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ReCent South African Insights

The potential impact of the HIV funding cuts

2025

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Understanding and assessing the impact of the USAID/PEPFAR changes on the South African life insurance industry

Introduction

South Africa has the highest HIV prevalence globally, with approximately 7.7 million people living with HIV. Of these, 5.9 million are receiving treatment, namely Antiretroviral therapy (ART). The country is recognised for having one of the most successful HIV care programs, however, is yet to achieve the 95-95-95 targets, a goal set by the joint United Nations Programme on HIV/AIDS (UNAIDS) with the intention of ending the HIV epidemic by 2030.

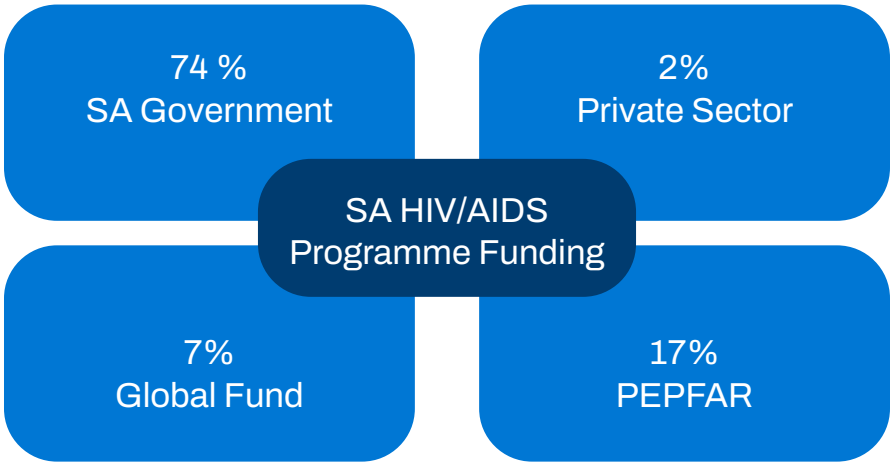
The recent executive order by the Trump administration and the U.S. government to freeze funding under the President's Emergency Plan for AIDS Relief (PEPFAR) has raised concerns about the sustainability of South Africa's ART program. PEPFAR, which is managed by USAID in Africa, was established in 2003 in response to the HIV pandemic. This initiative was the US government's contribution to combating the global burden of HIV/AIDS and TB, by providing funding and expertise to various countries grappling with the HIV epidemic. South Africa became one of the first beneficiaries of PEPFAR in 2004, at a time when there was no access to HIV care and treatment in the South African public health sector. Over time, and as the South African public sector ART programme evolved, PEPFAR funding reduced as other countries became priority regarding the need for assistance.

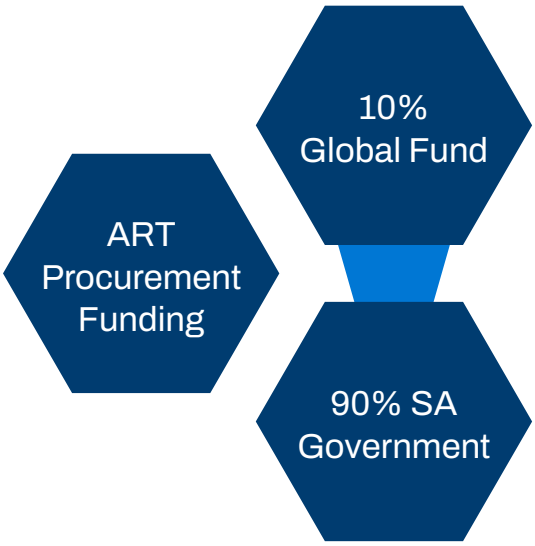
HIV/AIDS program funding

The HIV/AIDS programme comprises multiple interconnected components, with Antiretroviral Therapy (ART) provision forming the clinical foundation, supported by key healthcare services such as HIV testing and counselling, retention and treatment adherence support, prevention of vertical transmission, and the distribution of ART. Together, these components work in synergy to ensure comprehensive prevention, care, and treatment for individuals affected by HIV.

