



# BRIEFING TO THE PORTFOLIO COMMITTEE ON HEALTH

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6 April 2016

*For an Equitable Sharing of National Revenue*

# OUTLINE

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1. The Financial and Fiscal Commission
2. Health Care and the Economy
3. Departmental MTEF and APP Analysis
4. Policy issues
5. FFC recommendations
6. Conclusion

# ROLE AND FUNCTION OF THE FFC

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- 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

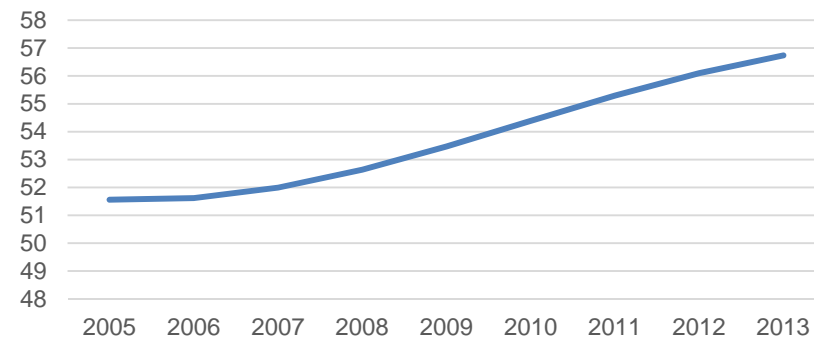


## 2. RELATIONSHIP BETWEEN HEALTH CARE PERFORMANCE AND THE ECONOMY

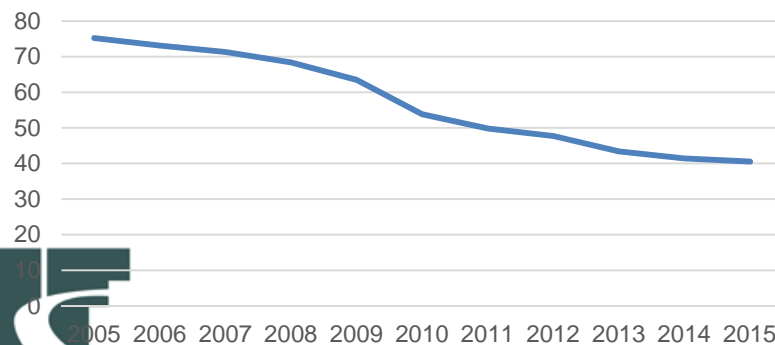
# BACKGROUND

- South Africa has consistently improved against all the key 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

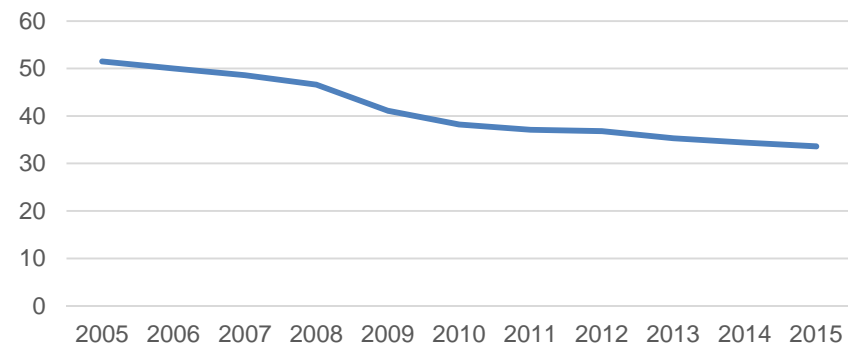
Life expectancy at birth, total (years)



mortality rate under 5 (per 1000)



Mortality rate, infant (per 1,000)



