



BRIEFING TO THE PORTFOLIO COMMITTEE ON HEALTH

2 May 2017

For an Equitable Sharing of National Revenue

OUTLINE

- Setting the scene: IGFR health issues
- Health care performance and the economy
- Health care policy planning regimes and strategic goals
- Departmental budget and APP analysis
- Provincial budget and APP analysis
- Conclusion

IGFR ISSUES AFFECTING HEALTH CARE PERFORMANCE

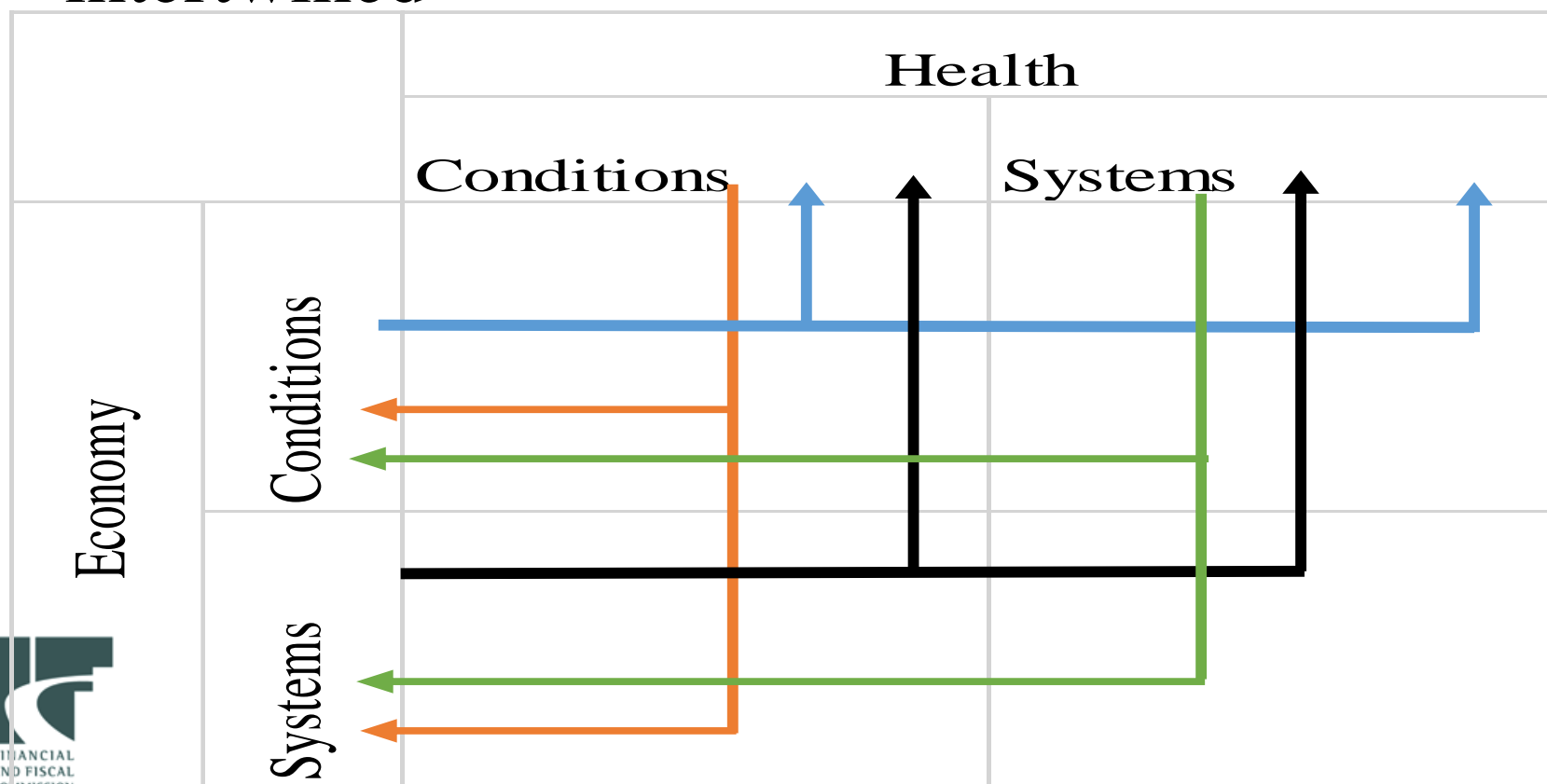
- Coordinated planning within and across health departments and entities
- Decentralisation of funding to hospitals
 - Successful in the education sector
- Alignment of health facility allocations to health needs, plans and priorities
- Multiple grant funding streams for same budget line item
- Skewed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



