

**South African National Blood
Service**

Business Model and Challenges

**Presentation to Portfolio
Committee on Health**

14 OCTOBER 2009



SANBS
South African National Blood Service

Overview of SANBS

HQ in Johannesburg

- SANBS is a section 21 company, not for gain.
- Provides a vein to vein blood transfusion service in 8 of the 9 provinces in SA.
- 780,000 units of blood collected annually (100% voluntary) – 2 700 units bled daily
- 2 testing centres - Johannesburg and Durban
- 7 blood processing centres
- 79 blood banks serving > 1000 hospitals and clinics.
- SANBS is accredited with the South African National Accreditation System (SANAS)
 - Specific laboratories are ISO 17025 accredited



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SANBS Footprint



Current Business Model

- Operate on a fee for Service basis
- Major customers
 - Public Sector (59%)
 - Other (41%)
 - Majority Private Sector
 - Medical aids
 - Private patients
 - WCA, RAF
- Service delivered up front and billing done later
 - No payment guarantee required up front



Challenges with Current Model

- Late and non payment for services
 - Severe impact on sustainability and cash flow
- Public sector prices, on average, greater than 20% less than that of private sector
- Medical aids reluctant to pay for some services
- Increasing bad debt among non medical aid patients going to private hospitals
- Bad debt increasing significantly

