa.
- Ghana has its own drugmakers that mostly manufacture generic drugs and OTC medicine, which is also exported regionally.
- Government investment in healthcare and pharmaceuticals is expected to increase once oil revenues are generated, although budget plans remain unclear.
- Government's special investment and interest in developing a local pharmaceutical sector.
- Cheaper generic imports from abroad need to be carefully controlled to prevent competition from wiping out local drug manufacturing, which also lacks investment finance.
- Local drugmakers are in a favourable position for entering joint ventures with foreign pharmaceutical firms, particularly as regional exports are becoming more important.
- The Ghanaian government is actively making progress towards fulfilling its ambition of being the Economic Communities of West African States (ECOWAS)' hub for pharmaceutical and healthcare investment.
- The government, in association with foreign aid agencies, is upgrading local capacity.
- Continental drugmakers familiar with the disease burden and local demand will find licence deals with Ghana's local manufacturers, which require investment in order to diversify portfolio and increase output.
- The growth of Ghana's pharmaceutical market will be largely driven by the continued expansion and participation of the government-subsidised National Health Insurance Scheme. The recent addition of cancer treatment drugs to the scheme will increase opportunities for multinational drugmakers in the country.
- In November 2016, Ghana's NHIS introduced a new initiative around the card renewal system in an attempt to reduce the number of subscribers failing to renew membership on an annual basis.
- Removal of tax on some imported raw pharmaceutical materials will make local manufacturers more competitive.
- Domestic drugmakers gaining support towards achieving WHO qualification and GMP certification.
- In October 2016, the Pharmaceuticals Export Promotion Council of India (Pharmexcil) accepted Pharmacopoeia in Ghana. Whilst the recognition of Indian Pharmacopoeia (IP) in Ghana is being delayed,

acceptance would likely reduce pharmaceutical production costs and also reduce drug registration time in both countries.

- Ghana's pharmaceutical manufacturing sector currently comprises 38 registered firms, employing a wide range of professionals including pharmacists, chemists, engineers and technologists. More than 75% of the companies are owned by Ghanaian entrepreneurs, with 3 listed on the Ghana Stock Exchange (Starwin, Ayrton and PZ Cussons).
- The local industry has an installed capacity for both solid and liquid dosage forms to supply all domestic needs as well as enough for export. There is however capacity under-utilization (less than 55% on the average) as a result of inadequate resources. The Ghanaian pharmaceutical market is made up of approximately 30% locally produced and 70% imported products. (The latter originating mainly from India and China).
- There are two companies engaged in the production of parenteral preparations (injectables), Koforidua Intravenous Infusions Ltd and Sanbao (Gh) Pharmaceuticals Ltd, as well as one company, LaGray Chemical Company with the capacity to produce Active Pharmaceutical Ingredients (APIs) and is reportedly so far the only producer of APIs in the West Africa Region.
- Most of the major local pharmaceutical companies also export their products to countries in the West Africa Region Apart from Nigeria, Ghana is the only country in the West Africa Region with significant pharmaceutical manufacturing industry. However, majority of its raw materials are being sourced from international suppliers

INCENTIVES FOR LOCAL PHARMACEUTICAL PRODUCTION

There are a number of interventions aimed at sustaining the pharmaceutical industry, these are:

- Exemption from payment of customs duty on all raw materials and packaging materials for the local production of pharmaceuticals. Currently, locally produced pharmaceuticals are zero rated under the Value Added Tax (VAT) law. (Government is in consultation with the industry players to exempt the pharmaceutical industry from payment of VAT on its inputs for the manufacturers of pharmaceutical products.
- Plastic packaging materials used for the packaging of pharmaceutical products are exempted from payment, of the just introduced (2011), 20% environmental tax on all plastic packaging materials.
- A system of marginal preference, based on a 15% discount incentive, is given to local manufacturers of pharmaceuticals for participation in both the International and National Competitive Bidding through public procurement tenders.
- The restriction of 14 products which the local pharmaceutical industry was considered to have sufficient capacity to manufacture for local production only.

LOCAL PHARMACEUTICAL MANUFACTURING BARRIERS AND CONSTRAINTS

Inadequate strategic focus and support on the part of government in respect of the pharmaceutical manufacturing sector. E.g. sections 5.3.6 and 5.3.7 of the Ghana National Drugs policy states that:

- The government shall support the private sector through various industrial fund and foreign grants available to it to develop the raw material base for the pharmaceutical and herbal industries.
- The government shall provide the needed finances and technical support to promote the development and growth of the local pharmaceutical industries.
- There is however so far no clear direction on the part of government as to how these policy objectives will be accomplished.

