# Section A:

# Indicator Comparisons per programme

## 1 Finance

*Jonatan Davén, Candy Day, Yasteel Maharaj, Mark Blecher and Aparna Kollipara*

Financial resources are an important input in the provision of healthcare services, and an analysis of the distribution of financial resources over time can give an indication of priorities and spending pressures in the health sector. This chapter focuses on the distribution of financial resources using three key indicators as a lens, namely: (1) provincial and local government district health services (DHS) expenditure per capita (uninsured population); (2) provincial and local government primary health care (PHC) expenditure per capita (uninsured population); and (3) provincial and local government PHC expenditure per PHC headcount.

The methodology used to calculate these indicators is described in detail in the introductory chapter of this publication. In summary, provincial health expenditure up to 2015/16 was extracted from the National Treasury's Basic Accounting System (BAS) database. Expenditure allocated to specific health facilities under the 'Responsibility level' dimension was coded to the latest District Health Information Software (DHIS) facility information in order to identify the district where the expenditure was incurred. All other expenditure was coded by district where possible using other information in the BAS database. The remaining expenditure at provincial level or that could not be clearly allocated to a specific district was allocated to each district proportionate to its population. Unless otherwise stated, historical expenditure in this chapter has been adjusted for inflation and presented in real 2015/16 terms. Local government expenditure on health provided by the National Treasury was added to the expenditure retrieved from the BAS database.

As shown in Table 1, provincial departments of health spent R153.8 billion in 2015/16. District health services was by far the largest budget programme, making up 45.4% of total expenditure. This percentage has increased gradually from 43.3% in 2012/13, due largely to rapidly growing HIV budgets, which form part of DHS. Other programmes, such as Provincial Hospital Services and Central Hospital Services have remained relatively stable as a percentage of the total, while the Health Facilities Management proportion has decreased, largely due to baseline reductions to infrastructure budgets as a result of budget constraints. In addition to the spending by provincial departments of health, local governments also use their own revenue to fund health services, including those rendered by clinics owned and operated by municipalities. Own revenue spent by local government on DHS was R3.7 billion in 2015/16, a real increase from R2.9 billion in 2012/13.

**Table 1: Provincial expenditure by budget programme, 2012/13–2015/16 (nominal R million)[a]**

| R million | 2012/13 | | 2013/14 | | 2014/15 | | 2015/16 | |
|---|---|---|---|---|---|---|---|---|
| | Audited outcome | Percentage of total | Audited outcome | Percentage of total | Audited outcome | Percentage of total | Audited outcome | Percentage of total |
| Administration | 3 653 | 2.6% | 3 910 | 2.7% | 3 760 | 2.6% | 4 308 | 2.8% |
| District Health Services | 60 521 | 43.3% | 62 810 | 44.0% | 66 676 | 45.3% | 69 788 | 45.4% |
| Emergency Medical Services | 5 763 | 4.1% | 5 839 | 4.1% | 5 806 | 3.9% | 6 025 | 3.9% |
| Provincial Hospital Services | 25 712 | 18.4% | 26 693 | 18.7% | 27 888 | 18.9% | 29 628 | 19.3% |
| Central Hospital Services | 27 694 | 19.8% | 28 272 | 19.8% | 29 433 | 20.0% | 29 513 | 19.2% |
| Health Sciences And Training | 4 252 | 3.0% | 4 413 | 3.1% | 4 435 | 3.0% | 4 521 | 2.9% |
| Health Care Support Services | 2 012 | 1.4% | 2 105 | 1.5% | 1 382 | 0.9% | 1 465 | 1.0% |
| Health Facilities Management | 10 231 | 7.3% | 8 656 | 6.1% | 7 828 | 5.3% | 8 513 | 5.5% |
| Total | 139 839 | 100.0% | 142 697 | 100.0% | 147 207 | 100.0% | 153 762 | 100.0% |

Source: National Treasury.

