



BRIEFING TO THE PORTFOLIO COMMITTEE ON HEALTH

17 April 2018

For an Equitable Sharing of National Revenue

OUTLINE

- Setting the scene: fiscal and operational efficiency
- Health and the economy
- Health care policy planning regimes and strategic goals
- Overall assessment of the APP
- Provincial budget analysis
- Conclusion

IMPROVING FISCAL AND OPERATIONAL EFFICIENCY

- Reduce accruals through adherence to stricter budget controls and timely monitoring
- Establish consensus over the use of transversal contracts
- Expand CCMDD coverage to unclog health facilities
- There is a need to establish and resource claims administration units to ensure early and effective processing of Medico legal claims
- Fast track implementation of electronic access to lab tests and the electronic filing system
- Improve infrastructure spending efficiency through standardised designs, normative unit costs and reduced variation orders
- Improve infrastructure planning – aligning capital spending programme with recurrent cost implications
- Resolve ongoing poor audit performance by provinces



RELATIONSHIP BETWEEN HEALTH CARE PERFORMANCE AND THE ECONOMY

HEALTH AND THE ECONOMY

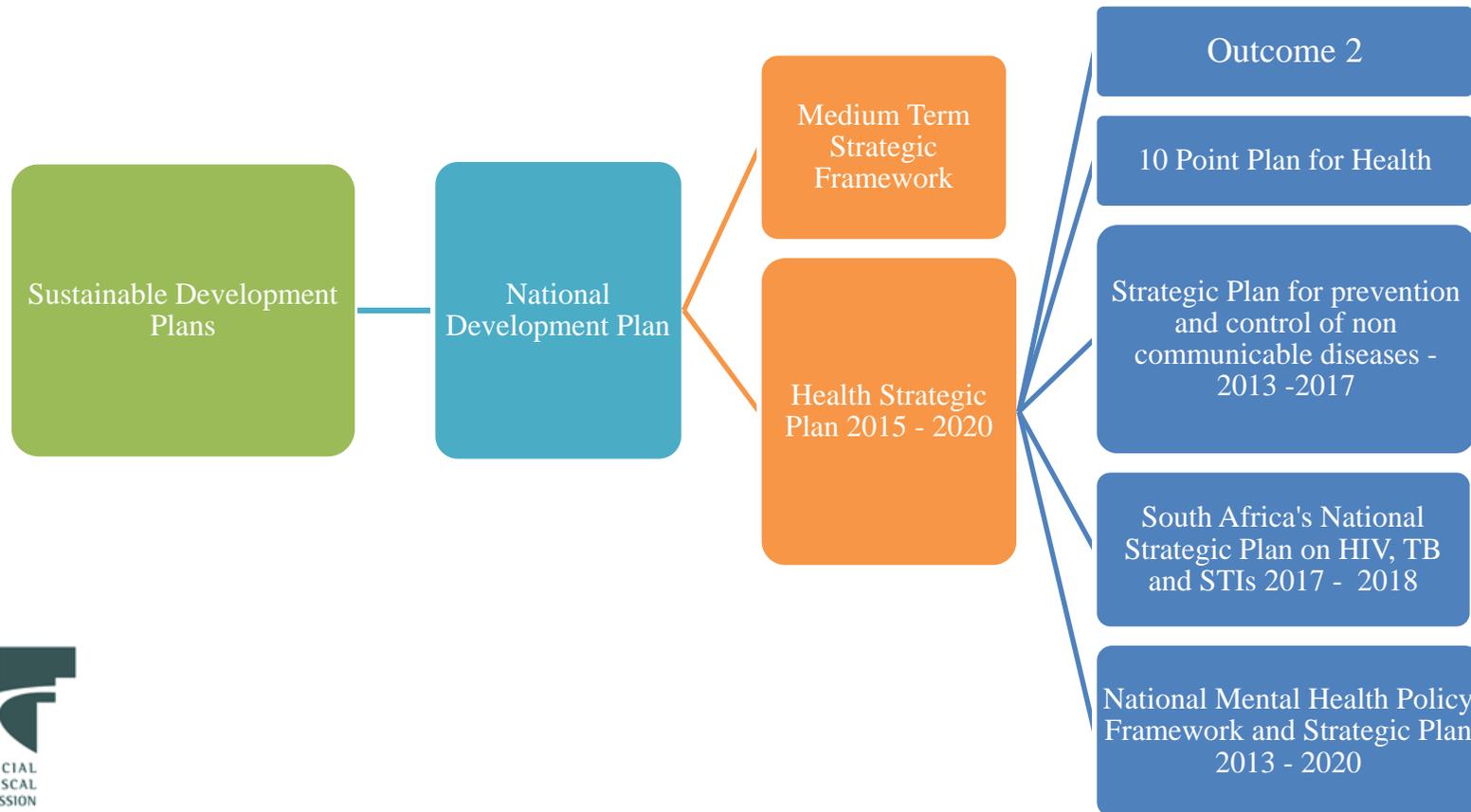
- A healthy economy is integral to a functional health care system
- The current weak economic environment could affect health strategic goals and reinforce stagnation
- The relationship between economic performance and health is bi-directional
 - A weak economy compromises the attainment of national health strategic goals
 - Implementation of NHI reforms
 - Health delivery outputs
 - A weak health care system affects productivity
 - Sick leave and early retirement
- Disease prevalence imposes a huge cost burden on the economy and health spending



