



BRIEFING TO THE PORTFOLIO COMMITTEE ON HEALTH

Financial and Fiscal Commission

13 October 2015

For an Equitable Sharing of National Revenue

PRESENTATION OUTLINE

1. Role and Function of the Financial and Fiscal Commission
2. Mandate and Strategic Overview of the Department of Health
3. Overview of the Department of Health performance plans
4. Departmental Analysis
 - Budget analysis and Performance
5. Concluding Remarks

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

MANDATE AND STRATEGIC OVERVIEW OF THE DEPARTMENT

- Mandate: To provide a framework for a structured uniform health system. In order to achieve healthy life for all, health is government's second priority on the outcome based delivery model
- Department's five year strategic goals:
 - Prevent and reduce burden of disease and promote health
 - Improve health facility planning by implementing norms and standards
 - Improve financial management by improving: capacity, contract management, revenue collection and supply chain management
 - Develop efficient health management information system for improved decision making

MANDATE AND STRATEGIC OVERVIEW OF THE DEPARTMENT CONT...

- Improve quality of care by setting norms and monitoring thereof, improve system for user feedback, increase safety in health care and improving clinical governance
- Re-engineer Primary Health Care (PHC) through strengthening of district health system
- Make progress towards universal health coverage through National Insurance (NHI) and improve readiness health facilities for its implementation

STRATEGIC OVERVIEW OF THE NDOH ALIGNMENT WITH NDP GOALS

- National Development Plan Goals: Alignment with Department of Health Strategic Goals
 - Average male and female life expectancy at birth 70 years: Corresponds to Goal 1 of NDoH strategic goals
 - TB prevalence and cure progressive improved: Goal 1 of NDoH
 - Maternal, infant and child mortality reduced: Goal 1 of NDoH
 - Prevalence of non communicable disease reduced: Goal 1 of NDoH
 - Injury, accidents and violence reduced by 50% from 2010 level: Goal 1 of NDoH
 - Health systems reforms improved: Goals 2,3,4 and 5 of NDoH
 - PHC team deployed to provide care to families and communities: Goal 6 of NDoH
 - Universal health coverage achieved: Goal 7
 - Posts filled with skilled, committed and competent individuals: Goal 8

OVERVIEW OF DEPARTMENT OF HEALTH PERFORMANCE PLANS

- Department of health seeks to achieve these strategic outputs:
 - Increase life expectancy i.e. life expectancy to 70 years by 2030
 - Reduction in maternal and child mortality rates i.e. from 310/1000 to 270/1000 in 2014; infant mortality from 40/1000 to 36/1000 in 2014 and under five mortality from 56/1000 to 50/1000 in 2014
 - Combating HIV/AIDS and decreasing burden of disease from TB and
 - Strengthening health systems effectiveness i.e. strengthening the PHC, improvements on health infrastructure and human resources as well as financing through NHI

OVERVIEW OF DEPARTMENT OF HEALTH PERFORMANCE PLANS CONT...

- South Africa's Health Outcomes remains below the national set targets despite efforts to transform the health system into an integrated and comprehensive system including significant amount of investment and expenditure in the sector
 - Challenges related to poor quality of public health care, ineffective and inefficient health system and documented institutional failures (FFC 2014, Chapter 5)
 - Increasing maternal and mortality rate due to among other things HIV/AIDS
 - Health costs are spiralling

OVERVIEW OF DEPARTMENT OF HEALTH PERFORMANCE PLANS CONT...

