



## BRIEFING TO THE PORTFOLIO COMMITTEE ON DEPARTMENT OF HEALTH

9 October 2013

*For an Equitable Sharing of National Revenue*

## PRESENTATION OUTLINE

- Introduction
- Departmental Analysis
  - Overview of the Department of Health Strategic Plans
  - Overview of the Department of Health Performance Plans
  - Health Budget
  - Spending Patterns
  - AG Findings
- FFC Recommendations



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## INTRODUCTION

- Health sector accounts for about 4 % of gross domestic product (GDP) in year 2012/13 and it is expected to go down to 3.9% 2013/14
  - The figure is below 5% of GDP which is what WHO recommends countries to spend
  - Decline attributed slowdown in growth of conditional grants and budget cuts
- **Mandate** – derived from chapter 3 of NHA –
  - implementation of national health policies WRT
    - Health services
    - Adherence to norms and standards
    - Coordination of health services



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## OVERVIEW OF DEPARTMENT OF HEALTH STRATEGIC PLANS

- Health is government's second priority on the outcomes-based delivery approach - Healthy life for all South Africans
- Outcome based approach seeks to achieve four strategic outputs:
  - Increase in 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 and child mortality from 42/1000 to 38/1000 in 2014
  - Combating HIV/AIDS and decreasing burden of disease from TB and
  - Strengthening health system effectiveness i.e. strengthening the PHC, improvements on health infrastructure and human resources as well as financing through NHI



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## OVERVIEW OF DEPARTMENT OF HEALTH PERFORMANCE (1)

- SA's health outcomes are poor despite SA spending being on par with its peer countries
  - High mortality and low life expectancy
- The health system faces a quadruple burden of disease in HIV/AIDS and TB, the high child maternal and child mortality, the non communicable diseases and violence as well as injuries
  - Increasing maternal mortality and peri- natal mortality ( due to HIV/AIDS)
- Problems related to Infrastructure negligence poor management of facilities and infrastructure including lack of transport in emergency situations



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## OVERVIEW OF DEPARTMENT OF HEALTH PERFORMANCE (2)

| Health indicator   | MDG goals                    | SA performance against MDG target | SA outcomes target |
|--------------------|------------------------------|-----------------------------------|--------------------|
| Maternal mortality | 38/1000                      | 310/1000                          | 270/1000 - 2014    |
| Infant mortality   | 18/ 1000                     | 40/ 1000                          | 38/1000 – 2014     |
| Under 5 mortality  | 20 or 21/ 1000               | 56/1000                           |                    |
| Life expectancy    | 70 years (males and females) | 54 males<br>59 females            | 70 years - 2030    |



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## DEPARTMENTAL BUDGET ANALYSIS

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## BUDGET AND PROGRAMMES OF HEALTH (NATIONAL)

- Total Budget – R30.7 billion – 2013/14
- **Programme 1** – Administration – R411.0 million
  - Overall management of the department and centralised support services
- **Programme 2** – National Health Insurance, Health Planning and Systems Enablement– R491.9 million
  - Health financing reform, integrated health system planning
- **Programme 3** – HIV/AIDS, TB and Maternal and Child health– R11.029 billion
  - Coordinate and fund health programmes for HIV/AIDS, TB, maternal and child health
- **Programme 4** – Primary Health Care Services- R109.4 million
  - Develop and oversee legislation and policies, norms and standards for a uniform district health system



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## BUDGET AND PROGRAMMES OF DEPARTMENT OF HEALTH (NATIONAL)