HEALTH CARE POLICY PLANNING REGIMES, STRATEGIC GOALS

HEALTH STRATEGIC PLANS

- Health sector derives its delivery mandate from numerous strategic plans



HEALTH STRATEGIC PLANS

- There are many layers of strategic plans within the health sector
 - Multiple goals dissipate strategic focus and overstretch the budget
- Policy objectives and delivery targets overlaps between MTEF and MTSF periods
- Overlapping delivery targets and budget timelines
 - Hinders efforts to align APP delivery goals to a specific strategic plan
 - Makes it difficult to measure performance in relation to budget allocations

HEALTH STRATEGIC GOALS

Medium Term (MTSF 2020)	Long Term (NDP 2030)	Short term APP 2018/19 – 2020/21
Prevent and reduce disease burden	Reduce burden of disease to manageable level	Reduce under 5 mortality to 33/1000 births
Universal health coverage	Implement NHI	Establish NHI Fund
Reengineer primary health care	Strengthen national health system	Regulate traditional health practitioners
Improve health facility planning, financial management and health information management system		Improve audit performance
Improve quality of care	Build Human resource for the health sector	6 million people on ART by 2021
Improve human resources	Address social determinants of health	Eliminate malaria

HEALTH OUTCOMES ARE IMPROVING

- Life expectancy improved from just under 50 in 2006 to 66 in 2016
- Under 5 mortality decreased from 56/1000 in 2009 to 37/1000 in 2015 (66 to 44 according to StatsSA)
- Infant mortality declined from 39/1000 in 1000 to 27/1000 (42 to 33 according to StatsSA)
- The number of people on ART treatment has increased phenomenally from 1.4 million in 2011 to 3.6 million in 2016
- TB treatment and cure rate is improving- but remains the leading cause of death
- Overall non-communicable diseases have become the leading cause of death since 2008



OVERALL ASSESSMENT OF THE APP BY PROGRAMME

PROGRAMME 1: ADMINISTRATION

- Programme is responsible for the overall administration of the health department
- The program accounts for 1% of total budget and 29% of total staff complement (NDoH) (38% of COE)
- The key strategic objective of the programme is to improve provincial audit outcomes
- This programme has demonstrated consistent under-performance over the years
 - Only three provinces receive unqualified audit reports
- The department should consider re-sizing the programme and redirecting resources to health district offices

PROGRAMME 2: NATIONAL HEALTH INSURANCE, HEALTH PLANNING AND SYSTEMS

- Programme 2 is allocated 4% of total budget and comprises 10% of the staff complement
- The bulk of the allocation in this program flows towards consultancy fees
 - Grows by 400% over the 2018 MTEF
- There is a total of 12 performance areas under this programme
- Some of the selected programme objectives in 2018/19 are:
 - Introducing NHI legislation
 - Implementing an e-health strategy
 - Developing an NHI beneficiary registry
 - Establishing a national medicine stock surveillance centre

PROGRAMME 2 [CONT.]