- Increasing threat of loss of access to our local markets; It is a fact that the anti-malaria market account for more than 30% of the local pharmaceutical market. This market has however been taken over by the Affordable Medicines Facility for malaria (AMFm) project by the Global Fund and its partners.
- The high cost of borrowing makes it difficult for the industry to compete with imports from South East Asia.
- Lack of access to land specifically earmarked for pharmaceutical production. Pharmaceutical industries, due to the level of quality required especially to attain W.H.O. Prequalification, are to be located in areas where there are or will be no contamination whatsoever from any other industry.
- Lack of access to investment or developmental capital.
- Inadequate human resource availability.

The industry falls on people from India and China to fill vacancies for pharmaceutical technologists because they are not available. This practice is expensive and does not help the employment situation in the country. Only about 3% of pharmacists in Ghana are industrial pharmacists, compared to 55% in South East Asia.

INDUSTRY SPENDING

It is estimated that pharmaceutical spending in Ghana reached GHS1.1bn (USD290mn) in 2015, and GHS1.2bn (USD305mn) in 2016. Per capita spending on medicines was estimated at USD11 in 2015.

	2012	2013	2014	2015	2016f	2017f
Pharmaceutical sales, USDbn	0.416	0.450	0.329	0.290	0.305	0.311
Pharmaceutical sales, USDbn, % y-o-y	33.92	8.27	-26.86	-11.90	5.12	1.92
Pharmaceutical sales, GHSbn	0.770	0.931	1.009	1.096	1.189	1.292
Pharmaceutical sales, GHSbn, % y-o-y	60.40	20.82	8.45	8.59	8.53	8.62
Pharmaceutical sales constant exchange rate, USDbn	0.204	0.246	0.267	0.290	0.315	0.342
Pharmaceutical sales, USD per capita	16.3	17.2	12.3	10.6	10.9	10.8
Pharmaceutical sales, % of GDP	1.05	1.14	0.93	0.79	0.72	0.63
Pharmaceutical sales, % of health expenditure	21.4	21.5	25.0	25.0	24.9	24.9

SOURCES: Ghana Pharmaceuticals & Healthcare Report Q1 2017 - © Business Monitor International Ltd

<http://www.pmaghana.org/index.htm>, <http://www.nhis.gov.gh/nhia.aspx>

CONSUMPTION OF MEDICINES

PHARMACEUTICALS	VALUE in 2016
Pharmaceutical sales	US\$ 0.305 billion
Total Health Spending	US\$ 1.224 billion
Pharmaceutical sales % of GDP	0.72 %
Pharmaceutical sales % of Health Expenditure	24.9 %
Pharmaceutical sales per capita	10.9

Government health Expenditure	GH¢ 2.856 billion
Private sector Expenditure	GH¢ 1.917 billion

REGIONS	OWNERSHIP OF HEALTH CENTERS		
	GOVERNMENT	CHAG	PRIVATE
GREATER ACCRA	71	9	316
ASHANTI	211	46	317
CENTRAL	175	12	89
WESTERN	239	27	169
EASTERN	314	19	84
VOLTA	184	15	48
NORTHERN	181	20	111
UPPER EAST	127	15	44
UPPER WEST	127	17	21

CHAG= Christian Health Association of Ghana

Health Insurance Schemes in Ghana.

- Cosmopolitan Mutual Health Insurance
- Nationwide Medical Insurance
- Acacia Health Insurance
- Premier Health Insurance
- Liberty Mutual Health Insurance
- Old Mutual Health Insurance
- Vitality Health Systems
- Glico Health Insurance
- Empire Mutual Health Insurance
- National Health Insurance (38% of national population)

Total number of some cases reported at OPD (2014):

- OPD per capital- 1.16
- TB cases- 19,386
- Acute Viral Hepatitis - 51, 052
- Malaria cases- 8.4 million
- 82.3% of the malaria cases were put on ACTs
- 27.3 % of inpatients death were attributed to malaria

- Asthma- 102,101
- Hypertension- 830,620
- Diabetes mellitus- 214,357