RELATIONSHIP BETWEEN HEALTH CARE PERFORMANCE AND THE ECONOMY

HEALTH AND THE ECONOMY

- Health and economics are inextricably intertwined



HEALTH AND THE ECONOMY

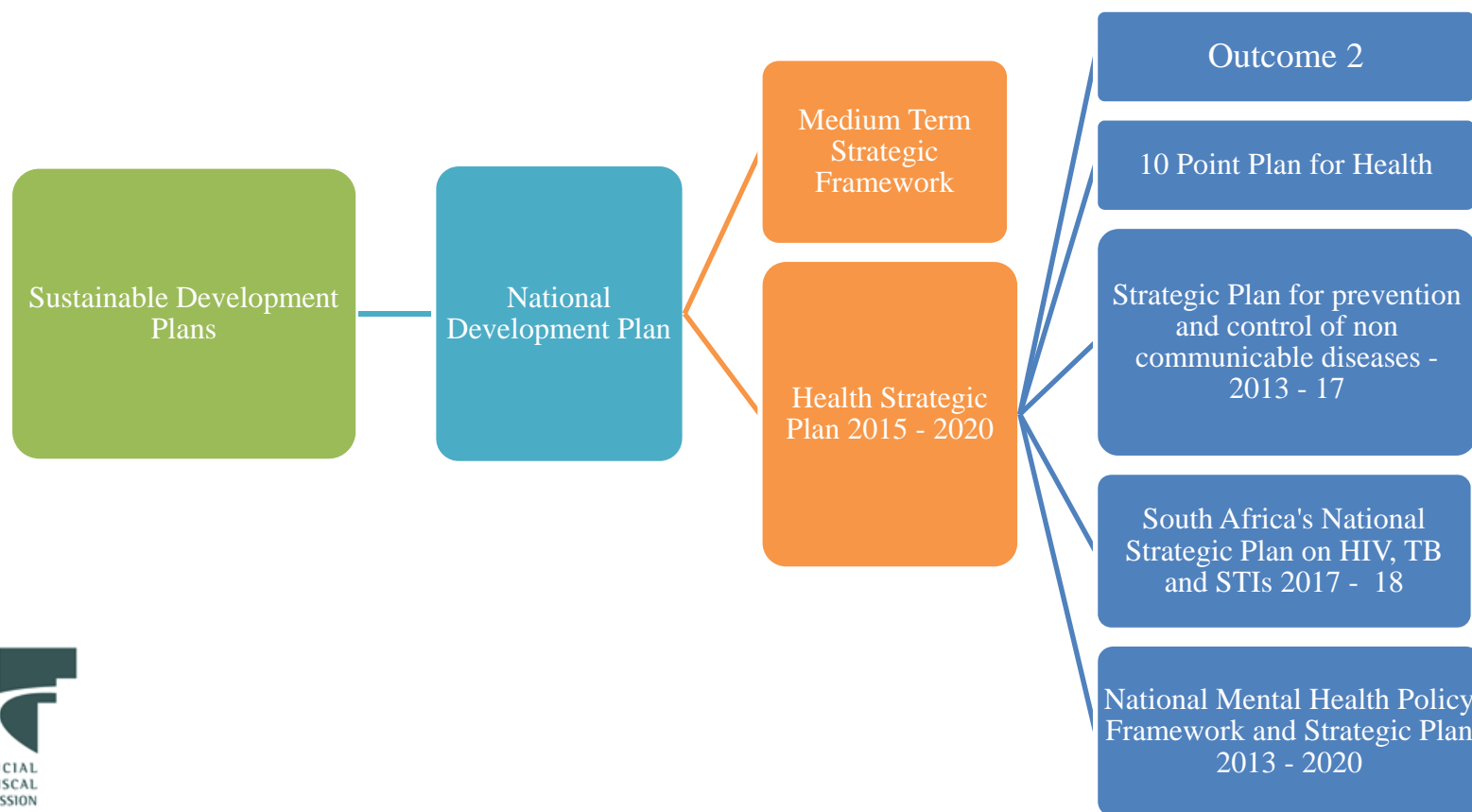
- Developed economies have healthier population while developing economies population are generally less healthy
- Poor health conditions compromise sustainable growth
 - Diseases and low life expectancy hinder institutional performance and productivity
- Efficient fiscal system are crucial for health financing and reinforcing public health policies
- Policy makers need to strike a balance between promoting and financing health and growing the economy