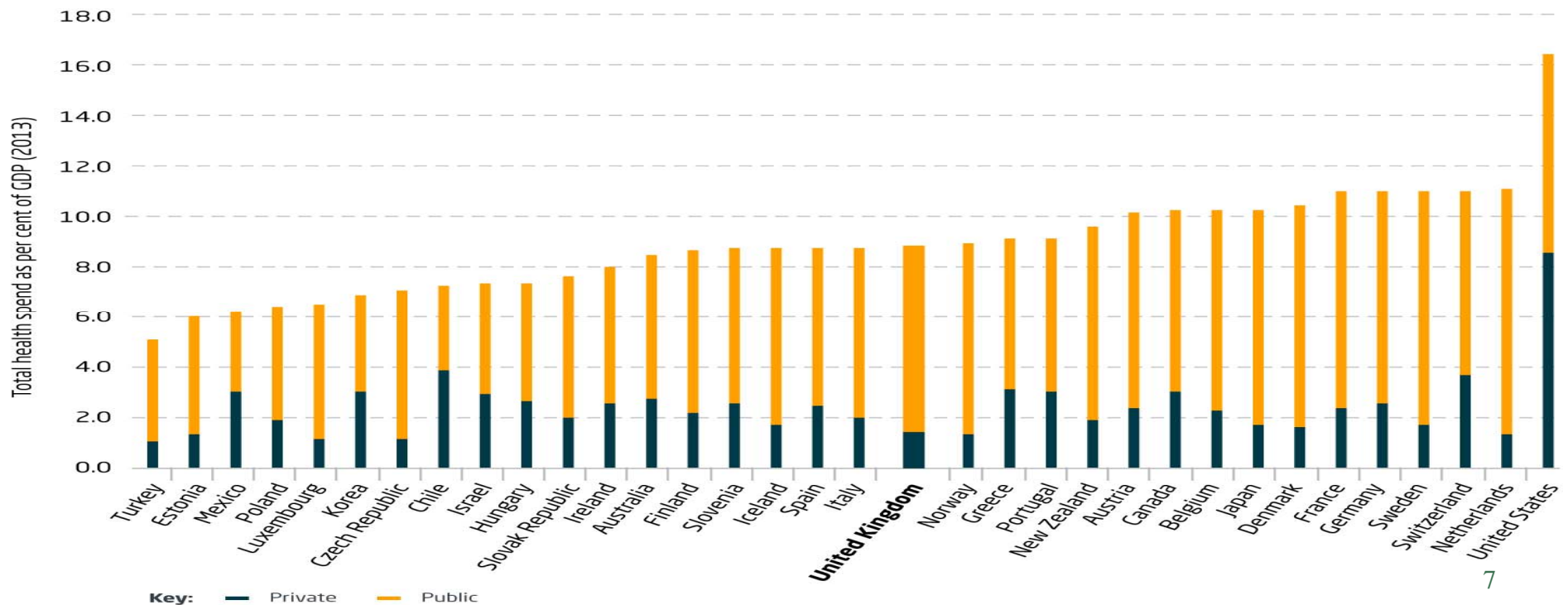
# BACKGROUND

- 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)

# BACKGROUND

- South Africa spends 8% of GDP on health, which is roughly equivalent to health expenditure in Australia
- However, unlike many of South Africa's comparators, the private sector consumes a significant share of health care services in South Africa (50% in 2013)



# MAIN CHALLENGES IN THE HEALTH SECTOR

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- 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 and APP Analysis

# DEPARTMENTAL OVERVIEW

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- The Department of Health (DoH) consists of 6 programmes
    - *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 department makes transfer payments to five public entities
  - The mandate of DoH is to provide a structured uniform health system in South Africa and contributes to outcome 2 (long and health life for all South Africans)
  - The main focus of department over the medium term in line with the NDP includes:
    - Sustainably expand HIV and AIDS and TB treatment and prevention
    - Revitalising public health care facilities
    - Ensuring specialised tertiary hospital facilities
- Facilitating Implementation of National Health Insurance (NHI)

