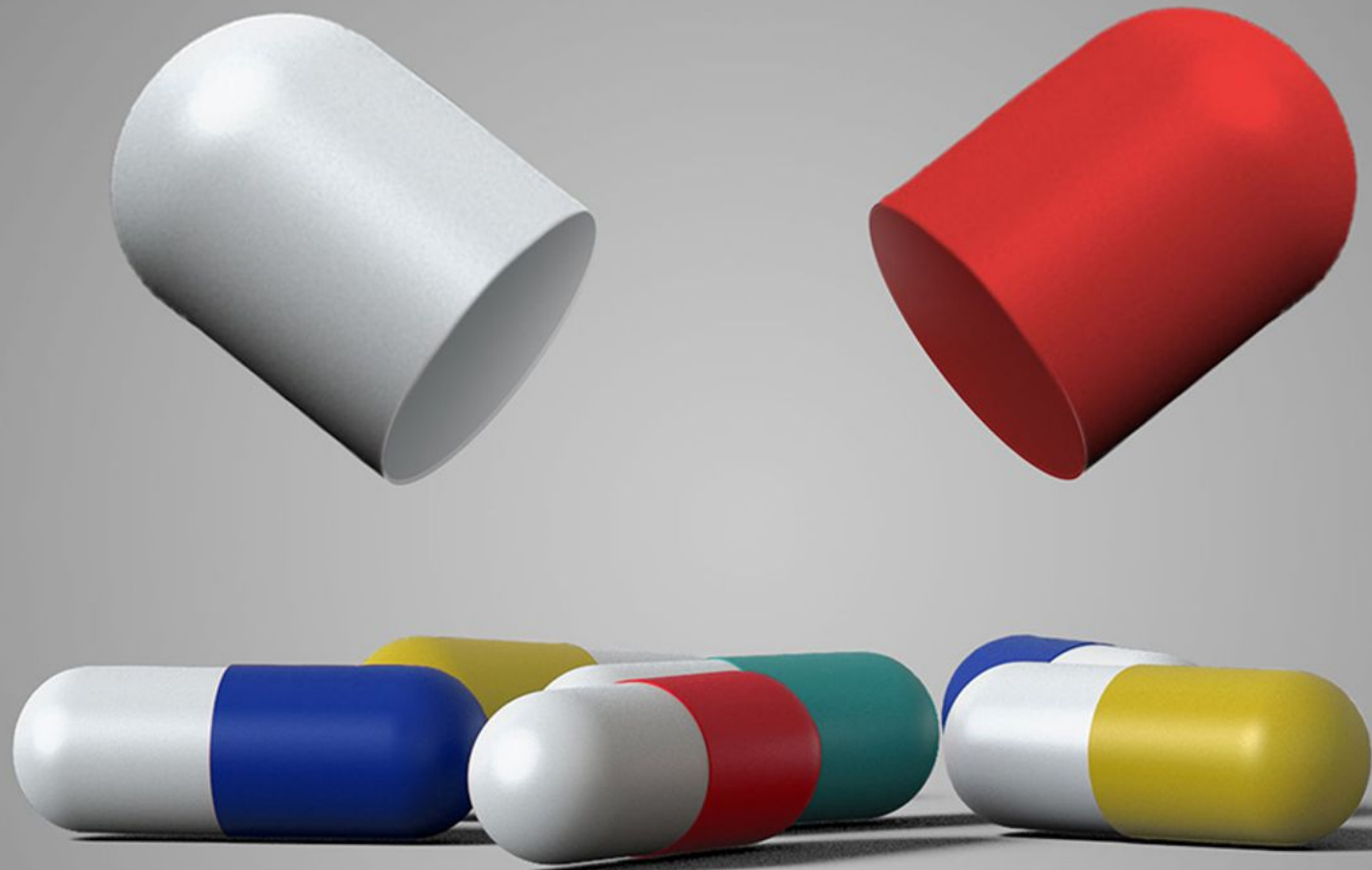




FINANCIAL
AND FISCAL
COMMISSION

For an Equitable Sharing
of National Revenue



22 April 2025
Briefing to the Portfolio
Committee on Health

Analysis of the National Department of Health, Provincial Departments and entities (Health Sector)