- The Commission is of the view that the introduction of the NHI Bill should be well synchronised with other developments in the reform
- Legislation should be underpinned by a clear design of NHI institutional architecture
 - Role of provinces, flow of fiscal transfers, etc.
- The department can benefit from synergising its strategic goals on health digital platforms
 - Implementation of the NHI beneficiary registry, stock surveillance and CCMDD all form part of health information management systems
- Building internal IT capacity should become an important strategic goal going forward as the department rolls out multiple e-platforms to reduce reliance on consultants

PROGRAMME 2 – NHI IMPLEMENTATION

- NHI is undergoing the second phase of implementation – but the extent of reform interventions of the first phase is unclear
 - Programmes introduced under first phase overlap into the second phase, while others are yet to be rolled-out (i.e. NHI beneficiary registry, Integrated Health Information Management System)
- The second phase entails, among other things, establishment of NHI fund
- The APP is silent on delivery timelines for setting-up the fund despite the pronouncement having been made in the 2017 and 2018 budgets

PROGRAMME 3: HIV/AIDS, TB, MATERNAL AND CHILD HEALTH

- Programme 3 receives the second highest share of the total budget (R20 billion or 43%), of which 98% is transferred to provinces
 - Programme essentially administers the Comprehensive HIV/AIDs Grant
- Its main strategic goal is to implement treatment and prevention intervention of HIV/AIDS
 - The department intends to put 6.1 million people on the ART programme by 2021
 - 14 million people will be screened and tested annually for HIV and related disease

PROGRAMME 3 [CONT.]

- Programme 3 strategic goals are fewer (only 2) and are more focused
- The department should direct more focus on preventative measures under this programme
 - Programme objectives should be aligned to the HIV/AIDS (life skills education) grant under the Department of Basic Education
- The baseline allocation for the Comprehensive HIV/AIDS grant has been preserved in the 2018/19 budget
 - The increased scope coverage of the grant may affect targeted delivery output

PROGRAMME 4: PRIMARY HEALTH CARE SERVICES

- Programme 4 is responsible for overseeing and supporting primary health care – for which provinces are responsible
- It is the second largest programme in terms of staffing (27% complement) and smallest regarding budget share (1%)
- There are 9 strategic objectives under this programme including:
 - Elimination of malaria
 - Improving accessibility and quality of district health services (district hospitals and clinics)
 - Improving governance and leadership of health districts

PROGRAMME 4 [CONT.]

- The resources allocated to Programme 4 do not match the quantum required for attaining the strategic intentions
 - Provinces are responsible for delivering the outputs
- Results from the Office of Health Standards Compliance below suggest that the programme is constrained

Table 79 : Regional Hospitals Performance Scores by Domains

Domain	Tambo Memorial Hospital Weighted Score	Dihlabeng Hospital Weighted Score	Cecilia Makiwane Hospital Weighted Score	Mamelodi Hospital Weighted Score	Letaba Hospital Weighted Score	Rahima Moosa Hospital Weighted Score	Bongani Hospital Weighted Score
1. Patient's Rights	62%	58%	51%	67%	61%	75%	59%
2. Patient Safety/Clinical/ Governance/Clinical Care	62%	65%	66%	80%	54%	81%	69%
3. Clinical Support Services	65%	70%	69%	71%	40%	82%	64%
4. Public Health	76%	30%	46%	58%	50%	82%	44%
5. Leadership and Corporate Governance	29%	35%	63%	51%	33%	44%	36%
6. Operational Management	39%	60%	63%	65%	39%	65%	57%
7. Facilities and Infrastructure	58%	65%	76%	68%	55%	71%	67%

PROGRAMME 5: HOSPITAL, TERTIARY HEALTH SERVICES AND HUMAN DEVELOPMENT

- Programme 5 accounts for the largest share of the total departmental budget (47%) and 18% of total staff
- The budget is mainly composed of three conditional grants: National Tertiary Services, Health Professionals Training, Health Facility Revitalisation and NHI grants
 - Constitute over 95% of total programme budget
- There are 11 strategic objectives under this programme including:
 - Adherence to quality standards



Building new health facilities

Investing in the production of health care professionals

PROGRAMME 5 [CONT.]