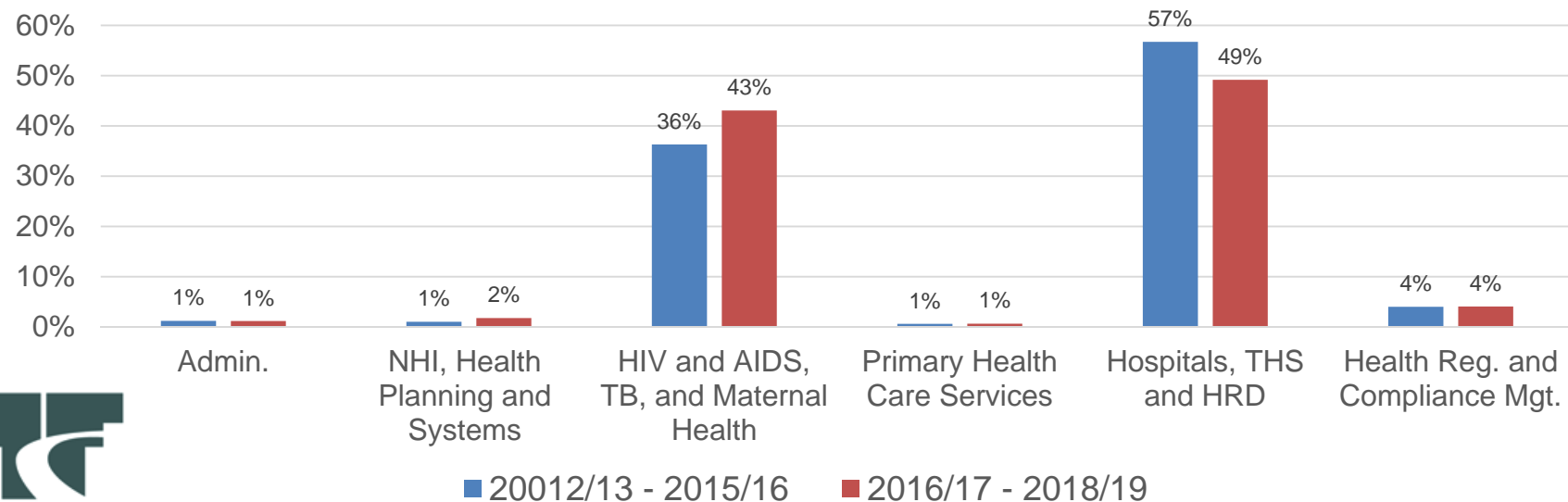
# SPENDING AND MTEF BUDGET BY PROGRAMMES

- In 2016/17, the DoH is allocated a budget of R38.56 billion which increases to R46.7 billion in 2018/19
  - This represents a real annual average growth of 3.1% per annum compared to 2.6% for the period 2012/13 to 2015/16
  - The higher growth in the budget allocation is as a result of expanding HIV/AIDS and TB treatment and prevention, scaling-up NHI pilot activities, and revitalising public health care facilities

	2012/'13	2013/'14	2014/'15	2015/16	2016/17	2017/18	2018/19	2012/13 - 2015/16	2016/17 - 2018/19
								Real Avge Growth P.A	Real Avge Growth PA
R'million									
<i>Admin.</i>	373	347	386	452	463	517	549	1.5%	0.5%
<i>NHI, Health Planning and Systems</i>	315	223	338	490	560	740	998	16.9%	20.9%
<i>HIV-AIDS, TB, and Maternal Health</i>	8 979	10 764	12 827	14 193	16 019	18 433	20 855	11.0%	7.5%
<i>Primary Health Care Services</i>	206	183	206	217	258	286	317	-6.1%	7.2%
<i>Hospitals, THS and HRD</i>	17 379	17 493	18 449	18 801	19 573	21 072	22 225	-2.9%	-0.5%
<i>Health Reg. and Compliance Mgt</i>	1 009	1 214	1 332	1 600	1 690	1 730	1 790	11.1%	-2.4%
<b>DOH</b>	<b>28 261</b>	<b>30 225</b>	<b>33 539</b>	<b>35 754</b>	<b>38 563</b>	<b>42 778</b>	<b>46 734</b>	<b>2.6%</b>	<b>3.1%</b>