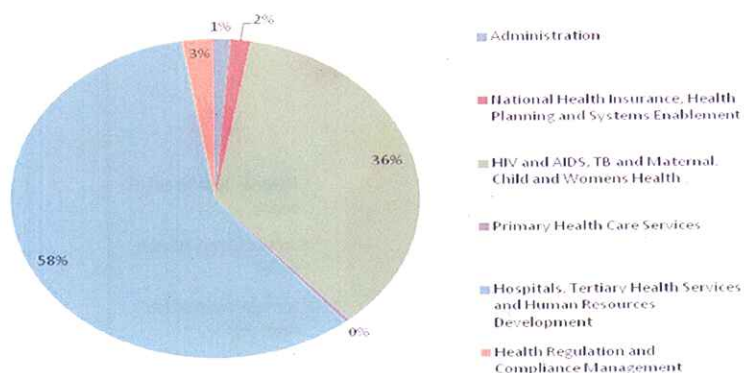
- **Programme 5** – Hospitals , Tertiary Health Services and Human Resource Development – R17 911.2 billion
  - Develop policies for hospital and emergency medical services including aligning academic medical centres with workforce programmes
- **Programme 6**– Health Regulation and Compliance Management– R754.1 million
  - Regulate the procurement of medicines and promote accountability and compliance



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## EXPENDITURE COMPOSITION BY PROGRAM – 2013/14 - (NATIONAL)

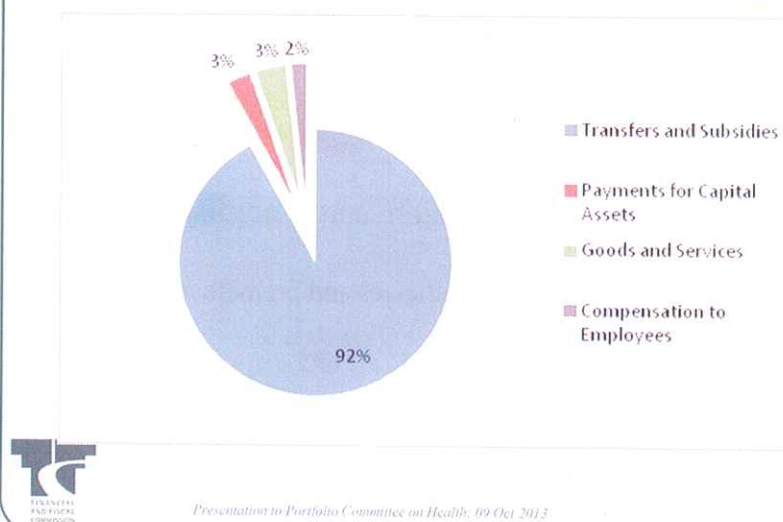


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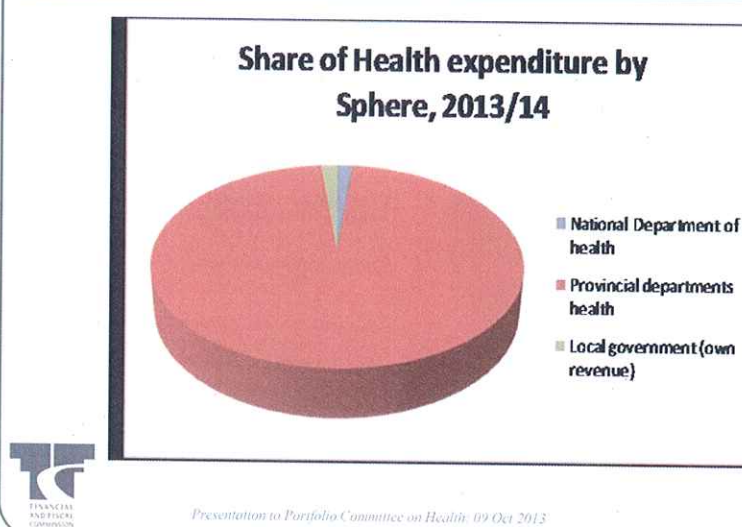
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## NATIONAL BUDGET BY ECONOMIC CLASSIFICATION 2013/14