The nine sub-programmes of the DHS programme are described briefly in Box 1, while expenditure is shown in Table 2. 'District hospitals' was the largest sub-programme, with R25.3 billion spent in 2015/16, followed by 'Community health clinics' at R14.1 billion and 'HIV and AIDS' at R13.9 billion. As a result of the rapidly expanding antiretroviral treatment

a Amounts may differ from those in other sections in the table as expenditure in Tables 1 and 2 derive from the annual financial statements of provincial departments, while in other sections expenditure derives from BAS. The reason for this is that the annual financial statements do not break down expenditure by district.

(ART) coverage, reaching an additional 400 000 patients annually, HIV and AIDS was the fastest growing sub-programme, increasing by an average of 14.4% per year since 2012/13.

Government expenditure is generally classified into compensation of employees, goods and services, transfers and subsidies, and payment for capital assets. Compensation of employees made up 64.5% of provincial DHS expenditure. This percentage has increased gradually as a result of public sector wage increases and an increased number of employees working in the district health system. Expenditure on medicines increased from R6.7 billion in 2012/13 to R9.1 billion due to the increased volumes of antiretroviral drugs and increased import prices due to the weakened Rand exchange rate. An amount of R2.9 million was spent on transfers and subsidies in 2015/16, mainly to non-profit organisations and municipalities. As most infrastructure investments for DHS fall under the Health Facilities Management programme, only 0.9% of the DHS programme was spent on capital assets in 2015/16.[b]

### Box 1: District health services, sub-programme objectives

**District management:** Planning and administration of services; managing personnel and financial administration; co-ordination and management of the day hospital organisation and community health services rendered by local authorities and non-governmental organisations within the metro; determining work methods and procedures; and exercising district control.

**Community health clinics:** Rendering a nurse-driven primary health care service at clinic level, including visiting points, mobile clinics and local authority clinics.

**Community health centres:** Rendering a primary health service with full-time medical officers in respect of mother and child health, health promotion, geriatrics, occupational therapy, physiotherapy, psychiatry, speech therapy, communicable diseases, mental health, etc.

**Community-based services:** Rendering a community-based health service at non-health facilities in respect of home-based care, abuse victim care, mental health and chronic care, school health, etc.

**Other community services:** Rendering environmental and part-time district surgeon services, etc.

**HIV and AIDS:** Rendering a primary health care service in respect of HIV and AIDS campaigns and special projects.

**Nutrition:** Rendering a nutrition service aimed at specific target groups and combining direct and indirect nutrition interventions to address malnutrition.

**Coroner services:** Rendering forensic and medico-legal services in order to establish the circumstances and causes surrounding unnatural death.

**District hospitals:** Rendering of a hospital service at district level.

Source: National Treasury.

b In 2015/16, the Health Facilities Management programme spent R1.9 billion on PHC facilities and R2.2 billion on district hospitals. Future versions of the review should consider including district and total spending for this programme.

**Table 2: Provincial district health services expenditure by sub-programme and economic classification (nominal R million)[a]**

