Health Budget Brief

South Africa

2020

unicef

for every child

Preface

This budget brief is one of **six** that explore the extent to which the 2020 national and provincial budgets address the needs of children under 18 years in **South Africa.** The briefs analyse the impact of the coronavirus (COVID-19) pandemic on allocations for children by comparing the baseline budget introduced in February 2020 with the special adjusted budget presented to Parliament in June 2020. Each brief considers the evidence and draws conclusions about how the government's emergency public finance response affects services and programmes that benefit children.

Key messages and recommendations

The South African Government has reprioritised its 2020 fiscal year (FY) budget allocations to make room for spending on COVID-19 impact mitigation. Ministries and programmes have postponed or suspended spending to free resources from the current budget to contribute to COVID-19 financing. This flexibility is seen in the health sector, with R21.5 billion reprioritised in national and provincial health budgets to fund COVID-19 services.

The national health budget has grown by 5 per cent (R2.9 billion) from its FY2020 baseline allocation to fund COVID-19. The pandemic arrested a real reduction in funding for the health sector, which was subject to the same fiscal austerity measures as other social sector programmes.

Within the national health budget, the communicable and non-communicable diseases and primary health care (PHC) programmes received the largest increases of 12 per cent and 21 per cent respectively, as they are at the centre of the health response to COVID-19. This is good news for the protection of child health resources to fund programmes like immunisation which is covered under the maternal, child and women's health programme within district health services at the provincial level.

COVID-19 has attracted additional funding, which would not have been allocated otherwise, for the health sector from the national and provincial treasuries. A total of R21.5 billion (equitable share and conditional grant funding) has been reprioritised to the provincial health departments to respond to the pandemic. Further funding has been reprioritised from various conditional grants and within the health departmental budgets to allow more resources for COVID-19, including suspension or delay of some programme spending until FY2021. None of the reprioritised funds have come from PHC programmes, ensuring that adequate funding for child health is secured.

The Medium-Term Budget Policy Statement 2020 will provide additional opportunities for the government to revise its Medium-Term Expenditure Framework (MTEF) estimates, because they have not been adjusted to reflect the impact of increased health funding.

The health sector is prioritised in the 2019–2024 Medium Term Strategic Framework (MTSF) and will tackle the worrying levels of child stunting, South Africa's dual (public and private) health care system, and the compromised quality of health care in the public sector. In the context of the pandemic and the role of non-communicable diseases, it is encouraging to note interventions aimed at curbing non-communicable diseases, the focus on the social determinants of health problems, and the determination to see through the implementation of National Health Insurance (NHI).

As a result of the need to respond to the immediate effects of the pandemic, more time and research are required to understand the disease and its impact on the health needs of women and children. While the country continues to see a significant reduction in infant and maternal mortality rates, the government is encouraged to ensure that:

1. Hard-won gains are preserved and extended during and after the pandemic.
2. It continues to monitor the financing of COVID-19 activities to ensure that it does not crowd out other health programmes, resulting in high maternal and child morbidity and mortality due to other illnesses.
3. Some child health elements are included in most health conditional grants, to ensure that children benefit from all nationally designed conditional grant programmes implemented at provincial level.

Because of the macroeconomic and fiscal outlook, the estimates to roll out NHI that were published in the National Health Insurance Green Paper in 2011 and White Paper in 2017 are no longer affordable. The revised model estimates that rolling out NHI would require an additional R33 billion annually from FY2025. The National Treasury noted that these are not explicit budget commitments but indicative cost estimates. The Minister of Finance outlined that initial NHI costs were projected to increase public health spending from about 4 per cent to 6 per cent of gross domestic product over 15 years.

The NHI evaluation project concluded that future NHI funding should be needs-based and make provision for a well-financed human resources plan, and that additional resources should be set aside to support monitoring and communication of the progress of implementation. Maternal and child health should also be prioritised in resource allocation, to ensure that the gains made in reducing maternal and child mortality are not reversed.

1. Introduction

Governance and national policy

In South Africa, the National Department of Health is responsible for policymaking, and coordination and oversight of health services in the country, while the nine provincial departments bear the main responsibility for service delivery. The Department of Health derives its mandate from the South African Constitution of 1996 which provides for progressive realisation of socioeconomic rights, including access to affordable and quality health care. This is further elaborated through the National Health Act (2003), which requires that the department provides a framework for a structured and uniform health system for South Africa. The Act sets out the responsibilities of the national, provincial and local government spheres in the provision of health services. In addition to the National Health Act, other legislation and emerging policies that guide the work of the health sector include:

- The National Health Insurance Bill, which aims to provide mandatory pre-payment health services in terms of Section 27 of the Constitution and establish a NHI fund, and ensures the creation of mechanisms for the equitable, effective and efficient utilisation of the resources of the fund;
- The Mental Health Care Act (No. 17 of 2002), which provides for the care, treatment and rehabilitation of people who are mentally ill;
- The Medical Schemes Act (No. 131 of 1998), which provides for the registration and control of activities of medical schemes, protects the interests of members of medical aid schemes and establishes the Council for Medical Schemes;
- The Traditional Health Practitioners Act (No. 35 of 2004), which establishes a framework to ensure the efficacy, safety and quality of traditional health care services, and to provide management and control over the registration, conduct and training of practitioners and students;