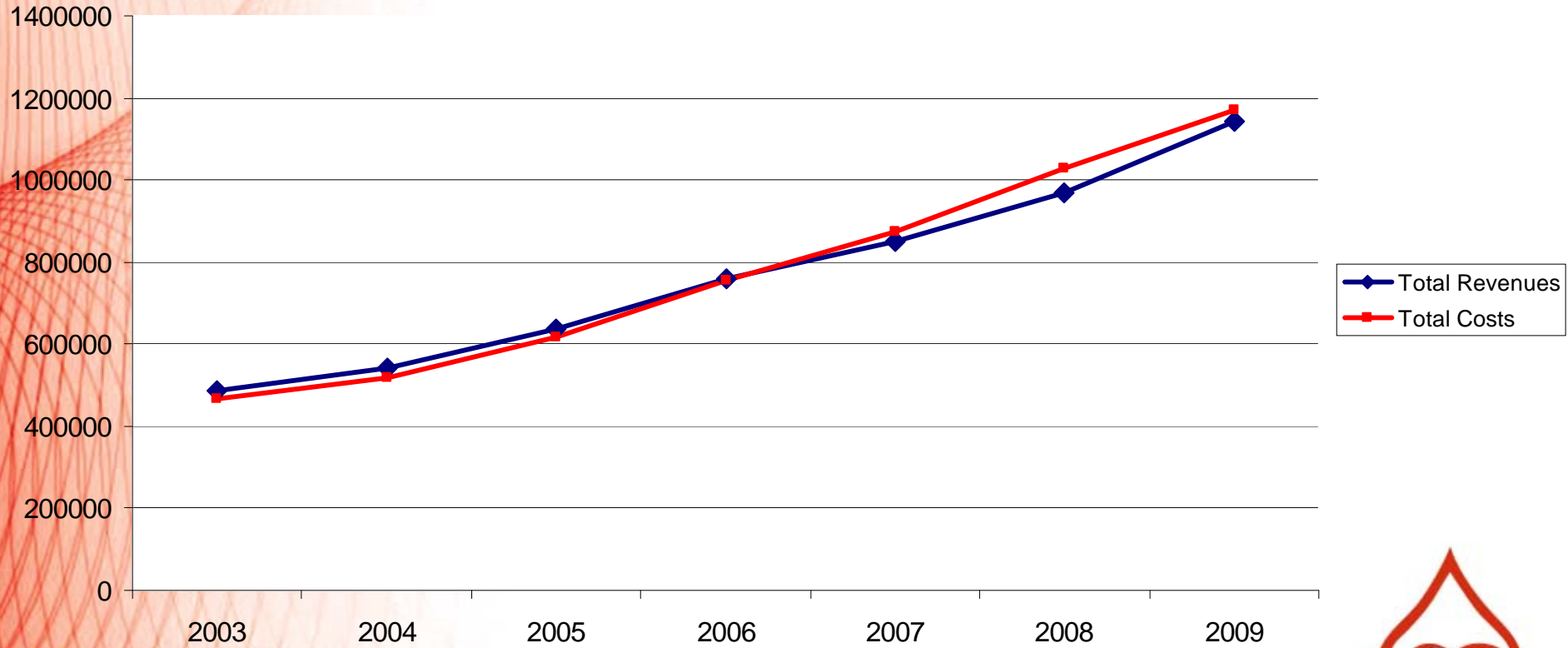


Key Strategic Challenges

- Operational environment
 - Increasing costs to procure blood
 - High HIV and HBV prevalence
 - Increasing demand for O blood
 - Provision of emergency blood to rural areas
 - Competing for scarce skills
- Financial Pressure over past few years
 - Market volatility
 - Increased cost of imported products
 - Cost of discards

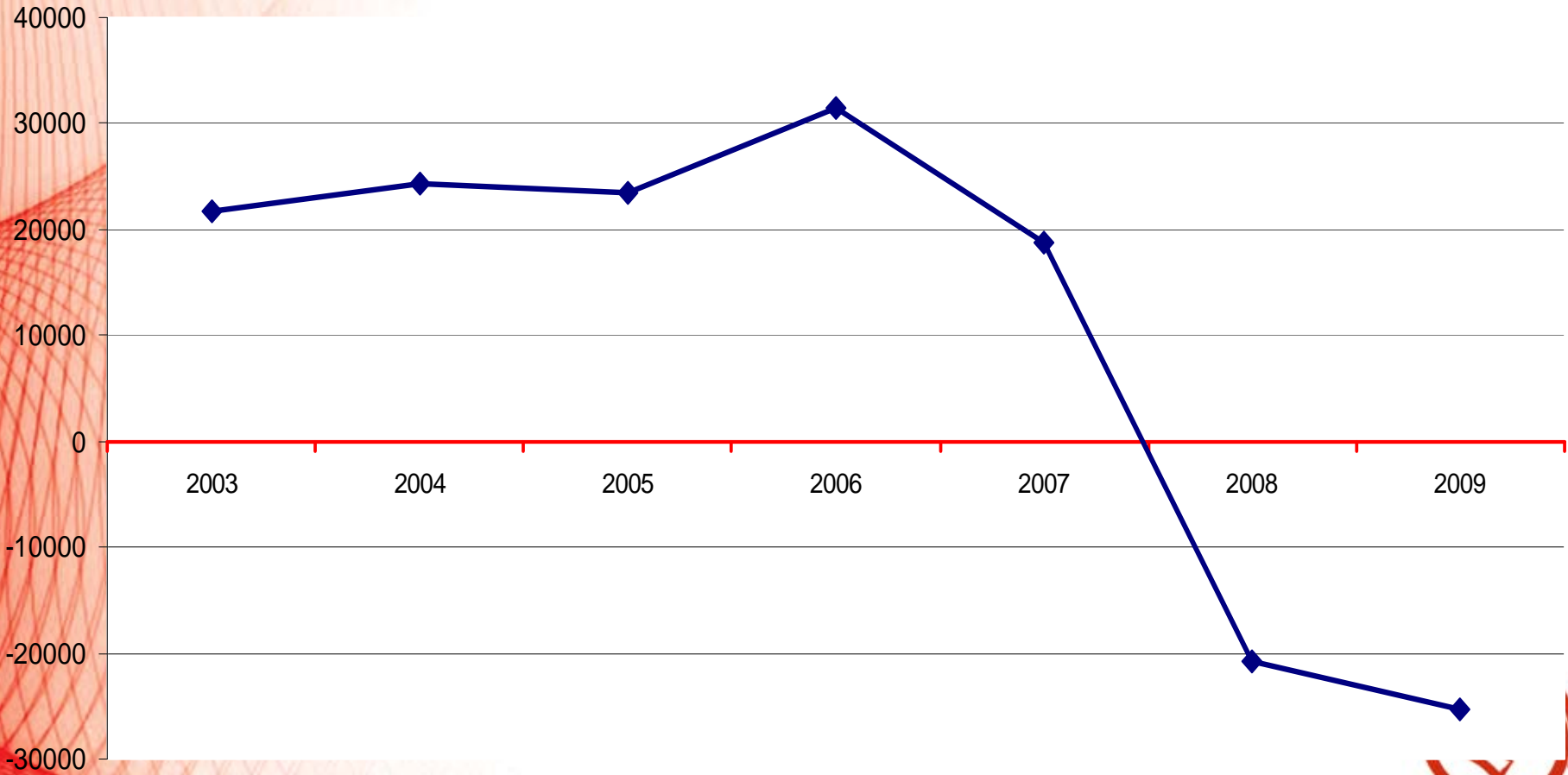


Total Revenue / Total Costs For 7 years (2003 - 2009)

