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BRIEFING TO THE STANDING COMMITTEE ON APPROPRIATIONS AND PORTFOLIO COMMITTEE ON HEALTH

24 March 2017

For an Equitable Sharing of National Revenue

OUTLINE

- Health care performance and the economy
- Health and the IGFR
- Departmental budget analysis

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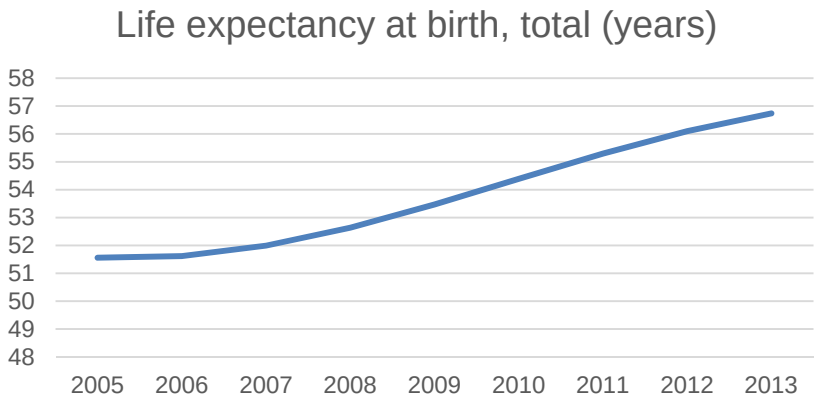
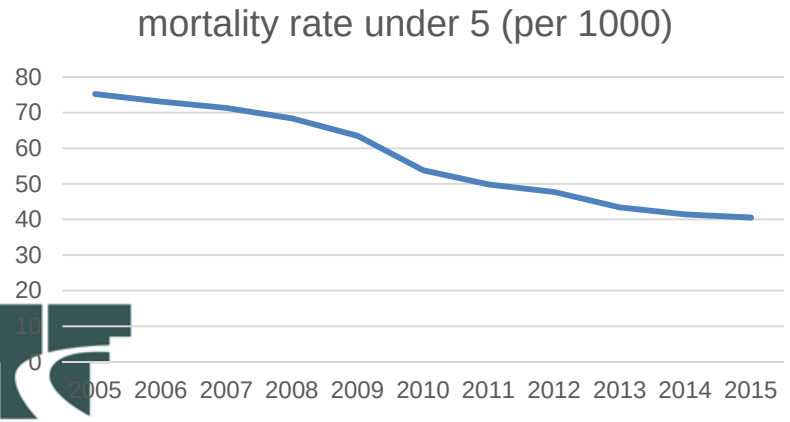
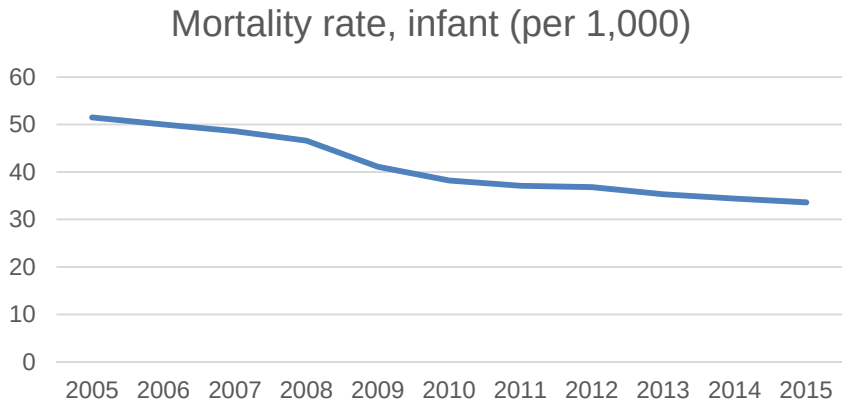
1. Relationship between Health Care Performance and the Economy

BACKGROUND

- South Africa has consistently improved against all the key health indicators
- However, speed of improvement was not fast enough to meet the MDG goals for infant mortality, child mortality under 5 and life expectancy