- The South African Medical Research Council Act (No. 58 of 1999), which provides for the continued existence of the South African Medical Research Council and its management by an appointed board;
- The Nursing Act (No. 33 of 2005), which promotes the provision of nursing services to inhabitants and ensures that professional and ethical standards are maintained and upheld in all matters pertaining to nursing;
- The Medicines and Related Substances Act (Act No. 101 of 1965), which provides for the registration of medicines and other medicinal products to ensure their safety, quality and efficacy, and provides for transparency in the pricing of medicines;
- Free health care for pregnant women and children under the age of 6 years.

Health in the 2019–2024 Medium Term Strategic Framework

The South African Government has aligned its National Development Plan ('Vision 2030') health chapter with the United Nations' Sustainable Development Goals (SDGs) to ensure key health goals are addressed through policymaking, programming and financing. The relevant SDG goal is *Goal 3: Ensure healthy lives and promote well-being for all at all ages.*

The 2019–2024 MTSF acknowledges that the provision of public health services has not kept up with the South African population's needs, although health outcomes have improved over the previous MTSF period (2014–2019). Such improvements include total life expectancy at birth, life expectancy for men and women, maternal mortality, and infant and child mortality, recognising concerted joint efforts of the government and its partners.[1]

The 2019–2024 MTSF is aimed at addressing existing gaps in health care delivery, which include the following:

- Increasing levels of stunting (low height for age) among children, which reached 27 per cent by 2016.
- The increasing burden of non-communicable diseases, such as diabetes, hypertension and cancer.
- The challenging 'dual and unsustainable health system' split between the private sector (covering 16 per cent of the population) and the public sector (covering 84 per cent of the population) with almost similar financial resources. This means that the larger portion of public health sector clients must share the scarce budget envelope, resulting in compromised or limited service provision, access and utilisation.

- Such compromised quality of health care in the public sector has resulted in concerningly high levels of medico-legal litigation costs, estimated at R80 billion worth of claims in 2018.

The 2019–2024 MTSF promises to continue actioning reforms in the health sector and to strengthen some specific health interventions. These include finalisation, promulgation and implementation of the National Health Insurance Bill 2019 to provide access to good quality health services for all South Africans, based on their health needs and not their ability to pay, as envisaged in the National Development Plan 2030.

In addition, the MTSF encourages the government to pay closer attention to the prevalence of non-communicable diseases and measures to address their risk factors. All levels of government and the different government departments responsible for agriculture, water and sanitation, housing, education and employment should work together to address the root causes of poverty in general, and malnutrition and teenage pregnancy in particular, as a proactive contribution to better health outcomes.

Furthermore, the framework identified mental health as one of the priority areas to be addressed in the five years of the strategy, identifying the need to improve the quality of mental health services as provided for in the Mental Health Care Act (2002) of South Africa. The framework includes the development and implementation of a comprehensive Human Resources for Health Strategy 2030 and the Human Resources for Health Plan 2020–2024, establishment of provincial nursing colleges with satellite campuses across districts to boost human resources for health, and expansion of the primary health care system by integrating over 50,000 community health workers into the public health system.

National Health Strategic Plan 2020–2024

The National Department of Health has recently developed its five-year National Health Strategic Plan 2020–2024 to draw a map of action to implement its constitutional obligations as stipulated in the National Health Act (2003) and the South African Constitution (1996). The plan is built on South Africa's Batho Pele principles, which aim to ensure South Africa's vision of *a long and healthy life for all South Africans.*[2]

The National Health Strategic Plan is built in support of the following Medium Term Strategic Framework 2019–2023 goals:

- To improve evidence-based preventative and therapeutic intervention for HIV (including investing in health research and development through the Medical Research Council)
- To progressively improve tuberculosis prevention and cure
- To reduce maternal mortality to less than 100 per 100,000 live births, child mortality to less than 30 per 1,000 live births, and infant mortality to less than 20 per 1,000 live births
- To reduce prevalence of non-chronic diseases by 28 per cent
- To reduce injury, accidents and violence by 50 per cent from 2010 levels
- To strengthen the district health system
- To improve service delivery by providing primary health care teams to serve families and communities
- To complete health systems reforms
- To implement NHI to achieve universal health care coverage
- To fill health posts with skilled, committed and competent individuals.