- Health Facility Revitalisation Grant and the indirect component of the National Health Grant reduced by R511 million and R309 million respectively for 2018 MTEF
 - This may likely affect departmental infrastructure delivery programme
 - The department should redirect conditional grant allocations towards maintenance to ensure that all facilities comply with the ideal clinic model
- In its human capital training plans, the department should ensure that the budget makes sufficient provision for absorbing qualified nurses and doctors

PROGRAMME 6: HEALTH REGULATIONS AND COMPLIANCE MANAGEMENT

- Programme 6 is allocated R1.8 billion in 2018/19 to discharge the regulatory functions of the department
- Over 94% of programme allocation is transferred to health entities
- The main strategic goal of the programme over 2018 MTEF is the establishment of the National Public Health Institute of South Africa
 - With 5 already existing health entities and 6 statutory councils, there is a need to minimise the proliferation of entities
- Emphasis should be placed on addressing the weaknesses identified in relation to these entities



PROVINCIAL BUDGET ANALYSIS

OVERVIEW

- Health is a concurrent function as outlined in schedule 4 of the Constitution
 - This means that while the National Department of Health (NDOH) sets strategic goals for the health sector, provincial departments of health implement health policy and deliver on national health outcomes
- Chapter 3 of the Constitution dealing with co-operative governance requires the NDOH to support provincial departments of health in exercising its statutory functions. Failure to provide adequate support, may compromise health sector outcomes

HEALTH BUDGET

- The health budget accounts for 13.9% of total government spending
- Within a fiscally constrained environment, the health budget increases in real terms over the 2018 MTEF period
- NHI is a policy priority resulting in an additional R4.1 billion budgeted over the 2018 MTEF
- Compensation of Employees (COE) spending consumes a big proportion of health expenditure
- High spending on CoE can adversely affect the ability of health departments to address shortages in medicines and critical medical equipment

Table 5.7 Health expenditure

R million	2017/18 Revised estimate	2018/19 Medium-term estimates	2019/20	2020/21	Percentage of total MTEF allocation	Average annual MTEF growth
Health expenditure	191 685	205 448	222 046	240 297	100.0%	7.8%
<i>of which:</i>						
<i>Central hospital services</i>	36 884	38 603	41 892	45 369	18.8%	7.1%
<i>Provincial hospital services</i>	32 238	34 274	36 672	39 294	16.5%	6.8%
<i>District health services</i>	84 243	90 200	97 462	105 858	44.0%	7.9%
<i>of which:</i>						
<i>Comprehensive HIV, AIDS and TB grant</i>	17 578	19 922	22 039	24 438	9.9%	11.6%
<i>Emergency medical services</i>	7 284	7 719	8 320	8 851	3.7%	6.7%
<i>Facilities management and maintenance</i>	8 860	8 539	9 110	9 728	4.1%	3.2%
<i>Health science and training</i>	5 095	5 585	5 964	6 299	2.7%	7.3%
<i>National Health Laboratory Service</i>	7 058	7 542	8 025	8 591	3.6%	6.8%
<i>National Department of Health¹</i>	5 073	5 961	6 878	7 888	3.1%	15.9%
Total	191 685	205 448	222 046	240 297	100.0%	7.8%
<i>of which:</i>						
<i>Compensation of employees</i>	120 800	128 787	138 350	148 744	62.3%	7.2%
<i>Goods and services</i>	53 685	57 438	63 184	69 637	28.5%	9.1%
<i>Transfers and subsidies</i>	6 568	6 339	6 777	7 066	3.0%	2.5%
<i>Buildings and other fixed structures</i>	6 416	8 388	8 991	9 906	4.1%	15.6%
<i>Machinery and equipment</i>	4 172	4 466	4 714	4 915	2.1%	5.6%