## SHARE OF HEALTH EXPENDITURE BY SPHERE— 2013/14



## PROVINCIAL HEALTH EXPENDITURE

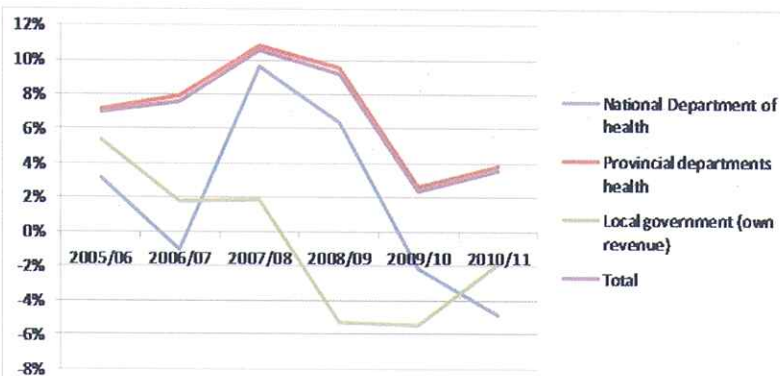
| Province       | 2011/2012                     |                                |                 | 2012/2013                     |                           |                 |
|----------------|-------------------------------|--------------------------------|-----------------|-------------------------------|---------------------------|-----------------|
|                | Adjusted Budget<br>R'thousand | Revised Estimate<br>R'thousand | Expenditure (%) | Adjusted Budget<br>R'thousand | Expenditure<br>R'thousand | Expenditure (%) |
| Eastern Cape   | 14812568                      | 15590424                       | 105.25%         | 15734550                      | 15565088                  | 98.92%          |
| Free State     | 6930347                       | 6876358                        | 99.22%          | 7759316                       | 7583503                   | 97.73%          |
| Gauteng        | 23386833                      | 24331338                       | 104.04%         | 27191594                      | 26962071                  | 99.16%          |
| Kwa-Zulu Natal | 23724509                      | 23566262                       | 99.33%          | 27290930                      | 27396495                  | 100.39%         |
| Limpopo        | 11671685                      | 11921917                       | 102.14%         | 12808523                      | 12821349                  | 100.10%         |
| Mpumalanga     | 7345486                       | 7300271                        | 99.38%          | 7649290                       | 7499644                   | 98.04%          |
| Northern Cape  | 3011355                       | 3064534                        | 101.77%         | 3247233                       | 3167024                   | 97.53%          |
| North West     | 6413544                       | 6413544                        | 100.00%         | 7083691                       | 7020900                   | 99.11%          |
| Western Cape   | 13428910                      | 13429652                       | 100.01%         | 14743832                      | 14592612                  | 98.97%          |
| <b>Total</b>   | <b>110725237</b>              | <b>112494300</b>               | <b>101.60%</b>  | <b>123508959</b>              | <b>122608686</b>          | <b>99.27%</b>   |



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## REAL GROWTH RATES IN HEALTH EXPENDITURE



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## EXPENDITURE ANALYSIS...(1)

- 92% of health budget = transfers and subsidies
  - Provinces and Municipalities
    - Provinces spend approximately 60 % of budget on COE
    - The rest is allocated to health care facilities
    - There are no standard methodology for allocating budget to hospitals
  - Higher education institutions
- Budget driven by Programme 3 and 5 – HIV/AIDS and Hospitals, Tertiary services and HR – 94%
  - Large chunk of program 5 budget is spent in urban provinces where tertiary hospitals are concentrated



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## EXPENDITURE ANALYSIS...(2)

- Aggregate spending performance for six programs is 99.25% in both years 2011/12 and 2012/13.
- Slight under-spending in two programs namely:
  - health regulation and compliance, attributed to delay in setting up the Office of Standards Compliance
  - Primary Health Care program (from 97% in 2011/12 to 95% in 2012/13). Attributable to late delivery of influenza vaccines
- For provinces over expenditure has been reported in the EC, LP, GP and NC in 2011/12.
  - Reflection of disparities in performances and on capacity to spend.