Takeaways

- The health sector has been prioritised in the 2019–2024 MTSF and will tackle the worrying levels of child stunting, South Africa's dual (public and private) health care system, and the compromised quality of health care in the public sector.
- The 2019–2024 MTSF acknowledges that the provision of public health services has not kept up with the South African population's needs, although health outcomes have improved compared to the previous MTSF (2014–2019).
- The MTSF encourages the government to pay closer attention to the prevalence of non-communicable diseases and measures to address their risk factors, as well as addressing the neglected issue of mental health provisioning.
- The Department of Health acknowledges gaps in health care delivery caused by staffing challenges, and has developed the Human Resources for Health Strategy 2030 and the Human Resources for Health Plan 2020–2024 to improve human resources in order to achieve universal health coverage.
- HIV/AIDS, tuberculosis, and maternal and child health interventions remain high priorities for the Ministry of Health in the 2020–2024 period.

2. The special adjustment budget and the national health sector

Relevant budget process considerations

Legal authority for the supplementary budget tabled in June 2020 is provided through the country's Public Finance Management Act (PFMA), Act No. 1 of 1999. Section 30 of the PFMA provides for the Minister of Finance to introduce an adjustment budget to provide for emergency expenditures (Section 16), to account for significant and unforeseeable social and economic events, the shifting of funds within and between votes (spending units) (Section 42), and to utilise savings under a vote to defray expenditure in the same vote (but different programme) (Section 43). Similar provisions are made for the provincial level of government using Section 31 of the PFMA.

The special adjustment budget, the Supplementary Budget Review (SBR), is an ad hoc budget tabled in Parliament, specifically in response to COVID-19. As an addition to the budget process, the SBR does not provide for changes to overall budget priorities or the MTEF. The Minister of Finance will still table the Adjusted Estimates of National Expenditure (in-year changes for FY2020) and the Medium-Term Budget Policy Statement in October 2020. The policy that informed the 2020 budget therefore remains in place, and the SBR is solely in response to the unforeseen state of disaster declared by the government on 15 March 2020. The 2020 Medium-Term Budget Policy Statement will include any changes to policy and government programmes that are needed to support the economy's recovery and bolster the social protection net during the 2021 MTEF period.

The purpose of the SBR is to provide clarity on: (1) the extent and scope of the emergency response; (2) how the emergency response will be funded; and (3) the extent to which the emergency forced reprioritisation of the proposed allocations that were made in February 2020.

The special adjustment budget and the National Department of Health

Revisions to the main budget have increased government non-interest expenditure by a net amount of R36 billion in FY2020, which has increased the health share in the total budget from 11.8 per cent to 12.1 per cent for FY2020 – a welcome increase despite the demands imposed by COVID-19.

Because of COVID-19, reprioritisation of programme funding and additional allocations from other government sectors resulted in a 5 per cent increase (R2.9 billion) in baseline allocations for national health programmes. The communicable and non-communicable diseases and primary health care programmes received the largest increases of 12 per cent and 21 per cent respectively, as they are at the centre of the health response to COVID-19.

Notably, 96 per cent of the R2.9 billion increment will be channelled to provinces through the HIV, tuberculosis, malaria and community outreach services grant. The national health insurance grant has postponed some health facility revitalisation infrastructural projects, and reprioritised R220 million previously allocated for those projects to fund piloting of field hospitals and other COVID-19 needs. In addition, it postponed the planned contracting of private general practitioners to FY2021 (Table 1).

Table 1: Revised national health programme allocations in FY2020

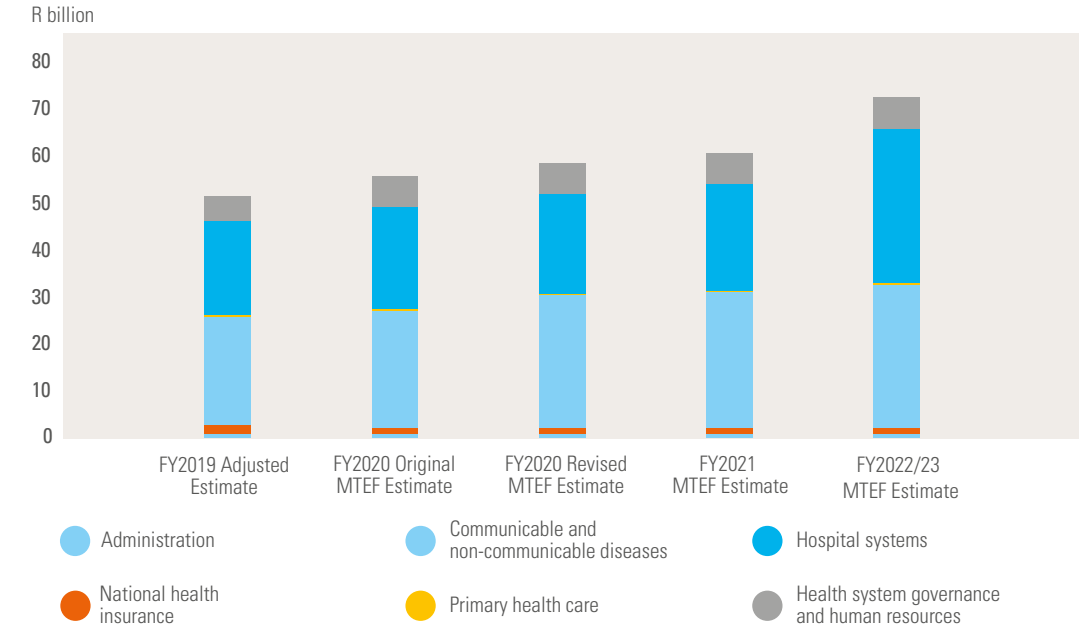
	FY2020 original MTEF estimate (R million)	FY2020 revised for COVID-19 (R million)	FY2020 proposed total net change (rand)	FY2020 percentage change
Administration	672	665	-6,750	-1.0
National health insurance	1,392	1,306	-86,750	-6.2
Communicable and non-communicable diseases	25,188	28,256	3,067,520	12.2
Primary health care	238	289	50,578	21.2
Hospital systems	21,775	21,555	-220,000	-1.0
Health system governance and human resources	6,250	6,359	108,928	1.7
Total expenditure estimates	55,516	58,430	2,913,526	5.2