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BACKGROUND

- The NDP targets acknowledge the huge health challenges facing the country and that achieving the key health indicators will take longer than initially predicted

Health indicator	MDG goals 2015	Sustainable Development Goals	NDP targets 2030	South Africa
Maternal mortality	38/1000	70/100 000	100/100 000	197/100 000 (2011)
Infant mortality	18/ 1000	12/ 1000	20/1000	34/1000 (2015)
Under 5 mortality	20 or 21/ 1000	25/1000	30/1000	41 (2015)
Life expectancy	70 years	N/A	70 years - 2030	57 years (2013)

Main Challenges in the Health Sector

- In a recent study on the efficiency of primary health care provision, the Commission identified the following main challenges in the health sector:
  - Suboptimal quality of care
  - Heavy disease burden
  - Input cost pressures
  - Growing uninsured population
  - Private sector only serves 17% of the population and imbalances in spending have skewed the distribution of services
  - Wasteful expenditure and inefficiencies in the system (E.g. long average waiting times
- The DoH through its programmes has taken steps to address many of these challenges, although uneven implementation at a provincial level is a key area that require further attention

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2. HEALTH AND IGFR

HEALTH DELIVERY ARCHITECTURE

- Health is a concurrent function between the three spheres of government
  - National government is responsible for policy making and oversight while provinces and municipalities implement in IGR setting
- The National Health Act defines the roles and responsibilities allocated to each sphere.
- Concurrency in some instances present challenges for effective health service delivery

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HEALTH DELIVERY ARCHITECTURE

- Placement of health facilities in various sphere often creates coordination problems
  - Decentralisation of funding
  - Indicative health facility budgets not guaranteed
  - Reimbursement for services rendered

National government	Provincial government	Provincial district offices	Local government
NHLS	Regional hospitals	District hospitals	Municipal clinics
Pathology services	Tertiary hospitals	Clinics	EMS
	EMS	Community health centres	

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IGFR ISSUES IN HEALTH SYSTEM

- Coordinated planning within and across spheres and health entities
- Decentralisation of funding to hospitals
  - Successful in the education sector
- Alignment of health facility allocations to health needs, plans and priorities
- Multiple grant funding streams for same budget line item
- Spillover effects – central hospitals
- Skewed distribution of health facilities (across provinces and within districts)

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IGFR ISSUES IN HEALTH SYSTEM

- Implications of referral challenges on provincial health budgets
- Top slicing conditional grants to fund national health entities
- Funding of municipal health services
- Effect of function shift reforms on PES

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HEALTH PLANNING AND COORDINATION

- Challenges of vertical and horizontal coordinated planning persists
- Provinces occasionally held liable for undermining national policies – raises concerns about imposition of national policies
  - Highlight weaknesses of intergovernmental forums – PCC, 10X10
- Coordination problems were evident in the implementation of NHI pilots/ grant
  - Provinces were unaware of what to use the grants for

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GRANT REFORMS

- Health sector has some of the oldest conditional grants in the system
  - HFRG, NTSG, HPTD
- Conditional grants are only meant to be temporary - addressing specific priorities
- The NHI grant undergone many changes in a short period of time
  - Changed from being direct (with an indirect component) into an indirect grant
- Faster growth in the indirect NHI grant allocations be accompanied by capacity building at health district offices

GRANT PERFORMANCE AND IGFR ISSUES

- Conditional grants underperform due to poor planning and poor consultation during introduction
- Department need to adhere to guidelines for introducing conditional grants
  - Provide for 3 year lead period
  - Make provision for capacity building
- As a general indirect conditional grants should be avoided

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3. Departmental Budget Analysis

