



BRIEFING TO THE PORTFOLIO COMMITTEE OF HEALTH

Financial and Fiscal Commission

9 October 2019

For an Equitable Sharing of National Revenue

OUTLINE

- Health and IGFR
- Health outcomes and national health budgets
- National and provincial budget analysis
- NHI – Progress, Budget & Policy Issues
- Latest commission recommendations on health
- Conclusion
 - The presentation is based on the request to brief the committee about National and provincial health department and spending patterns

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



HEALTH AND THE IGFR

HEALTH DELIVERY ARCHITECTURE

- Health is a concurrent function between the three spheres of government
 - National government is responsible for policy making and oversight while provinces and municipalities implement in IGR setting
- The National Health Act defines the roles and responsibilities allocated to each sphere.
- Concurrency in some instances present challenges for effective health service delivery

HEALTH DELIVERY ARCHITECTURE

- Placement of health facilities in various sphere often creates coordination problems
 - Decentralisation of funding
 - Indicative health facility budgets not guaranteed
 - Reimbursement for services rendered

National government	Provincial government	Provincial district offices	Local government
NHLS	Regional hospitals	District hospitals	Municipal clinics
Pathology services	Tertiary hospitals	Clinics	EMS
	EMS	Community health centres	

IGFR ISSUES IN HEALTH SYSTEM

- Coordinated planning within and across spheres and health 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
- Spillover effects – central hospitals
- Skewed distribution of health facilities (across provinces and within districts)

IGFR ISSUES IN HEALTH SYSTEM

- Implications of referral challenges on provincial health budgets
- Top slicing conditional grants to fund national health entities
- Funding of municipal health services
- Effect of function shift reforms on PES
 - National health laboratory services
 - Ports health

HEALTH PLANNING AND COORDINATION

- Challenges of vertical and horizontal coordinated planning persists
- Provinces occasionally held liable for undermining national policies – raises concerns about imposition of national policies
 - Highlight weaknesses of intergovernmental forums
- Coordination problems were evident in the implementation of department of health's NHI pilots/ grant
 - Provinces were unaware of what to use the grants for as per the Department's NHI pilot review

GRANT REFORMS

- Health sector has some of the oldest conditional grants in the system
 - Health Facility revitalisation Grant, National Tertiary Service Grant , Health Profession Training Development Grant
- Conditional grants are only meant to be temporary - addressing specific priorities
- The NHI grant undergone many changes in a short period of time
 - Changed from being direct (with an indirect component) into an indirect grant
- Faster growth in the indirect NHI grant allocations be accompanied by capacity building at health district offices

GRANT PERFORMANCE AND IGFR ISSUES

- Conditional grants underperform due to poor planning and poor consultation during introduction
- Government need to adhere to guidelines for introducing conditional grants
 - Provide for 3 year lead period
 - Make provision for capacity building
- As a general rule indirect conditional grants should be avoided



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HEALTH OUTCOMES AND NATIONAL HEALTH BUDGET

NATIONAL HEALTH OUTCOMES

- Health sector has four key outputs that it needs to achieve
 - Increasing life expectancy
 - Decreasing maternal and child mortality rates
 - Combat HIV/AIDS and TB
 - Strengthening health systems effectiveness
- The results in terms of targets as per the outputs set are mixed
 - Progress have been made towards increase in life expectancy and maternal mortality as per the MTSF and the NDP goals, whilst on under 5 and infant mortality targets have not been met

Indicator	NDoH 2019 Targets Reached as of March 2019	Baseline 2014	MTSF 2014-2019	SDG 2030	NDP 2030
Life expectancy	65 years	62.9 years	63 years	70	70
Maternal mortality rate	Less than 100/100 000	269/100 000	Less than 100/100 000	70/1000	Less than 100/100 000
Under 5 mortality rate	33/1000	39/1000	23/1000	25/1000	30/1000
Infant mortality	23/1000	28/1000	18/1000	-	20/1000