Source: National Treasury, 2020b, Supplementary Budget Review 2020. Author's calculations.

The largest proportion of programme spending (46 per cent) across all national programmes over the four-year period 2019–2022 is allocated to communicable and non-communicable diseases. Spending on hospital systems is projected to decrease slightly in FY2020 and FY2021 by 2 per cent, but then increases sharply from a 38 per cent share in the total to 52 per cent in FY2023, surpassing the allocation on communicable and non-communicable diseases. This trend needs to be reviewed soon to identify the impact of increased and reprioritised allocations for COVID-19. The budget for health system governance and human resources is projected to remain constant at 11 per cent over the MTEF period. The remaining programmes are collectively receiving approximately 5 per

cent over the MTEF period. Unfortunately, it is not easy to estimate how much of these funds are designated to benefit the child, and government needs to make an effort to further disaggregate health allocations from a child health perspective.

Figure 1: Proportional allocations to national health programmes in FY2019–2022, showing original and revised estimates for FY2020



Source: National Treasury, 2020b, Supplementary Budget Review 2020. Author's calculations.

Despite the overall reductions in the government budget envelope and the impact of inflation, the National Department of Health expenditure is expected to increase at an average annual nominal rate of 7.4 per cent, from R51.2 billion in FY2019 to R63.5 billion in FY2023. This is driven largely by an increase in the HIV/AIDS component and the community outreach services component of the HIV, tuberculosis, malaria and community outreach services grant and budget allocations towards NHI. Interestingly, the COVID-19 pandemic has attracted an additional amount of R2.9 billion for national health spending in FY2020, increasing the baseline estimate of R55.5 billion to R58.4 billion.

Notably, the Ministry of Defence and Ministry of Energy also contribute toward the health function of government. The Ministry of Defence has allocated R660 million through the Military Health Support Programme as a contribution towards the fight against COVID-19 (National Treasury, 2020a) and the Ministry of Energy has allocated R6.2 million for the Mine Health and Safety Inspectorate to reduce the impact of COVID-19 in the mines.

The pattern of government health spending in South Africa over the past two decades shows that it increased faster than inflation for the majority of the 2000s, doubling from R72.7 billion in FY2000 to R157.5 billion in FY2012, and increasing to R221.9 billion in FY2019. Blecher et al. (2011)[3] note that key drivers of this increase include the implementation of South Africa's HIV/AIDS programme, large-scale public sector recruitment, increased consumer price index costs of imported medicines and the sizeable increase of the public sector wage bill due to the 2007 occupational specific dispensation agreement.

However, the FY2012 baseline budget marked a clear turning point in this trend, during which the health budget contracted, falling below inflation after the FY2015 decisive policy shift into fiscal austerity. At 12.5 per cent of the total (consolidated) government budget in FY2018, health care was the third largest recipient of resources, below learning and culture (21.3 per cent) and social development (15.4 per cent). By FY2020, the shrinking economic performance would cause a decline of 0.3 per cent in public health investments from the FY2018 baseline, a trend also expected in both learning and culture (-0.1 per cent) and social development (-0.2 per cent).

Interestingly, the health sector budget also prioritises child and youth health through the Child, Youth and School Health programme. In addition to policy development and monitoring, this programme also coordinates stakeholders outside of the health sector to play key roles in promoting improved health and nutrition for children and young people. The programme works together with other related interventions, such as the Health Promotion and Nutrition programme which promotes an integrated approach to improve the nutritional status of all South Africans.[8]

Takeaways

- Revisions in the main budget have increased government non-interest expenditure by a net amount of R36 billion in FY2020, which has increased the health share in the total budget from 11.8 per cent to 12.1 per cent for FY2020 – a welcome increase despite the demands imposed by COVID-19.
- Expenditure on the FY2020 national health budget has grown by 5 per cent (or R2.9 billion) from its FY2020 baseline allocation to finance COVID-19 health responses.
- The MTEF estimates for the National Department of Health have not been adjusted to reflect the prioritised health care allocations, and the Medium-Term Budget Policy Statement 2020 affords the government the opportunity to make the necessary revisions.
- The largest proportion of programme spending (46 per cent) across all national programmes over FY2019–2022 is allocated to communicable and non-communicable diseases programmes. Child health interventions within and outside these programmes should also be prioritised, with clear child health budget line-items to monitor progress and sustainability.

