4

Health

Introduction

By 2011/12 public health spending would have more than doubled since 2005/06

Health has been a government priority during the period under review, with spending increasing by 16.7 per cent annually between 2005/06 and 2008/09. By 2009/10, public health spending made up 9 per cent of non-interest spending and 3.7 per cent of GDP. This growth trend is sustained over the MTEF period. By 2011/12, public health spending would have more than doubled since 2005/06. On a real per capita basis, health spending is projected to increase by an average annual 4.8 per cent between 2005/06 and 2011/12.

Despite the rising allocations and progress made with the delivery of public health services, the health system continues to be hamstrung by specific challenges:

- the large burden of disease, especially from HIV and TB, not being adequately prevented
- slower than expected progress with Millennium Development Goals, especially in child and maternal mortality
- weaknesses in governance and accountability procedures.

Over the past year, several important sectoral reviews have been conducted and a number of policy making processes have been initiated. An extensive health sector review and the development of a roadmap have been coordinated by the Development Bank of Southern Africa. Other reviews have been conducted by The Presidency (for example, Towards a Fifteen Year Review: Synthesis Report) and the Department of Health commissioned an external evaluation of development and performance in the health sector for the period between 1994 and 2008.

These reviews potentially provide a useful roadmap for government to plan for the MTEF period. Some of the interventions proposed by the reviews include; the reinforcement of accountability procedures, greater decentralisation of delivery to hospital and district level, together with the creation of a central health budget and stronger national norms and standards, the filling of critical positions and focused attention to delivery on the relevant targets of the Millennium Development Goals.

This chapter gives an overview of:

- the current health landscape
- consolidated public health spending
- budget and expenditure trends: 2005/06 to 2011/12
- health spending by programme
- health spending by economic classification
- policy developments and strategic outlook for the next five years.

The current health landscape

South Africa's health financing system is dominated by the public sector and non-profit medical schemes in the private sector. Table 4.1 shows that total health funding exceeded R200 billion in 2008/09 and public health funding will exceed R100 billion in 2010/11. Private sector financing continues to exceed public health funding levels. However, in 2008/09, provincial health expenditure exceeded medical schemes for the first time in a decade.

Table 4.1 Consolidated funding flows in the South African health sector

R million	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12	Real annual growth 2005/06-2011/12
Public sector								
National Department of Health (core)	1 030	1 132	1 210	1 460	1 480	1 601	1 691	2.0%
Provincial departments of Health	47 071	53 649	62 582	75 030	82 359	91 999	99 140	6.3%
Defence	1 557	1 705	1 878	2 128	2 441	2 606	2 792	3.5%
Correctional services	211	234	261	282	300	318	339	1.6%
Local government (own revenue)	1 317	1 478	1 316	1 342	1 369	1 396	1 480	-4.3%
Workmen Compensation Fund	1 310	1 415	1 287	1 415	1 529	1 651	1 718	-1.8%
Road Accident Fund	356	488	764	797	740	860	980	11.1%
Education	1 565	1 721	1 833	2 134	2 350	2 503	2 653	2.5%
Subtotal	**54 417**	**61 821**	**71 131**	**84 589**	**92 568**	**102 934**	**110 793**	**5.7%**
Private sector								
Medical schemes	54 905	58 349	65 468	74 089	80 320	86 841	93 441	2.6%
Out of pocket	23 470	26 596	31 997	35 468	37 386	39 300	41 108	3.1%
Medical insurance	1 956	2 056	2 179	2 452	2 660	2 870	3 089	1.3%
Employer private	935	982	1 041	1 172	1 271	1 372	1 476	1.3%
Subtotal	**81 266**	**87 983**	**100 685**	**113 181**	**121 637**	**130 383**	**139 114**	**2.7%**
Donors or NGOs	**1 944**	**2 503**	**3 835**	**5 212**	**6 910**	**6 319**	**5 787**	**12.6%**
Total	**137 627**	**152 307**	**175 651**	**202 982**	**221 115**	**239 636**	**255 694**	**4.1%**

Source: National Treasury provincial and local government database and Estimates of National Expenditure, Council for Medical Schemes, Road Accident Fund and South African Reserve Bank.

Table 4.2 shows sector health financing indicators. Public health expenditure will reach R2 287 per capita per year by 2011/12 (expressed in 08/09 prices). This will amount to R762 per family of four per month. Public health expenditure is around 3.8 per cent of GDP and 12.9 per cent of total government expenditure on the main budget. International comparative data on health spending is regularly released by the World Health Organisation and shows South Africa to be on par with similar middle income countries.

Public health expenditure is around 3.8 per cent of GDP, in line with comparable middle income countries

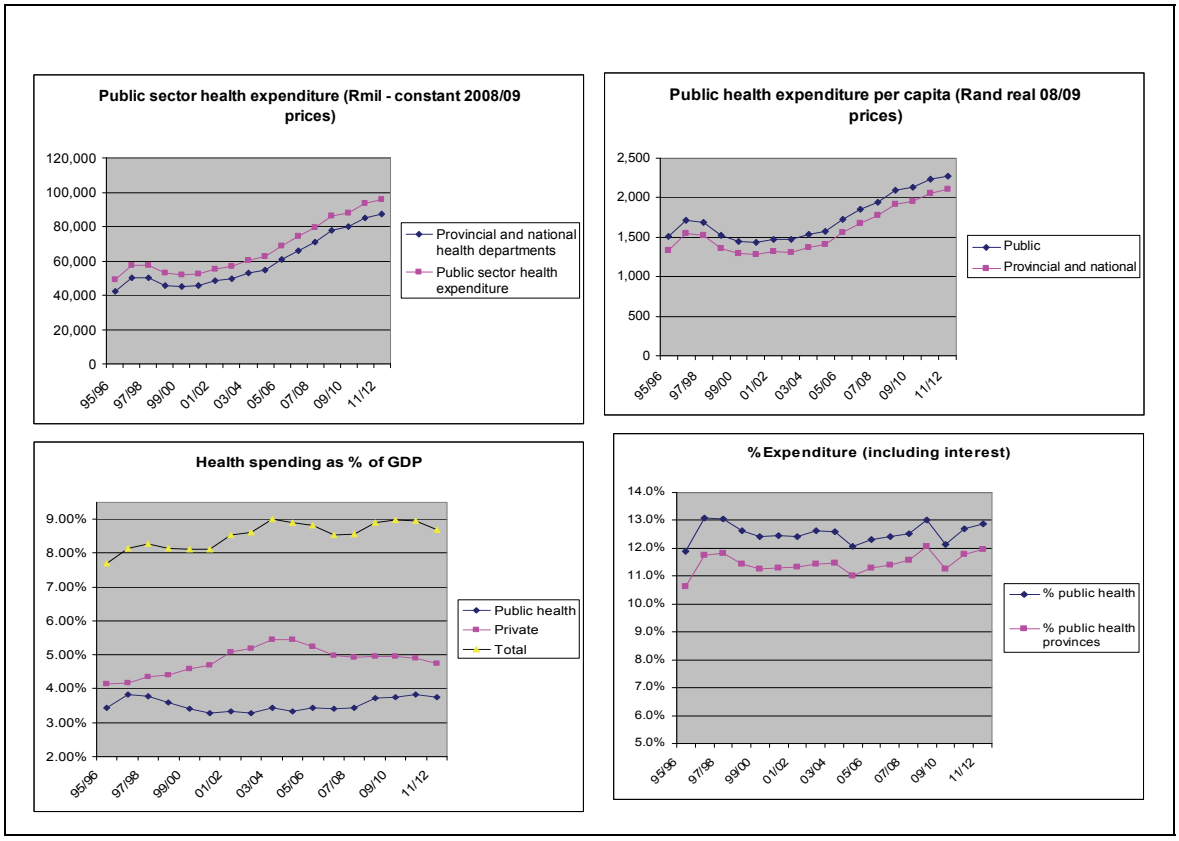
Table 4.2 Sector health financing indicators, 2005/06 – 2011/12