# PROGRAMME SHARE OF TOTAL SPENDING AND BUDGET

- HIV/AIDS, TB and Maternal Health and Hospitals consumes the largest share of DoH's budget over both periods reviewed (92% over 2016 MTEF period)
- Over the 2016 MTEF period, proportion of budget allocated to HIV/AIDS, TB and Maternal Health highlights priority attached to achieving UNAIDS target for 2020 in order to curb HIV epidemic and reducing TB infections
  - The increased priority attached to these funding areas is likely to have a positive impact on health outcomes, especially mortality rates and life expectancy



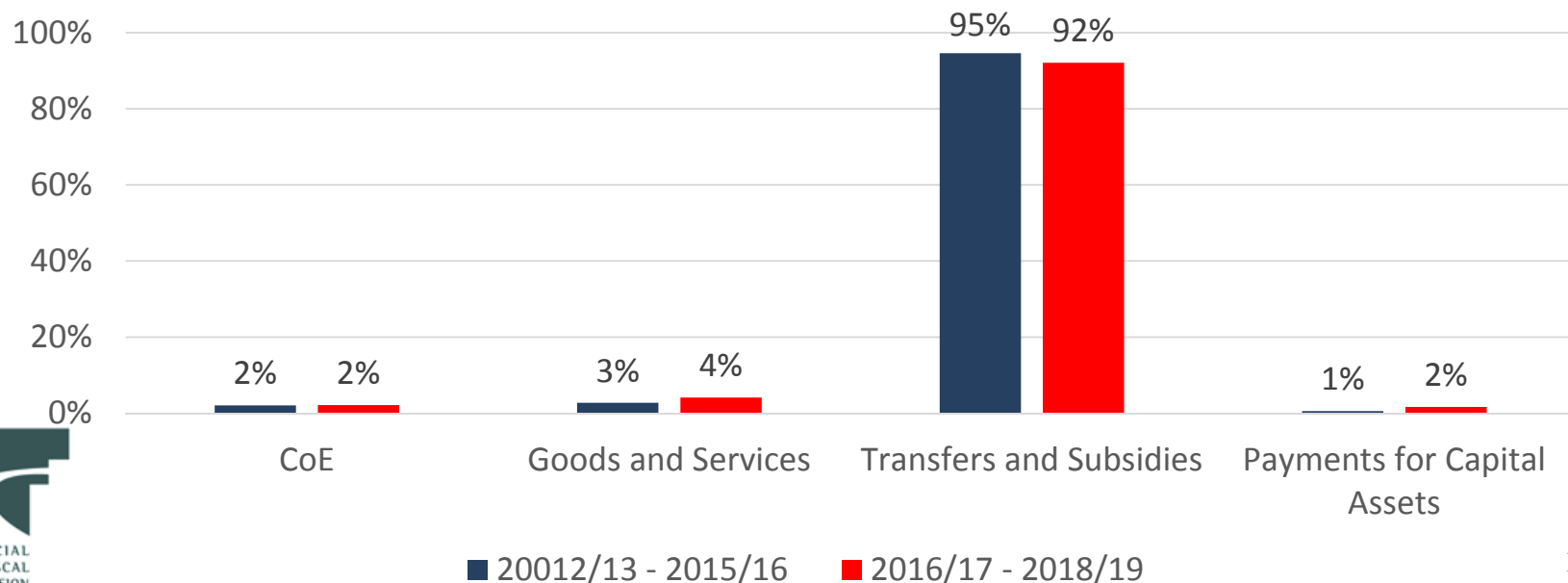
# SPENDING AND MTEF BUDGET BY ECONOMIC CLASSIFICATION

- All budget line items are increasing above inflation over the 2016 MTEF period, however, CoE budget has been reduced by R45.6 million for 2017/18 and R71.5 million in 2018/19 due to Cabinet approved reductions
- Allocations to payments for capital assets increases in real terms by 30% and goods and services by 14% per annum, which is significantly above the departmental average of 3%
  - These increases most likely reflects the scaling-up of the NHI pilot activities and strengthening the health information systems