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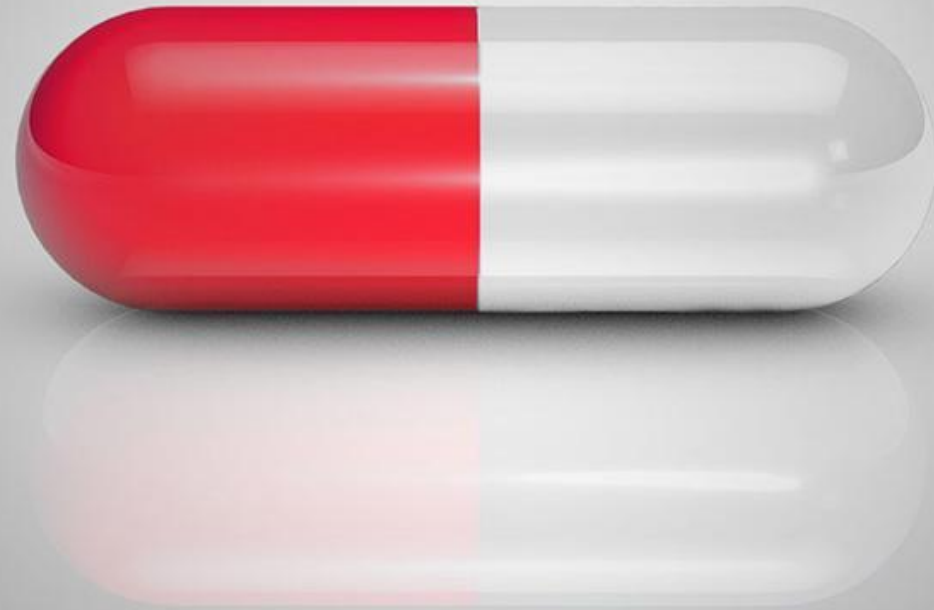
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Role of the Financial and Fiscal Commission



Financial and Fiscal Commission



- The Financial and Fiscal Commission is a constitutional institution established under Chapter 13: Finance, Sections 220-222 of the Constitution, which makes recommendations envisaged in the following sections of the Constitution to Parliament, provincial legislatures and any other authorities determined by national legislation:

FINANCIAL AND FISCAL COMMISSION

220. Establishment and functions

- (1) There is a Financial and Fiscal Commission for the Republic which makes recommendations envisaged in this Chapter, or in national legislation to Parliament, provincial legislatures and any other authorities determined by national legislation.

- s214(2) Equitable shares and allocations of revenue;
 - s218(2) Government guarantees;
 - s228(2)(b) Provincial taxes;
 - s229(5) Municipal fiscal powers and functions;
 - s230(2) Provincial loans; and
 - s230A(2) Municipal loans.
- All legislations referred in these sections “may be enacted only after” the “recommendations of the Financial and Fiscal Commission have been considered”.