Health Indicator	MDG Goals	2009 Baseline	2014 Target	Progress to date
Life Expectancy	70 years (males and females)	59 years (females) 54 years (males)	61 years (females) 56 years (males)	62.4 years (females) 56.9 years (males)
Maternal Mortality	38/100 000	310/100 000 live births	270/100 000 live births	269/100 000
Infant Mortality	18/1000	40/1000 live births	36/1000 live births	30/1000
Under Five Mortality	20 or 21/1000	56/1000 live births	50/1000 live births	45/1000

HEALTH SECTOR OUTPUTS PER PROGRAMME 2014-2019

Indicator	Baseline 2013/14	Target 2018/19
<i>HIV/AIDS, TB and Maternal Health Programme:</i>		
Percentage of eligible pregnant HIV positive women initiated on ART	90%	100%
Total clients remaining on ART	2.4 million	5,100,000
TB/HIV co infected client initiation on ART	54%	95%
Cervical Cancer Screening Coverage	55% coverage	70% coverage
HPV 1 st dose	New indicator	90%
TB new client treatment success rate	64%	85%
TB defaulter rate	6%	<5%
TB death rate	6%	3%
<i>National Health Insurance, Health Planning and Systems Enablement:</i>		
Piloting of NHI in selected districts	10 NHI pilot districts	NHI pilots expanded for implementation in 50% of the 52 health districts
Establishment of National Pricing Commission to regulate health care in private sector	None	Functional National Pricing Commission to regulate health care in the private sector established by 2017

HEALTH SECTOR OUTPUTS PER PROGRAMME 2014-2019 CONT...

Indicator	Baseline 2013/14	Target 2018/19
<p><i>PHC Programme</i> Functional district management offices with an oversight body with the required authority established</p> <p>Number of districts with uniform management structures for primary health care facilities</p> <p>Number of primary health care clinics in the 52 districts that qualify as Ideal Clinics</p> <p>Number of provinces that are compliant with the Emergency Medical Services (EMS) regulations</p>	<p>Zero functional district management offices with an oversight body with required authority established</p> <p>Zero districts with uniform management structures for primary health care facilities</p> <p>Zero primary health care clinics in the 52 districts that qualify as Ideal Clinics</p> <p>None</p>	<p>20 functional district management offices with an oversight body with the required authority established</p> <p>52 districts with uniform management structures for primary health care facilities</p> <p>75% primary health care clinics in the 52 districts qualify as Ideal Clinics</p> <p>9 provinces compliant to EMS regulations</p>

HEALTH SECTOR OUTPUTS PER PROGRAMME 2014-2019 CONT...

Indicator	Baseline 2013/14	Target 2018/159
<p><i>Hospitals , Tertiary Services and Workforce Management:</i></p> <p>Percentage of facilities that comply with gazetted infrastructure norms and standards Number of central hospitals with reformed management and governance structures Develop and publish guidelines for HR staffing and norms</p>	<p>None None</p> <p>Draft guidelines for PHC-HR norms and standards</p>	<p>Health facility norms and standards developed and gazetted by 2015 Central hospitals with reformed management and governance structures Guidelines for HR norms and standards published for all levels of care</p>
<p><i>Health Regulation ad Compliance Management Programme:</i></p> <p>Percentage of Health Establishments that have developed an annual Quality Improvement Plan based on self assessment</p>	<p>40% of Health Establishments that have developed an annual Quality Improvement Plan based on a self assessment</p>	<p>100% of Health Establishments that have developed an annual Quality Improvement Plan</p>
<p>Patient Satisfaction survey rate</p>	<p>65%</p>	<p>100%</p>

BUDGET ANALYSIS OVERVIEW

- The Commission provides a three year backward looking and three year forward looking analysis of departmental budgets
 - compare allocations and performance by:
vote/programme/subprogramme/province
- Nominal versus Real growth rates
 - Real figures/growth rates takes inflation into consideration
 - Variances and explanations (investigate reasons /drivers of change)
 - Spending by economic classification