R'million		2012/'13	2013/'14	2014/'15	2015/16	2016/17	2017/18	2018/19	20012/13 - 2015/16	2016/17 - 2018/19
									Real Avge Growth P.A	Real Avge Growth PA
CoE		554	628	686	774	873	878	954	6.2%	1.1%
	Goods and Services	711	634	1 054	1 150	1 431	1 874	1 989	15.6%	14.3%
	Transfers and Subsidies	26 970	28 787	31 571	33 496	35 637	39 290	43 021	1.6%	2.5%
	Payments for Capital Assets	20	173	227	333	622	736	770	270.3%	30.3%
	Payments for financial Assets	6	2	1	0	0	0	0	-77.6%	0.0%
<b>TOTAL DEPT EXP. &amp; ESTIMATES:</b>		<b>28 261</b>	<b>30 225</b>	<b>33 539</b>	<b>35 754</b>	<b>38 563</b>	<b>42 778</b>	<b>46 734</b>	<b>2.6%</b>	<b>3.1%</b>

# LINE ITEM SHARE OF TOTAL SPENDING AND MTEF BUDGET

- The bulk of the department's resources are allocated to transfers and subsidies in the form of conditional grants disbursed to provincial departments of health and transfers to public entities
  - The share of total allocation to transfers declines over the 2016 MTEF period from 95% to 92% while the share of total allocations to goods and services and capital assets show marginal increases over MTEF period



# SPENDING PERFORMANCE AND APP

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- The DOH spent 97.7% and 97.8% of its budget in 2013/14 and 2014/15 respectively
- Reasons for 2014/15 underspending related to:
  - Material underspending of indirect conditional grants (i.e. Health Infrastructure grant and the National Health Insurance grant)
  - Delays in appointing general practitioners for the NHI pilots
  - Delays in the setup of a new public entity (i.e. Office of the health standards compliance)
- An assessment of the underlying issues that led to the underspending of the indirect health grants in 2014/15 and plans in place to address them is absent from the APP
- The DOH intends to recruit 300 general practitioners to boost public health services across the country in 2016
  - The APP, however, does not reflect how the department intends to resolve any problems that led to the delays in appointing practitioners or if the problems have been resolved
- The board of the Office of Health Standards is now in place. The DoH intends to induct and train the new board in 2016/17 as well as implement a performance management system

# DEPARTMENTAL PERFORMANCE AND APP

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- DoH is set to report against 142 performance indicators for 2016/17. This is an increase of 40% against the number of indicators reported on in 2014/15, yet the budget for DoH is only increasing in real terms by 1%
  - A concern is will the sector be able to achieve all the additional targets with the available resources
  - With the addition of many new indicators, the department will need to find a way to assess the level of importance of each indicator and how to emphasize indicators for reporting purposes that are more important than others so that critical indicators are not obscured in all the information reported on
  - The AG raised a critical gap in the performance indicators provinces report on and the lack of audit information to support totals in the DOH's 2014/15 annual report. The 2016 APP does not seem to address this issue in an explicit way



# HEALTH AUDIT OUTCOMES AND APP

- Health audit outcomes are predominately poor, with only 3 provinces receiving unqualified outcomes in 2012/13. The situation has remained relatively unchanged
  - The DoH has indicated in its APP it intends to increase the number of unqualified audits in provinces to 7 by 2018/19, although it is not immediately clear in the APP what action the department intends to take to support provinces in this regard