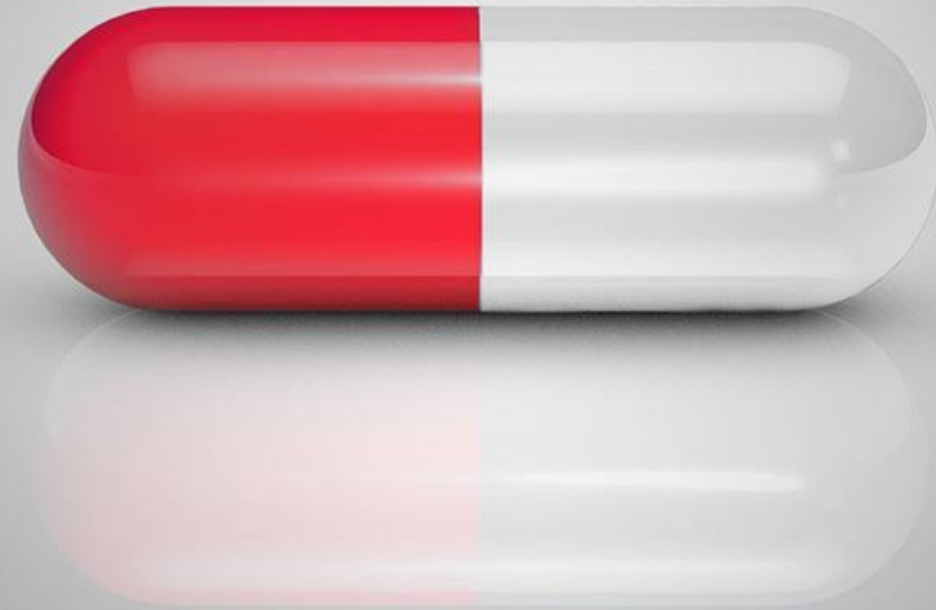


FFC Recommendations in the Constitution



When making its recommendations the Commission must take into account the following as listed in section 214 (2) (a) to (j) of the Constitution

- a. National interest
- b. any provision that must be made in respect of the **national debt** and other national obligations
- c. needs and interests of the national government, determined by objective criteria
- d. the need to ensure that the provinces and municipalities are able to provide basic services and perform the functions allocated to them
- e. fiscal capacity and efficiency of the provinces and municipalities
- f. developmental and other needs of provinces, local government and municipalities
- g. economic disparities within and among the provinces
- h. obligations of the provinces and municipalities in terms of national legislation
- i. desirability of stable and predictable allocations of revenue shares
- j. the need for flexibility in responding to emergencies or other temporary needs, and other factors based on similar objective criteria



Contextualising South Africa's Health Sector



Contextualising South Africa's Health Sector



- **Section 27 of the Constitution** provides that everyone has the right to access health care services and places an obligation on the State to take reasonable legislative steps, within its available resources, to progressively realise this right.
- Although health expenditure in South Africa as a proportion of Gross Domestic Product (GDP) is significantly higher than other emerging economies (approximately 8 per cent), investments in healthcare have not yielded optimal results, pointing to severe inefficiencies (FFC, 2024).
- The Commission has long recognised the **two-tiered system** of healthcare, whereby a small affluent portion of society is covered by private medical insurance, while the large majority is reliant on public health facilities.
- The private-public divide in which the two healthcare systems operate separately from one another has resulted in a **separating equilibrium** in terms of the costing and pricing of healthcare in South Africa (FFC, 2019).
- On the one hand, the high and increasing cost of private healthcare limits access to most of the population and across population groups. On the other hand, the public health sector faces input cost pressures and a growing uninsured population (FFC, 2019).
- The National Health Insurance (NHI) Act of 2023 makes strides towards the government's goal of reforming the health sector and achieving universal health care.