Percentage change unless otherwise indicated	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12	Average annual growth 2005/06-2011/12
Total health expenditure as % of GDP	8.7	8.4	8.5	8.7	8.9	8.9	8.6	
Public health expenditure as % of GDP (broad)	3.4	3.4	3.4	3.7	3.7	3.8	3.8	
Public health per capita real 08/09 prices (rands)	1 722	1 852	1 953	2 058	2 134	2 244	2 287	4.8
% total gov expenditure (main budget)	12.3	12.4	12.5	12.8	12.1	12.7	12.9	
Private health expenditure as % for total health expenditure	59.1	57.8	57.1	55.5	54.1	54.1	54.1	

Source: National Treasury provincial database

Figure 1 shows trends in real public health care expenditure and in per capita expenditure (expressed in rands).

Figure 1: Expenditure on public sector health services



Health indicators relating to HIV, TB, maternal mortality and deaths in young women are cause for concern

Table 4.3 overleaf gives data on some of the human and physical resources in the health sector. Despite real increases in finance and the rising numbers of health personnel, several key health indicators are showing deterioration. Improvements are noted in the number of malaria cases and deaths, vaccine preventable diseases such as measles are decreasing, and smoking prevalence is reducing, but other indicators provide cause for concern.

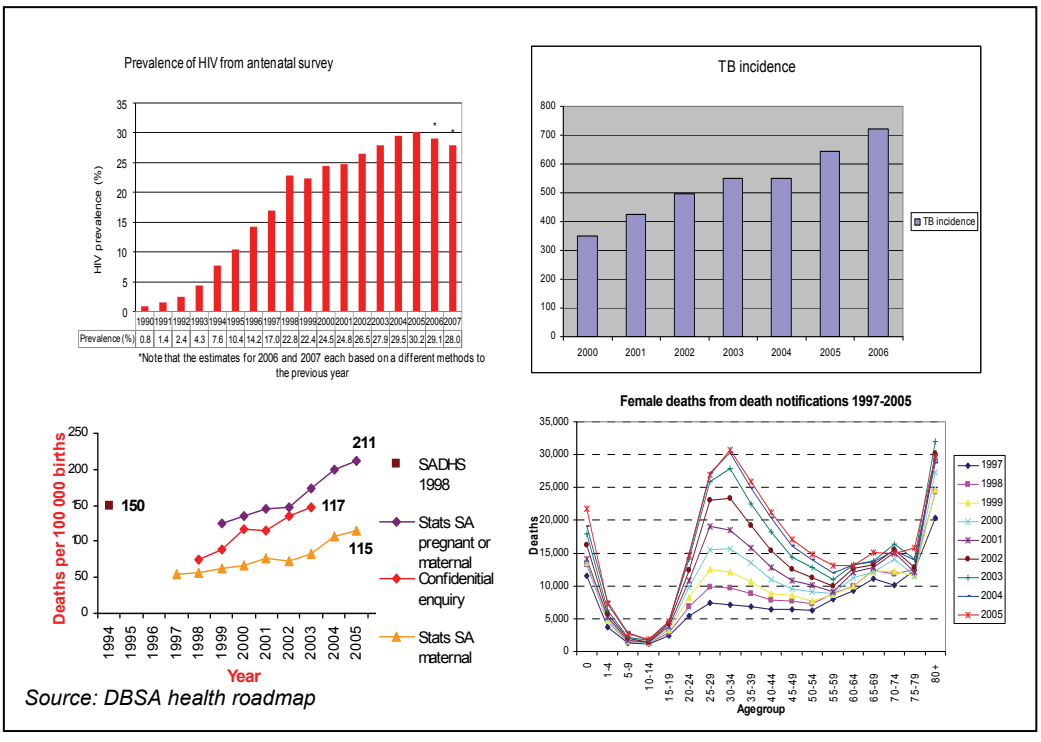
Table 4.3 Health sector resources

	Public sector	Private sector	Registered
Hospitals	399	211	
Hospital beds	110 143	28 467	
Clinics	3 057	81	
Community health centres	280		
Satelite clinic	227		
Mobile clinic	899		
General Practitioners	10 809	10 498	
Specialists (including registrars)	4 233	5 996	
Doctors	14 867	16 494	34 687
Nurses	115 792		203 948
Professional nurses	48 935		103 792
Dentists	693		4 514
Physiotherapist	910		4 506
Occupational therapists	808		2 615
Pharmacist	1 921		8 171
Radiographer	2 158		4 917
Speech therapy	337		1 332
Optometry	71		2 334
Dietician	617		1 483
Ambulance personnel	10 307		27 565
Dental therapy and occupation hygiene	383		1 268
Enviromental health	851		2 397

Source: Vulindlela, Health Professions Council 2004, Nursing Council 2008, Pharmacy Council

Figure 2 shows rising HIV antenatal sero-prevalence and TB incidence, and increasing maternal mortality and number of deaths in young women. These poor health outcomes are substantially driven by the HIV epidemic, but also reflect weaknesses in performance such as TB cure rates, HIV prevention programmes and maternal and peri-natal care.