NATIONAL HEALTH OUTCOMES

- There has been an increased prevalence on Non-Communicable Diseases (NCD) such as diabetes, heart diseases, hypertension, tobacco and alcohol use, mental disorders contributing to 33% to burden of disease and 40% deaths
 - These disease account for more deaths in comparison to the communicable diseases (CD) such as HIV and malaria
- The Strategic Plan for Prevention and Control of NCD sets out targets for reducing the diseases
 - Whilst indicators and targets are set by the department, there is not reporting on what has been achieved on the set targets and if there are deviations what has been the cause

Indicators	Targets
Increase number of people screened and treated for mental disorder	30% by 2030
Increase % of people controlled for hypertension, diabetes and asthma	30% by 2020
Reduce prevalence of blood pressure	20% by 2020
Reduce tobacco use	20% by 2020
Reduce per capita alcohol usage	20% by 2020
Reduce premature mortality from NCD	25% by 2020

OUTCOMES ON SELECTED PERFORMANCE TARGETS 2018/19 (1)

- The department shows mixed results in respect of meeting planned delivery targets
 - Where targets have been met it has been among others as a result of proper planning and collaboration among the departments
 - In general where there deviations reasons vary from incomplete data, backlogs, lack of financial resource and processes not being followed

NDoH Programmes	Indicator	Planned Target	Achievement	Deviation
Programme 1: Administration 2 indicators	Number of Provincial DoH (PDoH) that demonstrate improvements in Audit outcomes	5 PDoH that demonstrate improvements in audit with no significant matters for 2017/18	4 PDoH obtained unqualified audit opinions for 2017/08	-1 PDoH did not achieve unqualified audit opinion due to inability to obtain appropriate evidence
Programme 2: NHI, Health Planning and Systems Enablement 12 Indicators	Total number of health facilities reporting stock availability at national surveillance centre	3625 of health facilities reporting stock availability	3598 of health facilities reporting stock availability	-27 health facilities Inaccurate target caused by provincial facility duplicating counting
Programme 3: HIV/AIDS, TB and Maternal and Child Health 6 indicators	Total number of clients on ART Number of undiagnosed TB infected persons (new cases) found	5 000 000 80 000	4 629 831 42 734	-370 169 Target not achieved due to backlogs in capturing of data -37 266 data incomplete

OUTCOMES ON SELECTED PERFORMANCE TARGETS 2018/19 (2)