DEPARTMENTAL OVERVIEW

- The Department of Health (DoH) consists of 6 programmes
  - *Administration, National Health Insurance, Health Planning and Systems Enablement, HIV and AIDS, Tuberculosis, and Maternal and Child Health, Primary Health Care Services, Hospitals, Tertiary Health Services and Human Resources Development* and *Health Regulation and Compliance Management*
- The department restructured in 2012 to align its organogram with the strategic priorities in the health sector
- The strategic goals and objectives of the department are well aligned to the nine NDP goals and the sustainable development goals adopted by the UN in 2015
- Critical new priorities that have been enhanced in the department's strategic plan to address NDP goals include:
  - Re-engineering primary health care, NHI rollout, improving health information systems, monitoring national norms and standards and preventing disease and reduce its burden

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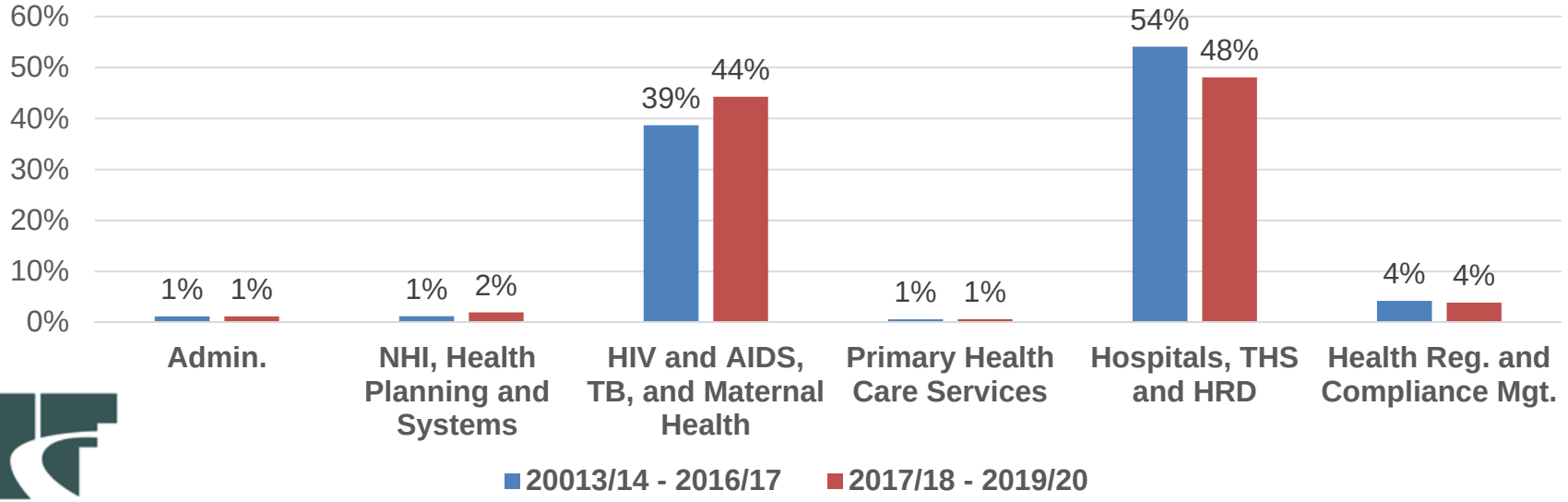
SPENDING AND MTEF BUDGET BY PROGRAMMES

- The DoH is allocated a budget of R42.6 billion in 2017/18, which increases to R50.38 billion in 2019/20
  - This represents a real annual average growth of 3.4% per annum compared to 2.9% for the period 2013/14 to 2016/17
  - The higher growth in the budget allocation is as a result of funding the expansion of HIV/AIDS and TB treatment and prevention and revitalising public health care facilities