1. Excludes grants and transfers reflected as expenditure in appropriate sub-functional areas

Source: National Treasury

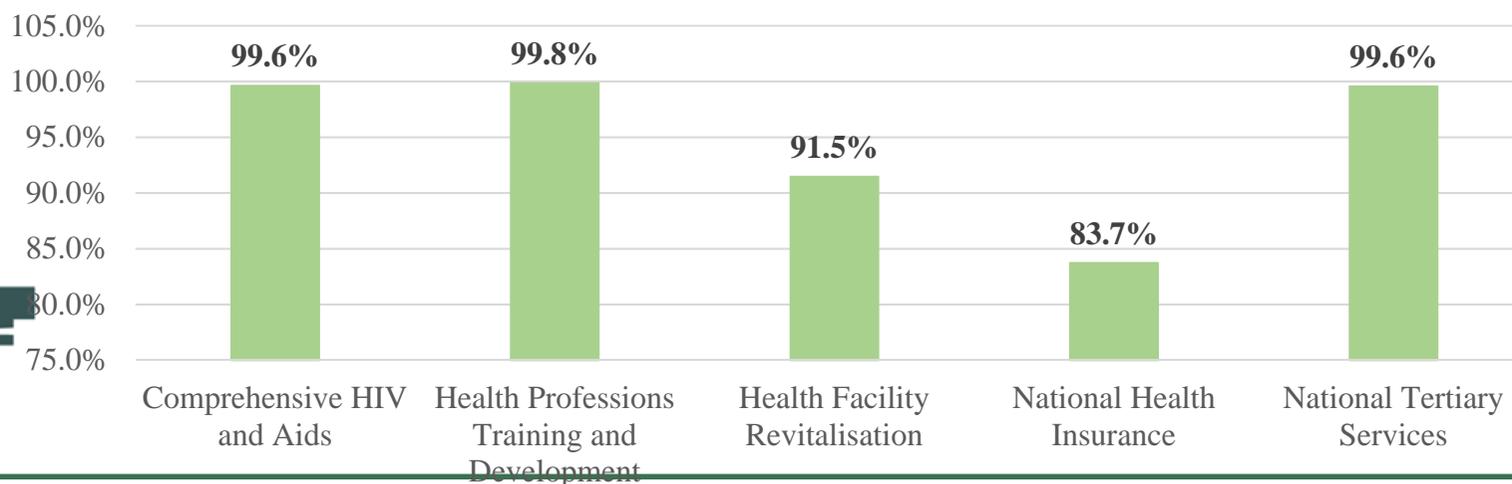
ALIGNMENT OF PROVINCIAL HEALTH BUDGETS TO STRATEGIC GOALS

- A significant proportion (44%) of the provincial health budgets is allocated to the District Health Service programme
- This programme is responsible for addressing healthcare services at a district and community level
- The performance indicators in the APP of the NDOH in relation to primary health care (PHC) facilities aim to improve the quality of service delivery through the ideal clinic initiative and improving leadership and governance at district level
- The Commission welcomes the emphasis being placed on improving PHC facilities as the Commission previously recommended that funding for PHC facilities should be in line with norms and standards

ASSESSMENT OF CONDITIONAL GRANTS

- For the period 2012/13 – 2016/17, provinces spent on aggregate close to 100% on most health conditional grants with the exception of the Health Facility Revitalisation Grant (HFRG) and National Health Insurance Grant (NHI)
- A review of the NHI conditional grant showed teething problems with little evidence of impact. Some of the challenges related to lack of coordination, poor planning and uncertainty at provincial level what the grant funding should be used for. The NHI grant has been phased out and continues as an indirect grant at national level
- The underspending of the HFRG is largely related to a critical lack of capacity at the provincial departments of public works (implementing agent). An additional challenge is achieving cost effectiveness in delivering infrastructure spending as the incentives of the implementing agent are not always aligned with the provincial health department
 - E.g. The Auditor-General only holds the provincial departments of Health accountable for funds spent on infrastructure, yet the implementing agent is instrumental in how the infrastructure budget is spent

Average Annual Spending (2012/13 - 2016/17)



ASSESSMENT OF CONDITIONAL GRANTS [CONT.]