National Department of Health



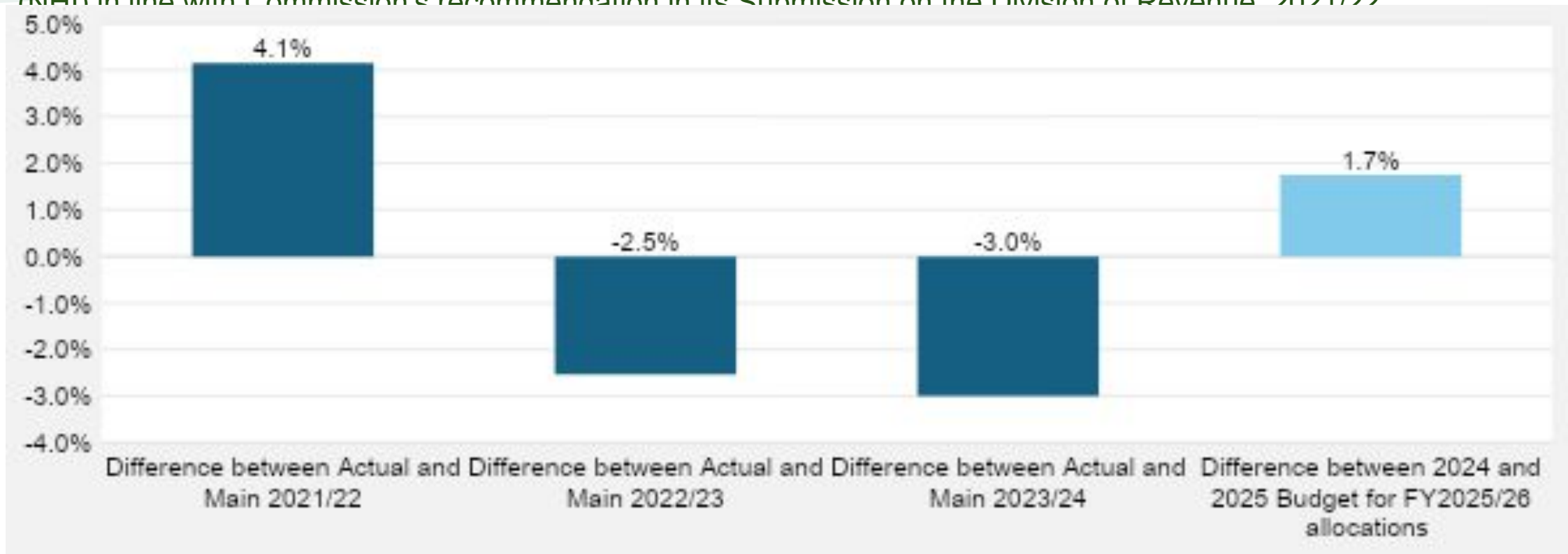
- **Focus of the Health Vote:** Lead and coordinate health services to promote the health of all people in South Africa through an accessible, caring and high-quality health system based on the primary health care approach by setting out the responsibilities of the three levels of government in the provision of health services.
- **Resources are divided among six budget programmes:** Administration, National Health Insurance, Communicable and Non-Communicable Diseases, Primary Health Care, Hospital Systems and Health System Governance and Human Resources.
- **Conditional grants** account for 93% or R188.1 billion of the department's budget over the 2025 MTEF period, this is down slightly from 94% over the 2024 MTEF.
- Included under the DoH vote are several **public entities** – these are funded through a combination of transfer payments and own revenue.



Budget Deviations : 2023/24 vs 2024 and 2025 Budget for FY2025/26 Allocations



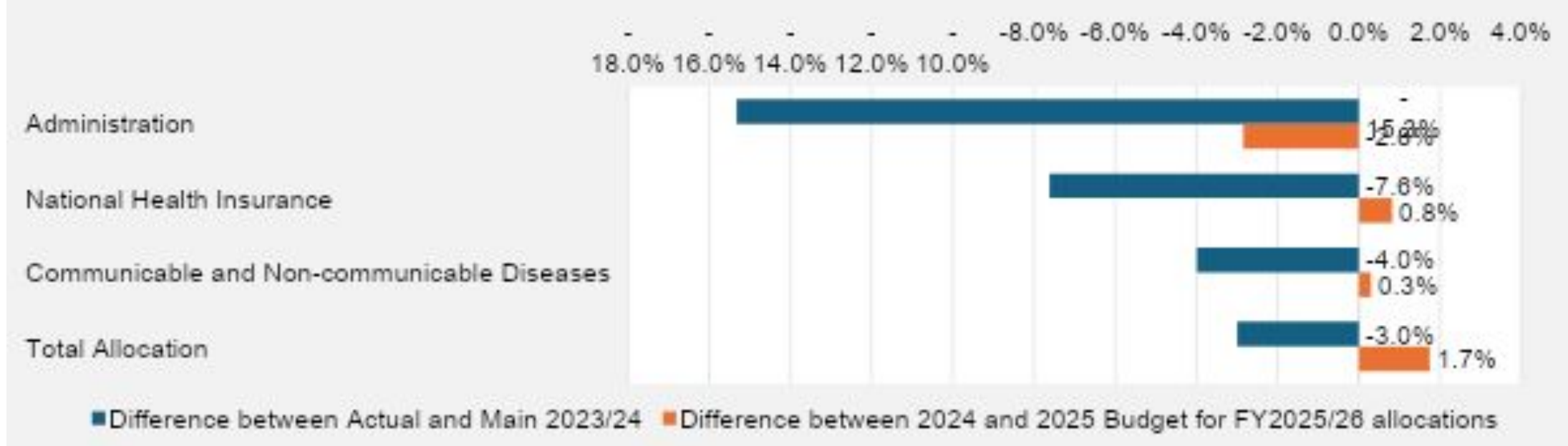
- Allocation to the Health vote gets an upward revision of 1.7 per cent, from R63.7 billion that was announced in the 2024 MTEF to R 64.8 billion in the 2025 Budget. This follow on from two years of downward revisions in 2022/23 and 2023/24.
- A substantial portion of the increase outlined in Budget 2025 earmarked for supporting the employment of medical doctors, increasing the availability of medical supplies, and the preparatory work for the National Health Insurance (NHI) in line with Commission's recommendation in its Submission on the Division of Revenue 2021/22