R'million	2013/'14	2014/'15	2015/16	2016/17	2017/18	2018/19	2019/20	20013/14 - 2016/17 Real Avge Growth P.A	2017/18 - 2019/20 Real Avge Growth PA
Admin.	347	386	439	462	513	547	582	**4.5%**	**2.1%**
NHI, Health Planning and Systems Enablement	223	338	553	589	735	993	1 047	**35.1%**	**15.9%**
HIV and AIDS, TB, and Maternal Health	10 764	12 819	14 179	15 980	18 278	20 746	22 909	**8.6%**	**6.8%**
Primary Health Care Services	183	206	213	257	264	293	315	**6.5%**	**1.2%**
Hospitals, Tertiary Health Services and HRD	17 493	18 449	19 002	19 514	21 108	22 301	23 641	**-1.8%**	**0.7%**
Health Regulation and Compliance Management	1 214	1 341	1 599	1 707	1 727	1 787	1 890	**6.6%**	**-2.5%**
DOH	**30 225**	**33 539**	**35 985**	**38 507**	**42 626**	**46 667**	**50 385**	**2.9%**	**3.4%**

Programme Share of Total Spending and Budget

- *HIV/AIDS, TB and Maternal Health* and *Hospitals* consumes the bulk of DoH's budget over both periods reviewed (92% over 2017 MTEF period)
- Over the 2017 MTEF period, proportion of budget allocated to HIV/AIDS, TB and Maternal Health highlights priority attached to achieving UNAIDS target for 2020 in order to curb HIV epidemic and reducing TB infections
  - The increased priority attached to these funding areas is likely to have a positive impact on health outcomes, especially mortality rates and life expectancy



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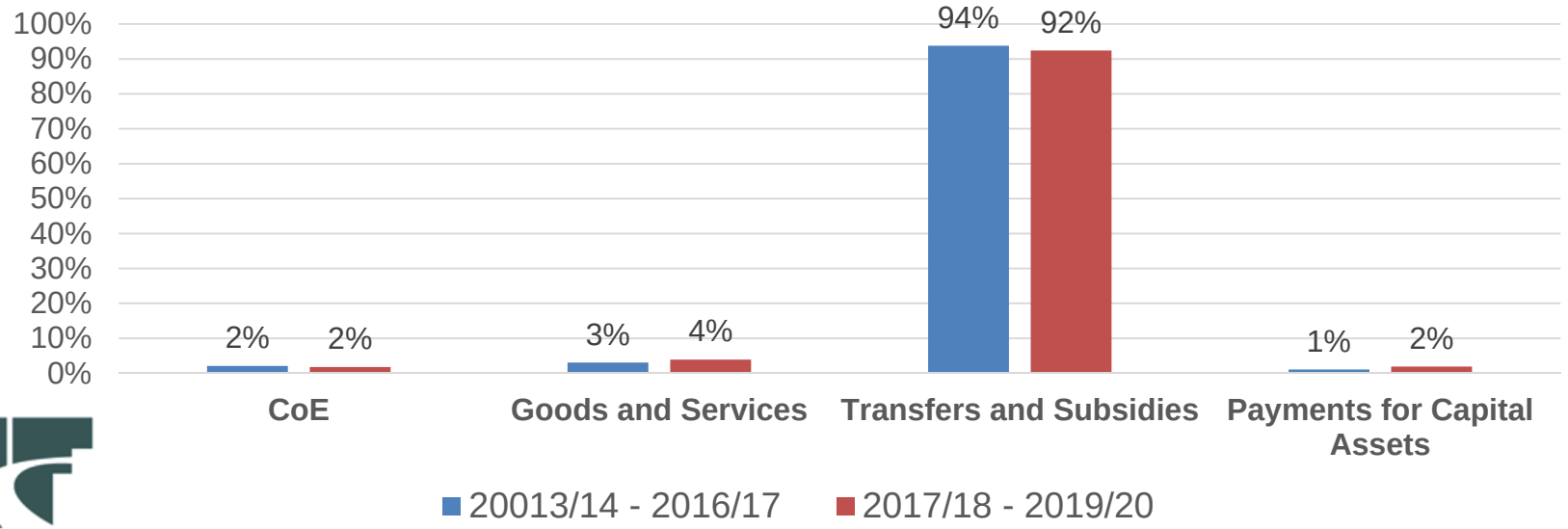
SPENDING AND MTEF BUDGET BY ECONOMIC CLASSIFICATION