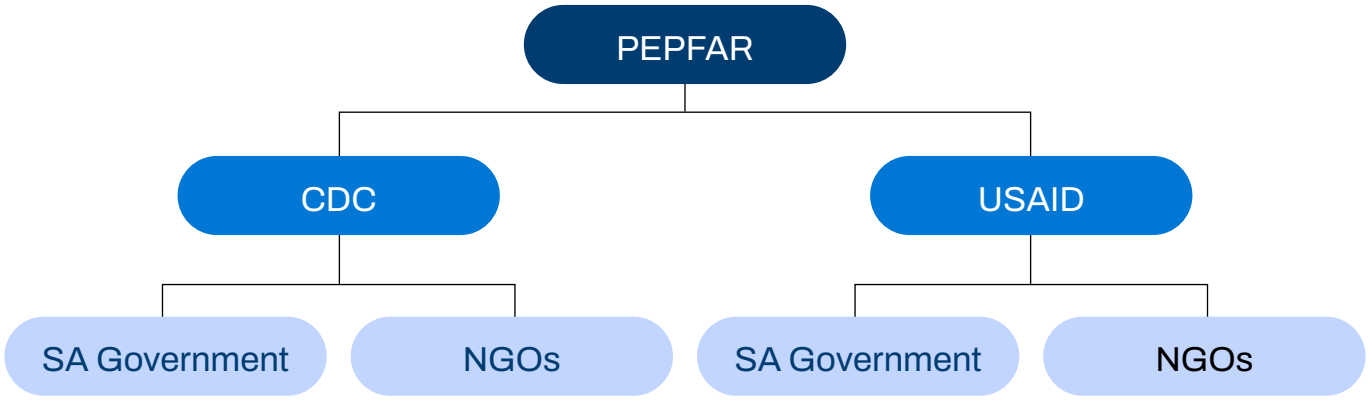
Currently, the South African HIV/AIDS program is largely funded by the government, which contributes 74%, 2% comes from the private sector, 7% from the Global Fund (an international financing organization that mobilizes and invests resources to support programs run by local experts in countries most in need), and 17% from PEPFAR. According to Minister of Health Dr Aaron Motsoaledi, 90% of ART procurement (a subset of the HIV program) is funded by the South African Government, with the remaining 10% covered by the Global Fund, of which approximately one-third is also funded by the US government, however this funding has not been withdrawn. It's worth noting that the private sector procurement of ART is done independently, hence the latter is unaffected by PEPFAR funding cuts. PEPFAR primarily funds HIV support programmes by providing resources and expertise in 27 PEPFAR -supported districts, out of a total of 52 districts in South Africa.

The potential cuts to PEPFAR funding could have a serious and far-reaching impact on several critical HIV programme and healthcare services. These include HIV testing and counselling services, which are essential for early diagnosis and linkage to care; retention and treatment adherence programmes, which support patients in maintaining consistent ART use to achieve viral suppression; prevention of vertical transmission services, which are key to reducing mother-to-child HIV transmission; and the distribution and accessibility of ART, particularly in under-served areas. Without sustained PEPFAR support, these services may face disruptions, potentially reversing hard-won progress in reducing HIV incidence, increasing viral suppression rates, and improving the overall quality of life for people living with HIV in South Africa.





PEPFAR funds in South Africa are distributed primarily through USAID and the CDC to support HIV/AIDS services. These funding mechanisms ensure that resources reach communities in need, supporting essential healthcare services and strengthening the fight against HIV/AIDS in South Africa.



1. Funding Through United States Agency for International Development(USAID)
   (a) USAID serves as one of PEPFAR's key implementing agencies, receiving a portion of PEPFAR funds to implement HIV/AIDS programs.
   (b) USAID collaborates with local organisations, community health programs, and NGOs to implement initiatives focused on HIV prevention, treatment, and health system strengthening.

2. Funding through centres for Diseases Control and Prevention (CDC)
   (a) Through PEPFAR, the CDC provides funding and technical support for HIV prevention and treatment programs, including voluntary medical male circumcision and pre-exposure prophylaxis for high-risk individuals.
   (b) The CDC also funds and implements targeted interventions, such as the DREAMS program, to reduce HIV infections among adolescent girls and young women through evidence-based strategies.

The potential impact of funding cuts

The termination of U.S. PEPFAR funding poses a serious threat to some key HIV programs in South Africa, particularly those serving vulnerable populations and essential healthcare services. These funded organisations provide support to orphans and vulnerable children (OVC), programs supporting preventing mother-to-child transmission (PMTCT), and support to high-risk populations, including transgender individuals and sex workers. The impact of funding cuts extends to healthcare services, with clinic closures and disruption of treatment access for marginalised groups, including the homeless and illicit drug users, unless they are able to access government clinics. Community outreach initiatives, including mobile units and youth-focused programs, are currently scaling back operations due to funding cuts.

