



BRIEFING TO THE PORTFOLIO COMMITTEE ON HEALTH

11 October 2016

For an Equitable Sharing of National Revenue

OUTLINE

1. The Financial and Fiscal Commission
2. Health Care and the Economy
3. Departmental MTEF Analysis
4. Spending and Performance Assessment
5. Provincial Analysis
6. FFC recommendations
7. Conclusion

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
 - Current research strategy focuses on developmental impacts of IGFR and 2 land projects in 2015/16 research cycle

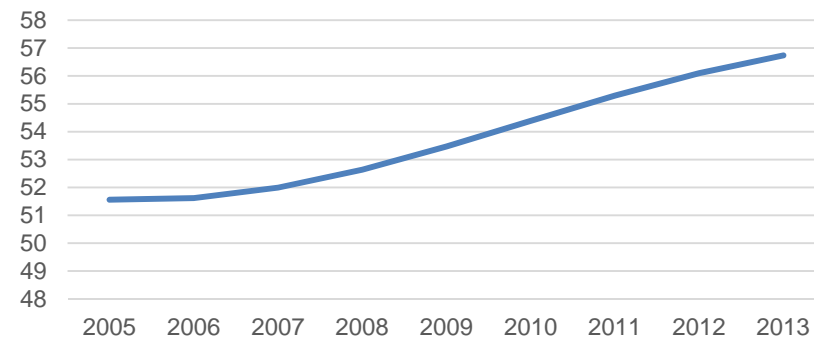


2. RELATIONSHIP BETWEEN HEALTH CARE PERFORMANCE AND THE ECONOMY

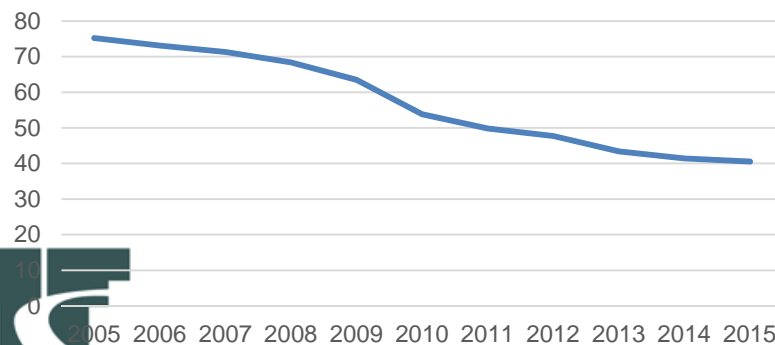
BACKGROUND

- South Africa has consistently improved against all the key MDG 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

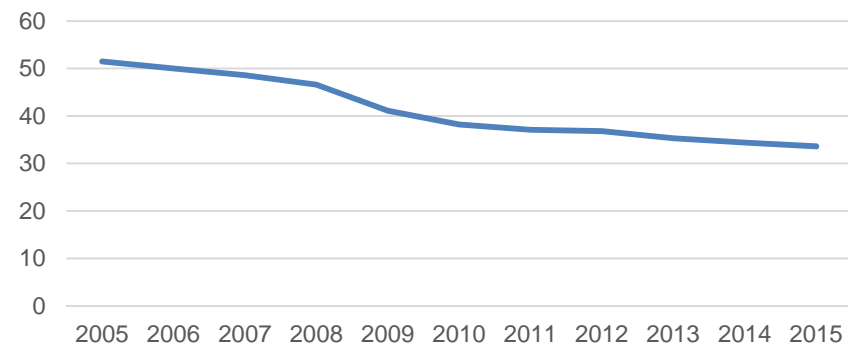
Life expectancy at birth, total (years)



mortality rate under 5 (per 1000)



Mortality rate, infant (per 1,000)



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



3. Departmental MTEF Analysis

DEPARTMENTAL OVERVIEW

- The department consists of 6 programmes
 - (1)Administration, (2)NHI, Health Planning and Systems Enablement, (3)HIV and Aids, Tuberculosis and Maternal and Child Health, (4)Primary Health Care Services, (5)Hospitals, Tertiary Health Services and HR Development, (6)Health Regulation and Compliance Management
 - Five entities report to and fall under the budget of the DoH
- Mandate: To provide a framework for a structured uniform health system within South Africa – the department contributes directly to achieving Outcome 2 (a long and healthy life for all South Africans)
- Focus of the department over the medium term informed by NDP and relates to:
 - Sustainably expanding HIV and AIDS and tuberculosis treatment and prevention, revitalising public health care facilities, and ensuring the provision of specialised tertiary hospital services
 - White Paper on National Health Insurance highlights the rollout of national health insurance but this is not yet a large spending area