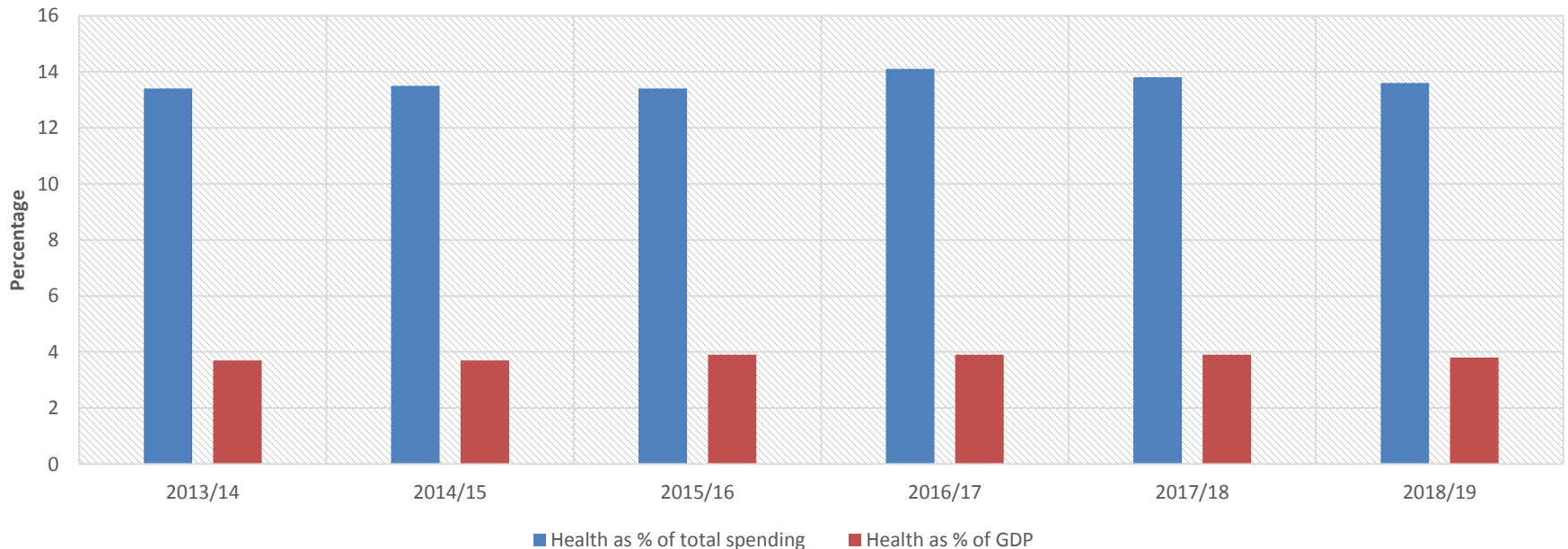
NDoH Programmes	Indicator	Planned Target	Achievement	Deviation
Programme 4: PHC services	PHC facilities in 52 districts that qualify as Ideal clinics	1400 PHC facilities in 52 districts	1920 PHC facilities in 52 districts	+520 PHC government efforts on improving facilities
	Number of districts with mental health teams established	15 districts with mental health teams established	3 districts with mental health teams established	-12 districts lack of financial resources in establishing district mental health teams
11 indicators				
Programme 5: Hospitals, Tertiary Services and HRD	% backlog eliminated for toxicology tests	60%	36.3%	-23.7% Reasons: due to equipment failures and outstanding import permits
19 Indicators				
Programme 6: Health Regulation and Compliance	Legal Framework to Establish National Public Health Institutes of SA	Framework to be promulgated into law	Bill processed	Act not yet promulgated
3 indicators				