BUDGET ANALYSIS ON HEALTH

Economic Disaggregation of Dept Budget (Rmil)	2012/'13	2013/'14	2014/'15	2015/16	2016/17	2017/18
O&E	482	541	657	772	814	855
Goods and Services	708	888	1 080	1 579	1 412	1 533
Transfers and Subsidies	26683	28434	31 589	33 448	36 003	39 197
Payments for Capital Assets	20.4	266.4	298	668	695	752
TOTAL DEPT EXP. & ESTIMATES:	27 893	30 128	33 624	36 468	38 924	42 337
Annual Percentage Change						
Inflation	5.6%	5.8%	6.1%	4.3%	5.9%	5.7%
O&E	17.7%	12.1%	21.5%	17.6%	5.4%	5.0%
Goods and Services	5.1%	25.4%	21.7%	46.2%	-10.6%	8.6%
Transfers and Subsidies	8.5%	6.6%	11.1%	5.9%	7.6%	8.9%
Payments for Capital Assets	-28.9%	1205.9%	12.0%	123.8%	4.0%	8.3%
TOTAL DEPT EXP. & ESTIMATES:	8.5%	8.0%	11.6%	8.5%	6.7%	8.8%

Source: National Treasury, ENE 2015

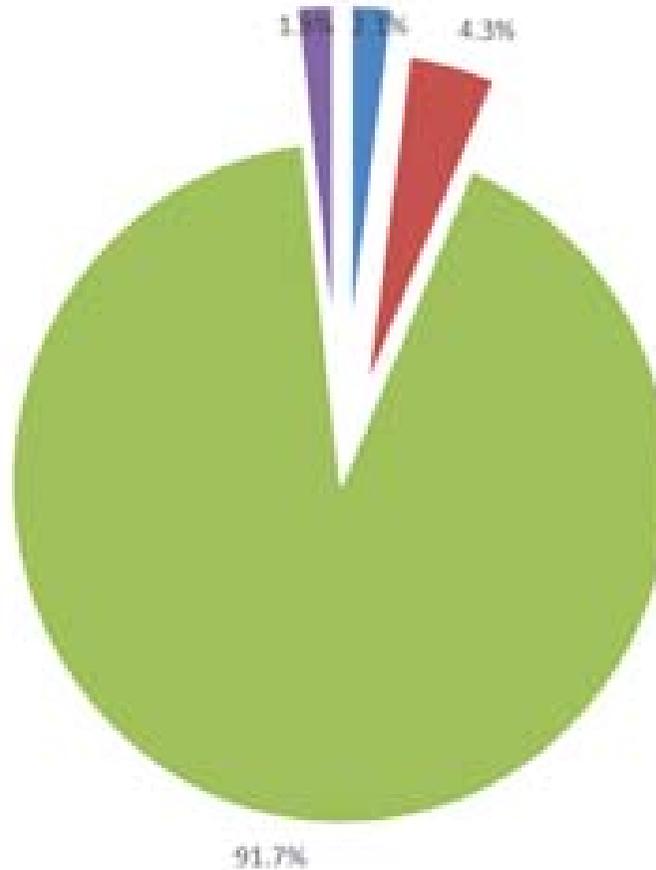
BUDGET PROGRAMMES OF THE DEPARTMENT OF HEALTH

- Total Budget increased from R33 955.5 billion in 2014/15 to R36 468.0 billion in 2015/16
- Programme 1 Administration increased from R399.7 million in 2014/15 to R457.1 million in 2015/16
 - Overall management and support services
- Programme 2 – National Health Insurance, Health Planning and Systems Enablement decreased from R491.9 million in 2014/15 to R587.8 million in 2015/16
 - Health financing reform, integrated health system planning, monitoring and evaluation as well as research
- Programme 3 – HIV/AIDS, TB and Maternal and Child health increased from R13.049 in 2014/15 to R14.442 billion in 2015/16
 - Coordinate and fund health programmes for HIV/AIDS, TB, maternal and child health

BUDGET PROGRAMMES OF THE DEPARTMENT OF HEALTH CONT...

