

Public Sector Financial Management

Commission 6

Challenges outlined

Challenge 1: Adequate, equitable health allocation

The absence of a widely accepted formula to determine equitable provincial health allocation leading to significant variations in provincial health allocations, often less than the required funding.

Challenge 2: Provincial health allocation

Little protection of the health financial allocations as health funds can be reprioritised by provincial treasuries.

Challenge 3: Delegation and implementation

Financial delegation to facility managers has not been fully implemented resulting in a negative impact on service delivery.

Challenge 4: Medical malpractice suits

Financial impact of medical malpractice claims against the State on provincial health budgets.

Challenge 1: Adequate, equitable health allocation

Currently:

- Macro- and micro- rationing through various structures (FFC, Budget Council, MinComBud, NHC, to Provincial executive council, Provincial Treasury, etc.).
- Inequity between public and private sector health expenditures at R4 200 vs R11 250 per capita annually.
- Over expenditure, unfunded mandates, rising accruals and deteriorating service delivery.
- Accruals: lack of money, inability to manage money efficiently and administrative issues.

Challenge 1: Adequate, equitable health allocation (cont.)

Solutions:

- Work down accruals
- Understanding of cost drivers and structures
- Stick to the budgets allocated
- Monitor and control levels of expenditure against service delivery standards.
- Establish budget and expenditure rules, e.g. maximum COE share of the allocated budget
- Install accountability and transparency in governance and procurement against accruals

Special resolutions on accruals (poor financial governance):

- Eliminate accruals once-off
- Must be a permanent solution
- Conduct forensic investigate and crack down on poor financial governance
- Install accountability and consequence.
- Re-negotiation of accruals
- Establish staffing norms & payment norms

Challenge 2: Provincial health allocation

Currently:

- Increasing fiscal uncertainty, fiscal recentralisation
- Provincial health allocation is mostly the discretion of the provincial treasuries and departments.
- Intergovernmental fiscal relation uncertainties of the NHI implementation
 - Nine provinces vs one NHI Fund?
 - Functions? Financial implications? HR?
- Issue of inter-provincial patient migration

Challenge 2: Provincial health allocation (cont.)

Solutions:

- Centralisation must be based on the certainty to increased efficiencies (e.g. reduce administrative deadweight), which in some instances have not been the case.
- Clarify functions of procurement, HR, human capital, assets and funding of fiscal shifts.
- Legislative amendment requirements
- Health service benchmarking
- Back-to-basics is needed: costing and cost efficiency.

Challenge 3: Delegation and implementation

Currently:

- Structural, functional and capacity challenges
- Implementation mindset barriers and constraints
- Corruption and mismanagement
- Lack of norms and standards enforcement mechanisms and supports

Solutions:

- ✓ Stop the political interference of service delivery
- ✓ Implement the PFMA
- ✓ Establish systems to monitor value for money, capacity and skills
- ✓ Avoid bloated bureaucracy, review the design of the PHC and human resources.
- ✓ Supports from NDoH, treasuries (provincial and national)

Challenge 4: Medical malpractice suits

Currently:

- Increasing number of medical malpractice litigation claims in South Africa
- Provincial health departments are struggling with their obligation to provide healthcare services, while still having to pay out the billions in claims against them.
- Undermining SA health system

Solutions:

- Identify the legislative root cause, set up medical protection insurance.

Six areas of focus and resolutions

- 1. How can the allocative process between strengthened?*
 - Review the structural issues of allocation in terms of cost efficiency, adequacy and intergovernmental relations.
- 2. Are CGs an effective way to allocate for specific purpose?*
 - No, not sufficient even if combined with the ES. Hence, a new way of funding and allocating resources is required. Proposed solution is allocate resource according to people's needs and balancing the social determinants of health.
- 3. How to address the lack of clear distinction between HPTD grant, NTSG and ES and their performance relative?*
 - Review the grant framework and clearly redefine their grant purpose (i.e. supplementary or specific purpose)

Six areas of focus and resolutions (cont.)

4. *How to address lack of monitoring due to limited delegations and centralised financial functions?*
 - Institute systems with data intelligence to actively monitor and control levels of expenditure against standard items.
 - Add-on a feedback mechanism so incorporating system learning.
 - Strengthen the competency of human capital.

5. *What to do about poor revenue, lack of incentive for revenue retention and cost recovery?*
 - Universal patient records management, improve cost reflectiveness of the UPFS.

6. *How to address lack of proper billing system and contracts with medical schemes?*
 - Learn from the private sector, patient data digitisation billing mechanism, innovative use of payment method and reminder technologies.

Summary:

Recommendations (1)

- Revise resource allocation processes:
 - Urgently address accruals: develop a strategy and mechanisms to address these
 - Revisit the equitable share formula for health, taking into account the burden of disease, and other relevant issues (e.g. cross border flows)
 - Revisit the provincial budget % allocation upwards (currently 27%, should be closer to 38%)
 - Stop unfunded mandates from national to provincial and within provincial administrations to health; no new mandate without clear resource allocation plan
- Conditional grants:
 - Limit the role of conditional grants as a core resource allocation mechanisms
 - Should not be a mechanism to hollow out provincial budgets
 - Assess inefficiency and fragmentation created by restrictive conditionalities

Summary:

Recommendations (2)

- Monitor and manage budget allocations (action required at national, provincial, district and facility level):
 - Stop political interference (directly or indirectly) in resource allocation
 - Ensure appropriate delegations
 - Develop benchmarking processes and systems of monitoring
 - Build capacity: people and systems in financial management
- Value for money:
 - Prioritise PHC and DHS as the most cost-effective components of a health system
 - Accept that we need to design a system we can afford: reconsider the human resource mix of our health system
 - Address bloated management structures, focus on staffing service delivery
- Revenue collection:
 - Create incentives for better revenue collection (e.g. retention)
 - Develop billing systems (drawing on private sector expertise)
 - Revise tariff structure