Province	2008/09	2009/10	2010/11	2011/12	2012/13
National department	Qualified	Unqualified	Qualified	Unqualified	Unqualified
Eastern Cape	Adverse	Disclaimer	Qualified	Qualified	Qualified
Free State	Qualified	Disclaimer	Qualified	Qualified	Qualified
Gauteng	Disclaimer	Disclaimer	-	-	Qualified
KwaZulu Natal	Qualified	Qualified	Qualified	Qualified	Qualified
Mpumalanga	Qualified	Qualified	Qualified	Qualified	Qualified
Limpopo	Qualified	Qualified	Disclaimer	Disclaimer	Disclaimer
North West	Qualified	Unqualified	Unqualified	Qualified	Unqualified
Northern Cape	Disclaimer	Disclaimer	Disclaimer	Disclaimer	Qualified
Western Cape	Unqualified	Unqualified	Unqualified	Unqualified	Unqualified

# APP AND ALIGNMENT WITH THE NDP

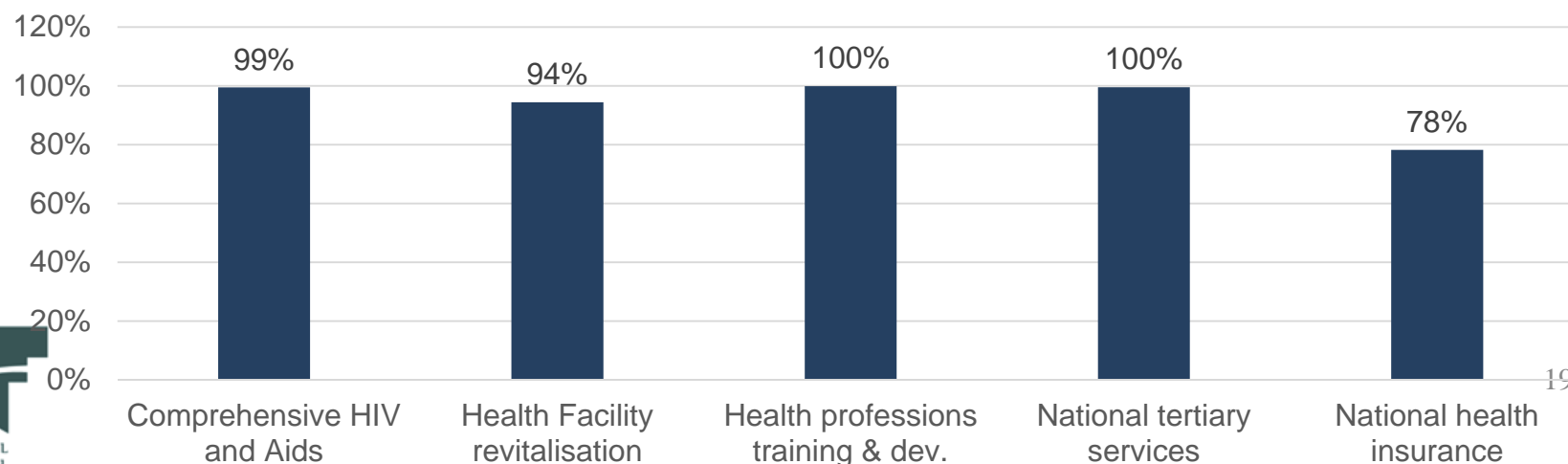
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- The strategic goals and objectives in the department's APP are well aligned to the nine NDP goals and the sustainable development goals adopted by the UN in 2015
- The department restructured in 2012 to align its organogram with the strategic priorities in the health sector
- Critical new priorities that have been enhanced in 2016 APP to address NDP goals include:
  - Re-engineering primary health care, NHI rollout, improving health information systems, monitoring national norms and standards and preventing disease and reduce its burden