SPENDING AND MTEF BUDGET BY PROGRAMME

- Over the 2016 MTEF period, DoH is allocated a total of R128 billion, which translates into a real annual average growth of 3.8%
 - Growth over 2016 MTEF driven by significant growth in Programme 2 which relates to the achievement of universal health coverage and the implementation of the NHI
 - Programme 5 receives the largest allocation, but the proportion of the DoH budget allocated to it declines from 61.5% (2012/13) to 47.6% (2018/19). Real annual average growth of this programme is marginal over the 2016 MTEF period
 - Solid real annual average growth (7.6%) projected for Programme 3 over the 2016 MTEF period – proportion of the budget allocated to this programme has increased significantly

Programme (R'mil)	Audited Outcome			Revised Estimate	Medium Term Expenditure Framework Estimates			Annual Average Growth, 2012/13-2015/16	Annual Average Growth, 2016/17-2018/19
	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19		
1. Administration	373	347	386	452	463	517	549	0.99%	2.6%
2. National Health Insurance, Health Planning and Systems Enablement	315	223	338	490	560	740	998	9.68%	25.9%
3. HIV and AIDS, Tuberculosis, and Maternal and Child Health	8 979	10 764	12 827	14 193	16 019	18 433	20 855	10.32%	7.6%
4. Primary Health Care Services	206	183	206	217	258	286	317	-3.63%	4.6%
5. Hospitals, Tertiary Health Services and Human Resource Development	17 379	17 493	18 449	18 801	19 573	21 072	22 225	-2.78%	0.5%
6. Health Regulation and Compliance Management	1 009	1 214	1 332	1 600	1 690	1 730	1 790	10.44%	-3.0%
Total	28 261	30 225	33 539	35 754	38 563	42 778	46 734	2.43%	3.8%

SPENDING BY ECONOMIC CLASSIFICATION

- Transfer and subsidies largest item due to transfers to provincial health departments and hospitals
- Decline in compensation of employees –due to Cabinet approved budget reductions to lower the national aggregate expenditure ceiling

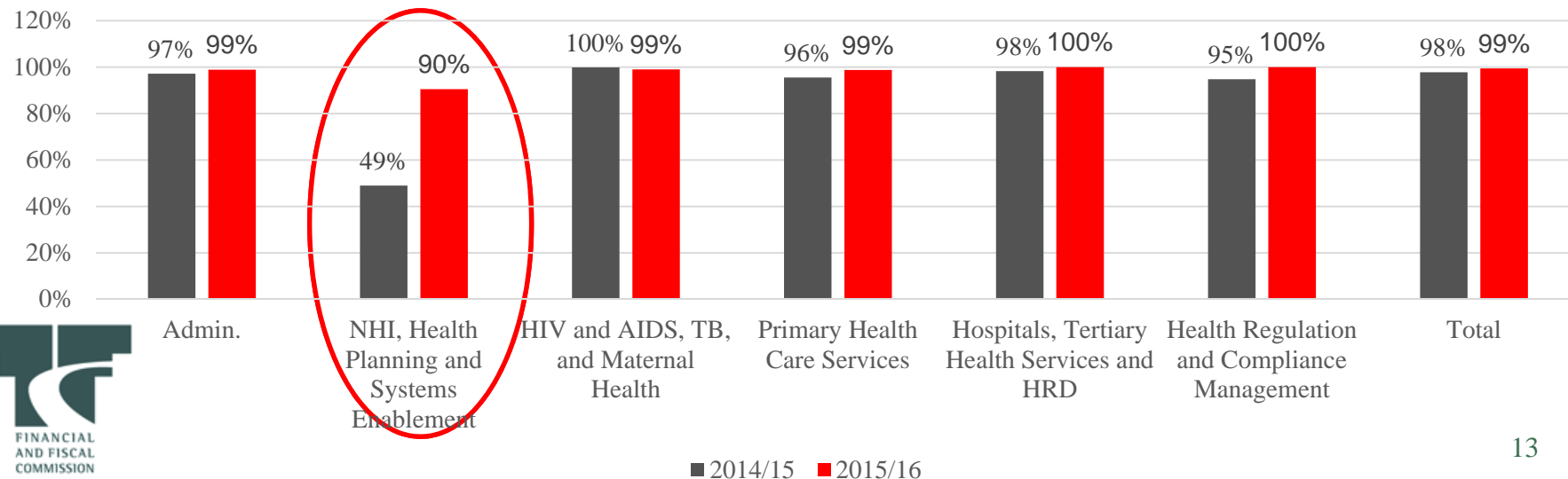
R'000	Audited Outcome			Adjusted Appropriation	Medium Term Expenditure Framework Estimates			Real Annual Average Growth 2016/17-2018/19
	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	
Compensation of employees	554	628	686	774	873	878	954	-1.4%
Goods and services	711	634	1 054	1 150	1 431	1 874	1 989	11.1%
Transfers and subsidies	26 970	28 787	31 571	33 496	35 637	39 290	43 021	3.6%
Payments for capital assets	20	173	227	333	622	736	770	5.0%