HEALTH CARE POLICY PLANNING REGIMES, STRATEGIC GOALS

HEALTH STRATEGIC PLANS

- Health derive its delivery mandate from numerous plans



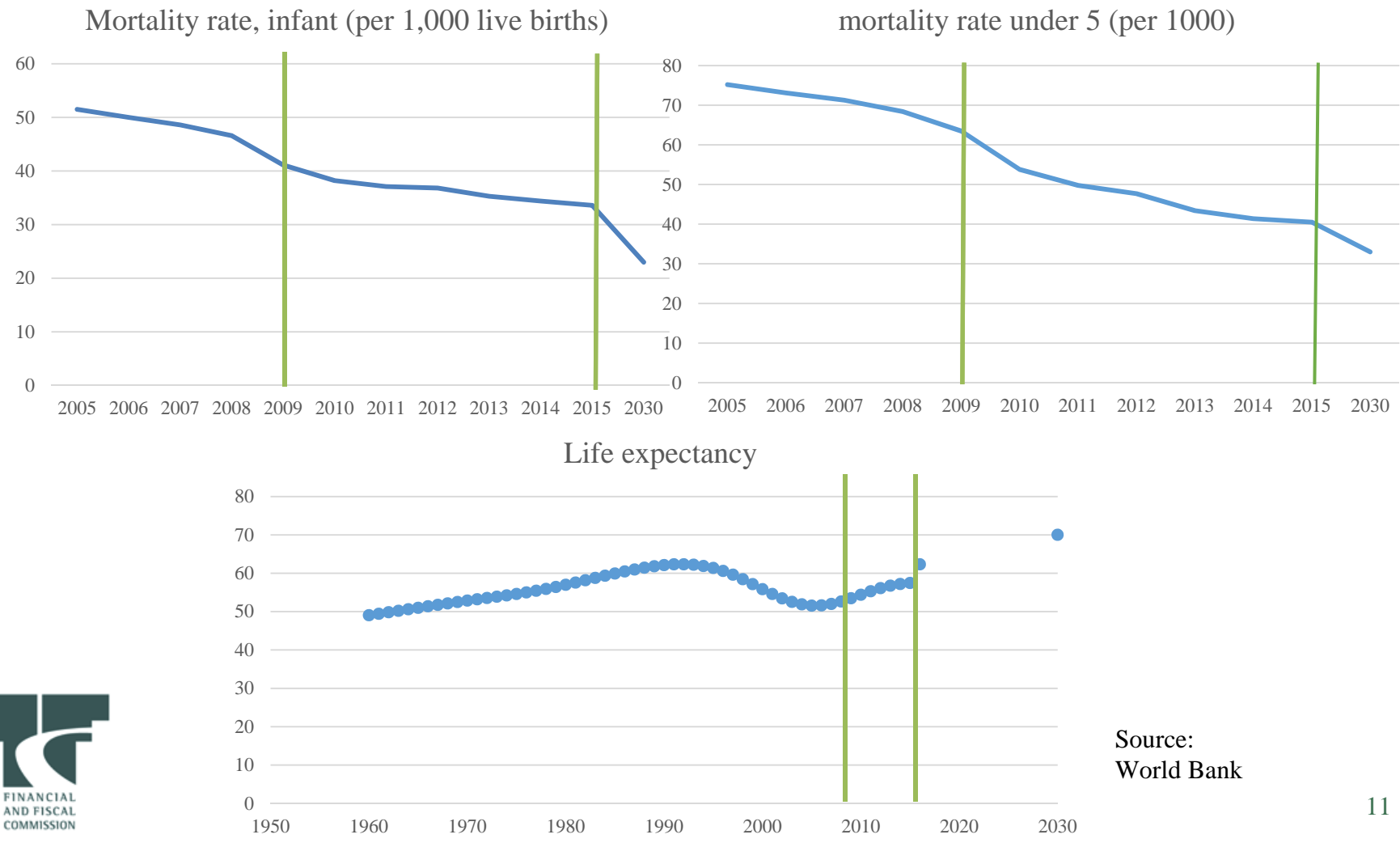
HEALTH STRATEGIC PLANS

- There are many layers of strategic plans within the health sector
- Planning objectives and periods overlap various strategic plans
 - Not always linked to MTSF planning cycle
- Multiplicity of strategic plans
 - Hinders efforts to assign APP delivery indicators to a specific strategic plan
 - Makes it difficult to assess alignments of annual delivery targets to budgets and long term goals

HEALTH STRATEGIC GOALS

Medium Term (MTSF 2020)	Long Term (NDP 2030)
Prevent and reduce disease burden	Reduce burden of disease to manageable level
Universal health coverage	Implement NHI
Reengineer primary health care	
Improve health facility planning, financial management and health information management system	Strengthen national health system
Improve quality of care	
Improve human resources	Build Human resource for the health sector
	Address social determinants of health

HEALTH CARE PERFORMANCE AGAINST STRATEGIC GOALS



Source:
World Bank

HEALTH CARE PERFORMANCE AGAINST STRATEGIC GOALS

- Treatment on communicable diseases (HIV/AIDS) is showing positive effect on life expectancy
- Non communicable diseases are on the rise
 - Constitute 40% of death before age 60 in South Africa (SAMRC, 2016)
 - Will constitutes 5 times as many deaths as communicable diseases in developing countries
- Implementation of the Strategic plan for prevention and control of non-communicable diseases needs to be prioritised



3. Departmental Budget Analysis

CONSOLIDATED HEALTH EXPENDITURE AND 2017 BUDGET PRIORITIES

- Consolidated health spending grows from R171 billion in 2016/17 to R217 billion in 2019/20