# ASSESSMENT OF CONDITIONAL GRANTS (1)

- The spending performance on most health grants have been close to 100% for the period reviewed (i.e. 2012/13 – 2014/15) with the exception of the Health Facility Revitalisation and NHI grants
- A review of the NHI grant showed teething problems related to the structuring of the funding instrument with little evidence of impact. The grant is going to be phased out over the 2016 MTE F period and will continue through an indirect component of the National Health Grant
- In its submission on the 2016 DORB, the Commission expressed its concern regarding the endless changes to health grants which introduces policy uncertainty regarding the rollout of NHI

Annual Avge Spending (2012/13 - 2014/15)



# ASSESSMENT OF CONDITIONAL GRANTS (2)

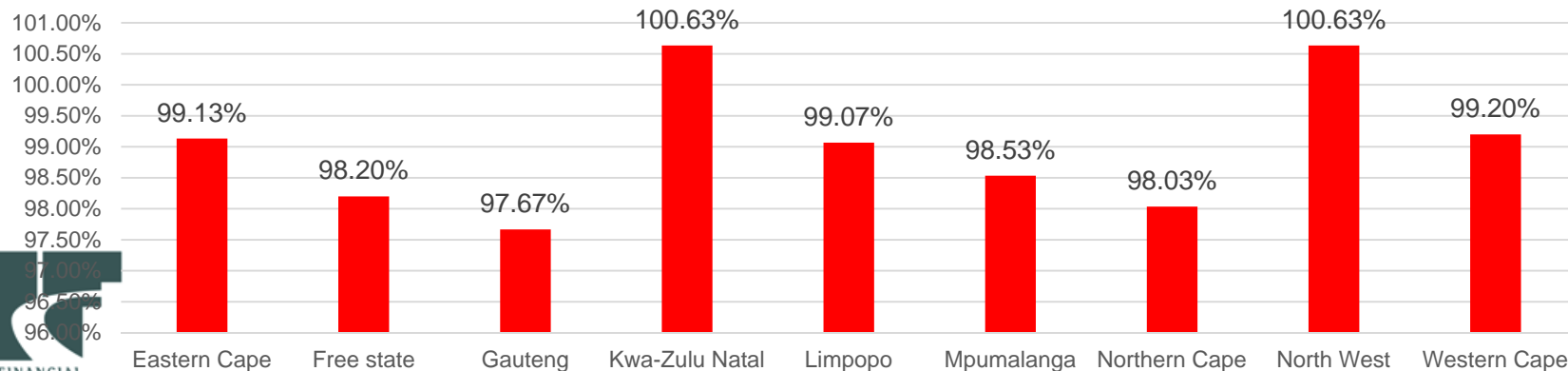
- Over the MTEF period, allocations to the Comprehensive HIV/AIDS, National Tertiary Services and Health Facility Revisalisation conditional grants receives the bulk of the transfers from DoH
  - Given the poor performance on the Health Facility revitalisation grant, baseline reductions of R365 million effected over the MTEF period resulting in a real decline of 2% 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

R' million	2015/16	2016/17	2017/18	2018/19	Real Avege. Annual Growth 2015/16 - 2018/19
<b>Comprehensive HIV and Aids</b>	13671	15291	17660	20032	7%
<b>Health Facility revitalisation</b>	5417	5273	5770	6036	-2%
<b>Health professions training &amp; dev.</b>	2375	2477	2632	2784	-1%
<b>Human papillomavirus vaccine</b>	0	0	0	200	
<b>National tertiary services</b>	10381	10847	11526	12195	-1%
<b>National health insurance</b>	61	85	0	0	33%