NATIONAL AND PROVINCIAL BUDGET ANALYSIS

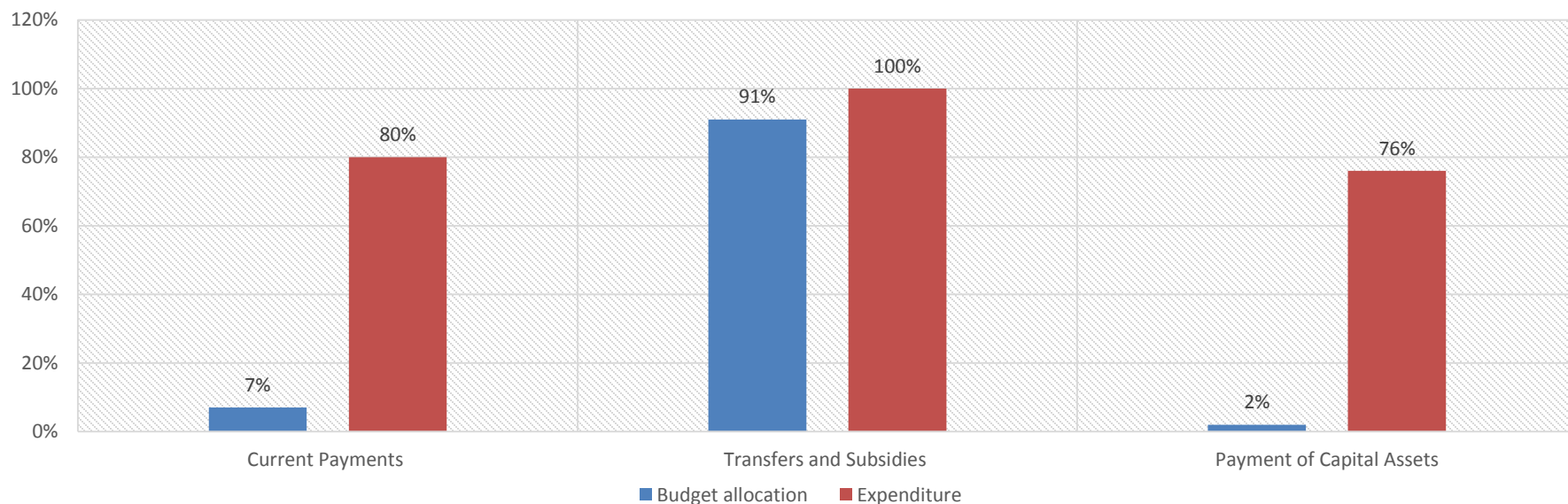
CONSOLIDATED HEALTH BUDGET 2018/19

- Spending on public health has been sustained at an average rate of 13,6% and 3,8% of total budget and GDP respectively in 2018/19
- Total health budget amounted to R208 billion in 2018/19 an increase of about 8.9% compared to 2017/18 budget of R191 billion of which 3% is allocated to the national department (excluding conditional grants) and 94% is allocated to provinces