- Most budget line items are increasing above inflation over the 2017 MTEF period, with the exception of CoE budget, which is declining by 4.1%
  - A total of 209 employees will be redeployed to work for the newly established South African Health Products Regulatory Authority
- Payments for capital assets increases in real terms by 12.3% and goods and services by 5.7% per annum, which is significantly above the departmental average of 3.4%
  - These increases most likely reflect the roll-out of NHI and revitalising of public heath care facilities

R'million	2013/'14	2014/'15	2015/16	2016/17	2017/18	2018/19	2019/20	20013/14 - 2016/17 Real Avge Growth P.A	2017/18 - 2019/20 Real Avge Growth PA
CoE	628	686	750	857	760	829	894	**5.4%**	**-4.1%**
Goods and Services	634	1 054	1 184	1 399	1 645	1 835	1 941	**26.7%**	**5.7%**
Transfers and Subsidies	28 787	31 571	33 482	35 665	39 355	43 118	46 623	**1.9%**	**3.4%**
Payments for Capital Assets	173	227	568	586	866	885	926	**55.9%**	**12.3%**
Payments for financial Assets	2	1	1	0	0	0	0	**N/A**	**N/A**
TOTAL DEPT EXP. & ESTIMATES:	**30 225**	**33 539**	**35 985**	**38 507**	**42 626**	**46 667**	**50 385**	**2.9%**	**3.4%**

Line Item Share of Total Spending and MTEF Budget

- The bulk of the department's resources are allocated to transfers and subsidies in the form of conditional grants disbursed to provincial departments of health and transfers to public entities
  - The share of total allocation to transfers declines over the 2017 MTEF period from 94% to 92% while the share of total allocations to goods and services and capital assets show marginal increases over MTEF period



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DEPARTMENTAL PERFORMANCE

- **Departmental Spending**
  - The spending performance of DoH has improved from 97.7% in 2014/15 to 99.3% in 2015/16
- **Departmental Performance Indicators**
- DoH is set to report against 142 performance indicators for 2016/17, an increase of 40% against the number of indicators reported on in 2014/15, yet the budget for DoH is only increasing in real terms by 1%
  - A concern is will the sector be able to achieve all the additional targets with the available resources
  - With the addition of many new indicators, the department will need to find a way to assess the level of importance of each indicator and how to prioritize indicators for reporting purposes that are more important than others so that critical indicators are not obscured by all the information that is being reported
  - The AG raised a concern about the lack of audit information that supports the performance indicators that provinces report on in the DOH's 2014/15 annual report. However, the department's strategic plan does not seem to have any intervention in place to address this issue in an explicit way

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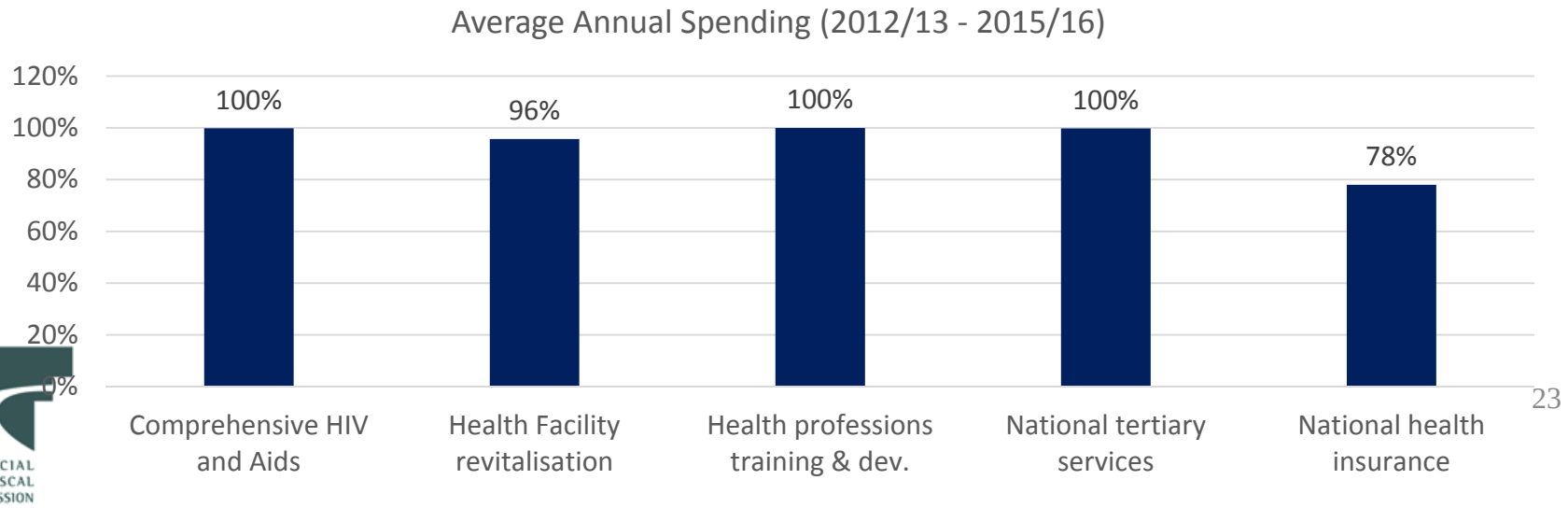
PROVINCIAL HEALTH AUDIT OUTCOMES