# SPENDING ASSESSMENT OF PROVINCIAL DEPARTMENTS OF HEALTH

- Provinces exhibit uneven spending performance for the period considered (i.e. 2012/13 – 2014/15)
  - Kwazulu-Natal and North West on average, overspent its budget allocations while Gauteng, Northern Cape and Free State only managed to spend 98% of its allocation
  - The major cost pressures on provincial health budgets are goods and services in the main and personnel expenditure
  - Provinces have reported a significant increase in contingent liabilities over the period concerned, arising from legal action taken due to negligence by health professionals
    - The Minister of Health will be convening a national summit to discuss the matter

**Average Spending Performance  
(2012/13 - 2014/15)**



# PERFORMANCE OF ENTITIES REPORTING TO DoH

- The DoH has oversight over five public entities
  - A new entity, the Office of Health Standards Compliance was created in 2014/15 to improve universal health care coverage
  - With respect to the other four entities, they all spent in line with the allocations received from DoH
  - Entities either received an unqualified audit or unqualified audit with matters of emphasis from the AG in the past three audited financial years

	2012/13	2013/14	2014/15
<b>Spending and deviation from budget</b>			
National Health Laboratory Services	100%	100%	100%
Compensation Commissioner for ODOC	N/A	100%	100%
Council for Medical Schemes	100%	100%	100%
Office of Health Standards compliance	N/A	N/A	N/A
Medical Research Council	100%	100%	100%
<b>Audit Outcomes</b>			
National Health Laboratory Services	Unqualified	Unqualified; emphasis of matter	Unqualified; emphasis of matter
Compensation Commissioner in Mines and Works	N/A	N/A	N/A
Council for Medical Schemes	Unqualified	Unqualified	Unqualified
Office of Health Standards compliance	N/A. Established in 2014		
Medical Research Council	Unqualified	Unqualified; emphasis of matter	Unqualified; emphasis of matter



# 5. NATIONAL HEALTH INSURANCE AND IGFR CHALLENGES

# HEALTH POLICY ISSUES (1)

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- The FFC notes the gazetted NHI White Paper (Dec 2015)
  - There are a range of issues that require further elaboration as to the practical mechanics of the implementation of the NHI and its impact on South Africa's intergovernmental system
    - Issues range from how will the implementation of NHI affect the existing roles and responsibilities of the different spheres of government?
    - What are the implications of the NHI on the Intergovernmental Fiscal Relations in particular?
    - Whether any assessments and the capacity thereof have been done so that efficiency can be optimised?



## HEALTH POLICY ISSUES (2)

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- Poor spending on Health Care Facilities Grant is a concern given the importance of this grant in addressing infrastructure related challenges facing the sector
- FFC noted the NHI grant being phased out due poor performance with its objectives to be carried over by the National Health Grant ( Indirect Grant)
- The FFC notes and welcomes the shifting of the National Health Laboratory Services from provinces to NDoH in 2015/16
  - Provinces carried huge costs related to laboratory fees they had to pay and therefore the shift will result in reducing costs associated with laboratory testing



## 6. FFC HEALTH –RELATED RECOMMENDATIONS FOR 2015/16 DoR

Submission	FFC Recommendation
<p data-bbox="241 746 495 986">Submission for the 2015/16 DoR</p>	<p data-bbox="533 284 2004 576">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 data-bbox="533 592 2020 810"><i>Response: government agrees but suggest that new norms and standards be developed rather applying those published in 2000</i></p> <p data-bbox="533 842 1966 1177">Inefficiencies in the health sector are minimised to be in line with international best practices, particularly, clinical, operational and behavioural waste.</p>

# CONCLUDING REMARKS

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- The DoH is receiving significant increase to its baseline budget over the 2016 MTEF
  - These increases are targeting the expanded rollout of HIV/AIDS and TB treatment and prevention, revitalising primary health care facilities and expanding the NHI rollout
- 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 APP of the department is in line with the NDP, but key gaps such as addressing the underlying reasons for underspending in 2014/15 is not explicitly stated
- The APP needs to differentiate between key indicators and supporting indicators for reporting and oversight purposes

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



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