3. The special adjustment budget and the provincial health sector

COVID-19 has attracted additional funding for the health sector, which would not otherwise have been allocated, from the national and provincial treasuries. A total of R21.5 billion (equitable share and conditional grant funding) has been allocated to the provincial health departments to respond to the pandemic. Additional funding has been reprioritised from various conditional grants and within the health departmental budgets to allow more resources for COVID-19, including suspension or delay of some programme spending until FY2021. Box 1 depicts these allocations.

Generally, most of the targeted reprioritisation in provincial spending was provided by an R80.9 billion temporary suspension of baseline allocations. This suspension consists of R54.4 billion in national departmental allocations, R13.8 billion in provincial conditional grants and R12.6 billion in local conditional grants. In addition, provincial suspensions include R20 billion funded from the provincial equitable share.[4]

Allowing for COVID-19 adjustments, when comparing the baseline 2020 budget with the revised COVID-19-related health budget, nationally, provincial health received a notional increase of close to 8 per cent. KwaZulu-Natal could potentially spend 10 per cent more than originally planned on health services, while the Western Cape has almost 7 per cent more resources if all of the equitable resources were devoted to health (Table 2). The rest of the provinces maintained the same overall share of total provincial health budgets prior to and after the introduction of the COVID-19-related adjustments.

Box 1. Resources allocated for COVID-19 responses

A total of R21.5 billion has been reprioritised to public health services, of which about R16 billion is for provinces and R5.5 billion for the National Department of Health, inclusive of conditional grants. Of the R5.5 billion, R2.6 billion has been reprioritised within the national department and R2.9 billion is additional funds. Allocations have been informed by epidemiological modelling, a national health sector COVID-19 cost model and provincial plans. A new R3.5 billion COVID-19 component has been formed in the HIV, tuberculosis, malaria and community outreach grant.

(National Treasury Supplementary Budget Review 2020, page 14)

Table 2: Provincial health original FY2020 equitable share budget estimates versus adjusted FY2020 COVID-19-related adjustment estimates, and proposed percentage change after COVID-19 adjustment

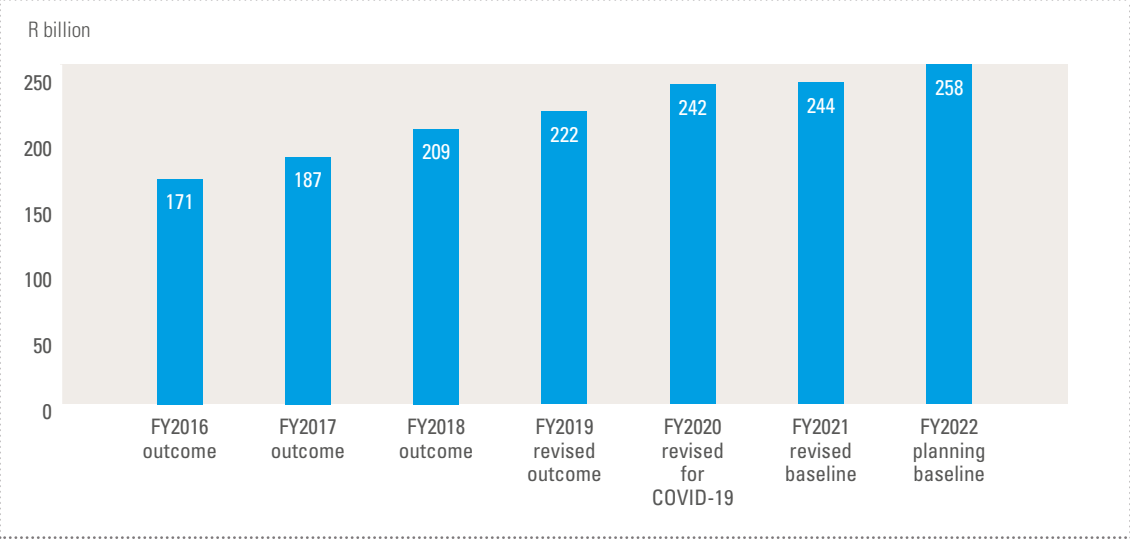
	FY2020 original MTEF estimate (R billion)	Adjustment budget increment for COVID-19 (R billion)	FY2020 revised estimate (R billion)	FY2020 proposed change (percentage)
Eastern Cape	26.4	1.7	28.1	6.4
Free State	12.0	0.6	12.6	5.0
Gauteng	55.5	4.5	60.0	8.1
KwaZulu-Natal	48.1	5.0	53.1	10.4
Limpopo	22.1	1.0	23.2	5.0
Mpumalanga	15.6	1.2	17.0	9.0
Northern Cape	6.0	0.2	6.0	3.3
North West	13.1	1.3	14.4	9.9
Western Cape	26.3	1.6	28.0	6.5
South Africa	225.0	17.4	242.4	7.7

Source: National Treasury, 2020b, Estimates of National Expenditure; National Treasury, 2017–2020 Budget Reviews. Author's calculations.
Note: This table presents only equitable share allocations and excludes the additional R5.5 billion COVID-19 conditional grant allocated from the national health budget.