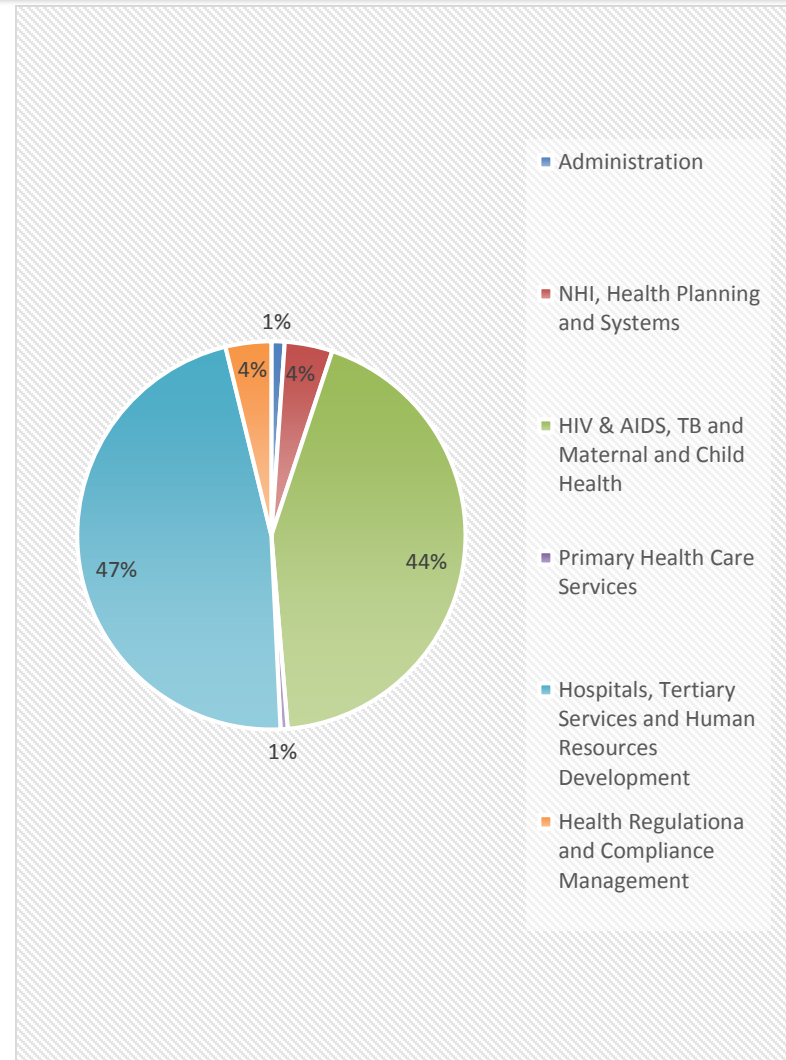
NATIONAL BUDGET AND EXPENDITURE BY ECONOMIC CLASSIFICATION 2018/19

- Large chunk of the budget absorbed by transfers and subsidies at 91% to provinces and municipalities with expenditure achieved at 100%
- Current payments receive 7% of the budget and 80% was spent, reasons attributable to under expenditure vacant posts not filled, procurement delays, certain programmes not expanded to all districts
- Payment for capital assets receive 2% budget and 76% was spent and reasons for under expenditure include ordered being placed on the last quarter and funds allocated not spent on time



