



# BRIEFING TO THE PORTFOLIO COMMITTEE ON HEALTH

---

Financial and Fiscal Commission

3 October 2017

*For an Equitable Sharing of National Revenue*

# OUTLINE

---

- Introduction
  - Role and function of the FFC
  - Health background
  - Previous FFC recommendations on health
- Key sectoral issues and challenges in health
  - Managing Personnel
  - Stewardship and Performance management
  - Infrastructure Challenges
  - Contingent liabilities
  - Private health sector
  - National Health Insurance



• Past FFC recommendations not responded to as part of Annexure E

• Conclusion



# 1. INTRODUCTION

# ROLE AND FUNCTION OF THE FFC

---

- The Financial and Fiscal Commission (FFC)
  - Is an independent, permanent, statutory institution established in terms of Section 220 of Constitution
  - Must function in terms of the FFC Act
- Mandate of Commission
  - To make recommendations, envisaged in Chapter 13 of the Constitution or in national legislation to Parliament, Provincial Legislatures, and any other organ of state determined by national legislation
- The Commission's focus is primarily on the equitable division of nationally collected revenue among the three spheres of government and any other financial and fiscal matters
  - Legislative provisions or executive decisions that affect either provincial or local government from a financial and/or fiscal perspective
  - Includes regulations associated with legislation that may amend or extend such legislation
  - Commission must be consulted in terms of the FFC Act



The Commission's current submission on the 2017/18 Division of Revenue will focus on the impact of the IGFR instruments on rural development

# BACKGROUND

---

- South Africa inherited a fragmented health care system with financing, distributional and geographic inequities.
- Government introduced a number of reform initiatives
- Public sector continues to carry the highest burden of healthcare delivery with limited resources
- Health outcomes are not commensurate with the level of spending and comparable to peer countries
- Government has committed to improving health outcomes through NDP and MTSF
- Concerns regarding the ability of the sector to deliver expected outputs are growing
- Bold NHI reforms are underway seeking to improve access and quality

# PREVIOUS YEARS FFC RECOMMENDATIONS ON HEALTH

Year	Recommendation	Response	Progress
2014/15	Provinces should transition towards an appropriate balance between wage and non wage components of the budget	Government supported the recommendation and further indicated the department of health should propose such ratios.	Norms for District and specialised hospitals developed but not approved. Norms for regional, tertiary and central hospitals outstanding
2015/16	Provincial departments of health should align funding levels for PHC with the applicable delivery norms and standards	Government agreed to the recommendation and indicated that alignment will be attained through NHI-PHC reengineering	NHI pilots and implementation of white paper underway.



## 2. KEY SECTORAL ISSUES AND CHALLENGES

# THE HEALTH SECTOR

---

- South has a total of 4200 health facilities each serving 13 700 people on average
- An average citizen visits health facilities 2.5 times per annum
- More than 90% of the population can access a health facility within a five kilometre radius
- There are over 170 000 health care professionals countrywide
- Disparities in access to healthcare professionals between public and private sector
  - One doctor to 4200 and 250 people in the public and private sector respectively
- South Africa produces at least 1 200 medical graduates per year



# MANAGING PERSONNEL

---

- Provincial personnel spending is in line with national average (63%)
- Provinces are continuously reconfiguring staff complement from admin to core professional
- Implementation of OSD has lasting adverse effect on health wage bill
- The ability of health sector to manage the wage bill remains a serious concern
- Rising wage bill is attributed to annual inflation adjustments, high staff complement, OSD and poor organisational design
- FFC study find weak relationship between personnel spending and productivity
- Government has committed to broader objective of contain personnel growth – which may come with huge risk for health care delivery

# MANAGING PERSONNEL

- Health personnel is gradually declining amid concerns of staff shortages, especially in rural areas.
- The process of appointing healthcare professionals is bureaucratic
- Provinces are reluctant to delegate human resource functions to health facilities

	2013	2014	2015	2016	2017
Eastern Cape	39 615	38 693	39 471	40 272	39 137
Free State	18 968	18 920	18 291	17 862	17 109
Gauteng	61 205	62 792	62 688	65 252	67 655
KwaZulu-Natal	82 615	72 909	71 867	72 152	69 255
Limpopo	37 120	36 674	37 204	36 908	35 637
Mpumalanga	18 357	19 307	19 447	20 105	20 146
Northern Cape	6 474	6 714	6 782	6 830	6 860
North West	18 279	19 325	18 956	17 974	17 393
Western Cape	31 142	31 707	31 884	32 031	31 667
<b>TOTAL</b>	<b>313 775</b>	<b>307 041</b>	<b>306 590</b>	<b>309 386</b>	<b>304 859</b>