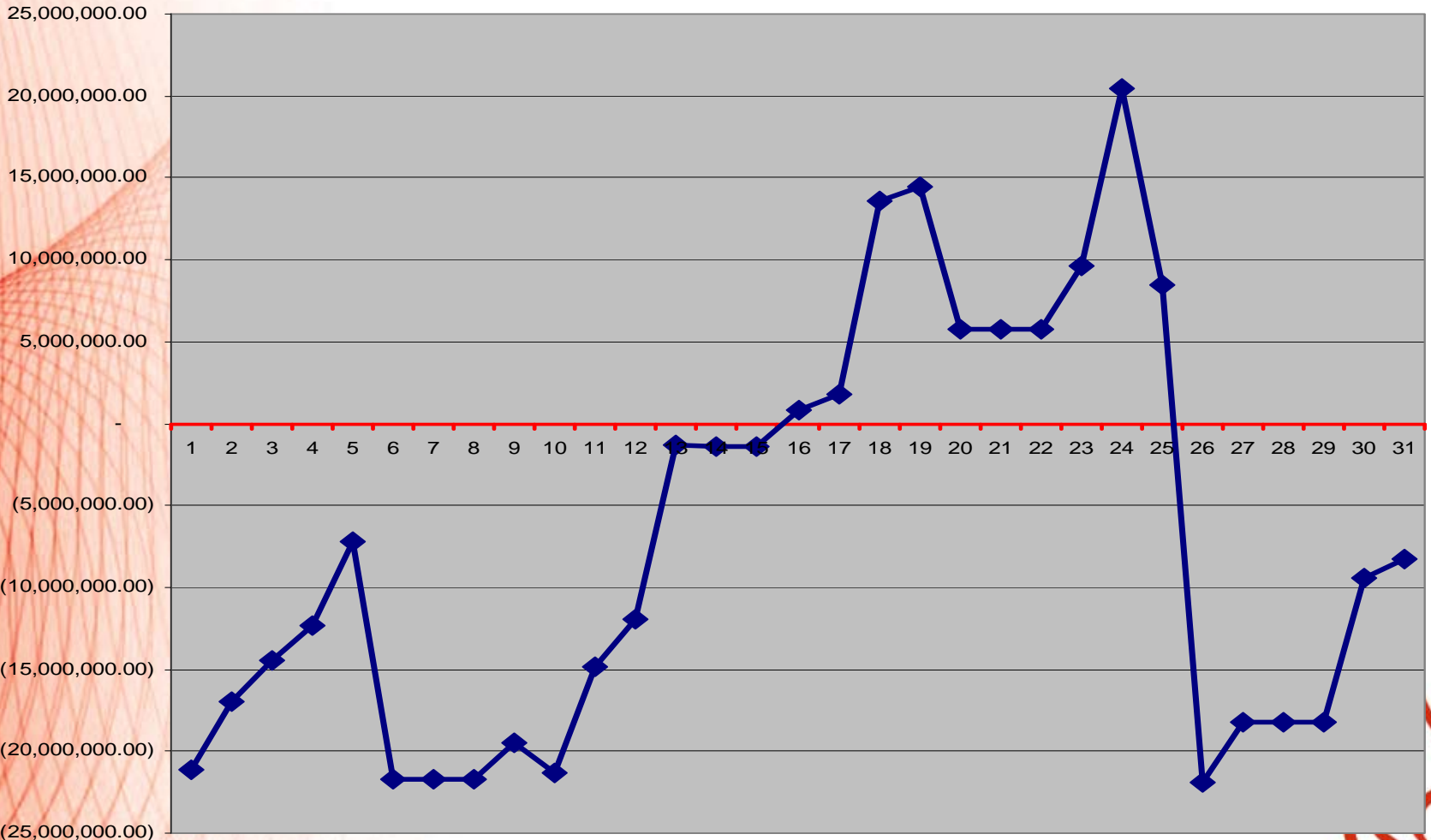


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Surplus/Deficit (R000's)
For 7 years
2003 - 2009



