# NATIONAL ASSEMBLY

**FOR WRITTEN REPLY**

**QUESTION NO. 1987**

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**(INTERNAL QUESTION PAPER NO. 19)**

**Ms H Ismail (DA) to ask the Minister of Health:**

(1) What are the details of the progress that his department has achieved in addressing the arrears payments with regard to the medical depot accruals that have large outstanding amounts which have a negative impact on procuring medical equipment, medication and other medical supplies;

(2) what was the actual total accrual amount at the beginning of the intervention compared to the current outstanding arrears to the medicine depot?

###### NW2221E

**REPLY:**

**EASTERN CAPE**

1. The province had allocated sufficient budget at the beginning of the financial year for the settlement of outstanding accruals for medicines in the Depots. The interventions also included a process of ensuring that all invoices are received and processed on time from the suppliers to the payment stage.
2. The Eastern Cape depot had a total of R847 461 million on accruals at the end of the financial year. The high level of accruals was due in part to the cash flow challenges faced by the department as a result of the high medico legal claims.

The department prioritized the settlement of accruals in the first quarter of the current financial year. At the end of August 2021, the department had settled R689 042 million of the accruals. This is equivalent to 81% of the total accruals on medicines and medical supplies. The balance is expected to be settled in the month of September.

**FREE STATE**

1. The Free State department of health does not experience problems in paying the claims of medical depot. The strategy we use is that of prioritizing medical depot and making sure that they remain afloat to enable it to pay suppliers on time. The arrangement is that they submit their claims at the beginning of every week.
2. The total accruals amount to R542,443,773 and total paid amount to R443, 963,155 which translate to 82% of the total payment made to date. The outstanding amount R97,267,083 was settled by 31 August 2021 and R1,213,534 by 09 September 2021.

**GAUTENG**

1. The department and the depot had agreed to submit claims at least twice a month as opposed to once a month. This has helped to keep the depot afloat so that it is able to pay its suppliers on time while procuring more medicines as may be required by health facilities. The GDOH is now able to process payments for submitted claim within 30 days on receipt of a claim. The Medical Supplies Depot is able to fulfil its mandate of procuring Medicines that are mostly delivered direct to health facilities and to pay its creditors.
2. As at 31 March 2021 the balance owed to the Medical Supplies Depot was R925 million, the outstanding amount was settled in full in the first quarter of the current financial year (2021/2022). At the end of quarter one of 2021/2022 financial year amount owed to the depot was R664 million and was paid in full in the month of July and August. The new current balance owed is R412 million but is still within 30 days.

**KWAZULU-NATAL**

1. The Medical Depot is continuously engaging with the facilities to submit payment packs on time in order to be able to process them to pay suppliers. Monthly account reconciliations are done in order to identify old outstanding payments. Strict turnaround times to process the payments on time once all necessary supporting documents are received from the facilities.
2. The actual total accrual amount at the end of August 2020 (excluding less than 30 Days) was R1,053,308,923 and the current outstanding amount August 2021 (excluding less than 30 Days) is R455,859,740.

**LIMPOPO**

1. Limpopo pharmaceutical procurement is partially centralized with the exception of the Regional and Tertiary institutions that are on direct delivery system. Total budget allocation for the 2020/21 financial year was R1,6 billion whereas the accruals as at the end of the financial year was R96 million which translate to 6%.
2. Total Medical depot accruals amount to R96 million. Accruals are expected to be in line with the monthly expected percentage expenditure equal to 8,3%. The department in the year under review managed to contain the accruals to remain under the acceptable percentage of 8,3%. All the accruals have been paid in the 1st quarter of the current financial year.

**MPUMALANGA**

1. Mpumalanga Department of Health does not have any outstanding invoices not paid as all accruals have been paid during the first quarter.
2. Total accruals outstanding as at 31 March 2021 has been R195,813,681 and all the invoices have been processed during first quarter and currently invoices not paid are within 30 days of been received.

**NORTHERN CAPE**

1. The department is currently experiencing cash flow constraints, thus a number of invoices cannot be paid within the 30 days of receiving the invoice, as determined in terms of Treasury Regulation 8.2.3. There is continuous challenge to settle the accruals which mainly affects the Equitable share. The payments are prioritised in terms of the source of funding, contractual obligations, non-negotiables items and other payments.
2. Total Medical Depot accruals & payables as at 31 March 2021 amounts to R96.512 million, which results mainly from cash flow constraints affecting the provincial equitable share funding. Currently, there is no intervention from the oversight departments.

**NORTH WEST**

1. The North West Department of Health could not pay all of its invoices for goods and services for the 2019/2020 financial year, starting from the third quarter. In the main, the challenge has been inadequacy of goods and services budget allocation over the years as opposed to the ever increasing burden of diseases and price escalation on non-negotiable items such as medicine and medical supplies.
2. At the beginning of the intervention, the North West Department of Health had accruals amounting to R236,649,308 relating to the medical depot and at the end of 2020/2021 financial year an amount of R265,928,108 was disclosed as accruals. As at 31 August 2021 accruals totaling R215,568,490 which is 81% has already been settled and the intention is to pay in full all in the invoices which are not disputed by end of September 2021.

**WESTERN CAPE**

1. The Cape Medical Depot (CMD) procures Goods and Services on behalf of the whole Western Cape Health Department via its MEDSAS procurement system. Once the CMD issues stock to a particular health institution the relevant budget of that institution is expensed. Once invoices are received, payments are effected and paid within 30 days, so there is no need for Medical Depot accruals payment strategy.
2. CMD’s accruals are significantly below the accepted threshold and will not be prevented from continuing to procure the relevant goods and services on behalf of the department. In terms of payment days, the department is well within the 30-day payment threshold.

END.