# PERFORMANCE MANAGEMENT AND STEWARDSHIP

---

- Poor stewardship and performance management are leading contributors of poor health outcomes
  - National government continue to show appetite for taking over delivery functions
- Poor implementation of OSD is clear manifestation of performance management inadequacies in the sector
- A health review in KZN found that senior managers have not signed performance agreements
  - This make it difficult to link health care outputs to the Annual Performance Plans
  - Set priorities are not allocated the necessary resources to ensure that employees and other stakeholders work towards an intended outcomes/results

# INFRASTRUCTURE CHALLENGES

---

- Health infrastructure is funded through the Health Facility Revitalisation Grant
  - Characterised by inconsistent spending performance
- Provincial health infrastructure programs encounter numerous challenges:
  - Slow progress in filling posts for infrastructure units
  - Delays in procurement process and approval of projects – questions the effectiveness of the 2 year planning process for infrastructure
  - Lack of operational budget for newly built facilities
  - Delays in closure of completed projects and transfer to asset register

# CONTINGENT LIABILITY

- Health negligence and malpractices are rife within the health sector
- A worrying trend of rising medical claims is emerging
  - Points to deteriorating levels of care in public health facilities but also
  - Potential abuse of the system by legal profession
- Medical claims place huge contingent liability on provincial health budgets
  - Gauteng province has the highest risk exposure

R'000	31-Mar-15	31-Mar-16	% Share	Y/Y increase
Eastern Cape	8 210 838	13 421 136	31.1%	5 210 298
Free State	540 365	940 545	2.2%	400 180
Gauteng	10 079 281	13 452 064	31.2%	3 372 783
KwaZulu-Natal	6 724 865	9 957 126	23.1%	3 232 261
Limpopo	1 196 787	1 606 657	3.7%	409 870
Mpumalanga	1 459 497	2 366 010	5.5%	906 513
Northern Cape	174 111	342 829	0.8%	168 718
North West	33 881	855 737	2.0%	821 856
Western Cape	193 395	182 025	0.4%	-11 370
<b>Total</b>	<b>28 613 020</b>	<b>43 124 129</b>	<b>100%</b>	<b>14 511 109</b>

# PRIVATE HEALTHCARE SECTOR

- Private healthcare spending accounts for 51% of total national spending – but caters for 17% of total population
- Large financial muscle enable the private sector to attract qualified and experienced doctors and other professionals to the detriment of the public sector
- The private sector is marked by perceptions of
  - Market failure (subject of ongoing inquiry by the Competition Commission),
  - high hospital and specialist costs
  - high out of pocket fees,
  - overuse of technology and services as well as inappropriate and costly mix of health workers
- High costs are attributable to excess capacity, fee for service payment system, mandatory minimum benefits, preference for specialist care over primary health care
- Private medical schemes aggravates vertical health inequity through sub-optimal risk pooling