Cash Flow as at 31 March 2009



SANBS Operating Costs - 2009

<u>Activity</u>	<u>Cost per usable unit</u> <u>(686,000 usable – 12% discard)</u>	<u>Percentage</u>
	<u>Rands</u>	
Collection	R540.28	32%
Testing	R330.65	20%
Processing & Issuing	R344.45	20%
Supply Chain	R116.59	7%
Corporate Marketing	R37.51	2%
Overheads	R327.53	19%
Total	R1697.01	100%



Operating Costs

- Direct Blood Collection and Issue Related costs – 81.8%
 - Donor Services – 31.8%
 - Processing, Testing, Issuing – 37.4%
 - Logistics/Supply Chain Services – 6.2%
 - Medical – 1.1%
 - Marketing – 3%
 - Quality – 2.3%
- Overhead Costs – 18.2%
 - Administration – 9.4%
 - HR – 2.8 %
 - IT – 4.1%
 - Finance – 1.9 %



Strategic Plans

- **Key Objectives:**

- Procure 780 000 units of blood and continue year on year to increase collections
- Manage discards to a low level to minimise associated costs
- Increase Black donor base to be sustainable
- Ensure availability of emergency blood fridges in all hospitals providing Caesarian Sections.
- Roll out of Blood on a Returnable basis program
- Improved supply chain logistics
- Financial sustainability



Blood Collections Review

- Procurement - excellent in 2009
 - Average of 5 days stock for most of this period
 - Meeting target for the year – 1st time in past few years
 - September school holidays and Prelim-exams affected shortage for a brief period
 - Zones working very well in managing the collections
 - Planning and scheduling of clinics
 - Actual collection of blood 7 days a week
- No need for cut backs in hospitals



Collections - April to August 2009

Zone	YTD - All Group Target	YTD - All Grp Collections	YTD - % All Grp Target	YTD - O Group Target	YTD - O Grp Collections	YTD % of O Grp Target
Eastern Cape	28923	30062	103.9	13594	13900	102.3
Egoli	65464	63697	97.3	32732	30579	93.4
FS and NC	34725	34843	100.3	17439	16317	93.6
KZN	61211	57395	93.8	28769	25283	87.9
Mpumalanga	33601	36855	109.7	16801	18242	108.6
Northern	52078	58085	111.5	26039	29870	114.7
Vaal	50443	46547	92.3	25222	22893	90.8
SANBS	326445	327484	100.3	160594	157084	97.8