 - Has the third highest growth in spending after debt service cost and higher education
- Real growth in health budget is lower at 2% given weak economic environment
- 2017 growth in spending is driven by expanded provision of antiretroviral and establishment of the South African Health Products Regulatory Authority

CONSOLIDATED HEALTH EXPENDITURE

- COE accounts for 62% of total health budget

R million	2017/18	2018/19	2019/20	Real average annual growth rate
Health expenditure	187 483	201 377	217 131	2.0%
<i>of which:</i>				
<i>Central hospital services</i>	35 875	38 573	41 578	1.6%
<i>Provincial hospital services</i>	32 293	34 436	36 740	1.0%
<i>District health services</i>	83 640	90 635	98 303	2.9%
<i>of which:</i>				-6.3%
<i>Comprehensive HIV/AIDS and TB grant</i>	17 558	19 922	22 039	6.7%
<i>Emergency medical services</i>	7 289	7 815	8 357	1.9%
<i>Facilities management and maintenance</i>	9 874	10 614	11 353	3.7%
<i>Health science and training</i>	5 480	5 850	6 238	-0.9%
<i>National Health Laboratory Service</i>	7 063	6 542	7 199	-2.8%
<i>National Department of Health¹</i>	5 044	5 385	5 700	2.2%
Total	187 483	201 377	217 131	2.0%
<i>of which:</i>				
<i>Compensation of employees</i>	117 288	124 983	133 651	1.0%
<i>Goods and services</i>	52 963	58 187	63 925	4.4%
<i>Transfers and subsidies</i>	5 933	6 378	6 894	-2.2%
<i>Buildings and other fixed structures</i>	7 209	7 726	8 090	5.5%
<i>Machinery and equipment</i>	3 967	4 089	4 561	2.7%

CONSOLIDATED HEALTH BUDGET – CONDITIONAL GRANTS

- Conditional grants constitute 20% of consolidated health budget
- Health conditional grants grow at an average nominal rate of 6%
 - Inflationary growth adjustment will only be sufficient to maintain current service levels