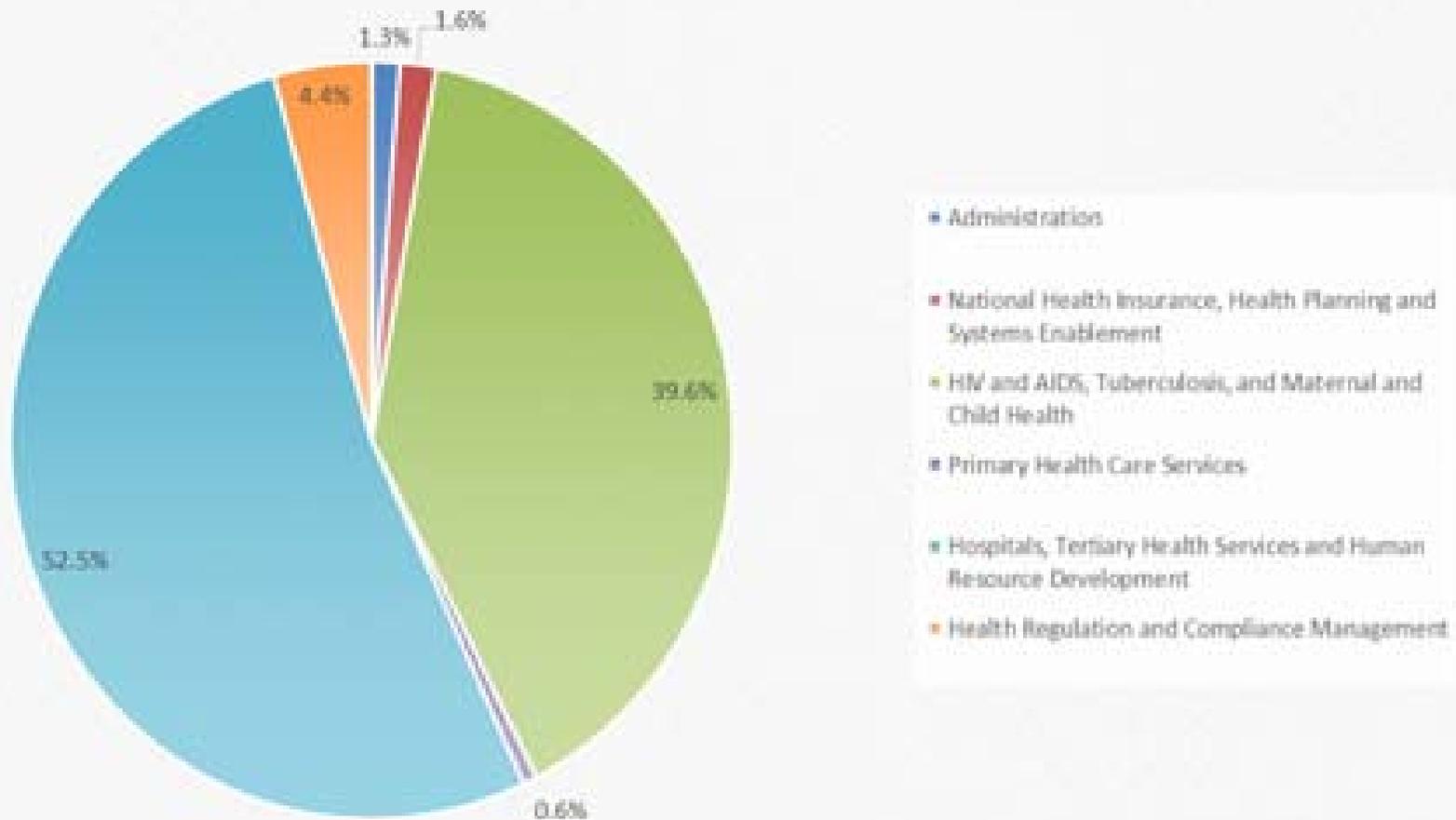
- Programme 4 – Primary Health Care Services decreased from R93.5 million in 2014/15 to R225 million in 2015/16
 - Develop and oversee legislation and policies , norms and standards for a uniform district health system
- Programme 5 – Hospitals , Tertiary Health Services and Human Resource Development increased from R18 925.8 billion in 2014/15 to R19 159.1 billion in 2015/16
 - Develop policies for hospital and emergency medical services including aligning academic medical centres with workforce programmes as well as ensuring planning of health infrastructure meets the needs of the economy
- Programme 6– Health Regulation and Compliance Management increased from R865.3 million in 2014/15 to R1 596 billion in 2015/16
 - Regulate the procurement of medicines and health technology and promote accountability and compliance