- Health audit outcomes are predominately poor, with only 3 provinces receiving unqualified audit outcomes in 2015/16. The situation has remained relatively unchanged over the past few years, with a few exceptions
  - The DoH has indicated in its latest strategic plan its intension to increase the number of unqualified audits in provinces to 7 by 2018/19, although there is little information about any plan the department intends to adopt to support provinces in this regard

Province	2011/12	2012/13	2013/14	2014/15	2015/16
National department	Unqualified	Unqualified	Unqualified	Unqualified	Unqualified
Eastern Cape	Qualified	Qualified	Qualified	Qualified	Unqualified
Free State	Qualified	Qualified	Qualified	Qualified	Qualified
Gauteng	-	Qualified	Qualified	Qualified	Unqualified
KwaZulu Natal	Qualified	Qualified	Qualified	Qualified	Qualified
Mpumalanga	Qualified	Qualified	Qualified	Qualified	Qualified
Limpopo	Disclaimer	Disclaimer	Qualified	Unqualified	Qualified
North West	Qualified	Unqualified	Unqualified	Unqualified	Qualified
Northern Cape	Disclaimer	Qualified	N/A	N/A	N/A
Western Cape	Unqualified	Unqualified	Unqualified	Unqualified	Unqualified

ASSESSMENT OF CONDITIONAL GRANTS TRANSFERRED TO PROVINCIAL DEPARTMENTS OF HEALTH (1)

- The spending performance on most health grants have been close to 100% for the period reviewed (i. e. 2012/13 – 2015/16) with the exception of the Health Facility Revitalisation and NHI grants
- A review of the NHI grant showed teething problems related to the structuring of the funding instr ument with little evidence of impact. The grant has been phased out in 2016/17 and will continue thr ough an indirect component of the National Health Grant
- In its submission on the 2017 DORB, the Commission expressed its concern that allocations alone ca nnot address the institutional and operational challenges at provincial level and that the indirect NHI grant should be used to build capacity of health district offices as they are central to the implementat ion of NHI