Interestingly, the R16 billion in provinces is not new money allocated in addition to the provinces' baseline allocations for FY2020. These are commitments from provinces reprioritising their expenditure by cancelling activities that cannot be undertaken while economic activity is restricted (including travel and venue hire) and postponing implementation of early-stage projects until FY2021 (National Treasury, 2020a). This is indicative of the government's willingness to shift resources to fund urgent evidence-based decisions. Child health interventions could also be prioritised, ensuring that sufficient resources are reprioritised from other spending areas to secure the future of South African children.

Consolidated (total provincial and national) health budget and expenditure is projected to grow by 1 per cent (annual average real growth) for the period FY2020–2023 (Figure 2**).** A revised total of R242 billion is available for health spending in FY2020, increasing to an estimated R257 billion in FY2023, with the bulk of funding being allocated through provincial equitable share and national conditional grant allocations. It is common knowledge that conditional grants are oriented towards funding national priorities with specific performance targets and indicators. It is recommended that some child health elements are included in most health conditional grants, to ensure that children benefit from all nationally designed conditional grant programmes implemented at provincial level. Fortunately, the HIV, tuberculosis, malaria, and community outreach services grant provides a good example of securing child health resources through the prevention of mother to child transmission of HIV (PMTCT) and paediatric HIV anti-retroviral treatment services.

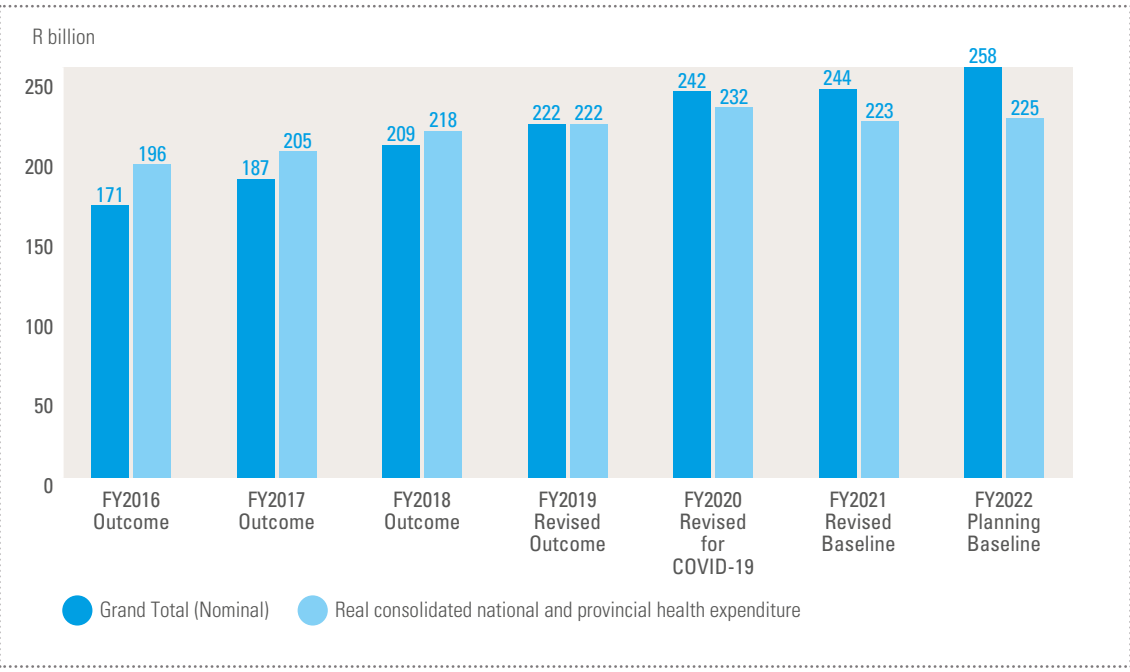
Figure 2: Consolidated national and provincial health allocations, FY2016–2020 (R billion)



Source: National Treasury, 2020b, Estimates of National Expenditure; National Treasury, 2017–2020 Budget Reviews. Author's calculations.

The consolidated national and provincial health budget grows by 4 per cent in real terms in FY2020. Because of the emergency funding in FY2020, the baseline estimates for FY2021 decline by 4 per cent, as no COVID-19 resources have been estimated for the year. This requires the government to consider boosting its health budget to sustain its response to COVID-19 in the coming years, unless a breakthrough in science is achieved in the form of a vaccine or cure. A vaccine or cure, however, would still require increased resources to achieve universal health coverage in the foreseeable future. This should support current efforts of improving child health such as child immunisation, instead of diverting funds away.