Budget Deviations by Programme : 2023/24 vs 2024 and 2025 Budget for FY2025/26 Allocations

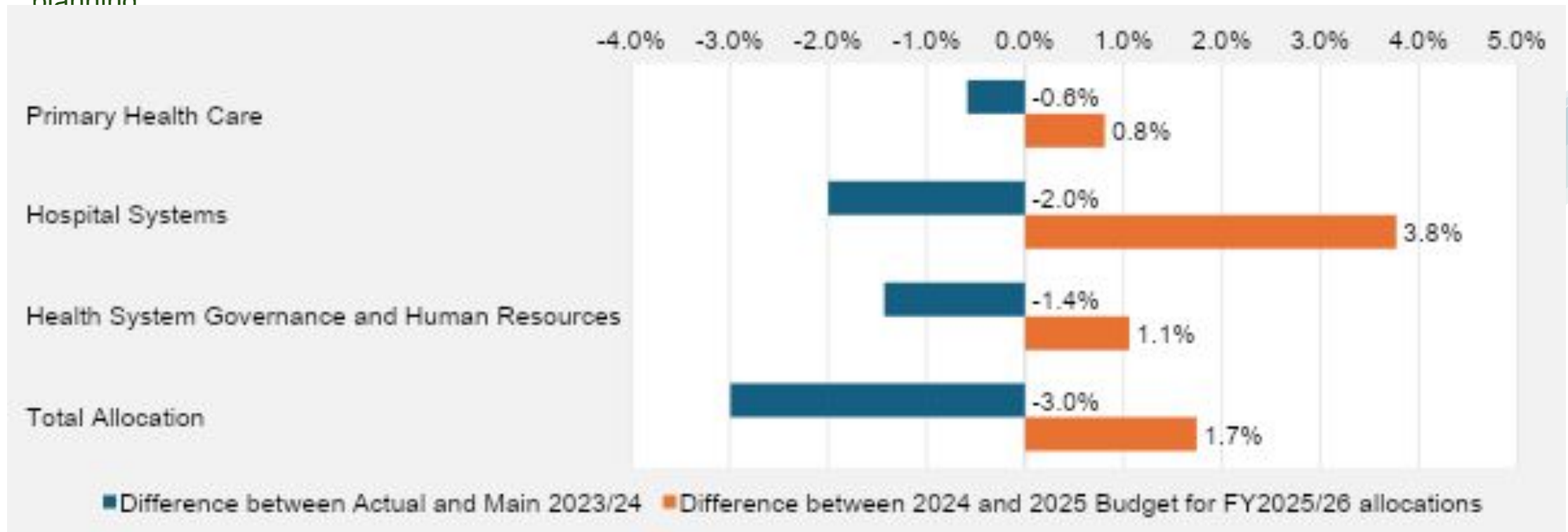
- The data reveals consistent over-budgeting (i.e underspending) across all programmes in 2023/24, resulting in an overall underspending of 3.0 per cent of total programme costs for the year. As such, the 1.7 per cent upward revision from its 2024 MTEF baseline for 2025/26 may be inadequate
- **Administration:** sees a 2.8 per cent downward revision for 2025/26 compared to the Budget 2024 allocation for the same financial year. This can be attributed to reprioritisations within the department's baseline, mainly from goods and services in the Administration programme
- **National Health Insurance:** receives slight upward revision of 0.8 per cent (R 11.4 million) for 2025/26 compared to what was outlined in 2024 MTEF in line with the preparatory work for the National Health Insurance (NHI) outlined in the President's SONA 2025 address regarding the development of a single electronic health record system, and Commission's recommendation in its Submission on the Division of Revenue, 2021/22.
- **Communicable and Non-communicable Diseases:** sees a minor upward adjustment of 0.3 per cent (R75.6 million) for 2025/26 relative to what was outlined in 2024 MTEF to aid in building capacity in the National Institute for Communicable Diseases to strengthen surveillance as part of overall pandemic preparedness efforts