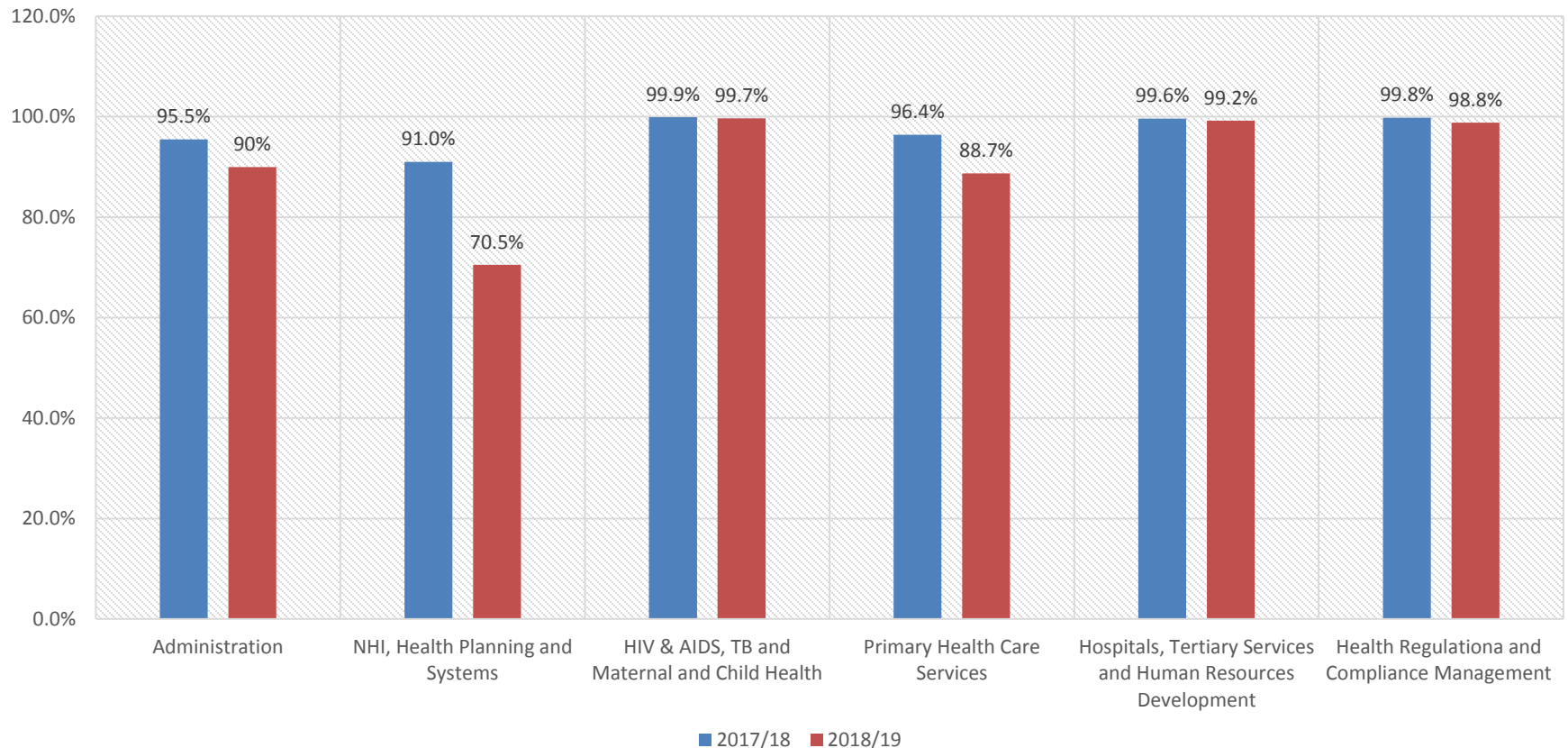
NATIONAL DEPARTMENT BUDGET 2018/19

- The NDoH received a total budget allocation of R47.5 billion in 2018/19 which is an increase from R42.6 billion in 2017/18
- Budget composition is mainly driven by programmes 3 (HIV/AIDS, TB) and 5 (Hospitals, Tertiary Services and HRD)44% and 47%



SPENDING PERFORMANCE ON PROGRAMMES (1)

- Overall the department achieved spending performance of 98% in 2018/19 slight decrease compared to 99.5% in 2017/18

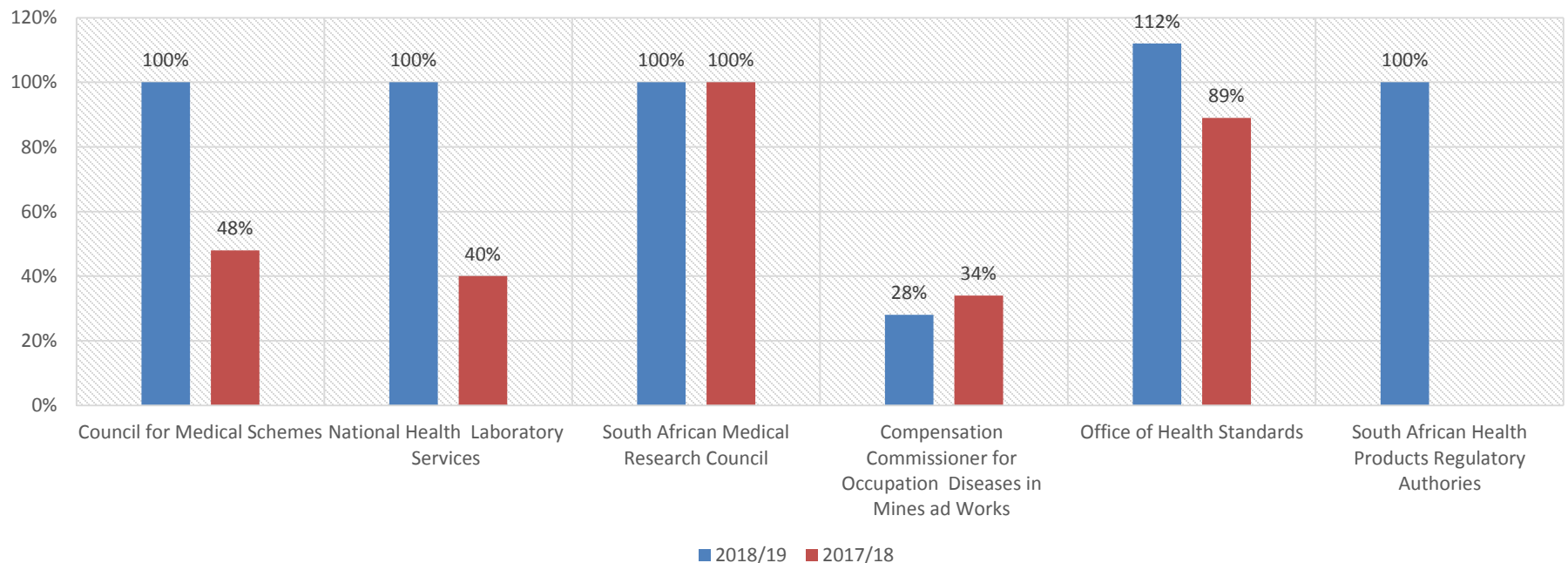


SPENDING PERFORMANCE ON PROGRAMMES (2)