- Over the MTEF period, allocations to the Comprehensive HIV/AIDS, National Tertiary Services and Health Facility Revitalisation conditional grants receive the bulk of the transfers from NDOH
 - Given the poor performance on the Health Facility Revitalisation grant, baseline reductions of R511 million are effected over the MTEF period resulting in a real decline of 1% per annum
 - 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. In addition, the NDOH should conduct a thorough review of infrastructure procurement and implementation in the sector and implement measures to unblock barriers that are slowing down infrastructure delivery

R' million	2017/18	2018/19	2019/20	2020/21	Real Avg. Annual Growth 2017/18 - 2020/21
Comprehensive HIV and Aids	17578	19922	22039	24438	6%
Health Facility Revitalisation	5684	5816	6047	6380	-1%
Health Professions Training & Dev.	2632	2784	2940	3102	0%
Human Papillomavirus Vaccine	0	200	211	223	0%
National Tertiary Services	11676	12401	13186	14069	1%

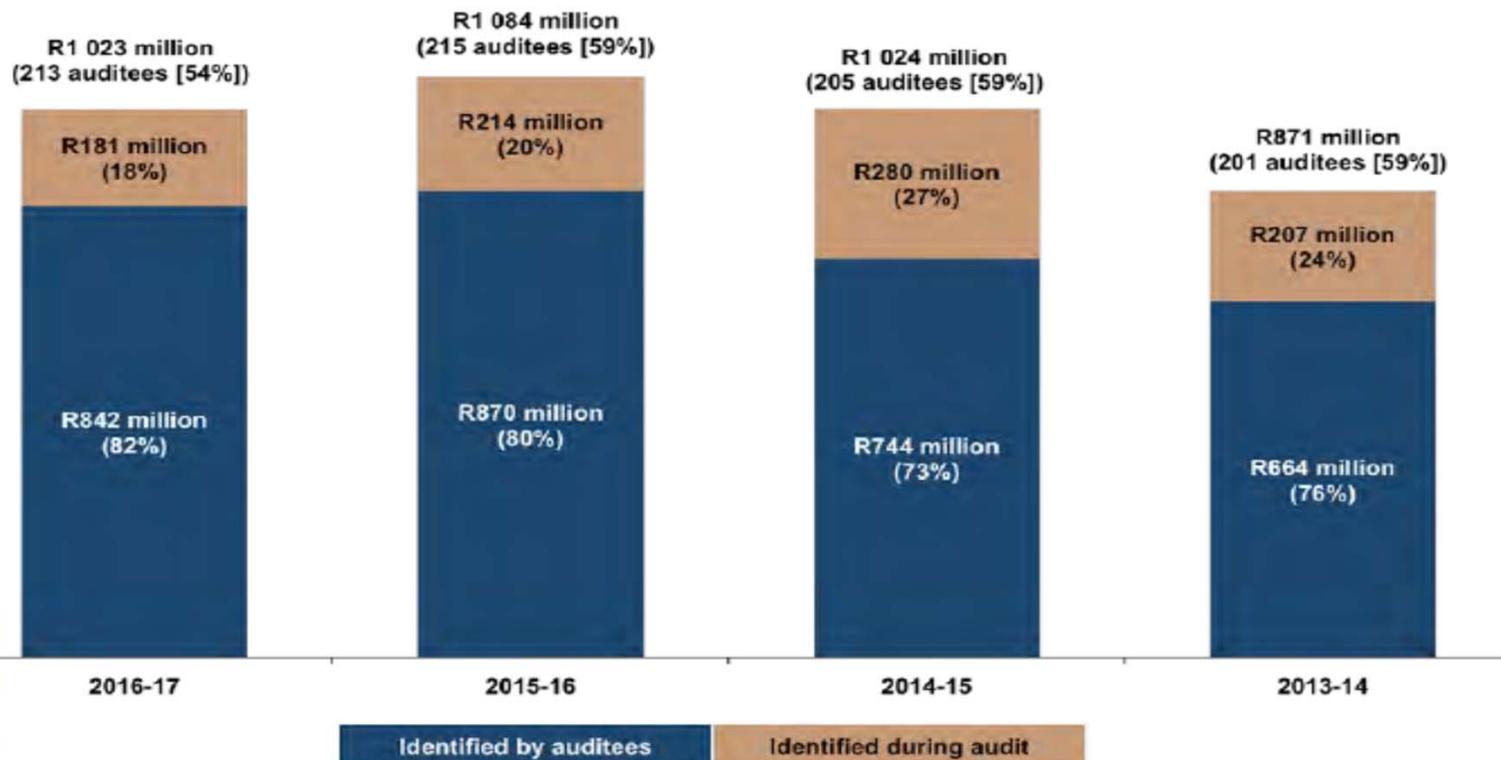
PROVINCIAL AUDIT OUTCOMES

- Provincial audit outcomes have improved since 2012/13, but the pace of improvement has been slow, particularly over the past three years
- Persistent poor performers are the Eastern Cape, Mpumalanga, Limpopo and Free State
- Even though the NDOH has set a goal in its APP of 5 provincial departments achieving improved audit outcomes with no emphasis of matter, there is no indicator that explains how the national department aims to assist provinces to achieve this target

Province	2012/13	2013/14	2014/15	2015/16	2016/17
National department	Unqualified	Unqualified with findings	Unqualified	Unqualified with findings	Unqualified
Eastern Cape	Qualified	Qualified	Qualified	Qualified	Qualified
Free State	Unqualified with findings	Qualified	Unqualified with findings	Qualified	Qualified
Gauteng	Unqualified with findings				
KwaZulu Natal	Qualified	Qualified	Unqualified with findings	Unqualified with findings	Unqualified with findings
Mpumalanga	Unqualified with findings	Unqualified with findings	Qualified	Qualified	Qualified
Limpopo	Disclaimer	Disclaimer	Disclaimer	Disclaimer	Qualified
North West	Qualified	Unqualified with findings	Unqualified with findings	Unqualified with findings	Unqualified with findings
Northern Cape	Qualified	Qualified	Unqualified with findings	Unqualified with findings	Unqualified with findings
Western Cape	Unqualified with findings	Unqualified with findings	Unqualified	Unqualified	Unqualified