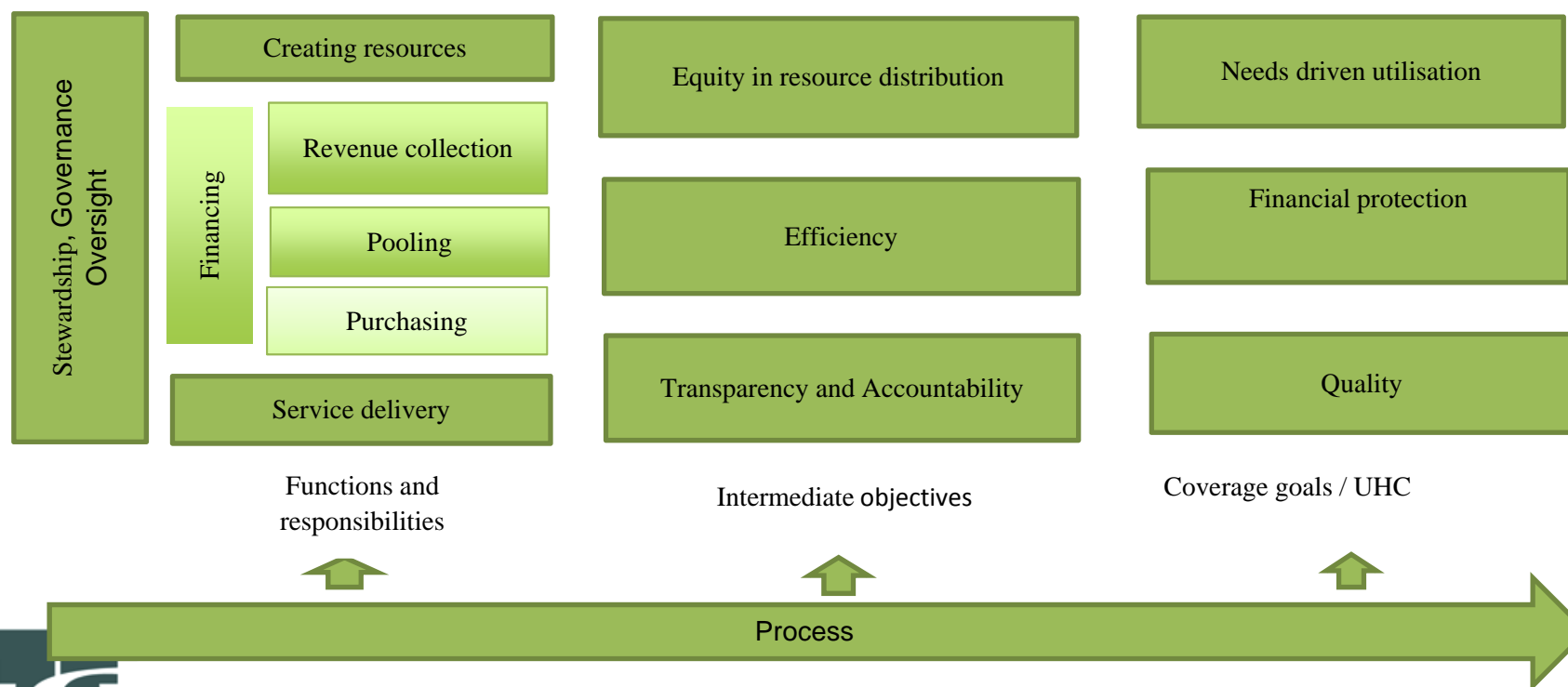
# NATIONAL HEALTH INSURANCE REFORMS

---

- NHI implementation is set to enter a second phase of implementation spanning 2017-2022.
- The newly revised paper makes notable strides in addressing concerns raised in first draft
  - Clarity on future role of medical schemes
  - Provision for district specialist teams
- Many details remain outstanding on the ultimate design of NHI
  - Service coverage, role of provinces, flow of funds, ownership structure of public hospitals etc.
- Legislative reforms and governments structures cannot be established until NHI blueprint is complete

# UHC /NHI IMPLEMENTATION ROADMAP

- The pursuit of UHC and Health equity aspirations is process – that requires strong political stewardship