R million	2017/18	2018/19	2019/20	MTEF total	Average annual growth rate
Direct Health	37 520	41 217	44 615	123 352	6%
Comprehensive HIV, Aids and TB	17 558	19 922	22 039	59 519	8%
Health facility revitalisation	5 654	5 916	6 247	17 817	3%
Health professions training and development	2 632	2 784	2 940	8 357	4%
Human papillomavirus vaccine	-	200	211	411	
National tertiary services	11 676	12 395	13 178	37 248	4%
National health insurance	-	-	-	-	
Indirect Health	1 663	1 765	1 864	5 292	4%
National health insurance indirect	1 663	1 765	1 864	5 292	4%
Total Direct and Indirect	39 183	42 981	46 479	128 644	6%

DEPARTMENTAL BUDGET AND OVERVIEW

- The Department of Health (DoH) consists of 6 programs
 - (1)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 overall budget of the department amount to R42.6 billion in 2017/18
- A large proportion (92%) of the budget is allocated to transfers
- Dominance of transfers imply that performance indicators focus on oversight

	Program 1	Program 2	Program 3	Program 4	Program 5	Program 6	Total
Budget	512 838	735 087	18 278 344	264 229	21 108 184	1 726 971	42 625 653
COE	197 170	114 740	79 420	185 583	128 470	54 649	760 032
% COE	38%	16%	0.4%	70%	1%	3%	2%
Transfers and subsidies	2 252	28 401	17 729 326	2 960	19 962 488	1 629 998	39 355 425
% Transfers	0.4%	4%	97%	1%	95%	94%	92%

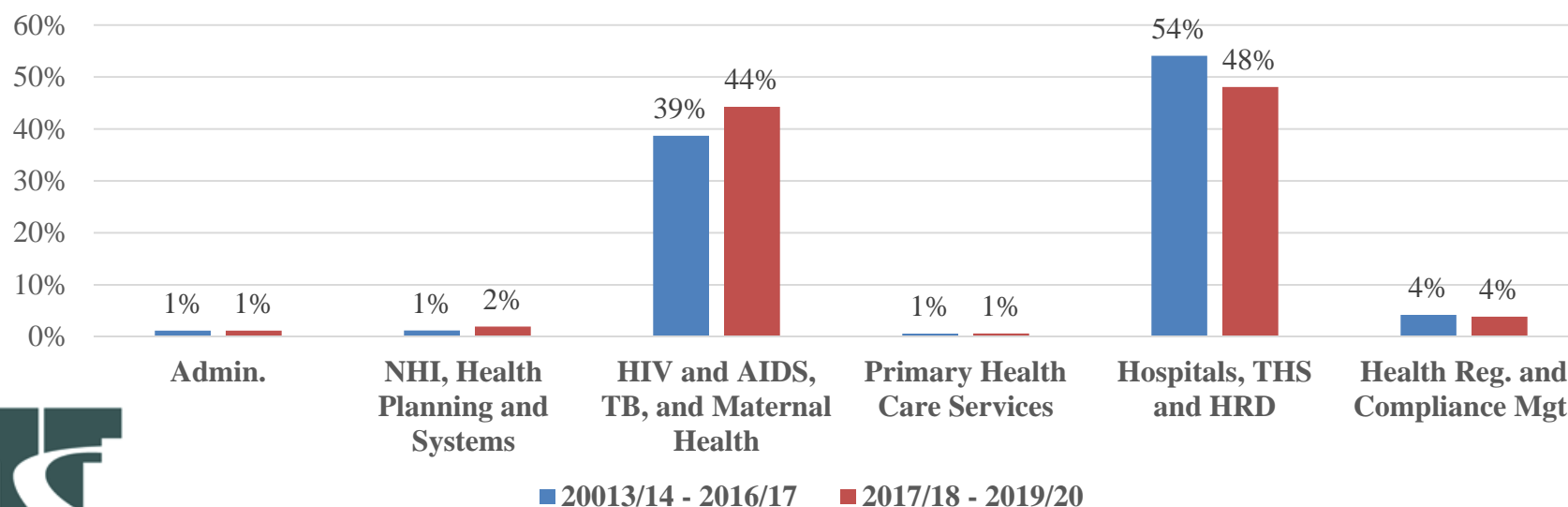
MTEF BUDGET BY PROGRAMMES

- 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

R'Million		2013/'14	2014/'15	2015/16	2016/17	2017/18	2018/19	2019/20	2013/14 - 2016/17	2017/18 - 2019/20
										Real Avge Growth P.A
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 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 strategic goals set out in national health strategic goals
 - The increased priority attached to these funding areas is likely to have a positive impact on health outcomes, especially mortality rates and life expectancy