| R million | 2012/13 | | 2013/14 | | 2014/15 | | 2015/16 | |
|---|---|---|---|---|---|---|---|---|
| **Programme 2: District Health Services** | **Audited outcome** | **Percentage of total** | **Audited outcome** | **Percentage of total** | **Audited outcome** | **Percentage of total** | **Pre-audited outcome** | **Percentage of total** |
| District Management | 3 416 | 5.6% | 3 391 | 5.4% | 3 395 | 5.1% | 3 492 | 5.0% |
| Community Health Clinics | 13 064 | 21.6% | 12 852 | 20.5% | 13 348 | 20.0% | 14 107 | 20.2% |
| Community Health Centres | 6 873 | 11.4% | 7 100 | 11.3% | 7 741 | 11.6% | 7 877 | 11.3% |
| Community Based Services | 2 339 | 3.9% | 2 238 | 3.6% | 2 602 | 3.9% | 2 812 | 4.0% |
| Other Community Services | 1 343 | 2.2% | 1 535 | 2.4% | 1 433 | 2.1% | 1 525 | 2.2% |
| HIV/AIDS | 10 586 | 17.5% | 12 136 | 19.3% | 13 037 | 19.6% | 13 876 | 19.9% |
| Nutrition | 265 | 0.4% | 202 | 0.3% | 220 | 0.3% | 199 | 0.3% |
| Coroner Services | 470 | 0.8% | 500 | 0.8% | 513 | 0.8% | 515 | 0.7% |
| District Hospitals | 22 003 | 36.4% | 22 687 | 36.1% | 24 260 | 36.4% | 25 291 | 36.2% |
| Global fund (WC only) | 160 | 0.3% | 168 | 0.3% | 128 | 0.2% | 93 | 0.1% |
| **Total** | **60 521** | **100.0%** | **62 810** | **100.0%** | **66 676** | **100.0%** | **69 788** | **100.0%** |
| **Compensation of employees** | **38 479** | **63.6%** | **40 867** | **65.1%** | **42 800** | **64.2%** | **45 009** | **64.5%** |
| **Goods and services** | **18 252** | **30.2%** | **18 637** | **29.7%** | **20 451** | **30.7%** | **21 222** | **30.4%** |
| *of which:* | | | | | | | | |
| *Consultants and professional services: Laboratory services* | *2 583* | *4.3%* | *2 585* | *4.1%* | *3 267* | *4.9%* | *3 217* | *4.6%* |
| *Inventory: Medical supplies* | *1 540* | *2.5%* | *1 624* | *2.6%* | *1 779* | *2.7%* | *1 894* | *2.7%* |
| *Inventory: Medicine* | *7 650* | *12.6%* | *8 071* | *12.8%* | *8 596* | *12.9%* | *9 181* | *13.2%* |
| *Property payments* | *1 653* | *2.7%* | *1 800* | *2.9%* | *2 023* | *3.0%* | *2 184* | *3.1%* |
| **Interest and rent on land** | **1** | **0.0%** | **2** | **0.0%** | **2** | **0.0%** | **4** | **0.0%** |
| **Transfers and subsidies** | **3 191** | **5.3%** | **2 683** | **4.3%** | **2 772** | **4.2%** | **2 902** | **4.2%** |
| *of which* | | | | | | | | |
| *Municipalities* | *994* | *1.6%* | *815* | *1.3%* | *880* | *1.3%* | *1 065* | *1.5%* |
| *Non profit institutions* | *1 914* | *3.2%* | *1 554* | *2.5%* | *1 454* | *2.2%* | *1 472* | *2.1%* |
| *Households* | *220* | *0.4%* | *225* | *0.4%* | *369* | *0.6%* | *338* | *0.5%* |
| **Payments for capital assets** | **596** | **1.0%** | **574** | **0.9%** | **648** | **1.0%** | **648** | **0.9%** |
| *of which* | | | | | | | | |
| *Buildings and other fixed structures* | *85* | *0.1%* | *22* | *0.0%* | *18* | *0.0%* | *5* | *0.0%* |
| *Machinery and equipment* | *512* | *0.8%* | *552* | *0.9%* | *629* | *0.9%* | *643* | *0.9%* |
| **Payments for financial assets** | **3** | **0.0%** | **47** | **0.1%** | **3** | **0.0%** | **4** | **0.0%** |
| **Total economic classification** | **60 521** | **100.0%** | **62 810** | **100.0%** | **66 676** | **100.0%** | **69 788** | **100.0%** |

Source: National Treasury.

## 1.1 Provincial and local government district health services expenditure per capita (uninsured population)

Provincial and local government (LG) expenditure per capita (uninsured) on DHS is the total amount spent per person not covered by a medical scheme. The numerator for this indicator is the sum of provincial and LG expenditure under the DHS programme (with the exception of the Coroner Services sub-programme, which is excluded). The denominator is the estimated uninsured population in each district. Examining DHS expenditure is important as it makes up the largest portion of health service delivery, with PHC services forming the largest component of DHS expenditure. Although all South Africans can access health services in the public sector, it is generally the population without medical aid that seeks health care at public facilities. Approximately 16% of South Africans are members of medical schemes, although this percentage differs significantly across provinces and districts.