Figure 2: Health outcomes



Source: DBSA health roadmap

Consolidated public health spending

To step up the delivery of quality public health services, the 2009 Budget builds on previous budgets by making provision for a number of specific priorities for the national and provincial health departments. These include:

- interventions to reduce infant and child mortality, especially the introduction of three new childhood vaccines
- a programme to track TB patients defaulting on their treatment and bring them back into treatment
- the strengthening of HIV programmes, especially dual therapy mother-to-child prevention programmes
- an improved occupation-specific dispensation (OSD) for the remuneration of doctors, dentists, pharmacists and emergency service personnel; and further adjustments to address shortfalls in the OSD for nurses
- adjustments for higher inflationary costs for the hospital revitalisation and national tertiary services grants
- adjustments to address shortfalls in the OSD for nurses
- the setting up of the national office of standards compliance to audit quality standards
- the setting up of the new Health Products Regulatory Authority.

Table 4.4 shows that R18.9 billion has been added to the budgets of provincial health departments over the 2009 MTEF. This excludes the amounts for the OSD for doctors. Allocations for most provinces are still being held in provincial treasuries and will be appropriated in the 2009/10 adjustment budget.

Table 4.4 2009 Budget additions to baseline, 2009/10 – 2011/12

R million	2009/10	2010/11	2011/12	Total
Eastern Cape	1 347	1 186	1 569	4 102
Free State	319	354	437	1 110
Gauteng	959	1 293	1 796	4 048
KwaZulu-Natal	926	1 144	1 516	3 586
Limpopo	482	482	617	1 581
Mpumalanga	275	283	390	948
Northern Cape	142	142	151	435
North West	323	436	603	1 362
Western Cape	422	574	793	1 789
Total	**5 195**	**5 894**	**7 872**	**18 961**
Doctor OSD	500	1 000	1 500	3 000
Total	**5 695**	**6 894**	**9 372**	**21 961**

Source: National Treasury provincial database

Table 4.5 shows consolidated national and provincial health spending from 2005/06 to 2011/12. Spending grew strongly between 2005/06 and 2008/09, averaging 8 per cent annually in real terms. Spending

continues to grow over the MTEF period by an average annual 4.5 per cent in real terms and exceeds R100 billion for the first time, in 2011/12.

Table 4.5 Consolidated national and provincial department of health, 2005/06 – 2011/12

R million	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12
		Outcome		Pre-audited outcome	Medium-term estimates		
Provinces	47 071	53 649	62 582	75 030	82 359	91 999	99 140
National Department of Health (core)	1 030	1 132	1 210	1 460	1 480	1 601	1 691
Total	**48 101**	**54 780**	**63 792**	**76 491**	**83 839**	**93 600**	**100 831**
Percentage growth (average annual)		**2005/06–2008/09**				**2008/09–2011/12**	
Provinces		16.8%				9.7%	
National Department of Health (core)		12.4%				5.0%	
Total		**16.7%**				**15.2%**	

Source: National Treasury provincial database

Health budgets will still be under pressure in 2009/10

Despite these large budget allocations and the substantial increases over the past two years, health budgets continue to be under pressure in 2009/10.

Budgets and expenditure trends

Spending outcomes in the health sector in 2008/09

As at the end of March 2009 (pre-audited), provincial departments of health spent R75 billion or 101.9 per cent against the total provincial health adjusted budget of R73.6 billion. Northern Cape and Mpumalanga have spent the lowest share of their health adjusted budgets at 93.8 per cent and 95.6 per cent respectively. The highest shares are recorded in KwaZulu-Natal at 108.4 per cent and Gauteng at 105.2 per cent. Table 4.6 shows overspending on personnel at R2.1 billion, of which R958 million was from KwaZulu-Natal and R625 million from Gauteng. Provinces have employed an additional 33 812 personnel over the past three years, with KwaZulu-Natal employing an additional 10 964 staff and Gauteng an additional 7 699. In addition, the high levels of expenditure on the OSD for nurses contributed to the overall over-expenditure on personnel.

Overspending of R1.2 billion on goods and services was reported, of which R548 million was from Gauteng.

Under spending of R1.2 billion occurred in payments for capital assets. Under spending on capital projects reflects ongoing weaknesses in planning, contracting and contract management.

Table 4.6 Provincial health expenditure against adjusted appropriation, 2008/09

	Total health		Personnel		Capital		Non personnel, non capital		*Of which:* Goods and services	
R million	(Over)	Under	(Over)	Under	(Over)	Under	(Over)	Under	(Over)	Under
Eastern Cape	–	147	-213	–	–	280	–	80	–	69
Free State	–	35	-174	–	–	95	–	114	–	103
Gauteng	-771	–	-625	–	–	225	-371	–	-548	–
KwaZulu-Natal	-1 320	–	-958	–	–	110	-472	–	-505	–
Limpopo	-8	–	–	91	–	13	-112	–	-123	–
Mpumalanga	–	203	-2	–	–	148	–	57	–	51
Northern Cape	–	115	–	59	–	109	-52	–	-54	–
North West	-40	–	-163	–	–	25	–	97	–	60
Western Cape	–	215	-43	–	–	255	–	3	-42	–
Total	**-2 140**	**715**	**-2 178**	**150**	**–**	**1 260**	**-1 007**	**351**	**-1 272**	**283**

Source: National Treasury provincial database

Provincial health budgets

The provincial health budget increases at an average annual rate of 9.7 per cent over the medium term

Table 4.7 shows consolidated spending and budget trends. In line with government's commitment to improve access to quality health services, the provincial health budget increases from R75.0 billion spent in 2008/09 to R99.1 billion in 2011/12, at an average annual rate of 9.7 per cent. For all provinces except Eastern Cape, the allocations for the doctors' OSD have not yet been included (as these amounts are still being held in provincial revenue funds). This will add a further R500 million, R1 billion and R1.5 billion to the amounts shown in table 4.7.

Five provinces receive increases of more than 10 per cent in 2009/10: Northern Cape (27.1 per cent), Mpumalanga (21.9 per cent), and Free State (16.6 per cent), Western Cape (14.3 per cent) and Limpopo (13.3 per cent). In the case of Eastern Cape and Limpopo, 2008/09 expenditure includes large once-off amounts (R697 million and R367 million respectively), implying that the growth estimate would be larger when once-off items are excluded.