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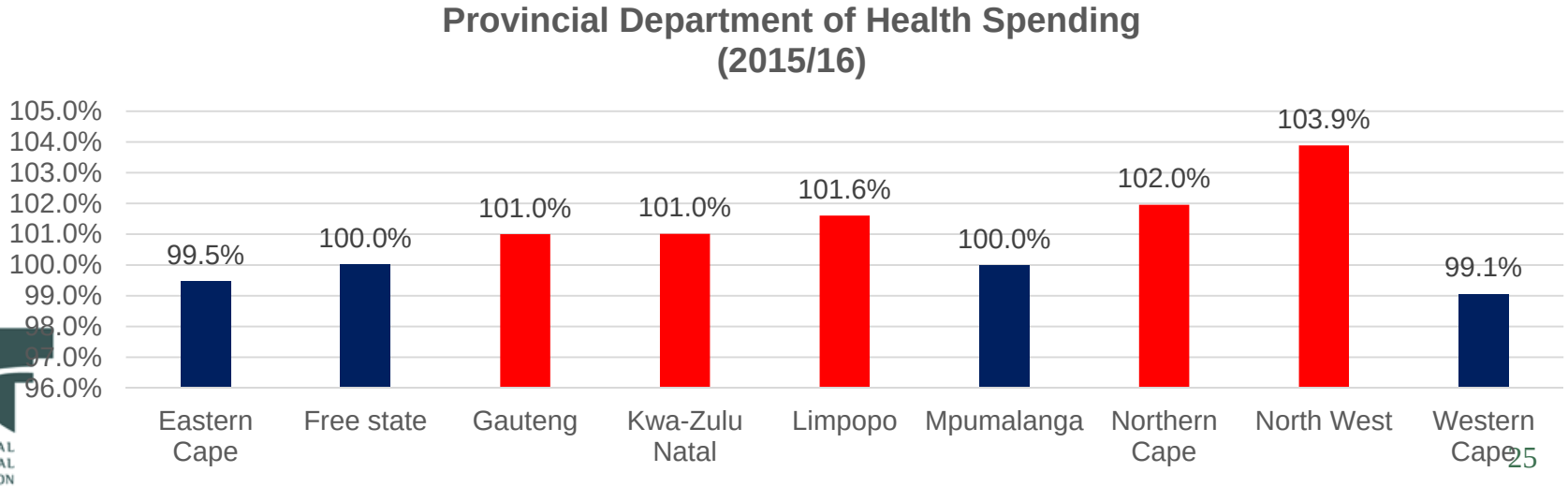
ASSESSMENT OF CONDITIONAL GRANTS TRANSFERRED TO PROVINCIAL DEPARTMENTS OF HEALTH (2)

- Over the 2017 MTEF period, allocations to the Comprehensive HIV/AIDS, National Tertiary Services and Health Facility Revitalisation conditional grants receives the bulk of the transfers from DoH
  - Given the poor performance on the Health Facility revitalisation grant, baseline reductions of R248 million effected over the 2017 MTEF period resulting in no real increase
  - The Commission has previously stated any baseline reductions to grants should be preceded by an expenditure review to determine the extent to which the objectives of the grants are affected

R' million	2016/17	2017/18	2018/19	2019/20	Real Avge. Annual Growth 2016/17 - 2019/20
Comprehensive HIV and Aids	15 291	17 558	19 922	22 039	7%
Health Facility revitalisation	5 273	5 654	5 916	6 247	0%
Health professions training & dev.	2 477	2 632	2 784	2 940	0%
Human papillomavirus vaccine	-	-	200	211	
National tertiary services	10 847	11 676	12 395	13 178	1%
National health insurance	94	-	-	-	

SPENDING ASSESSMENT OF PROVINCIAL DEPARTMENTS OF HEALTH

- Five out of the nine provincial departments of health overspent its budget in 2015/16
  - For some provinces, overspending has been a persistent problem in the past few years (E.g. North West, KZN)
  - The major cost pressures on provincial health budgets are goods and services in the main and personnel expenditure
  - Provinces have reported a significant increase in contingent liabilities over the period concerned, arising from legal action taken due to negligence by health professionals



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CONCLUDING REMARKS

- The DoH is receiving significant increase to its baseline budget over the 2017 MTEF
  - These increases are targeting the expanded rollout of HIV/AIDS and TB treatment and prevention, revitalising primary health care facilities and expanding the NHI rollout
- While the allocation of resources are targeting key areas of intervention in line with the NDP, a major concern is addressing the financial and implementation performance of provinces given the significant service delivery role they play in the sector
- NHI reforms must address coordination challenges in the sector especially when it comes fostering joint planning and increasing health facility budget autonomy
  - Learn from the education sector.

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