Budget Deviations by Programme : 2023/24 vs 2024 and 2025 Budget for FY2025/26 Allocations

- **Primary Health Care:** sees a marginal upward adjustment of 0.8 per cent (R28.1 million) for 2025/26 relative to relative to 2024 MTEF in line government's focus on strengthening primary health care through district health programmes grant
- **Hospital Systems:** receives an upward revision of 3.8 per cent (R936.9 million) for 2025/26 relative to 2024 MTEF baseline aligning with plans to improve tertiary health care services through the national tertiary services grant
- **Health System Governance and Human Resources:** received an upward revision of 1.1 per cent increase in 2025/26 as compared to the 2024 MTEEF period reflecting government efforts to strengthen management capacity and improve workforce planning





Annual Performance Plans



Programme	Performance Plans
Administration	<ul style="list-style-type: none"> • Strengthen financial management to improve efficiencies and achieve an unqualified audit. • Improve employment equity and workforce skill development. • Undertake more visits to health facilities and community engagements to improve the sector's responsiveness to community needs.
National Health Insurance	<ul style="list-style-type: none"> • Establish an Accreditation Framework for health service providers, from where the NHI fund will purchase services. • Set up an electronic medical record information system that will provide for the portability of Health Records to be accessible at the point of care contributing to efficient and effective health care.
Communicable and Noncommunicable Diseases	<ul style="list-style-type: none"> • Revise the antiretroviral treatment guidelines and Differentiated Model of Care (DMOC) Standard Operating Procedures. • Implement TB prevention and treatment strategies to improve success rates. • Expand human papillomavirus (HPV) screening, contributing to maternal and child mortalities. • Improve timely admission to psychiatric hospitals, early identification and treatment of mental health conditions through the Mental health programs. • Promote the nutrition of hospitalized patients to ensure optimal nutritional status.
Primary Health Care	<ul style="list-style-type: none"> • Improve public health facilities' quality standards by expanding to 2650 PHC facilities and 25 District Hospitals • Ward-Based Primary Health Care Outreach Teams will conduct 14 million household assessments. • Conduct assessments focusing on improving water, sanitation, waste management, and food services in metropolitan and district municipalities.
Hospital Systems	<ul style="list-style-type: none"> • Improve Health facility infrastructure through revitalization and construction of PHC facilities, Hospitals and EMS stations. • Ensuring that all public hospitals are implementing the National Quality Improvement Programme for the improvement of quality and safety.
Health System Governance and Human Resources	<ul style="list-style-type: none"> • Appoint new boards for three public entities and implement audit action plans to improve institutional outcomes and financial management. • Differentiated nursing education and training plans will be developed to ensure skilled staff. • Publish new regulations to improve food label information, improve quality and safety, and reduce the prevalence of non-communicable diseases.