Growth rates in 2009/10 are lowest for KwaZulu-Natal and Gauteng because of their over expenditure

Growth rates in 2009/10 are lowest for KwaZulu-Natal (3.9 per cent) and Gauteng (5.8 per cent), mainly because of their levels of over expenditure in 2008/09. Both provinces receive additions to the baseline exceeding R1 billion per year. (See table 4.4) Both provinces' budgets recover substantially in 2010/11. KwaZulu-Natal's budget, which is the largest, grows at an average annual rate of 9.1 per cent over the MTEF period.

Table 4.7 Provincial health expenditure, 2005/06 – 2011/12

R million	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12
		Outcome		Pre-audited outcome	Medium-term estimates		
Eastern Cape	6 137	7 257	8 013	10 492	11 328	12 108	13 146
Free State	3 121	3 461	3 834	4 460	5 198	5 883	6 298
Gauteng	9 974	11 115	13 085	15 679	16 590	18 351	19 877
KwaZulu-Natal	10 582	11 664	14 959	17 103	17 770	20 668	22 212
Limpopo	4 796	5 832	6 132	7 960	9 018	10 076	10 786
Mpumalanga	2 672	3 013	3 657	4 453	5 429	5 874	6 316
Northern Cape	1 101	1 407	1 557	1 742	2 214	2 533	2 685
North West	2 968	3 479	3 847	4 485	4 919	5 579	6 055
Western Cape	5 719	6 420	7 498	8 656	9 893	10 925	11 764
Total	**47 071**	**53 649**	**62 582**	**75 030**	**82 359**	**91 999**	**99 140**
Percentage growth (average annual)		**2005/06– 2008/09**		**2008/09– 2009/10**		**2008/09– 2011/12**	
Eastern Cape		19.6%		8.0%		7.8%	
Free State		12.6%		16.6%		12.2%	
Gauteng		16.3%		5.8%		8.2%	
KwaZulu-Natal		17.4%		3.9%		9.1%	
Limpopo		18.4%		13.3%		10.7%	
Mpumalanga		18.6%		21.9%		12.4%	
Northern Cape		16.5%		27.1%		15.5%	
North West		14.8%		9.7%		10.5%	
Western Cape		14.8%		14.3%		10.8%	
Total		**16.8%**		**9.8%**		**9.7%**	

Source: National Treasury provincial database

Health spending by programme

Table 4.8 reflects the basket of health services that provinces have budgeted to deliver. Overall, district health services remain the biggest spending programme. This has increased consistently over the period, and reaches 41.3 per cent of health budgets by 2011/12.

Administration

Expenditure in the Administration programme has grown strongly (17.1 per cent per year) over the past three years, but this slows substantially to 5.0 per cent per year over the MTEF period. Overall, provinces spend 3.5 per cent of their budgets on this programme, which mainly covers the provincial administrative offices.

Table 4.8 Provincial health expenditure by programme, 2005/06 – 2011/12

R million	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12
		Outcome		Pre-audited outcome	Medium-term estimates		
Administration	1 642	1 927	1 988	2 639	2 825	2 856	3 057
District health services	18 423	21 031	26 188	31 387	33 798	37 899	40 929
Emergency medical services	1 758	2 059	2 317	2 899	3 449	3 838	4 062
Provincial hospital services	11 696	13 055	14 966	17 480	18 588	20 440	22 028
Central hospital services	8 134	8 726	9 630	10 991	11 006	12 574	13 435
Health sciences and training	1 495	1 710	1 938	2 586	2 883	3 068	3 259
Health care support services	820	889	927	1 284	1 476	1 708	1 790
Health facilities management	3 103	4 251	4 628	5 764	8 334	9 615	10 578
Total	**47 071**	**53 649**	**62 582**	**75 030**	**82 359**	**91 999**	**99 140**
Percentage of provincial health expenditure							
Administration	3.5%	3.6%	3.2%	3.5%	3.4%	3.1%	3.1%
District health services	39.1%	39.2%	41.8%	41.8%	41.0%	41.2%	41.3%
Emergency medical services	3.7%	3.8%	3.7%	3.9%	4.2%	4.2%	4.1%
Provincial hospital services	24.8%	24.3%	23.9%	23.3%	22.6%	22.2%	22.2%
Central hospital services	17.3%	16.3%	15.4%	14.6%	13.4%	13.7%	13.6%
Health sciences and training	3.2%	3.2%	3.1%	3.4%	3.5%	3.3%	3.3%
Health care support services	1.7%	1.7%	1.5%	1.7%	1.8%	1.9%	1.8%
Health facilities management	6.6%	7.9%	7.4%	7.7%	10.1%	10.5%	10.7%
Total	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**

Percentage growth (average annual)	2005/06 – 2008/09	2008/09- 2009/10	2008/09 – 2011/12
Administration	17.1%	7.1%	5.0%
District health services	19.4%	7.7%	9.3%
Emergency medical services	18.2%	19.0%	11.9%
Provincial hospital services	14.3%	6.3%	8.0%
Central hospital services	10.6%	0.1%	6.9%
Health sciences and training	20.0%	11.5%	8.0%
Health care support services	16.1%	14.9%	11.7%
Health facilities management	22.9%	44.6%	22.4%
Total	**16.8%**	**9.8%**	**9.7%**

Source: National Treasury provincial database

District health services

The District health services programme sees the highest expenditure and average increases

The District health services programme sees the highest expenditure of all programmes, increasing from R18.4 billion in 2005/06 to R31.4 billion in 2008/09 and reflecting an average annual increase of 19.4 per cent for this period. The budget is expected to increase by an average annual 9.3 per cent to R41 billion in 2011/12, driven mainly by the increased spending on primary health care and HIV and AIDS. Increases for new vaccines, TB defaulter tracking programmes and improved mother-to-child prevention programmes are mainly reflected in this programme. This is reflected also in table 4.9, which shows that the largest additions to the baseline were in this programme.

Spending in the HIV and AIDS subprogramme (which is reflected within the District health services programme) grows from R1.7 billion in 2005/06 to R5.9 billion in 2011/12 or 15.7 per cent annually.