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## CONDITIONAL GRANT ANALYSIS 2008/09 – 2012/13 (1)

|  | 2008/09 | 2009/10 | 2010/11 | 2011/12 | 2012/13 |
|--|---------|---------|---------|---------|---------|
| Comprehensive HIV and Aids                   | 98.9    | 98.4    | 97.9    | 97.9    | 99.1    |
| Africa Cup of Nations 2013: medical services | -       | -       | -       | -       | 57.4    |
| Health professions training and development* | 97.0    | 102.0   | 98.7    | 102.0   | 99.6    |
| Health Infrastructure grant*                 | -       | -       | -       | 93.0    | 94.4    |
| Health facility revitalisation               | 82.4    | 73.0    | 75.8    | 92.1    | 80.9    |
| National health insurance                    | -       | -       | -       | -       | 52.0    |
| National tertiary services*                  | 98.5    | 102.0   | 99.3    | 99.6    | 98.9    |
| Nursing colleges and schools                 | -       | -       | -       | -       | 72.4    |

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## CONDITIONAL GRANT ANALYSIS (2)

- The overall aggregate spending on all health CG is 90
  - Indirect grants have a higher spending performance than direct grants
  - Under expenditure is minute
- Insufficient spending data especially on the new grants
  - No reporting for two consecutive years after grant introduced
  - Tendency to merge underperform grants even without underlying performance data
- There is a serious under-spending of the National Health Insurance Grants
  - No audited financial performance of the NHI grant has been recorded for 2012 and year 2013



MTEF allocations for the grant are 2013/14 -R291 million, 14/15- R420 million and 15/16 - R444 million

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## AUDITOR-GENERAL FINDINGS

- The National department had financially unqualified report with findings for 2011/12 than in previous where it was a qualified report
- Six provinces ( EC, FS,GP,KZN,MP and NW) has qualified reports including the previous year with WC ( financially qualified report with findings)
- Two provinces ( LP and NC) had disclaimers even in the previous year
- The AG raised a number of issues:
  - Concern of inability of sector departments to demonstrate improvements; leadership instability, staff not held accountable for poor performance
  - Qualification on reports is mainly due to capital assets, unauthorized and wasteful expenditure, asset registers being inadequately maintained and reconciled, poor internal controls



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## AUDITOR-GENERAL FINDINGS

- Key findings relating to service delivery:
  - HIV/AIDS Grant - weaknesses identified in reporting on reliable data which will impact on allocations to the beneficiaries of ART
  - Hospital Revitalization Grant - poor performance due to contractors delaying completion of projects, additional costs incurred to correct substandard work, infrastructure needs not correctly identified, project implementation plans not including deliverables and data used to prepare reports not supported by evidence
  - Medical waste - expired medicines not appropriately disposed including medical waste
  - Emergency Medical Services - low response time, ambulances and rescue vehicles not available including staff in some instances and inadequate availability of communication centre



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## DEPARTMENTAL CHALLENGES

- A concern on audit outcomes reports where provinces have qualified and disclaimer reports
- Non compliance with supply chain management procedures
- Poor health outcomes despite SA's spending relative to its peer countries
  - SA health outcomes way below MDG targets
- Discrepancies in provincial spending which is translated into disparities in district funding



Policy uncertainty and spending discrepancies on HHI will negatively impact the roll out of the NHI

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## FFC RECOMMENDATIONS

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## RECENT FFC RECOMMENDATIONS & SUBMISSION

- Government should extend its ongoing efforts to reform health fiscal frameworks by taking into account the burden of disease giving rise to budget pressures, to cover:
  - With respect to MDG 6 (AIDS) and the massive impact on maternal mortality and child mortality, it is important to emphasise a need to protect programmes such as those for combating HIV/AIDS from being underfunding or re-prioritised downwards.
- Review of funding for HIV/AIDS, opportunistic and other infectious diseases through a regular review of usage costs for chronic disease services in HIV/AIDS, TB, maternal and child health to inform resource allocations in public sector health care system
- The FFC has on many occasions recommended for development of norms and standard for funding and delivery on health
  - Office of health standard compliance is a welcome development



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## RECENT FFC RECOMMENDATIONS SUBMISSION

- Changes and consolidation of conditional grants into single Health Infrastructure conditional grants –
- The FFC noted with concerns the practice of consolidating and separating CG without addressing underlying causes of poor performance
  - consolidation is symptomatic of poor performance and needs to be accompanied by interventions to address underlying drivers of poor performance and improvement in accountability.



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THANK YOU.

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