PROVINCIAL GOVERNANCE – FRUITLESS AND WASTEFUL EXPENDITURE

- Fruitless and wasteful expenditure by provinces has increased from R871 million in 2013/14 to R1023 million in 2016/17
- Within a fiscally constrained environment, increased fruitless and wasteful expenditure is costly for provinces as budgets are under severe pressure



NATIONAL HEALTH ENTITIES

- Health entities account for 3-4% of the national health budget over the 2018 MTEF
- Allocations to health entities decline in real terms, except for Health Laboratory Services and Health Product Regulatory Authority
 - The Health Product Regulatory Authority is a new entity established in the 2017/18 FY and received its first transfer from the NDOH in the 2018/19 FY. The entity is responsible for regulating medicines and medical devices, a function previously performed internally by the NDOH. The formation of the entity will allow it to function independently and retain revenue collected from the pharmaceutical companies
- Programme 6 of the NDOH oversees and monitors public entities and assists the Minister to report to Parliament on the performance of the entities. However, the APP for the NDOH contain very little performance information in relation to these entities

Budget Estimates for NDOH Public Entities, 2018/19 – 2020/21

R'million	2018/19	2019/20	2020/21	Real Avge Annual Growth Rate
Medical Research Council	625	660	696	-1.2%
National Health Laboratory Services	790	834	880	0.2%
Office of Health Standards Compliance	130	137	145	-0.4%
Council for Medical Schemes	5.7	6	6.3	-0.8%
SA Health Product Regulatory Authority	125.2	132.2	139.5	0.2%
	1675.9	1769.2	1866.8	2.3%
% Share of National Health Budget	4%	3%	3%	

CONCLUSION

- Health remains one of the highly protected budget areas despite consolidation
- Health outcomes are increasingly becoming responsive to budget and policy interventions
- While the allocation of resources are targeting key areas of intervention in line with the SDGs and NDP, a major concern for the Commission is addressing the financial and implementation performance of provinces given the significant service delivery role they play in the sector
- The Commission notes the good spending performance on some grants but propose the NDOH conducts an assessment to improve delivery outcomes, particularly in relation to infrastructure delivery
- The Commission stresses the need to invest in better performance information management system to improve linkages between performance targets and budget