4. SPENDING AND PERFORMANCE ASSESSMENT IN 2015/16

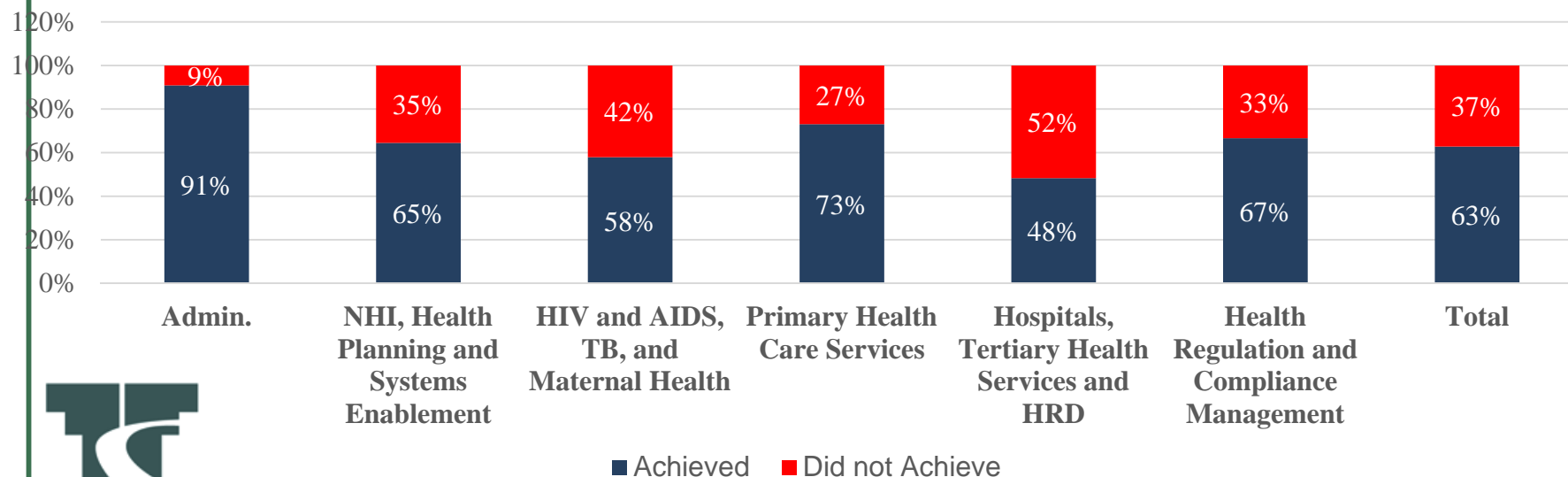
DEPARTMENTAL SPENDING PERFORMANCE

- The DOH improved its spending performance from 98% of its budget in 2014/15 to 99% in 2015/16
- The largest underspending took place in NHI, Health Planning and Systems Enablement, although significant improvement from 49% in 2014/15 to 90% in 2015/16
- Other reasons for underspending in 2015/16 include:
 - The mass media campaign on HIV/AIDS was postponed until next financial year
 - Transfer to universities for pharmacovigilance did not take place due to delays in signing Service Level Agreement
 - Underspending on the human papilloma vaccine



ACHIEVEMENT OF PERFORMANCE TARGETS (1)