Overall, provincial departments of health and LGs in South Africa spent R1 639 per uninsured person on DHS in 2015/16, a real increase of 1.3% from R1 618 per capita uninsured in 2014/15 (in 2015/16 terms).

Although this indicator is useful in showing expenditure in this very important segment of health spending, it is less useful for comparing districts and provinces, as a significant portion of the expenditure is for district hospitals, which are unevenly distributed across provinces and districts. The number of district hospitals in a district is influenced by a number of factors, such as the number of higher-level hospitals, the number of community health centres (CHCs) and the number of district hospitals in nearby districts. This largely explains the wide disparities in DHS expenditure per capita across districts, as shown in Figure 1. In 2015/16, expenditure ranged from a low of R1 081 per uninsured person in Amajuba

(KwaZulu-Natal (KZN)) to a high of R3 049 in Central Karoo (Western Cape (WC)). These two districts also differed vastly from the overall per capita (uninsured) expenditure in their respective provinces (R1 724 in KZN and R1 713 in WC).

There does not seem to be a correlation between expenditure and status as a National Health Insurance (NHI) pilot district. This is illustrated by the fact that both the lowest-spending district, Amajuba (KZN), and fourth-highest-spending district, uMzinyathi (KZN), are NHI pilot districts.

**Figure 1: Provincial and local government district health services expenditure per capita (uninsured) by district, 2015/16**