The rapidly increasing pace of the rollout of antiretroviral treatment will drive increases in the HIV and AIDS subprogramme

Table 4.9 HIV and AIDS subprogramme, 2005/06 – 2011/12

	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12	Real annual growth 2005/06 – 2011/12
	Outcome			Pre-audited outcome	Medium-term estimates			
R million								
Eastern Cape	182	310	357	396	480	542	589	14.2%
Free State	109	152	170	214	275	373	400	16.6%
Gauteng	368	429	580	707	933	1 065	1 186	14.1%
KwaZulu-Natal	528	704	1 059	1 239	1 463	1 697	1 818	15.3%
Limpopo	103	207	205	257	301	413	433	19.2%
Mpumalanga	106	134	195	225	272	337	368	15.4%
Northern Cape	53	74	81	113	145	187	193	16.3%
North West	120	197	93	332	375	435	464	17.7%
Western Cape	123	169	240	269	310	449	481	17.9%
Total	**1 692**	**2 376**	**2 979**	**3 753**	**4 554**	**5 499**	**5 931**	**15.7%**

Source: National Treasury provincial database

Table 4.10 shows that HIV prevalence among clients tested, excluding antenatal, was high in Mpumalanga and Gauteng while lowest in Western Cape and Northern Cape. Worth noting is that HIV prevalence is lowest in provinces (Western Cape and Northern Cape) where HIV testing rate is highest. Male condom distribution rates are low in all provinces except in the Western Cape province. The Nevirapine uptake rate among babies born to women with HIV is also highest in Western Cape and Northern Cape and lowest in Gauteng.

Table 4.10 HIV, performance indicators, 2008/09

	HIV prevalence among clients tested (excluded antenatal)	HIV testing rate (excluding antenatal)	Nevirapine uptake rate among pregnant women with HIV %	Nevirapine uptake rate among babies born to women with HIV %	STI partner tracing rate %	Male condom rate annualised %
Eastern Cape	22.7	84.9	82.8	66.8	22.4	10.7
Free State	36.1	76.2	54.0	67.2	23.7	7.9
Gauteng	37.0	93.2	86.3	61.5	21.0	8.4
KwaZulu-Natal	35.2	92.1	78.8	82.8	19.2	8.3
Limpopo	20.8	79.1	55.2	68.6	24.0	13.2
Mpumalanga	40.0	78.7	58.5	68.4	23.6	13.3
Northern Cape	18.5	94.1	77.3	103.4	28.7	6.1
North West	31.8	72.1	84.8	65.4	31.5	7.2
Western Cape	12.8	96.0	66.9	94.6	14.3	35.7
Average	**28.3**	**85.2**	**71.6**	**75.4**	**23.2**	**12.3**

Source: District health information systems and provincial reporting.

Figure 3 shows the rapidly increasing pace of the rollout of antiretroviral treatment.

Figure 3: Cumulative number of persons with AIDS starting antiretroviral treatment

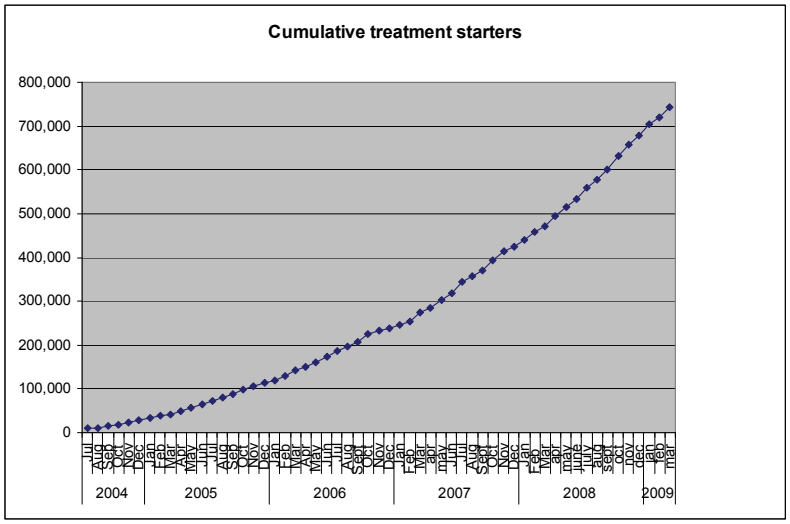


Table 4.11 Primary health care visits per province, 2008/09

	PHC total headcount	Utilisation rate- annualised	Utilisation rate for under 5 year olds - (annualised)
Eastern Cape	17 814 953	2.6	4.3
Free State	6 455 360	2.2	4.0
Gauteng	19 111 520	1.9	3.6
KwaZulu-Natal	24 495 932	2.4	4.3
Limpopo	14 772 977	2.8	5.9
Mpumalanga	7 932 495	2.2	4.5
Northern Cape	3 484 634	3.1	4.9
North West	8 329 076	2.6	4.5
Western Cape	14 944 309	3.0	5.2
Total/Average	**117 341 256**	**2.5**	**4.6**

Source: District health information systems

Table 4.11 shows the utilisation rates by the public, represented as the average number of visits per person per year. Access to primary health care, measured by visits, has increased from 106 million in 2007/08 to 117 million in the 2008/09 financial year. Visits to primary health care facilities in Gauteng were the lowest, at 1.9 visits per uninsured person and highest in Northern Cape at 3.1. The utilisation rate for under 5 year olds is highest in Limpopo, 5.9 and lowest in Gauteng at 3.6.

Emergency medical services

Expenditure in the Emergency medical services programme increased from R1.8 billion in 2005/06 to R2.9 billion in 2008/09, at an average annual rate of 9.4 per cent. The increase was in part to prepare for the

2010 FIFA World Cup. Growth of 12.9 per cent is budgeted in 2009/10 and 6.5 per cent annually over the MTEF period. Spending growth in ambulance services has been driven also by the new ambulance model, which attempts to locate ambulances close enough to allow for 15-minute and 45-minute response times in urban and rural areas, the shift to two-person crews, the moving of the function to the provinces, vehicle replacement and other factors.

Table 4.12 Emergency medical service spending by province, 2005/06 – 2011/12

	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12
		Outcome		Pre-audited outcome		Medium-term estimates	
R million							
Eastern Cape	219	322	319	458	485	533	566
Free State	146	165	192	226	257	286	297
Gauteng	329	296	363	439	598	642	675
KwaZulu-Natal	421	474	549	672	760	863	915
Limpopo	116	204	197	251	344	400	424
Mpumalanga	106	109	137	177	207	224	240
Northern Cape	73	106	87	106	127	142	150
North West	92	106	132	168	184	209	216
Western Cape	256	278	342	403	488	538	580
Total	**1 758**	**2 059**	**2 317**	**2 899**	**3 449**	**3 838**	**4 062**
Real growth [1] (average annual)		**2005/06– 2008/09**		**2008/09– 2009/10**		**2008/09– 2011/12**	
Eastern Cape		18.3%		0.4%		2.2%	
Free State		7.0%		8.1%		4.3%	
Gauteng		1.8%		29.3%		9.9%	
KwaZulu-Natal		8.2%		7.3%		5.5%	
Limpopo		19.8%		30.0%		13.4%	
Mpumalanga		9.9%		10.6%		5.3%	
Northern Cape		5.0%		13.1%		6.9%	
North West		12.9%		4.3%		3.5%	
Western Cape		7.7%		14.9%		7.4%	
Total		**9.4%**		**12.9%**		**6.5%**	

1. Inflation adjusted change.

Source: National Treasury provincial database

Provincial hospital services

Overall, hospital budgets decline by 2.3 per cent in real terms in 2009/10, with particular pressure in the area of central hospitals (Gauteng, KwaZulu-Natal) and district hospitals (KwaZulu-Natal, Eastern Cape and Limpopo). Tuberculosis hospitals budget has increased significantly by 32.6 per cent between 2005/06 and 2008/09 and is expected to increase further by 10.2 per cent over the MTEF. This is partly as a result of allocations made for the increase in the number of beds for multi drug resistance (MDR) and extreme drug resistance (XDR) TB patients, medicines and laboratory tests.