BUDGET COMPOSITION ACROSS PROGRAMMES-2015/16



■ CoE ■ Goods and Services ■ Transfers and Subsidies ■ Payments for Capital Assets

EXPENDITURE COMPOSITION BY ECONOMIC CLASSIFICATION – 2015/16



BUDGET AND EXPENDITURE ANALYSIS

- 92% of budget is transfers and subsidies which increased by 2% from 2013/14
 - Provinces and Municipalities
 - Higher education institutions
- Compensation of employees at 2.3% with slight decrease at 3% in 2013/14
- Payment for capital assets at 1.8% slight increase from 1% from 2014/15
- Budget driven by Programme 3 and 5 – HIV/AIDS and Hospitals, Tertiary services and Human Resource Development at 92.1% in 2014/15

BUDGET AND EXPENDITURE ANALYSIS ON PROGRAMMES

	2014/15		Under(+)/ Over (-) Expenditure
	Final Appropriation	Estimate Expenditure	
Programmes			
Administration	389.7	389.7	0
Health Planning and Systems Enablement	652.0	328.9	323
HIV/AIDS, TB, and Maternal, Child and Women Health	12 840.7	12 772.3	68
Primary Health Care Services	200.5	216.2	-16
Hospitals, Tertiary Health Services and Human Resources	18 929.5	18 514.2	415
Health Regulation and Compliance Management	1 367.6	1 403.1	-36
Total	34 380	33 624	756

Source: National Treasury, ENE 2015

VARIANCE EXPLANATION

- Aggregate spending performance for the six programmes is at 98% in 2014/15 almost similar to 2013/14 at 97.7%
- Programme 1 Administration there is 100% in 2014/15 compared to 10% under expenditure in 2013/14
- Programme 2 – National Health Insurance, Health Planning and Systems under expenditure (50%) in 2014/15 compared to about 60% in 2013/14 due to slow take off on the NHI indirect grant and difficulties in contracting private general practitioners due to poor working conditions
- Programme 3 – HIV/AIDS, TB and Maternal and Child health shows a slight under expenditure (0.5%) in 2014/15 compared to 0.7% in 2013/14 due to among other things challenges related to distribution of condoms

VARIANCE EXPLANATION CONT...

- Programme 4 – Primary Health Care Services Administration shows over expenditure of about (7%) in 2014/15 due to NHI reforms compared to under expenditure (12.6%) in 2013/14
- Programme 5 – Hospitals , Tertiary Health Services and Human Resource Development there is under expenditure of (2%) in 2014/15 compared to (1.4%) in 2013/14 due to incomplete infrastructure projects, orders not received on time (e.g. laboratories) and reduction in budget due to slow spending
- Programme 6– Health Regulation and Compliance Management displays over expenditure of (2%) in 2014/15 compared to under expenditure (4.1%) in 2013/14 due to setting and establishment of among other things Office of the Standards Compliance which would be a public entity

EXPENDITURE TRENDS ON CONDITIONAL GRANTS

Grant name	2008/09	2009/10	2010/11	2011/12	2012/13	2013/14
Comprehensive HIV and Aids	98.90%	98.40%	97.90%	97.90%	99.10%	99.80%
Africa Cup of Nations 2013:medical services	-	-	-	-	57.40%	-
Health professions training and development	97.00%	102.00%	98.70%	102.00%	99.60%	100.00%
Health Infrastructure grant	-	-	-	93.00%	94.40%	-
Health Facility revitalisation	82.40%	73.00%	75.80%	92.10%	80.90%	84.90%
National Health Insurance	-	-	-	-	52.00%	100.00%
National tertiary services	98.50%	102.00%	99.30%	99.60%	98.90%	100.00%
Nursing colleges and schools	-	-	-	-	72.40%	-