### 3. HEALTH CARE PERFORMANCE OUTCOMES AND BUDGET ANALYSIS

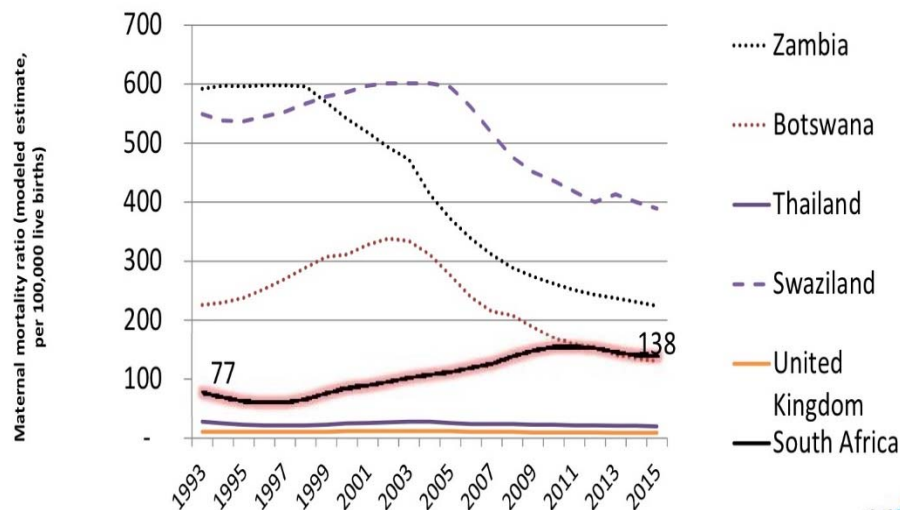
# HEALTH STRATEGIC OBJECTIVES

APP short term (MTEF)	MTSF medium term (2019)	NDP long term (2030)
Reduce maternal mortality to under 100 000	Lower maternal mortality to 100	100
Reduce neonatal mortality to under 7 / 1000	Decrease infant mortality to 23	20
Reduce under 5 mortality to less than 30 per 1000	Decrease under 5 mortality to 23	30
Increase number of HIV infected people on ARV	Reach 5.1 million on ARVs	All HIV infected people on ARVs
Increase access to TB treatment	Screen and treat all TB cases	
Protect girl learners against cervical cancer		
Improve quality of health infrastructure	870 health facilities refurbished, 43 hospitals and 213 clinics constructed,	

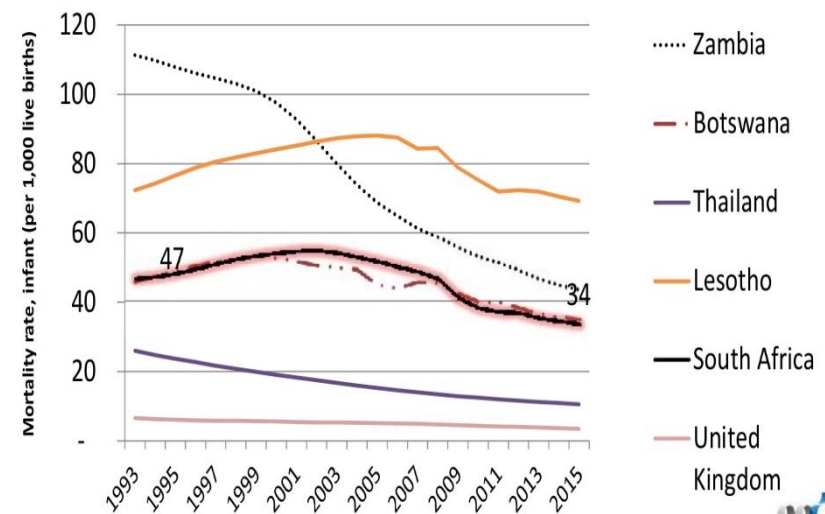
# PROGRESS TOWARDS ATTAINING HEALTH OUTCOMES

- Health outcomes improving albeit not at a rate consistent with capacity or level of the economy
- The two key indicators of effective overall health system show slow improvement in comparison with peer countries (Based on data downloaded from [www. http://data.worldbank.org/](http://data.worldbank.org/))

Maternal mortality ratio (modelled estimate, per 100,000 live births)



Mortality rate, infant (per 1,000 live births)



# OUTCOMES ON SELECTED PERFORMANCE TARGETS 2016/17

- Overall the Department appears to have achieved planned performance targets especially on HIV, TB, School health but
- Performance targets for infrastructure related strategic objectives remains a problem
  - Delays in projects completion have cost implications

<i>Indicator</i>	<i>Target</i>	<i>Achieved</i>	<i>Deviation</i>
Maintain and repair facilities in NHI districts	178	67	(111)
Maintain and repair facilities in NHI pilot districts	307	37	(270)
Construct clinics and community health centres	44	22	(22)
Construction of hospitals	8	3	(5)

# PUBLIC HEALTHCARE FUNDING

- Public Health Care accounts for 12% of consolidated national spending and is growing the fastest at an average rate of 8%
- Growth in health spending is driven by application of universal test and treat policy on HIV
- There is contrasting perception of health underfunding and clear evidence of poor operational and expenditure management

	2016/17	2017/18	2018/19	2019/20	Average annual MTEF growth
<b>R million</b>	Revised estimate	Medium-term estimates			
<b>Health</b>	170 888	187 483	201 377	217 131	8%
<b>Allocated by function</b>	1 298 923	1 394 774	1 486 437	1 597 001	7%
<b>Consolidated expenditure</b>	1 445 205	1 563 127	1 677 089	1 814 321	8%
<b>Health as % of functional allocation</b>	13%	13%	14%	14%	
<b>Health as % of consolidated spending</b>	12%	12%	12%	12%	

# PUBLIC HEALTHCARE FUNDING

- A large portion of health spending is consumed by personnel
  - in District Health Service where PHC is essential
- The dominance of personnel could hinder future efforts to expand health staff complement