Departmental Budget Analysis: Economic Classification

- Commission notes that budget response and planning is consistent with the under-spending of 3.0 per cent in the 2023/24 fiscal year relative to the budget and a minor upward revision of 1.7 per cent for 2025/56 relative to its 2024 MTEF baseline for the same fiscal year
- Compensation of employees shows consistent over-budgeting (i.e underspending) with 10 per cent in 2023/24 and 0.5 per cent for 2025/56 relative to its 2024 MTEF baseline for the same fiscal year, which indicates constraints in filling budgeted positions
- Transfers and subsidies to subnational government shows under expenditure of 2.7 per cent in 2023/24. As such, the minor upward adjustment for 2025/26 may not be sufficient to meet spending needs
- Payments for capital assets shows sharp upward revision of 51.7% for 2025/56 relative to its 2024 MTEF baseline for the same fiscal year due to 57% upward adjustment for buildings and other fixed structures



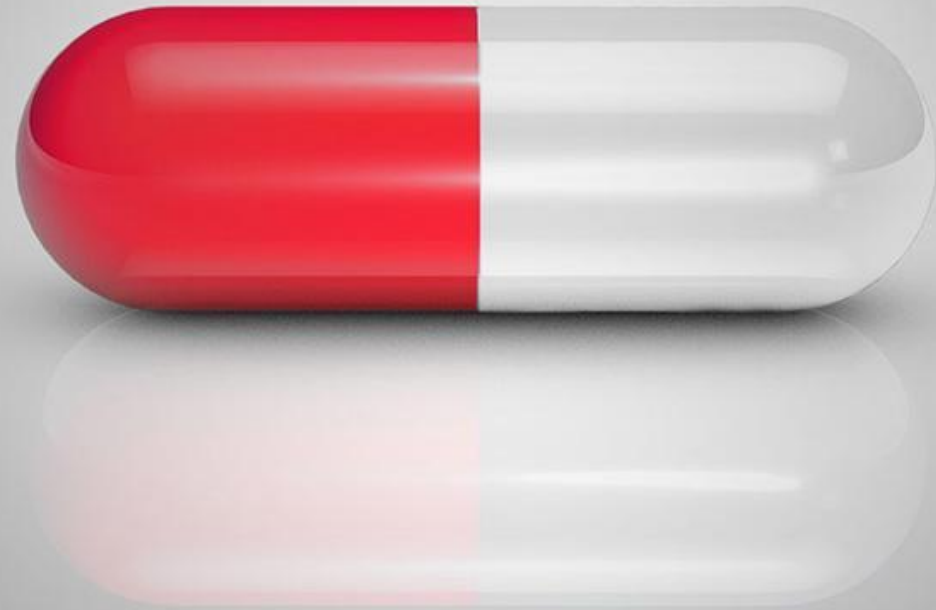


Personal Headcount and Cost



■ Difference between 2024 and 2025 Budget for FY2025/26 allocations :
■ Number of personnel posts filled/planned for on funded establishment
■ Difference between 2024 and 2025 Budget for FY2025/26 allocations :
■ Cost (R million)