- In all the programmes there has reported under expenditure
- Programme 1, expenditure at 90% as a result of delays in the procurement processes, late receipt of invoice
- Programme 2, reported the worst expenditure at 70.5%, attributable to tender processes not done on time, procurement processes halted as supplier could not deliver medicines, funds not spent for ideal clinics and orders placed on last quarter
- Programme 3, expenditure at 99.7% in the main due to vacant posts
- Programme 4, reported expenditure of 88.7% due to delays on procurement processes on campaigns such as elimination of malaria and chronic diseases and in other instances other programme campaigns launched in the third quarter
- Programme 5, expenditure at 99.2% due to posts not being filled, funds could not flow on intended beneficiaries on time due to procurement processes not concluded on time, services procured but not delivered before year end and tenders awarded on last week of financial year
- Programme 6, reported expenditure at 98.8% due to procurement processes not finalised as well as funds to public entity received late to process payment on time

HEALTH ENTITIES SPENDING PERFORMANCE

- Total budget for health entities in 2018/19 stood at R1.57 billion with expenditure of R1.71 billion resulting in over expenditure at 1%
- Health Department has six entities and their expenditure has greatly improved in the year 2018/19 compared to the previous year recording 100% except on the Office of Health Standards over expenditure at 12% and the worst expenditure being Compensation for Occupation diseases for Mines and works at 28% respectively



ASSESSMENT OF CONDITIONAL GRANTS 2018/19

- All the conditional direct grants achieved 100% expenditure in the year 2018/19 except for the indirect grants under the NHI
- Some of the reasons attributable to delays in the procurement processes, claims received on particular programmes less than expected, funds allocated not spent due to procurement processes, other province deciding not to expand the programme and order placed on last quarter

R' million	Allocation	Expenditure	Performance
Direct Grants			
National Tertiary Services	12 400	12 400	100%
Comprehensive HIV/AIDS and TB	19 9216	19 921	100%
Health Facility Revitalisation	6 057	6 057	100%
Health Professions Training and Development	2 784	2 788	100%
National Health Insurance	200	20 000	100%

PROVINCIAL BUDGETS OVERSIGHT ISSUES

- Balancing wage bill pressure and shortage of clinical staff
 - Equitable distribution of health care professionals
- Improving financial governance and clinical efficiency to reduce medical legal claims
- Overcrowding at hospitals
- Ageing health infrastructure



NHI – PROGRESS, BUDGET & POLICY ISSUES

PROGRESS....

- The rolling out of NHI has been on the budget program since the release of the Green Paper in 2011
 - Two white papers has since been released followed by the NHI bill in 2018
- A new NHI grant was introduced in 2012 to finance 11 NHI pilots – with an initial three year allocation of R1 billion
 - NHI grant encountered teething underspending challenges resulting in allocations reduction (R192 million in 2013 MTEF) and introduction of an Indirect Health Insurance Grant
- Planning was problematic from the beginning

PROGRESS....

- The NHI pilot grant was intended to test the feasibility of the new delivery models
 - District and ward based clinical team and primary health care
 - Contracting of health practitioners
- The pilot has since produced mixed results (did not cover the private sector)
 - Health patient registration system was rolled out
 - Workload staffing need not met due to posts freezing
 - Target to refurbish 140 clinics infrastructure not met
 - Stock visibility system hampered by connectivity problems
 - Contracting of private doctors proved expensive (350 doctors were contracted)

PROGRESS...

- Full implementation of NHI is still years ahead but the fund scheduled to be operational by 2026
- The 2017 budget announced an establishment of the NHI fund in 2017/18
 - This proposal is only allocated R64 million in 2018
 - No additional funding has since been announce
- Several hurdles lie ahead before the NHI fund come into operation
 - The 2026 timeline is too short a target to complete all the necessary steps

PROGRESS...