TB hospital budgets increase sharply

Table 4.13 Hospital spending trends, 2005/06 – 2011/12

R million	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12
		Outcome		Pre-audited outcome	Medium-term estimates		
District hospitals	8 302	9 131	11 302	13 194	13 302	14 593	15 698
General (Regional) hospitals	9 240	10 336	11 605	13 430	14 049	15 381	16 628
Tuberculosis hospitals	425	499	784	1 249	1 440	1 798	1 937
Psychiatric/Mental hospitals	1 635	1 767	2 036	2 338	2 566	2 673	2 835
Sub-acute, step-down and chronic medical hospitals	159	161	172	193	221	240	256
Dental training hospitals	203	209	232	100	283	313	334
Other specialised hospitals	34	83	136	170	29	35	37
Central hospitals	6 368	6 723	7 391	8 016	7 978	9 014	9 656
Provincial tertiary hospitals	1 766	2 003	2 239	2 975	3 028	3 560	3 779
Total	**28 132**	**30 912**	**35 898**	**41 665**	**42 896**	**47 606**	**51 161**
Real growth [1] (average annual)		**2005/06– 2008/09**		**2009/10– 2011/12**		**2008/09– 2011/12**	
District hospitals		8.0%		-4.4%		0.9%	
General (Regional) hospitals		4.8%		-0.8%		2.2%	
Tuberculosis hospitals		32.6%		9.3%		10.2%	
Psychiatric/Mental hospitals		4.3%		4.1%		1.5%	
Sub-acute, step-down and chronic medical hospitals		-1.3%		8.4%		4.6%	
Dental training hospitals		-26.9%		168.5%		42.3%	
Other specialised hospitals		57.9%		-83.7%		-42.7%	
Central hospitals		-0.1%		-5.6%		1.3%	
Provincial tertiary hospitals		10.1%		-3.4%		3.1%	
Total		**5.5%**		**-2.3%**		**1.9%**	

1. Inflation adjusted change.

Source: National Treasury provincial database

Health facilities management

Provinces may be over-estimating their ability to deliver on capital programmes

Spending in the Health facilities management programme grew strongly by an average annual 22.9 per cent between 2005/06 and 2008/09 and sees further large growth of 44.6 per cent per year in 2009/10 and 22.4 per cent per year over the MTEF period. This growth is partly because of the hospital revitalisation programme. In the period under review, 13 hospitals have been completed, 35 projects are currently on site, while 19 projects are being planned.

Health spending by economic classification

Compensation of employees

Personnel comprises 55.9 per cent of the health budget in 2009/10

Table 4.14 shows that the item receiving the largest share of provincial health expenditure is compensation of employees, which comprises 55.9 per cent of the budget in 2009/10.

Table 4.14 Provincial health expenditure by economic classification, 2005/06 – 2011/12

R million	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12
		Outcome		Pre-audited outcome	Medium-term estimates		
Current payments	**40 328**	**46 704**	**55 007**	**66 234**	**71 194**	**79 057**	**85 086**
of which:							
Compensation of employees	*25 422*	*28 740*	*35 021*	*42 801*	*46 004*	*50 742*	*54 339*
Goods and services	*14 885*	*17 952*	*19 890*	*23 418*	*25 190*	*28 314*	*30 747*
Transfers and subsidies	**2 899**	**2 260**	**2 402**	**2 823**	**3 392**	**3 676**	**3 913**
of which:							
Provinces and municipalities	*1 120*	*922*	*832*	*849*	*1 095*	*1 115*	*1 182*
Departmental agencies and account	*464*	*65*	*256*	*327*	*404*	*553*	*602*
Universities and technikons	*121*	*2*	*2*	*104*	*107*	*99*	*104*
Non-profit institutions	*862*	*867*	*980*	*1 116*	*1 367*	*1 504*	*1 595*
Households	*307*	*311*	*282*	*428*	*416*	*400*	*425*
Payments for capital assets	**3 844**	**4 685**	**5 174**	**5 973**	**7 773**	**9 266**	**10 140**
of which:							
Buildings and other fixed structures	*1 974*	*2 992*	*3 744*	*4 319*	*5 227*	*6 383*	*7 060*
Machinery and equipment	*1 867*	*1 666*	*1 406*	*1 644*	*2 535*	*2 872*	*3 068*
Total	**47 071**	**53 649**	**62 582**	**75 030**	**82 359**	**91 999**	**99 140**
Percentage of total							
Current payments	85.7%	87.1%	87.9%	88.3%	86.4%	85.9%	85.8%
of which:							
Compensation of employees	*54.0%*	*53.6%*	*56.0%*	*57.0%*	*55.9%*	*55.2%*	54.8%
Goods and services	*31.6%*	*33.5%*	*31.8%*	*31.2%*	*30.6%*	*30.8%*	31.0%
Transfers and subsidies	6.2%	4.2%	3.8%	3.8%	4.1%	4.0%	3.9%
Payments for capital assets	8.2%	8.7%	8.3%	8.0%	9.4%	10.1%	10.2%
Total	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**
Percentage growth (average annual)		**2005/06-2008/09**				**2008/09-2011/12**	
Current payments		18.0%				8.7%	
of which:							
Compensation of employees		*19.0%*				*8.3%*	
Goods and services		*16.3%*				*9.5%*	
Transfers and subsidies		-0.9%				11.5%	
Payments for capital assets		15.8%				19.3%	
Total		**16.8%**				**9.7%**	

Source: National Treasury provincial database

Spending on personnel has grown strongly by 19.0 per cent annually between 2005/06 and 2008/09. This is due to the improvement in conditions of service of health professionals and the employment of 33 812 additional health workers over the period under review, of which the largest increases have been in KwaZulu-Natal and Gauteng. Table 4.15 reflects the number of filled posts per province from 2006 until 2009. In March 2009, there were 267 992 persons employed by the provincial departments of health.