Figure 3: Comparison of consolidated nominal and real provincial and national health expenditures, using FY2019 as the base year



Source: National Treasury, 2020b, Estimates of National Expenditure; National Treasury, 2017–2020 Budget Reviews. Author's calculations.

Takeaways

- Provincial health allocations have grown by 8 per cent (R17.4 billion) after expenditure reprioritisations by both the national and provincial treasuries.
- Generally, most of the targeted reprioritisation in provincial spending was provided by an R80.9 billion temporary suspension of baseline allocations.
- The joint national and provincial health adjusted budget grows by 4 per cent in real terms in FY2020.
- More funding pressure to support health interventions is expected in the FY2021 budget, which should accommodate the MTEF baseline allocations as well as expenditures suspended from FY2020 to allow funding for COVID-19.
- Adjustments to the health share of the provincial equitable share means that KwaZulu-Natal's share has increased by 11 per cent, while those of the Northern Cape and Limpopo have increased by 3 and 5 per cent respectively.
- Provinces should explicitly indicate how much of their health resources are geared towards improving child healthcare, so that increases in the health budgets can be truly inclusive and child responsive.

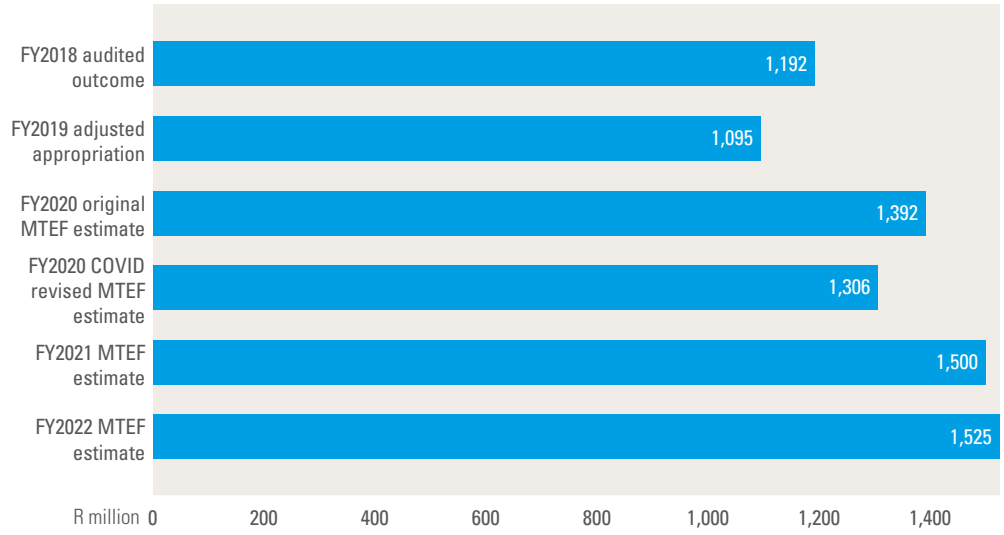
4. Sustainable financing for health: NHI

Spending on the NHI pilot phase

The National Health Insurance Bill[5] was introduced to Parliament in 2019, resulting in the National Department of Health reprioritising funds within its FY2019 budget to establish the new NHI Office. Over the medium term, this office was reportedly to receive increasing allocations for its operational costs, starting with the establishment of a 20–50 staff complement in January 2020, as per instruction from the Minister of Health, Dr Zweli Mkhize to the NHI Office head, Dr Nicholas Crisp.

Because of the macroeconomic and fiscal outlook, the estimates to roll out NHI that were published in the National Health Insurance Green Paper in 2011 and White Paper in 2017 are no longer affordable. It is reported that the National Treasury assisted the national Department of Health to develop an actuarial model with updated fiscal costs and limited policy reforms to strengthen the current health care system. The revised model estimates that rolling out NHI would require an additional R33 billion annually from FY2025. A strong emphasis was made by the minister that these amounts are not budget commitments but indicative cost estimates. The minister outlined that initial NHI costs were projected to increase public health spending from about 4 per cent to 6 per cent of GDP over 15 years. Within this, child health and nutrition resources should also be increased and sustained.

Figure 4: National health insurance grant allocations, FY2018–2023, with the adjusted estimate of expenditure for FY2020



Source: National Treasury Estimates of National Expenditure 2020;[6] National Treasury Supplementary Budget Review 2020.[7]

The COVID-19 disaster has imposed some adjustments in government expenditure, not sparing the NHI grant, which has been revised downwards by 6 per cent for FY2020 to reprioritise funding to contribute to the COVID-19 response. Figure 4 shows that the grant declines from R1.39 billion to R1.30 billion due to COVID-19-related adjustments. The national Department of Health is shifting some of the funds to contribute to the COVID-19 response fund and is also postponing some NHI-related activities, such as the contracting of private general practitioners, to the next financial year.