- The NDOH only achieved 63% of its indicators, although many of the indicators that were not achieved are implemented at a provincial level
- The department's indicators are generally well specified, relate to key service delivery areas (E.g. turnaround time for recruitment of medical personnel) and importantly, measure quality of health service provision (E.g. % of clinics achieving ideal clinic status)
- The AG found that provinces had inadequate systems to reliably report performance information



ACHIEVEMENT OF PERFORMANCE TARGETS (2)

- Administration
 - The Commission welcomes the department's active oversight role over provincial planning - NDOH reviewed provincial APPs to ensure alignment with national health system priorities
 - Recruitment turnaround time was not achieved and still too long at 5 months. Even though the target was within the DPSA benchmark, health service provision is a critical public service and any vacancies that remain unfilled over a protracted period, compromises adequate health care provision
- NHI, Health Planning and Systems Enablement
 - The Commission welcomes the rollout of an electronic early detection system at hospitals and PHC facilities for medicine stock-outs

ACHIEVEMENT OF PERFORMANCE TARGETS (3)

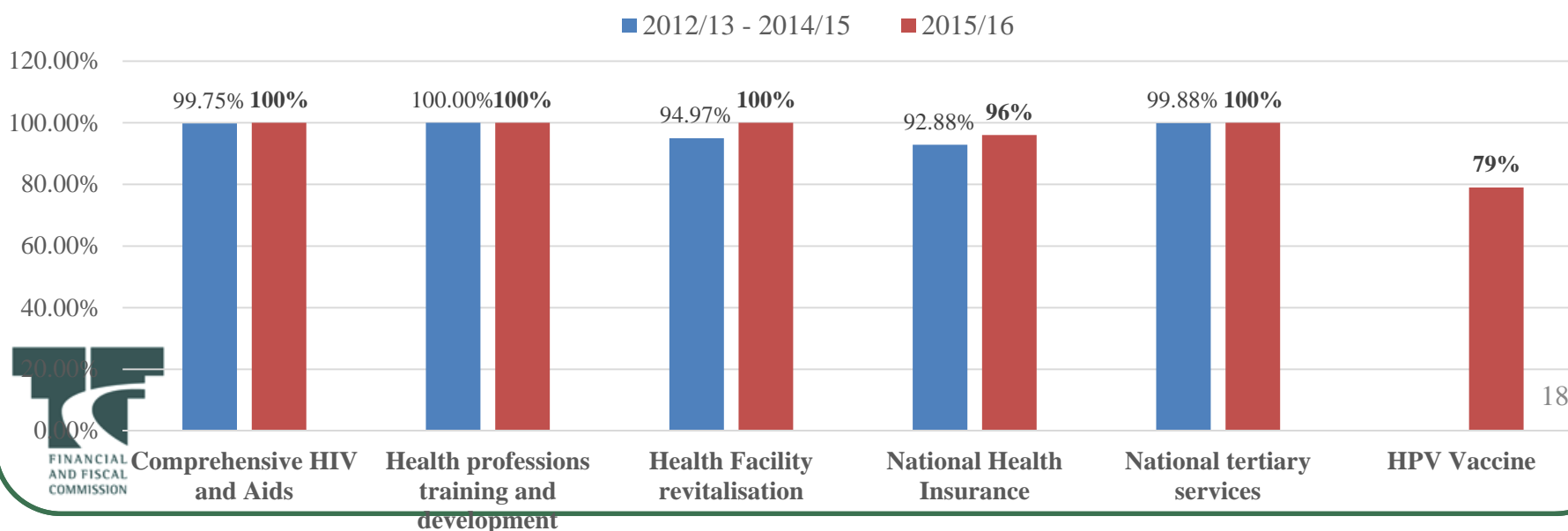
- **HIV/AIDS, TB and Maternal Health**
 - Access to TB treatment has improved (overachieved by 7%), but TB treatment success rate is still a concern (E.g. TB MDR death rates 37% in EC and 30% in Mpumalanga)
 - Fatality rates of children under 5 from malnutrition, pneumonia and diarrhoea declined from 11.6% in 2014/15 to 8.9% in 2015/16
 - Neonatal mortality rates remains an ongoing challenge – rose from 12.8 per 1000 live births in 2014/15 to 13.1 in 2015/16. The department provides no clear explanation about the reasons for the increase.
- **Primary Health Care**
 - Cost implications of indicators may not always be considered, hence target is not achieved (E.g. no. of cataract operations – 1064/1500 per million)
 - Many primary health care facilities are not providing adequate service quality as only 322 out of 500 clinics achieved ideal clinic status. Reasons cited include challenges with procuring infrastructure and lack of personnel