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 health care facilities

		2013/'14	2014/'15	2015/16	2016/17	2017/18	2018/19	2019/20	2013/14 - 2016/17	2017/18 - 2019/20
R'million									Real Avge Growth P.A	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%

ALIGNMENT OF 2017/18 BUDGET AND APP TO STRATEGIC OBJECTIVES

- Overall the 2017/18 health budget advance health delivery objectives outlined in various strategic plans
 - 92% of national department budget is allocated to key delivery programs (3 and 5)
- The 2017/18 contains 162 delivery performance indicators which provinces are mostly responsible
- There is need to reduce the number of indicators and align them to overall strategic objectives rather than departmental programs.



– Consistent with AG findings

SELECTED PERFORMANCE INDICATORS

- There is a need to review performance indicators/targets which have consistently not been met.
 - Indicator to do with improving provincial audit outcomes
- Indicators must clearly indicate activities associated with improving performance targets

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

PROVINCIAL HEALTH ALLOCATIONS

- The total provincial health allocations (including CGs) account for 94% of total national health budget
- Excluding CGs provincial health allocations account for 32% of total PES allocations

R thousand	Total PES allocation	Total Health budgets	2017/18			
			Total Health CGs	Health budgets less CGs	% health budget less CGs to PES	% CGs to total health budgets
Eastern Cape	61 848 000	21 707 165	3 778 750	17 928 415	29%	17%
Free State	24 522 000	9 737 892	2 884 563	6 853 329	28%	30%
Gauteng	86 643 000	40 207 046	9 664 962	30 542 084	35%	24%
KwaZulu-Natal	93 757 000	39 548 473	8 030 060	31 518 413	34%	20%
Limpopo	51 960 000	18 042 777	2 360 492	15 682 285	30%	13%
Mpumalanga	36 082 000	12 020 037	1 731 807	10 288 230	29%	14%
Northern Cape	11 720 000	4 433 893	1 348 327	3 085 566	26%	30%
North West	30 330 000	10 461 340	2 241 762	8 219 578	27%	21%
Western Cape	44 470 000	21 679 806	5 479 669	16 200 137	36%	25%
Total	441 332 000	177 838 429	37 520 392	140 318 037	32%	21%



PROVINCIAL BUDGET ANALYSIS

PROVINCIAL HEALTH ALLOCATIONS BY ECONOMIC CLASSIFICATION 2017/18

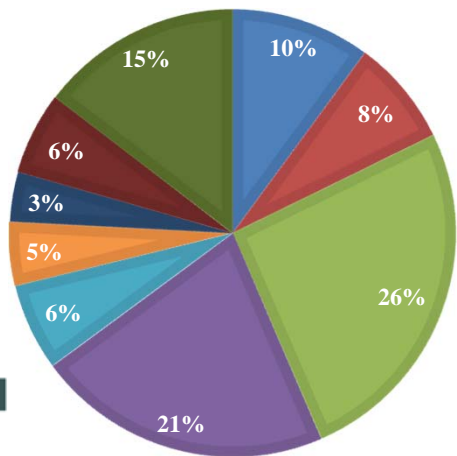
- COE takes up a large chunk of provincial health budgets – especially in Limpopo
- High spending on COE can have adverse implications for addressing shortage of health care professionals