Table 4.15 Filled posts, 2006 – 2009

	2006	2007	2008	2009	Change
			March		
Eastern Cape	31 338	33 563	34 839	36 954	5 616
Free State	15 824	16 188	16 273	16 015	191
Gauteng	42 305	44 076	47 254	50 004	7 699
KwaZulu-Natal	55 233	60 813	67 218	66 197	10 964
Limpopo	28 819	31 979	31 710	31 716	2 897
Mpumalanga	14 173	15 380	15 985	17 012	2 839
Northern Cape	4 696	5 695	5 594	5 580	884
North West	17 152	17 081	15 869	16 559	-593
Western Cape	24 640	25 418	27 111	27 955	3 315
Total	**234 180**	**250 193**	**261 853**	**267 992**	**33 812**

Source: Vulindlela

Table 4.16 reflects trends in health professional numbers for the period 2003/04 until 2008/09. Doctors employed in the public service have increased by 4 320, nurses by 20 863, ambulance personnel by 5 386 and pharmacists by 533. The nursing OSD, improvements in conditions of service and improved medical aid, housing, over-time and other benefits have also added to the higher personnel costs. The compensation of employees' budget grows by an average annual 8.3 per cent over the MTEF period.

Table 4.16 Trends in health professional numbers (headcount), 2003/04 – 2008/09

	2003/04	2004/05	2005/06	2006/07	2007/08	2008/09	2003/04 – 2008/09 increase
Medical practitioners	*7 793*	*8 861*	*9 603*	*10 080*	*10 809*	*11 120*	*3 327*
Medical specialists	*3 319*	*3 630*	*3 711*	*4 053*	*4 058*	*4 312*	*993*
Total doctors	11 112	12 491	13 314	14 133	14 867	15 432	4 320
Professional nurses	*42 130*	*43 647*	*44 245*	*45 626*	*48 935*	*52 142*	*10 012*
Nursing assistants	*29 584*	*30 859*	*31 923*	*33 460*	*34 265*	*34 580*	*4 996*
Staff nurses and pupil nurses	*20 707*	*20 580*	*20 866*	*21 538*	*22 802*	*23 566*	*2 859*
Student nurses	*7 845*	*8 083*	*8 944*	*9 689*	*9 790*	*10 841*	*2 996*
Total nurses	100 266	103 169	105 978	110 313	115 792	121 129	20 863
Dentists, dental therapy, oral hygiene	946	1 021	1 088	1 117	1 076	1 089	143
Ambulance personnel	5 898	6 349	7 840	9 391	10 307	11 284	5 386
Pharmacists	1 332	1 642	1 755	1 856	1 921	1 865	533
Pharmacy assistants	322	368	409	534	653	690	368
Radiographers	2 217	2 241	2 295	2 307	2 158	2 168	-49
Dieticians	401	440	515	555	617	660	259
Environmental health	811	892	883	880	851	769	-42
Health sciences, medical technicians and researchers	2 415	3 014	3 287	3 234	5 401	6 785	4 370
Occupational therapists	617	613	672	742	808	818	201
Optometrists	32	49	52	75	71	113	81
Physiotherapists	719	739	790	857	910	948	229
Psychologists	347	398	406	426	799	858	511
Speech and hearing therapists	239	266	283	307	337	363	124
Total	**127 674**	**133 692**	**139 567**	**146 727**	**156 568**	**164 971**	**37 297**

Source: Vulindlela personnel provincial database

Table 4.17 examines the reported number of patients treated per day by a doctor or nurse at the primary health care clinic level. The clinical workload for doctors was the lowest in North West and Northern Cape at 12.3 and 17.6 respectively in 2008/09. Nurses in Free State and Western Cape have a higher workload than those in other provinces.

Table 4.17 Primary health care work load per province, 2008/09

	Doctor clinical work load PHC	Nurse clinical work load PHC
Eastern Cape	21.5	21.7
Free State	28.6	33.9
Gauteng	24.2	28.5
KwaZulu-Natal	24.4	23.4
Limpopo	18.8	17.8
Mpumalanga	29.0	21.5
Northern Cape	17.6	25.5
North West	12.3	20.5
Western Cape	24.3	31.1
Average	**22.3**	**24.9**

Source: District health information systems

Goods and services

Spending on goods and services (see Table 4.14) grew at an average annual real rate of 16.3 per cent between 2005/06 and 2008/09 (from R14.8 billion to R23.4 billion), reflecting the significant expenditure on medicines, medical and surgical consumables, maintenance, laboratory services and patients' food. Despite the increase from R19.8 billion in 2007/08 to R23.4 billion in 2008/09, there are widespread reports of backlogs in paying for blood, medicines, laboratory services and other suppliers, as well as payments being accrued. The budget for goods and services is to grow from R23.4 billion in 2008/09 to R30.7 billion in 2011/12, representing an average annual real increase of 5.9 per cent over the MTEF period.

Table 4.18 Goods and services per province, 2005/06 – 2011/12

R million	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12	Real annual growth 2005/06 – 2011/12
		Outcome		Pre-audited outcome	Medium-term estimates			
Eastern Cape	1 600	2 546	2 226	2 967	3 241	2 979	3 296	5.9%
Free State	947	1 123	1 104	1 176	1 619	1 931	2 105	7.2%
Gauteng	3 429	4 101	4 700	5 464	5 104	5 761	6 364	4.1%
KwaZulu-Natal	3 387	3 731	4 899	5 390	5 538	6 609	7 094	6.2%
Limpopo	1 453	1 647	1 453	2 183	2 451	2 711	2 793	4.7%
Mpumalanga	884	1 062	1 250	1 375	1 743	1 898	2 046	7.9%
Northern Cape	388	459	518	624	700	883	995	9.8%
North West	903	1 076	1 271	1 359	1 520	1 839	2 088	7.9%
Western Cape	1 893	2 207	2 471	2 880	3 273	3 704	3 967	6.2%
Total	**14 885**	**17 952**	**19 890**	**23 418**	**25 190**	**28 314**	**30 747**	**5.9%**
Percentage growth (average annual)		**2005/06– 2008/09**		**2008/09– 2009/10**		**2008/09– 2011/12**		
Eastern Cape		22.8%		9.2%		3.6%		
Free State		7.5%		37.7%		21.4%		
Gauteng		16.8%		-6.6%		5.2%		
KwaZulu-Natal		16.7%		2.7%		9.6%		
Limpopo		14.5%		12.3%		8.6%		
Mpumalanga		15.8%		26.8%		14.2%		
Northern Cape		17.2%		12.1%		16.8%		
North West		14.6%		11.9%		15.4%		
Western Cape		15.0%		13.7%		11.3%		
Total		**16.3%**		**7.6%**		**9.5%**		

Source: National Treasury provincial database

Transfers and subsidies

Spending on transfers to municipalities has been declining between 2005/06 and 2008/09; however this item recovers and shows double digit growth over the 2009 MTEF period of 11.5 per cent.