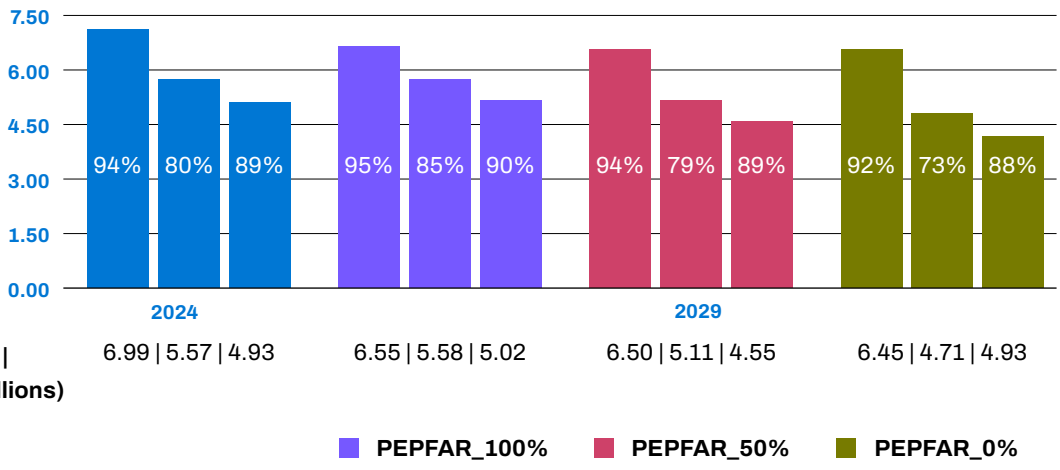
As an overall consequence, reduced financial support threatens HIV testing and counselling services, potentially increasing the number of individuals unaware of their HIV status. Programs designed to retain patients in care and ensure treatment adherence are also at risk, leading to increased cases of loss to follow-up. The disruption of PMTCT services may hinder efforts to prevent vertical transmission from mothers to their babies, with a potential impact on increasing prevalence, while staffing shortages in healthcare facilities could further strain ART distribution, limiting access to life-saving treatment.

While there is naturally a focus on the disruption to access of ART, the potential long- term impact of reduced education initiatives, testing and counselling services cannot be ignored. The impact of reduced funding on all areas of HIV treatment and prevention has the potential to worsen outcomes for those persons living with HIV, and due to the nature of the virus, which requires continuous treatment, the threat of high viral loads and treatment resistance is a concern. The impact is then amplified when there is a reduction in testing services.

The life insurance industry is closely linked to developments in the healthcare sector, as changes in morbidity and mortality directly influence the availability and pricing of life insurance products. Currently, there is a lack of clear data to accurately assess the precise impact of PEPFAR funding cuts on South Africa's public health HIV/AIDS program.

A statistical modelling study by Gandhi, A.R. et al. suggests that, when comparing 2024 achievements to projected estimates for 2029, the withdrawal of PEPFAR funding could result in a 2% decrease in HIV status awareness, a 7% decline in access to treatment, and a 1% drop in the proportion of individuals on treatment who achieve viral suppression over a 5 year period. These projections, illustrated in the graph below, assume no government intervention. Additionally, the study forecasts a significant increase in HIV incidence by approximately 50% over the next 10 years , with new infections rising by 47%, HIV-related deaths increasing by 38%, and a 3.71-year reduction in life expectancy for people living with HIV. As a result, South Africa is expected to fall short of achieving the UNAIDS 95-95-95 goal to end the HIV epidemic by 2030.

People with HIV, n (millions)



Diagnosed | Receiving ART | Virtually Suppressed, n (millions)

Gandhi, A.R., Bekker, L.G., Paltiel, A.D., Hyle, E.P., Ciaranello, A.L., Pillay, Y., Freedberg, K.A. and Neilan, A.M. (2025) 'Potential clinical and economic impacts of cutbacks in the President's Emergency Plan for AIDS Relief Program in South Africa: A modeling analysis', Annals of Internal Medicine. Available at: https://doi.org/10.7326/ANNALS-24-01104 [Epub ahead of print].

Consequently, higher morbidity and mortality rates among people living with HIV (PLHIV) may prompt insurers to adopt stricter underwriting policies, increase premiums, and limit access to affordable coverage. These negative outcomes risk reversing the progress the insurance industry has made in recent years in expanding more inclusive and affordable coverage for PLHIV.

Developments in this space are being actively monitored.

Underwriting Considerations

As a risk mitigating measure, in response to the uncertainty and potential modelled outcomes mentioned above, we recommend obtaining current CD4 counts and viral load tests, at the time of underwriting for those applicants whose treatment is at risk from these funding cuts. This serves as a precautionary measure to ensure up to date assessment of risk, monitoring the key variables, viral load, and CD4 cell count.

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