Update on the NHI pilot phase

Inequitable access to quality health care contributes to poor health outcomes from preventable communicable and non-communicable diseases. The public sector serves the uninsured and largely poor communities that constitute 84 per cent of the population, while the well-resourced private sector services a mere 16 per cent of the population.[8,9] Both are reliant on limited human resources for health and it is no surprise that the private sector has a larger ratio of health workers to patients than the public sector. This contributes to premature deaths and high mortality and morbidity rates among the vulnerable and disadvantaged sections of the population.[10]

For NHI to work, proper care should be given to planning, resource allocation and monitoring. The evaluation report on the 11 NHI pilot projects reported that, overall, the implementation of the pilot interventions reflected a mixed bag of successes and challenges across the pilot districts, indicating several common factors.

Table 3: Key findings of the NHI update and evaluation reports

Success stories and challenges	Recommendations to improve NHI implementation
Strong political will provided an enabling environment to plan and pilot the NHI in some districts.	Strong political leadership should be maintained to ensure commitment and ownership.
Good planning and resources were identified in some districts.	Enough financial and human resources for implementation should be sustained despite the increasing pressures on the public purse.
Good coordination, communication and monitoring systems were put in place in some districts.	These require consistent prioritisation of resource allocation to sustain the efforts.
Many NHI activities were compromised due to limited planning and resources.	Political leadership coupled with sufficient resources and full ownership of the NHI should be provided.
Serious staff shortages hindered the implementation of some NHI activities, for example, many essential vacant posts could not be filled because they had been frozen, and there was no will or commitment to unfreeze them.	The Human Resources for Health Strategy 2030 and the Human Resources for Health Plan 2020–2024 should be adequately funded and expeditiously implemented to cover the staffing gaps.
There was rigidity in the NHI funds as budgeted spending focused more on new infrastructure, overlooking the maintenance of old facilities.	NHI funding should be needs-based. This requires thorough assessment of resource needs to inform allocation and spending processes.
Contracting private general practitioners became more difficult than expected as a result of affordability issues.	The National Department of Health should ensure a well-financed Human Resources for Health Plan together with clear criteria for contracting general practitioners.
Inadequate coordination and inconsistent communication systems were noted, including poor computer systems and internet connectivity, which compromised data management and reporting.	Efforts should be made to provide sufficient resources and mechanisms to monitor and communicate progress in a sustainable way. Data systems and internet connectivity are extremely important for monitoring progress and generating information for planning and service improvements.

Sources: Adapted from Department of Health Evaluation of Phase 1 Implementation of Interventions in the National Health Insurance[11] and the NHI update report.[12]

Financing is not the only factor required to achieve success in health care delivery. Other factors such as management capacity, research and performance evaluations can assist in steering health programmes towards desired success. The NHI update report identified challenges in the pilot phase, which included that children identified as needing health care did not receive it; there were incomplete infrastructural projects; and computers were sent to clinics without access to the internet. In addition, the health patient registration system was rolled out in order to capture patient details on a computer system, but its operation was limited in a number of places, compounded by poor internet connectivity, hardware problems and lack of information technology staff to run the system.

Political will and action are extremely important to achieve ambitious goals like NHI. For instance, to improve human resources for health, the NHI projects implemented workload indicators of staffing needs – a World Health Organisation model that allocates the correct number of nurses and doctors to clinics

based on patient numbers and types of illnesses treated. However, the managers who did the analyses in these facilities could not fill identified vacant posts because posts had been frozen, and there was no movement or mandate for the posts to be unfrozen and filled. Lack of planning and delayed release of funds also affected the upgrading of 140 clinics. Funds that were released were used mainly for new infrastructure, and insufficient attention was paid to the maintenance of facilities, which is critical to strengthen the health system.

The issue of contracting private general practitioners needs to be examined more carefully, as human resources will be the backbone of a successful NHI system. During the pilot phase, it turned out to be difficult and 'much more expensive' than envisaged to contract private general practitioners. Eventually, only 350 part-time private doctors were hired to work in the 11 pilot projects. This is concerning, because a health system's success is built on a sufficient and efficient workforce, and human resources are essential for the realisation of any public policy.

R33 billion annually
from FY2025

The additional amount needed to roll out the revised financing model for the NHI

Takeaways

- The new NHI Office was established in 2019 using existing funds within the National Department of Health budget.
- The revised financing model for the NHI suggests that rolling it out would require an additional R33 billion annually from FY2025. This would increase public health spending from 4 per cent to 6 per cent of GDP over a 15-year period.
- The COVID-19 disaster has imposed some adjustments in government expenditure, not sparing the NHI grant, which has been revised downwards by 6 per cent for FY2020 to reprioritise funding to contribute to the COVID-19 response.
- The NHI evaluation project concluded that future NHI funding should be needs-based and make provision for a well-financed human resources plan. Additional resources should be set aside to support monitoring and communication of the implementation progress.
- Effective NHI financial flows should be defined to avoid delayed transfers and spending.

Endnotes

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