- Several activities remain outstanding
 - Establishing operational and administrative capacity
 - Developing health information systems
 - **Function shifts and rearranging funding flows**
 - Costing
 - Health care benefit design
 - Provider payment mechanism design
 - Setting-up new delivery structures and committee
 - Contracting
 - Testing
- The implementation plan is going to need rigorous planning and sequencing

BUDGET ISSUES...

- The NHI grant has undergone numerous iterations since inception in 2011
- At some point the grant was divided into five indirect sub-components

Component (Indirect)	Allocation	spending	% spending
Ideal clinic	-	-	
Personal services	R891 million	R590 million	66%
Non-personal services	R 700 million	R500 million	71%
Human papilloma virus	R 30 million	R27 million	93%
Information systems	-	-	
Health professionals contracting	-	-	
Health facility infrastructure	R836 Million	R706 million	84%

- Currently the grant into divided into personal and non-personal services and human resource capacitation grant
- Continuous repurposing of the NHI grant is worrying given the imminent introduction of NHI fund

BUDGET ISSUES...

- The baseline allocations for NHI grants has been reduced drastically
 - Inadvertently delays implementation
- There are no proposal to integrate the multiple NHI funding streams to establish the fund.
 - Despite changes made to the medical tax credits
- Budget allocation to NHI continues on the same trajectory of piecemeal and incremental approach – funding unrelated outputs.
 - Old programs are repackaged under NHI funding regime
 - Some of the funding was used to finance
- Constant iteration of NHI funding create implementation uncertainties

NHI POLICY ISSUES

- Critical details which are fundamental to successful rolling of the NHI remain outstanding:
 - The role of provinces
 - Flow of funds between NHI fund, provinces, districts and private providers
 - Financing health infrastructure
 - Ownership structure of public health facilities etc.
 - IGFR accountability arrangements
 - Distributional equity of contracted service providers
 - Implications for central procurements under contracted service providers
 - Payroll rationalisation and function under limited delegations

ALIGNMENT OF HEALTH MARKET INQUIRY AND NHI REFORMS

- The findings of the recently concluded health market inquiry reinforce the urgency of NHI reforms
 - The private health sector is costly, clinically inefficient, uncompetitive, abusive and unaccountable
 - The Department has not been playing its regulatory role as required by law.
- The recommendations made in the report should be aligned to the proposal made in the NHI bill
 - Functions of the Supply Side Regulator for Healthcare overlaps with some functions of committee established in the bill i.e. benefits pricing committee and the Contracting Unit for PHC.

FFC RECOMMENDATIONS ON HEALTH

2019/20

- National and provincial treasuries should develop a framework or criteria for determining serious financial strain with clear measurable financial and non-financial factors that can be monitored, reported and used to trigger automatic fiscal adjustment
- National Treasury and the Department of Health should allocate part of the 2018/19 MTEF health infrastructure allocations to gradually set-off expenditure accruals which have arisen from unavoidable demands for which allocated budgets were depleted
- The National Treasury should ensure that the framework for health infrastructure conditional grants accommodate flexibility during periods of protracted fiscal constraint so that provinces can be allowed to re-orientate their package of available capital allocations towards maintenance

CONCLUSION

- IGFR arrangements have a bearing on health care delivery and outcomes
 - Health reforms must not undermine the integrity of IGFR
- Health spending is consistently positive and exhausted but output and outcome performance show mixed results
 - Parliament should focus its oversight efforts on under achieved performance targets where has been 100% expenditure against the budget
- Long existing health conditional grants should be directly oriented towards rolling out of NHI
 - NHI grants should focus specifically on reforms that advances implementation of the Bill
- The IGFR institutional arrangements must be resolved before large budgetary commitments are made to the NHI

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