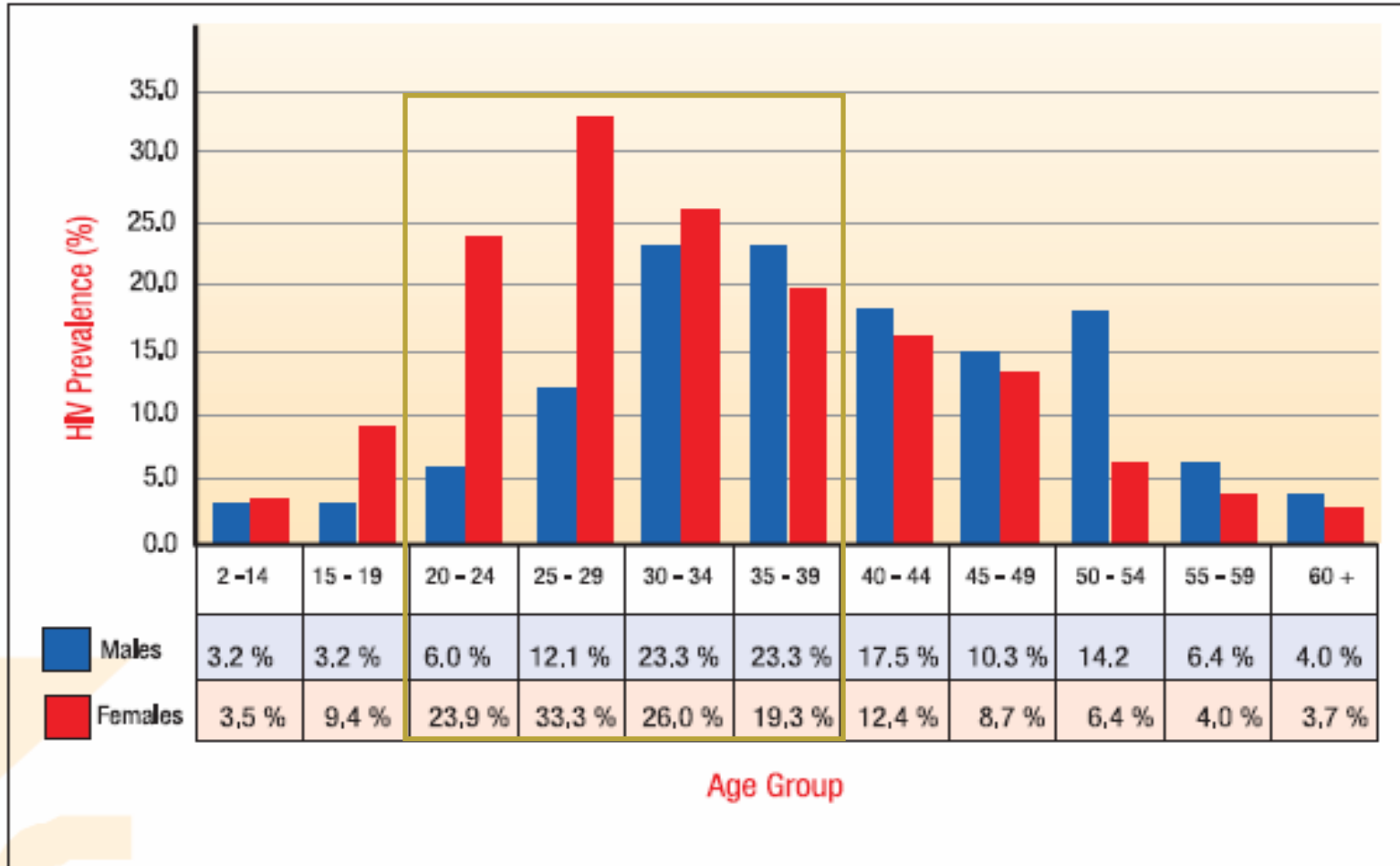
SANBS Current / Future Challenges

- High prevalence of HIV continues to present a challenge in collecting low risk blood, especially among the 20 to 39 year olds
- More focus being placed on schools and 16 to 19 year olds
 - Increasing our numbers in this age group
 - Challenge is donation frequency is not as high as we are limited regarding number of times we can visit schools
 - Problems with stocks during school holidays, especially in zones like KZN that collect a large proportion of blood from this group
- Collecting sufficient group O to meet demand continues to be the key focus and challenge
- Have increased the number of Black donors steadily over the past few years
 - Low retention and repeat rate of donors is a challenge
 - Background HIV prevalence constantly monitored



The HIV Problem in South Africa

Figure 2: National prevalence by age and sex: 2005⁹



In increasing the Donor base focus has to be on recruiting and retaining
The 16 to 19 year old donors



Collections among 16 to 19 year olds (9 month period)

Zone	Total	16 -19	Percent
Egoli	104648	13007	12.4
Free State/North Cape	60036	9004	15.0
Northern	95108	12869	13.5
Vaal	78612	15395	19.6
Eastern Cape	49485	10444	21.1
KwaZulu Natal	93751	25075	26.7
Mpumalanga	58995	9078	15.4
Grand Total	540635	94872	17.5



Donation frequencies			
Type of Donor	Oct 06 to Sept 07	Oct 07 to Sept 08	Sept 08 to Aug 09
Repeat Donors			
Asian	1.88	1.88	1.72
Black	1.71	1.67	1.67
Coloured	1.99	1.96	1.99
White	2.47	2.42	2.44
16 - 19	1.75	1.73	1.72
20 - 25	1.91	1.84	1.81
25+	2.55	2.48	2.44

Impact of above

- More donors must be recruited for fewer donations
- More 1st time donors – increased risk and discards
- Fewer donations per donor among 16 to 25 year olds
- Not managing to increase return rate among Black donors
- Need to look at Hb issues among Asian donors

Challenge in Meeting Demand for Group O

Group O Prevalence among the Different Population Groups in SA	
Whites	47%
Blacks	45%
Asians	38%