	EC	FS	GP	KZN	LP	MP	NC	NW	WC	Total
Current Payments	92.5%	93.4%	89.9%	93.7%	92.5%	85.8%	85.9%	91.2%	91.1%	91.4%
COE	66.4%	65.3%	59.2%	63.8%	72.0%	61.0%	54.8%	63.4%	59.1%	63.0%
Goods and Services	26.1%	28.0%	30.7%	29.9%	20.4%	24.9%	31.1%	27.8%	32.0%	28.4%
Other Current payments	-	-	-	-	-	-	-	-	-	-
Transfers and Subsidies	1.3%	0.8%	3.9%	2.3%	3.9%	2.8%	3.4%	2.3%	5.7%	3.1%
Payments for Capital Assets	6.2%	5.9%	6.1%	3.6%	3.6%	11.4%	10.7%	6.6%	3.3%	5.5%
Payments for financial assets	-	-	-	0.3%	-	-	-	-	-	0.1%
<i>of which: non- comp, non-capital</i>	27.4%	28.8%	34.6%	32.5%	24.3%	27.7%	34.5%	30.1%	37.6%	0.1%
Total payments	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

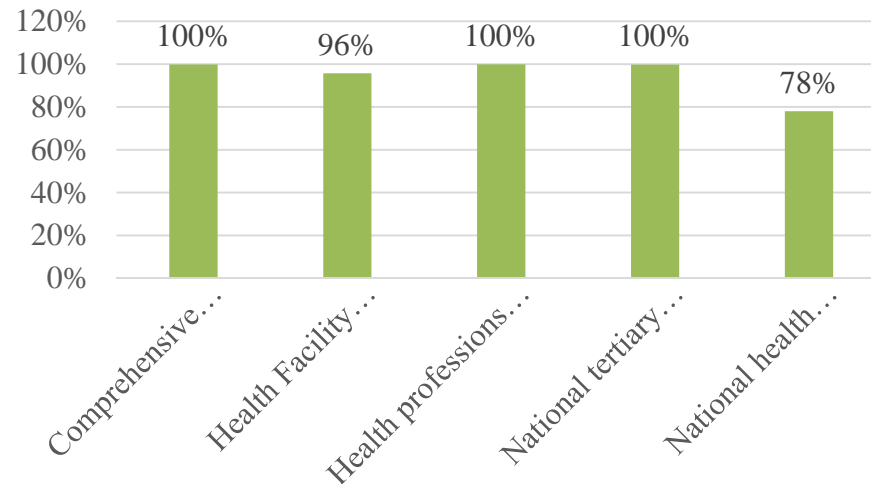
CONDITIONAL GRANT ALLOCATIONS AND PERFORMANCE

- The bulk of health conditional transfers are allocated to Gauteng and KZN
- Spending on health grants has been close to 100%
 - The implementation of Health Facility Revitalisation needs review – i.t.o filling infrastructure posts and aligning capital spend with operational spend for new facilities.
 - Operationalisation of new facilities remains a challenge in the sector (De Aar and Upington hospital, Dr. Pixley ka Seme Hospital, Boitumelo Hospital, Brits hospital)

■ EC ■ FS ■ GT ■ KZN ■ LP ■ MP ■ NC ■ NW ■ WC



Average Annual Spending (2012/13 - 2015/16)



ALIGNMENT OF PROVINCIAL HEALTH BUDGET TO STRATEGIC GOALS

- A significant proportion (44%) of provincial budget is allocated to the District Health Service program
- This program is responsible for addressing healthcare services identified within various strategic plans
- Provincial APP performance indicators are service delivery oriented and more attuned to broader health strategic goals
- There is an evident lack of performance information to monitor progress on delivery

NATIONAL HEALTH ENTITIES

- Health entities account for 1% of National health budget and 94% of Program 6 budget
- The APP lacks detail about the responsibility of the department i.t.o monitoring entities and the contribution to national health goals

	2017/18	2018/19	2019/20	Nominal Average Growth Rate
South African Medical Research Council	614 961	624 829	659 819	2%
National Health Laboratory Services	746 464	789 759	833 986	4%
Office of Health Standards Compliance	125 711	133 003	140 451	4%
Council for Medical Schemes	5 496	5 815	6 141	4%
South African Health Product Regulatory Authority	133 648	128 399	135 589	0.5%
	1 626 280	1 681 805	1 775 986	3.0%

CONCLUSION

- Health budget is the third fastest growing budget item despite the tight fiscal environment
 - High budget allocations for HIV/AIDS grant are in line with goals of reaching 100% treatment rate
- 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