ACHIEVEMENT OF PERFORMANCE TARGETS (4)

- Hospitals, Tertiary Health Services and HRD
 - The sector is experiencing challenges with repairing and refurbishing of facilities as only 70% of targeted facilities revamped
- Health Regulation and Compliance Management
 - The Commission welcomes attempts to strengthen inter-sectoral coordination (E.g. MoU with DAFF)

ASSESSMENT OF CONDITIONAL GRANTS

- Most of the health grants achieved close to 100% spending in 2015/16, with the exception of the NHI grant (96%) and the new HPV Vaccine grant (79%)
- The spending performance on all health grants have improved in 2015/16 compared to the average spending in the previous three years
- Reasons for the underspending on conditional grants include:
 - Delays in the execution of planned projects
 - Procurement challenges and
 - Challenges in appointing specialists in underserved provinces

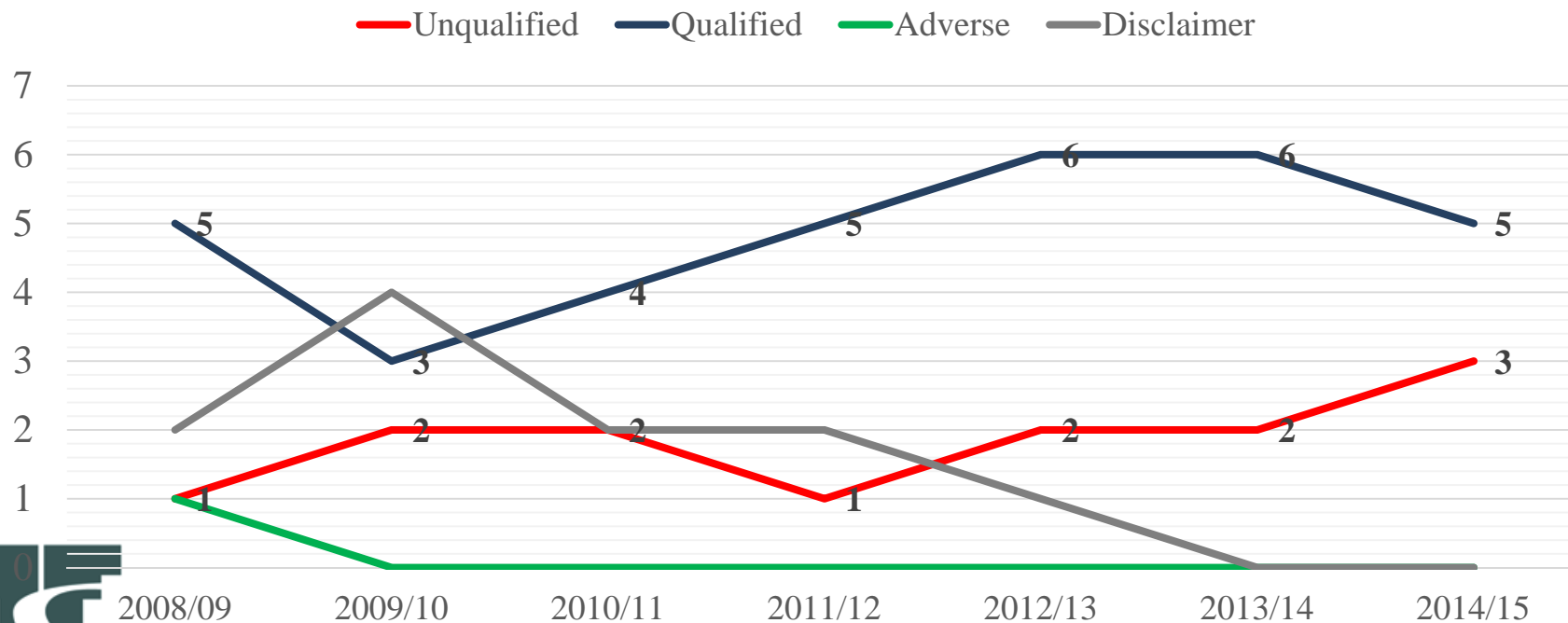




5. PROVINCIAL ANALYSIS

PROVINCIAL HEALTH AUDIT OUTCOMES

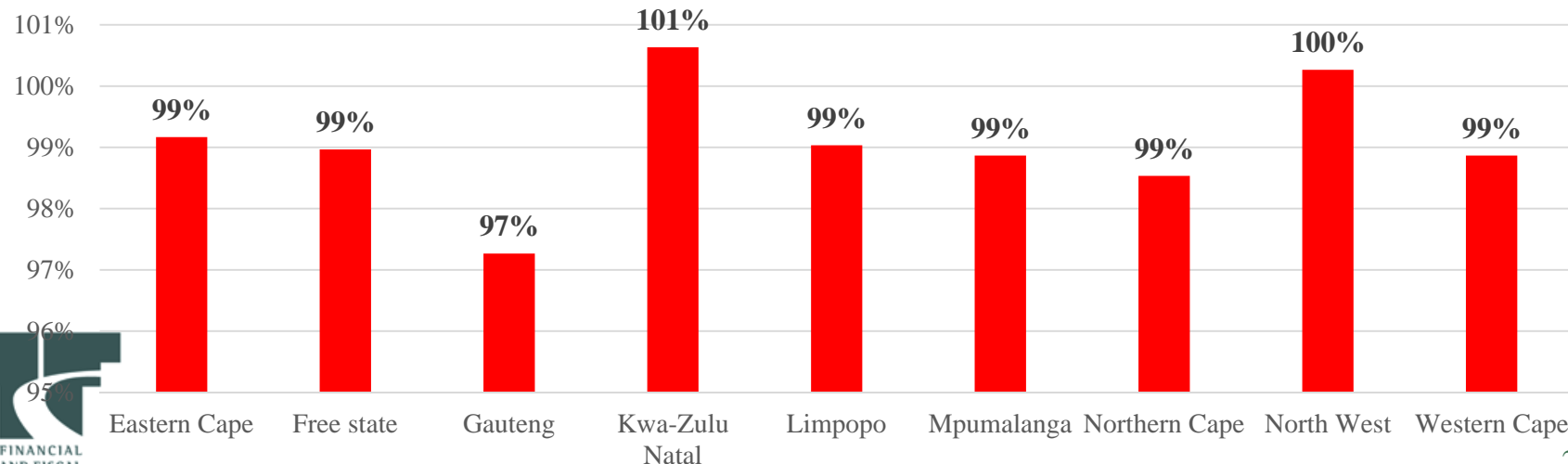
- Health audit outcomes have improved since 2008/09, with 3 provinces receiving unqualified outcomes in 2014/15 while none received a disclaimer or an adverse opinion.



SPENDING ASSESSMENT OF PROVINCIAL DEPARTMENTS OF HEALTH

- Most provinces spent on average close to 100% of their total budget over the period, although some uneven spending noticeable
 - Kwazulu-Natal on average, overspent its budget allocation while Gauteng only managed to spend 97% of its allocation
 - The major cost pressure on provincial health budgets are personnel expenditure in the main, which accounts for nearly two thirds of the total health budget

Average Spending performance
(2013/4 - 2015/16)





6. FFC HEALTH –RELATED RECOMMENDATIONS

Submission	FFC Recommendation
Submission for the 2015/16 DoR	<p>Provincial governments increase their allocation levels to PHC funding, to be in line with the minimum norms and standards for the PHC package set by the National Department of Health.</p> <p><i>Response: government agrees but suggest that new norms and standards be developed rather applying those published in 2000</i></p>
	<p>Inefficiencies in the health sector are minimised to be in line with international best practices, particularly, clinical, operational and behavioural waste.</p>

CONCLUDING REMARKS

- The DoH spending has improved in 2015/16, although concerns still exist with respect to underspending on health indirect grants
- 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
- The sector has made good progress on some key performance indicators, but needs to work on a plan to address high neonatal mortality rates
- The Commission welcomes further engagement on the department's revenue retention model
- The committee should request from the department:
 - more information about the underspending on the HPV vaccine as no explanation was provided in the annual report
 - A strategy to reduce the turnaround times on filling vacancies to avoid health services from being unnecessarily disrupted

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



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