

# Its time to fix the way we fund healthcare

Presentation to the Standing Committee  
on Appropriations on the division of  
revenue bill.

# Fiscal Consolidation – Global & Local Factors

- GLOBAL ECONOMIC CONDITIONS CHALLENGING POST THE 2008 FINANCIAL CRISIS
- Resulting lower tax receipts which places pressure on government revenue
- Situation exacerbated by continued public sector spending particular higher public sector wage settlements
- Low growth and uncertainty contributed to ratings down grade
- Government response was introduce fiscal consolidation
- Articulated as higher debt payments , limiting public expenditure and managing risks

# 2017 Health Budget

- Health Allocation split between National Department of Health , Provinces
- Health expenditure has grown in real terms by about 1.3 per cent between 2012/13 and 2018/19
- Expenditure driven by expansion of ART program and increased drug prices
- Continued pressure on health budgets , driven by higher drug prices , cost of employment increases
- Rising burden of Non Communicable Diseases
- Unless expressly planned for could result in massive downstream costs to the health system

# National Health Insurance

- Launch of Health Insurance Fund in 2017/18 welcomed
- The exact details of its implementations not clear
- If in keeping with NHI white paper proposals the provision of services to the target group (mothers , people living with disabilities, the elderly ) could be radically transformed
- In the single purchaser model the fund will purchase services from the health care providers
- Potential risks include expenditure over runs as patients abandon under resourced district health services

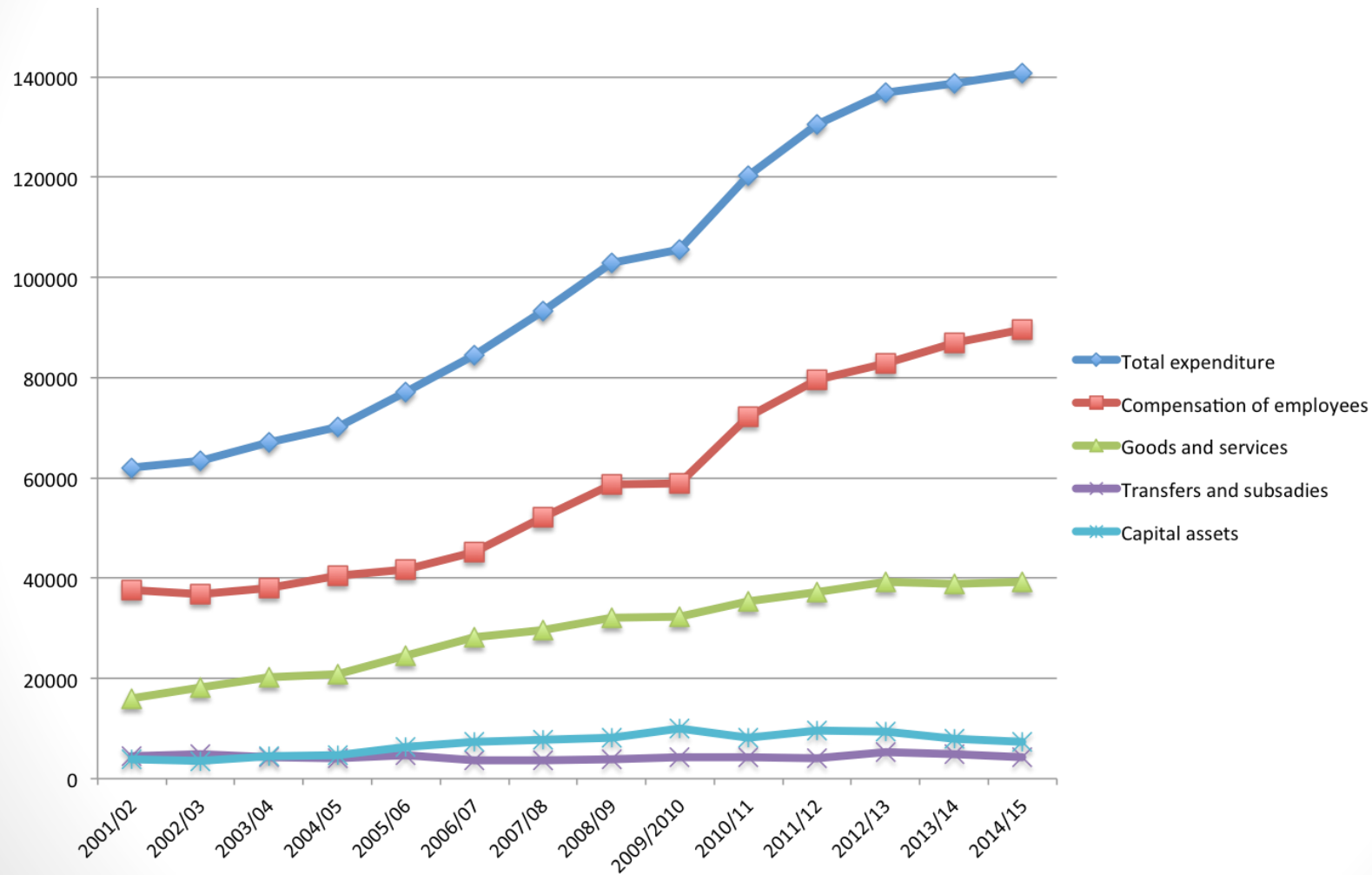
# Provincial Equitable Share

- Number of challenges with the calculation
- Encouraged by recognition of the rural developmental context and investigation to improve representation in the PES. But this is not enough.
- Health component problematic . The risk equalization component not well defined and further clarity needed
- Heavily influence by historical utilization rates which does not take into account unmet need or diseconomies of scale
- STATSA causes of death show higher mortality rates in Non Communicable Diseases indicating a growing epidemic .
- These CHANGES not expressly accounted for when doing incremental budgeting.

# Provincial Resource Allocation

- Provinces receive 80% of their revenue from National Government.
- This is done by through the the provincial equitable share and earmarked funds / conditional grants
- PESF though flawed does take into consideration the various developmental obligations
- As the PESF allocation is unconditional provincial legislature have significant discretion in allocating resources
- Often leads to significant under funding of core services specifically rural health

# Provincial health expenditure 2001/02-2014/15



# Why Rural

- District health services are the frontline of health care delivery
- Rural districts are particularly under resourced and in some rural provinces provincial governments embarking on drastic service rationalization initiatives
- Over 40 % of countries population resides in rural districts
- six out of every 10 people in rural areas live below the poverty line.
- Under funding of rural district health services through moratoria on posts , inadequate operational budgets comprising capacity to deliver.
- This places major programs such as the expansion of HIV treatment , the implementation of the NHI at risk
- At worse a total collapse of the system



# Towards Equitable Provincial Health Allocations

- Factor/variable categories should include:
  1. Unmet need: here deprivation as a proxy of unmet need is a robust example
  2. Geographic remoteness: average distance to closest metropol from vilage or town
  3. Population: size, density and demographic characteristics
  4. Specific political/historical circumstances: e.g. former homelands or farming areas as priority focus areas
  5. Cost adjusters: taking into consideration the need to account for differences in costs between urban and rural contexts

# Towards better health for ALL

- Priority setting of health interventions should seek to achieve **health system goals**, broadly defined as maximization of health, reduction of inequities in health, and financial protection against the costs of ill health (Norheim et al, 2014)
- Are we setting the right priorities?

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