	2016/17 Revised estimate	2017/18 Medium-term estimates	2018/19	2019/20	Percentage of total MTEF allocation	Average annual MTEF growth
<b>R million</b>						
<b>Health expenditure</b>	<b>170 888</b>	<b>187 483</b>	<b>201 377</b>	<b>217 131</b>	<b>100.0%</b>	<b>8.3%</b>
of which:						
Central hospital services	33 055	35 875	38 573	41 578	19.1%	7.9%
Provincial hospital services	29 745	32 293	34 436	36 740	17.1%	7.3%
District health services	75 470	83 640	90 635	98 303	45.0%	9.2%
of which:						
Comprehensive HIV/AIDS and TB grant	15 291	17 558	19 922	22 039	9.8%	13.0%
Emergency medical services	6 600	7 289	7 815	8 357	3.9%	8.2%
Facilities management and maintenance	8 530	9 874	10 614	11 353	5.3%	10.0%
Health science and training	5 332	5 480	5 850	6 238	2.9%	5.4%
National Health Laboratory Service	6 487	7 063	6 542	7 199	3.4%	3.5%
National Department of Health <sup>1</sup>	4 465	5 044	5 385	5 700	2.7%	8.5%
<b>Total</b>	<b>170 888</b>	<b>187 483</b>	<b>201 377</b>	<b>217 131</b>	<b>100.0%</b>	<b>8.3%</b>
of which:						
Compensation of employees	108 159	117 288	124 983	133 651	62.0%	7.3%
Goods and services	47 179	52 963	58 187	63 925	28.9%	10.7%
Transfers and subsidies	6 104	5 933	6 378	6 894	3.2%	4.1%
Buildings and other fixed structures	5 793	7 209	7 726	8 090	3.8%	11.8%
Machinery and equipment	3 521	3 967	4 089	4 561	2.1%	9.0%

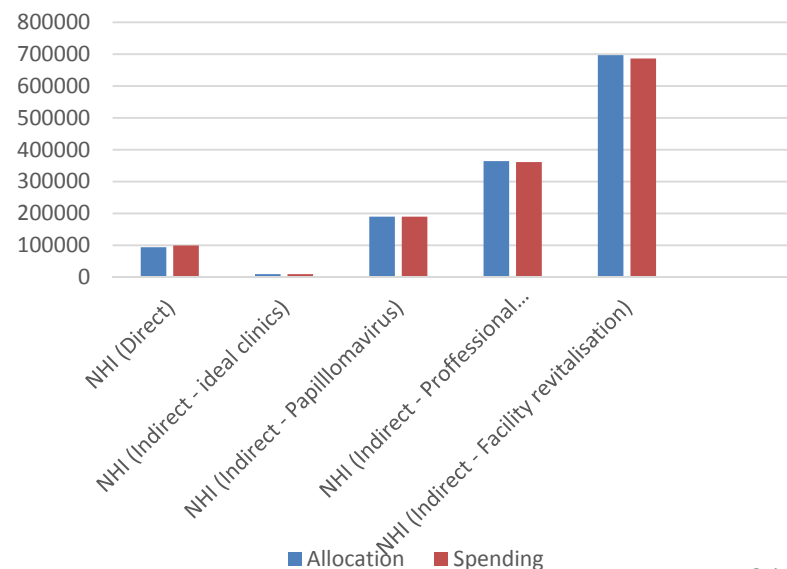
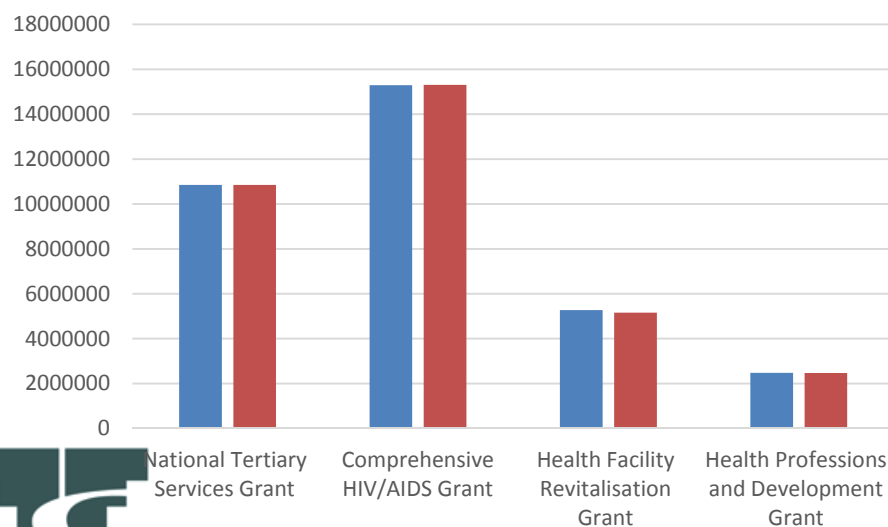
# PUBLIC HEALTHCARE SPENDING