Source: National Treasury, DoR 2008-2015

CONDITIONAL GRANT ANALYSIS

- The overall aggregate spending for health grants for the year 2013/14 is about 96% compared to 2012/13 at 85%
- There has been improvement in expenditure in all the grants except for the Health Facility Revitalization at 85%
- Some of the reasons attributable to under spending are:
 - Poor project management,
 - delays in supply chain management processes
- The FFC has cautioned in the past against the merging of grants especially those that are under performing without underlying performance data

PROVINCIAL ECONOMIC ANALYSIS

GROWTH RATES

Aggregated Provincial Economic classification growth rate in real terms

	2008/09	2009/10	2010/11	2011/12	2012/13	2013/14
Compensation of employees	17%	14%	9%	9%	3%	7%
Goods and services	12%	13%	-2%	5%	3%	1%
Transfers and Subsidies	12%	7%	-16%	-7%	60%	-7%
Capital payments	12%	17%	5%	13%	-2%	-15%

Source: National Treasury, Provincial database (own calculations)

PROVINCIAL HEALTH EXPENDITURE GROWTH RATE BY PROGRAMME

Programme	2004/05	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12	2012/13	2014/15
Administration	9%	10%	2%	10%	0%	1%	12%	2%	17%	20%
District Health Services	10%	7%	10%	5%	8%	5%	3%	12%	11%	9%
Emergency Medical Services	28%	9%	10%	11%	9%	4%	28%	9%	8%	-11%
Provincial Hospital Services	7%	4%	4%	3%	7%	4%	10%	5%	11%	-11%
Central Hospital Services	11%	8%	-1%	2%	7%	8%	6%	12%	9%	-12%
Health Training and Sciences	21%	8%	10%	10%	0%	2%	23%	7%	12%	-12%
Health Care Support Services	20%	-1%	12%	9%	-1%	7%	17%	10%	10%	4%
Health Facility Management	31%	20%	9%	20%	11%	8%	-13%	10%	-1%	20%
Total	11%	8%	7%	8%	8%	5%	21%	17%	10%	-12%

Source: National Treasury, Provincial databases (own calculations)

BUDGET AND EXPENDITURE ANALYSIS

- Provincial growth rate has been unstable over the years under the analysis where for transfers and subsidies it moved from 60% in 2012/13 to negative growth rates of 7% in 2013/14
- In 2013/14 there has been relative under expenditure by the provincial departments except in two provinces where there was relatively over expenditure
- On provincial programmes there has been unstable growth path as per the analysis and for the year 2014/15 negative growth rate were recorded in all programmes

HEALTH POLICY ISSUES – NHLS

- NHLS reforms have resulted in reduction of PES and HIV/AIDS Grant baseline
 - R1.7 billion over the 2015/16 MTEF
 - Provinces benefited from tariff reduction of 3.9% and savings on budget
- NHLS is currently undergoing reforms to address a number of operational inefficiency challenges
 - A new costing model have been developed
 - Addressing inefficiency could reduce the tariffs

HEALTH POLICY ISSUES – NHI

- The Department of Health recently held consultative meeting with the Commission on the progress with NHI and White Paper process
- Spending on NHI pilot grants is improving but remains lower than initial allocation
 - Grant baselines have been reduced drastically due to underspending.
- NHI implementation is still constrained by supply chain, staffing and delegation problems
- NHI requires supplement fund from PES but most provinces are unable to do so due to fiscal constraint

CONCLUDING REMARKS

- Significant progress has been made in meeting outcome targets set for 2014
- Health conditional grants spending is improving except on infrastructure related grants
 - The Infrastructure Development Act (2014) and the establishment of Presidential Infrastructure Coordination Commission can assist solving the infrastructure related projects/problems faced by the sector
- Provinces exhibit general under expenditure on health except two provinces with over expenditure
- Unstable growth paths on provincial programmes which recorded negative growth rates is worrying given the NHI reforms currently taking place in the sector

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