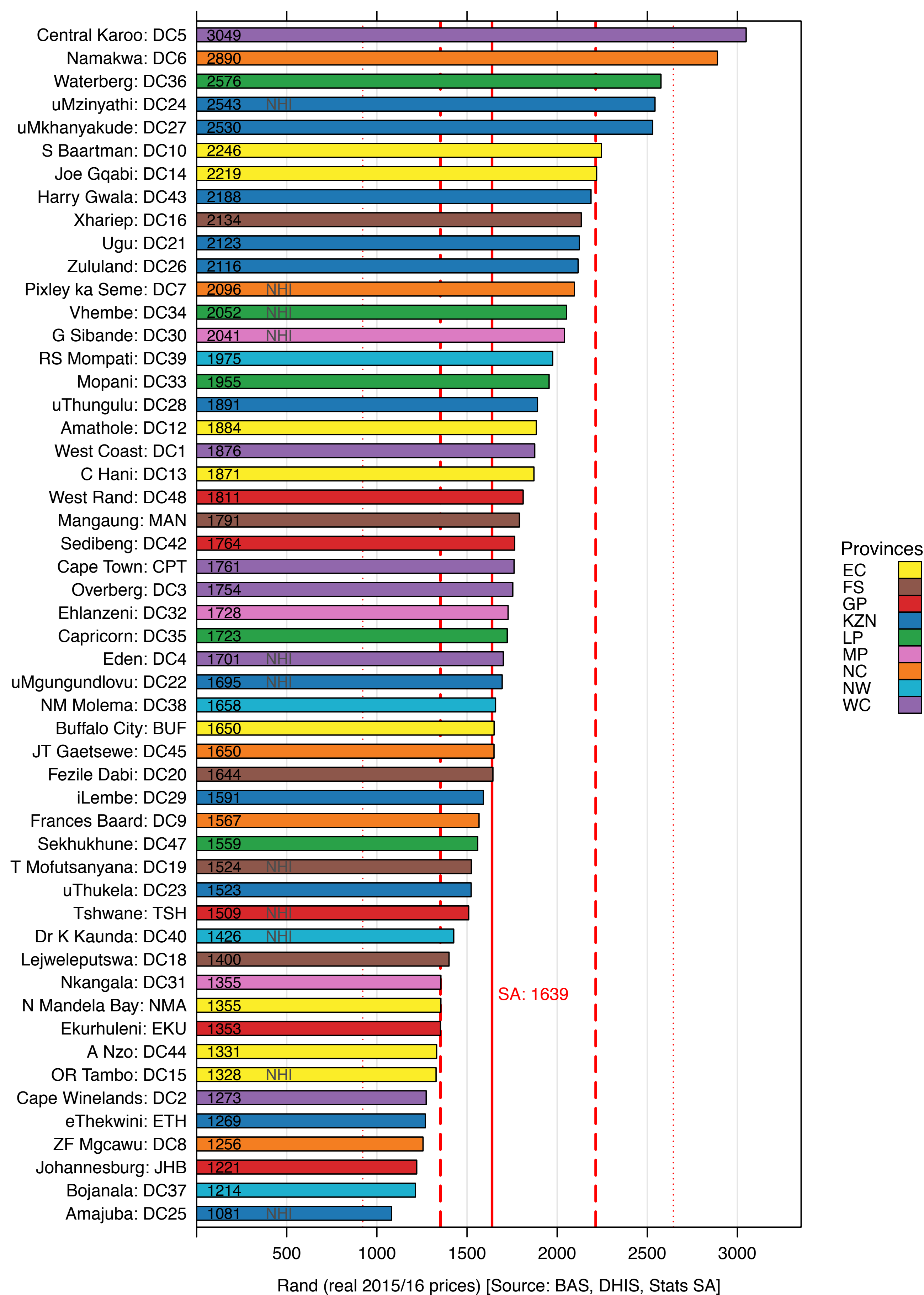
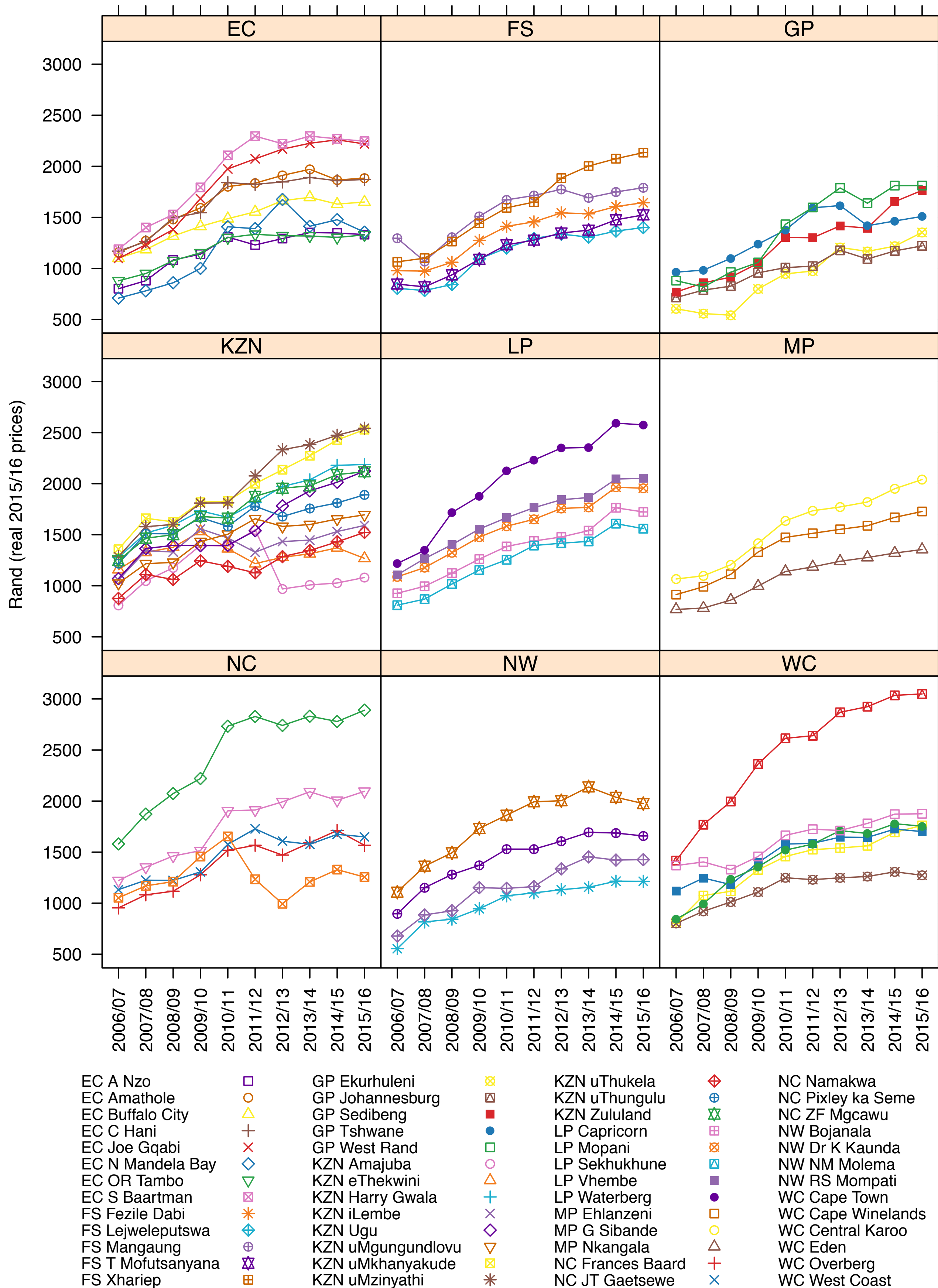