Payment for capital assets

The capital budget grows from R3.8 billion in 2005/06 to R10.1 billion in 2011/12, representing an average annual increase of 19.3 per cent. The strong growth is mainly due to investments in hospital revitalisation, capital investment in forensic pathology services and the rollout of the national emergency medical services.

Policy developments and strategic outlook for the next five years

Governance reform and accountability

The DBSA review recommended that the sector focuses more on governance and accountability to improve performance

An important review that focused specifically on the health sector was conducted under the auspices of the Development Bank of Southern Africa (DBSA), and its roadmap recommendations were reported in November 2008. This review advises on the slow progress with respect to Millennium Development Goals and reforms required in the health system. One of the key recommendations focused on the need to improve governance and accountability, as this is critical to improving performance. It proposed greater centralisation of policy, accompanied by attempts to strengthen and make decentralised structures more accountable. Particularly important will be the development of new models of hospital governance with greater autonomy and a stronger district health system. Consideration should be given to introducing some form of purchaser-provider split with greater use of contracting (formal agreements specifying delivery targets and budgets), better linkage of finances to outputs, and contract management. Greater accountability of managers is required, with more meaningful action taken when performance is unsatisfactory.

Information systems need to be reformed for improved decision-making

Attention will also need to be given to reforming information systems and their use to improve the basis for decision making, budgeting, and monitoring and evaluation. Greater attention will also need to be given to setting norms and standards and developing packages of care (standardised lists of services expected to be delivered at each level of care), and monitoring hospitals and other institutions against expected standards.

There is a case for establishing new, specialised entities in the sector

Institutional reform is also likely to require the strengthening of the national Department of Health and in some cases the establishment of new institutional entities. The DBSA review process suggested greater specialisation and in some cases the formation of new entities and agencies with specific mandates, such as for national resource allocation, information systems, quality assurance, pricing regulation and certificates of need.

Financial reforms

The MTEF period is likely to see more centralised financial resources

The MTEF period is likely to see a degree of centralisation of financial resources, although within the constraints of the constitutional powers of provinces. There is a need to achieve greater coordination between national policy and provincial budgeting and implementation.

Health outcomes

There needs to be a refocus of interventions in HIV and AIDS and TB, and maternal, infant and child deaths

All recent sectoral reviews of the health sector have noted the insufficient or even a reversal of progress in key health outcome measures, such as life expectancy, maternal and child mortality and health related Millennium Development Goals. For various reasons, government and societal health interventions have not been effective enough in preventing important causes of death (such as HIV and AIDS, or cardiovascular disease) and also not effective enough in

their treatment programmes. The MTEF period will need to see a refocusing of interventions to achieve greater health benefits and value for money. There needs to be particular focus on the major causes of premature mortality such as HIV and AIDS and TB, and maternal, infant and child deaths.

HIV and AIDS

HIV and AIDS will continue to be a major priority

HIV and AIDS will continue to be a major priority. Radically strengthening mother-to-child prevention (PMTCT) programmes is a critical priority for 2009/10 as this is a major factor in preventable child morbidity. Treatment programmes are now expanding rapidly and are likely to increase to above 300 000 new treatment starters per year within the next one or two years, with numbers of persons on treatment likely to exceed 3 million by 2020. This presents a major challenge to provinces and will require careful planning, greater use of nurses, a more integrated chronic disease treatment model and the potential outsourcing of general practitioners. Attention to improving the effectiveness of prevention interventions remains critical.

Tuberculosis

The rollout of treatment defaulter tracking programmes will help to keep more people in treatment

Improving cure rates is essential and the rollout of treatment defaulter tracking programmes will help to keep more people in treatment. Improvements in laboratory services will allow for drug resistance to be detected earlier so that a wider spectrum of treatment options for TB may evolve. Earlier diagnosis and management of HIV and related immune suppression may also assist in controlling the TB caseload.

Maternal and child health

Rolling out new child vaccines may reduce child mortality by 10 per cent

Interventions for reducing infant and child mortality and deaths among young women should be a priority, and they are also part of meeting health related Millennium Development Goals. Rolling out new child vaccines may reduce child mortality by 10 per cent, but improved prevention of mother to child transmission programmes will be critical. Improved care through the peri-natal and neonatal period will be important, also through training and quality improvement processes.

Primary health care

Primary health care institutions need to be strengthened

Institutional strengthening of primary health care will be necessary to achieve the necessary progress in HIV, TB and maternal and child mortality improvements. Specific measures are likely to include more of a focus on skills, improved doctor supervision, more community health centres and general practitioners being better integrated into the national health system.

Hospitals

An improved governance model for large hospitals is necessary

A new model for funding public hospitals that better links workload and case-mix to the budget needs to be developed. An improved governance model for large hospitals is required, especially for the large tertiary academic hospitals. Hospital quality control processes need to be strengthened and accreditation programmes introduced.

Improving of hospital stock will continue through the hospital revitalisation programme. Attention needs to be given to the continuous improvement of this programme's performance and to progressively strengthening its areas of weakness.

Personnel

The implementation of the OSD for nurses, doctors and para-medical groups has significantly increased the unit costs of personnel

The DBSA roadmap report emphasises the need for personnel numbers to be boosted (possibly by 60 000 over the next five years). The biggest challenge for the period ahead will be reconciling this with higher unit costs of personnel, following the implementation of the OSDs for nurses, doctors and para-medical groups, and also noting the significant over expenditure in personnel in 2008/09. A stronger quantitative human resource planning and training strategy is required, which will have to be linked to more health science graduates qualifying in many of the health science professional areas, such as doctors, nurses and para-medical groups.

Conclusion

Over the past three years, health spending has increased from R47 billion to R74.9 billion or by over 8 per cent per year in real terms. Despite this, the sector faces critical challenges, not least in governance and accountability. Large increases in expenditure are noted in several areas, such as personnel, but evidence of improved performance is limited. In the face of a serious burden of disease and slow progress on the Millennium Development Goals, resolute steps will need to be taken to improve both financial management and performance.