- Provinces allocate at least 31% of total budget to health
  - Gauteng health allocation amounts to 44% of total budget
- Approximately 79% of provincial health budget is from PES transfers
- Need to reorganise composition of health conditional grants in accordance with provincial specific needs

R thousand	2017/18			2018/18			2018/20	
	Health budgets less CGs	% Health budgets less CGs of total health	Health budgets as % of Total Provincial	Health budgets less CGs	% Health budgets less CGs of total health	Health budgets as % of Total Provincial	Health budgets less CGs	% Health budgets less CGs of total health
Eastern Cape	17 523 418	82.6%	29.0%	19 249 038	82.4%	29.1%	20 531 952	82.4%
Free State	4 353 329	73.4%	27.9%	7 359 190	70.5%	28.0%	7 921 192	70.7%
Gauteng	30 542 064	75.0%	35.3%	31 558 152	75.1%	34.0%	33 051 984	74.9%
KwaZulu-Natal	31 513 413	79.7%	33.6%	33 154 353	79.3%	33.2%	35 371 381	78.8%
Limpopo	18 552 258	85.9%	30.2%	18 448 211	85.5%	29.7%	17 191 133	85.0%
Mpumalanga	10 253 230	85.6%	28.5%	10 750 532	84.7%	27.9%	11 441 247	84.4%
North West	3 028 588	69.6%	26.3%	3 228 210	69.4%	25.6%	3 439 143	69.7%
North West	12 918 573	79.6%	27.1%	13 742 351	78.5%	26.9%	14 391 528	78.5%
Western Cape	18 220 137	78.7%	35.4%	18 920 747	74.2%	35.7%	17 738 912	73.8%
<b>Total</b>	<b>140 318 027</b>	<b>79.8%</b>	<b>31.8%</b>	<b>147 442 200</b>	<b>78.4%</b>	<b>31.3%</b>	<b>157 245 238</b>	<b>78.1%</b>

# CONDITIONAL GRANT SPENDING

- Overall spending performance of health conditional grants is over 98%
- The NHI grant is highly fragmented
  - Some of NHI related grants are too small to make an impact







## 4. PREVIOUS HEALTH RECOMMENDATIONS NOT RESPONDED TO AS PART OF ANNEXURE E

# PAST FFC RECOMMENDATIONS ON HEALTH NOT RESPONDED TO

Year	Recommendation	Government Response	Comment
2015/16	Minimise the levels of clinical, operational and behavioural waste	Deemed unrelated to DOR – not responded to.	Reforms such as centralised pharmaceutical procurement indirectly address the recommendation
2014/15	Accounting officer must be held accountable for establishing effective personnel spending controls, ensuring up-to-date and credible personnel information to act as an early warning, and for taking prompt corrective action when necessary	Deemed unrelated to DOR – not responded to.	Ongoing departmental interventions under program 4 - PHCs
	The capability of human resource functions within provincial line departments – to cost and budget for staff establishments, establish the necessary control systems, respond to Auditor-General queries, and manage financial and non-financial information – is enhanced.	Deemed unrelated to DOR – not responded to.	The 10 point health plan addresses the recommendation

# CONCLUSION

---

- Health outcomes are increasingly becoming responsive to budget and policy interventions
- Health conditional grants show good spending performance but requires a review to improve delivery outcomes
- Need to invest in better performance information management system to improve linkages between performance targets and budget
- Strong political stewardship is required to ensure successful implementation of NHI

# FFC'S WEBSITE: WWW.FFC.CO.ZA



## FINANCIAL AND FISCAL COMMISSION

An Independent Constitutional Advisory Institution



- Home
- About
- Discussions
- Media & Events
- Research
- FAQs
- P.A.I.A
- Jobs & Tenders
- Links
- Contact

You are here: Home



### Submissions

- Commission Submissions
- List of Recommendations
- Submission Chapters
- Budget Process

Financial and Fiscal Commission  
Intergovernmental Fiscal Relations Conference  
10 - 13 August 2014

International Convention Centre,  
Cape Town, South Africa

Our Mandate

### More Publications

Vote of Thanks 20th  
anniversary conference

Keynote Address - FFC 20th  
Anniversary Conference  
Acting Chairperson

28