Figure 2 shows that between 2006/07 and 2015/16, per capita (uninsured) expenditure increased significantly in real terms in most districts. Particularly strong growth was seen in Waterberg district in Limpopo Province (LP), which increased very rapidly from R1 219 to R2 576 per uninsured person over this period, and in the Central Karoo (WC), which increased from R1 417 in 2006/07 to R3 049 in 2015/16 when it had the highest per capita (uninsured) expenditure in the country. Disparities among districts within provinces increased over this 10-year period. This was particularly pronounced in the KwaZulu-Natal, Northern Cape (NC) and Western Cape provinces.

**Figure 2: Annual trends for provincial and local government district health services expenditure per capita (uninsured)**



## 1.2 Provincial and local government primary health care expenditure per capita (uninsured population)

Provincial and local government PHC expenditure per capita (uninsured) is calculated in the same way as the previous indicator, but excludes District Management and District Hospitals. Primary health care services taken into account in this indicator include: community health clinics, community health centres, community-based services, other community services, HIV and AIDS, and nutrition. The sum of these sub-programmes makes up the numerator for this indicator, while the denominator is the uninsured population.

Examining PHC expenditure per capita (uninsured) is important as primary health is the first level of care, it is closest to the community, and it has a large role to play in responding to the needs of the community. The health status of the population is influenced positively when investments are made into PHC and when high-quality resources are used equitably, effectively and efficiently.

Growth in this indicator may reflect progress in key government initiatives such as PHC re-engineering and health systems strengthening in preparation for NHI. Primary health care expenditure per capita (uninsured) is a starting point in examining equity in the distribution of financial resources for health. An equitable distribution of resources should be based on the relative health care need across provinces and districts, and a needs-based resource allocation formula, which is discussed in the conclusions and recommendations section of this chapter, may help in this regard.

In 2015/16, PHC expenditure per capita (uninsured) in South Africa was R993, a 3.2% real increase from 2014/15. Interprovincial differences were much smaller than intra-provincial differences, as shown in Figure 3. Gauteng (GP) had the highest spending at R1 107 per capita (uninsured), a real increase of 5.7% from R1 048 in 2014/15 (in 2015/16 prices), when it was ranked the fourth-highest-spending province. As can be seen in section 7.2, this was largely due to high expenditure per PHC visit. Mpumalanga (MP) had the lowest PHC expenditure per capita (uninsured) at R826, closely followed by Limpopo at R827. The low PHC expenditure in Limpopo was likely a result of these services being delivered at district hospitals, as Limpopo spent 49.8% of its DHS funds on district hospitals, more than any other province.

**Figure 3: Provincial and local government primary health care expenditure per capita (uninsured) by province, 2015/16**