- Demand for group O in 2009 is 55% of all issues
 - Approximately 17% for rural areas and emergency use
 - Large difference in population prevalence and usage leads to many challenges
- Must have high return rate so that regular group O donors can be targeted
 - Return rate of <2 donations per annum not sustainable
- KZN zone with large Indian donor base needs to import group O's from other zones



Challenges in Meeting Group-O Demand

- The high demand for O's leads to excess group A's and AB's as a result and this is unavoidable
- SANBS needs 5-7 days group O stock to ensure adequate distribution and stock on blood bank shelves
 - Due to increased demand, there are often cyclical shortages which drives up costs
 - More resources are utilised in moving the available blood to where it is most needed
- A result is that 12 – 14 % of blood is discarded due to operating in environment with high HIV and HBV prevalence and unavoidable expiries
 - All collection, processing, storage and testing costs incurred for these almost 100 000 units must be recovered to be sustainable



Progress in Increasing Black Donor Base

Black Donors Contributing to Total Blood Donors as % of All Donors				
Year	2005	2006	2007	2008
BLACK DONORS	6.42	8.43	12.22	16.84

Whole Blood Collections from Black Donors as % of Total Collections				
Donor Type	2005	2006	2007	2008
Active	3.40	4.99	6.89	9.68
New	11.75	15.58	23.97	31.79
Rejoined and Unknown	5.57	5.73	6.42	8.63
All Donor Types	4.63	6.46	9.25	13.00

Whilst donor base is increasing the contribution of donations is not increasing proportionately

Increasing number of first time donors – increasing risk and discards



Impact of High Ratio of 1st Time Donors

HIV Prevalence in Black Donors by Donor Status compared to All Donors Total				
Donor type	2005	2006	2007	2008
Active	0.2245	0.2728	0.2553	0.2015
New	3.2361	3.1430	2.9267	2.9857
Rejoined (lapsed)	0.6993	1.2100	1.0989	1.3733
All Black Donors	1.3266	1.2584	1.2658	1.287
All Donors Total	0.07	0.10	0.13	0.18

- Increased wastage and increased operational costs
- Increasing residual risk of TTI transmission
- Greater difficulty in achieving O target with fewer returning donors



Key Strategic Focus

- Relationships with Department of Health, Private Patients and NBI (plasma supplies).
- Growing and maintaining our active donor base to meet increasing demand for blood products.
- Ensuring financial stability to meet essential operating expenses and future capital growth
- Retaining committed and competent staff to carry the organisation into the future.



Government

- The historical model of Service Fees and State budgeting to meet blood services expenditure is no longer appropriate.
- It is clear that Provinces and hospitals do not have adequate budget capacity to meet blood service invoicing.
- This will have a major impact on essential service delivery and SANBS financial sustainability in the very near future.



Solution

- High level DoH & Ministerial meetings.
- Guarantee of payment at highest level is critical.
- Establishing effective communication channels.
- Annual Budget approval process proposed.
- Expected product usage and variation there from to be managed.
- Early invoice payment process.
- Penalty and/or termination of supplies.
- Monitoring of appropriate blood usage.



Private Patients

- SANBS provides annually >R 60 million for unrecoverable debt.
- Medical aids and/or uninsured private patients default on payment.
- Private Hospital Groups play no part in the invoicing and collection of private patient debt for blood transfusion.
- Fees to private patients bear a premium of 20%.



Solution

- Compilation of a new approach to private patient service delivery.
- Negotiation with Private Hospital Groups regarding process.
- Requisitions for blood being processed to ensure payment prior to delivery of services.
- Change in philosophy regarding non-supply if no funds available for payment for blood.
- Emergencies will not be affected, blood will be supplied so that patients' health is not compromised.



Dealing with Challenges

- Managed a difficult 12 month period from financial perspective
 - Ensured adequate blood stocks
 - Maintained high levels of blood safety despite high background HIV and HBV prevalence
 - Managed costs within budget
 - Maintained accreditation of all sites
- Thanks to the whole team that contributed to achieving the mission of SANBS



Conclusions

- SANBS is geared to meet the needs of the South African Health System
- Financial sustainability is critical – a new Payment Model is being discussed with the Ministry of Health
- Operational sufficiency and security of supply is critical – Social Mobilisation
- Business management is reviewed for more efficiency and sustainability
- Supportive partnerships with all stake holders is key!

Thank you!!



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ANY QUESTIONS?



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