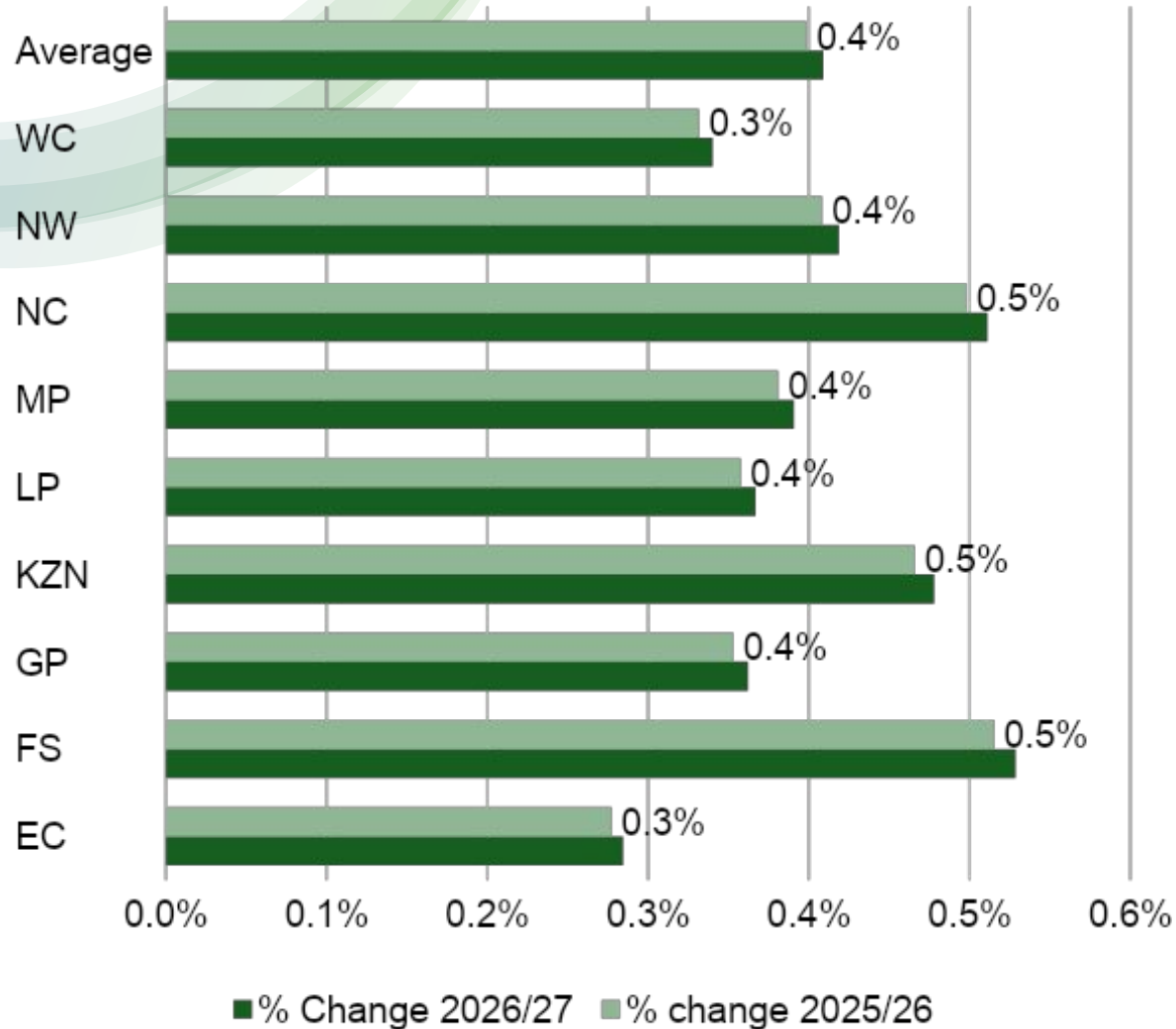
- Budget 2025 reduces the total planned headcount for 2025/26 by 12.1% (127 personnel) compared to Budget 2024, primarily due to a significant downward revision in salary levels 13-16, indicating a planned reduction in specialised professional positions
- The total cost of personnel posts filled/planned for 2025/26 in Budget 2025 revised up by 2.3 % (R 16.7 million) relative to its 2024 MTEF baseline for the same fiscal year) driven by significant upward revision in salary levels 7-10 and 11-12 suggesting a reprioritisation towards mid-level and senior management roles
- In April 2025, Department announced R 1.78 billion will be allocated for the creation of 1 650 new healthcare positions (1,200 doctors, 200 nurses, and an additional 250 healthcare workers). The Commission acknowledges and strongly supports the Department's stated commitment to addressing staffing shortages across hospitals and clinics.



Health Conditional Grants Performance



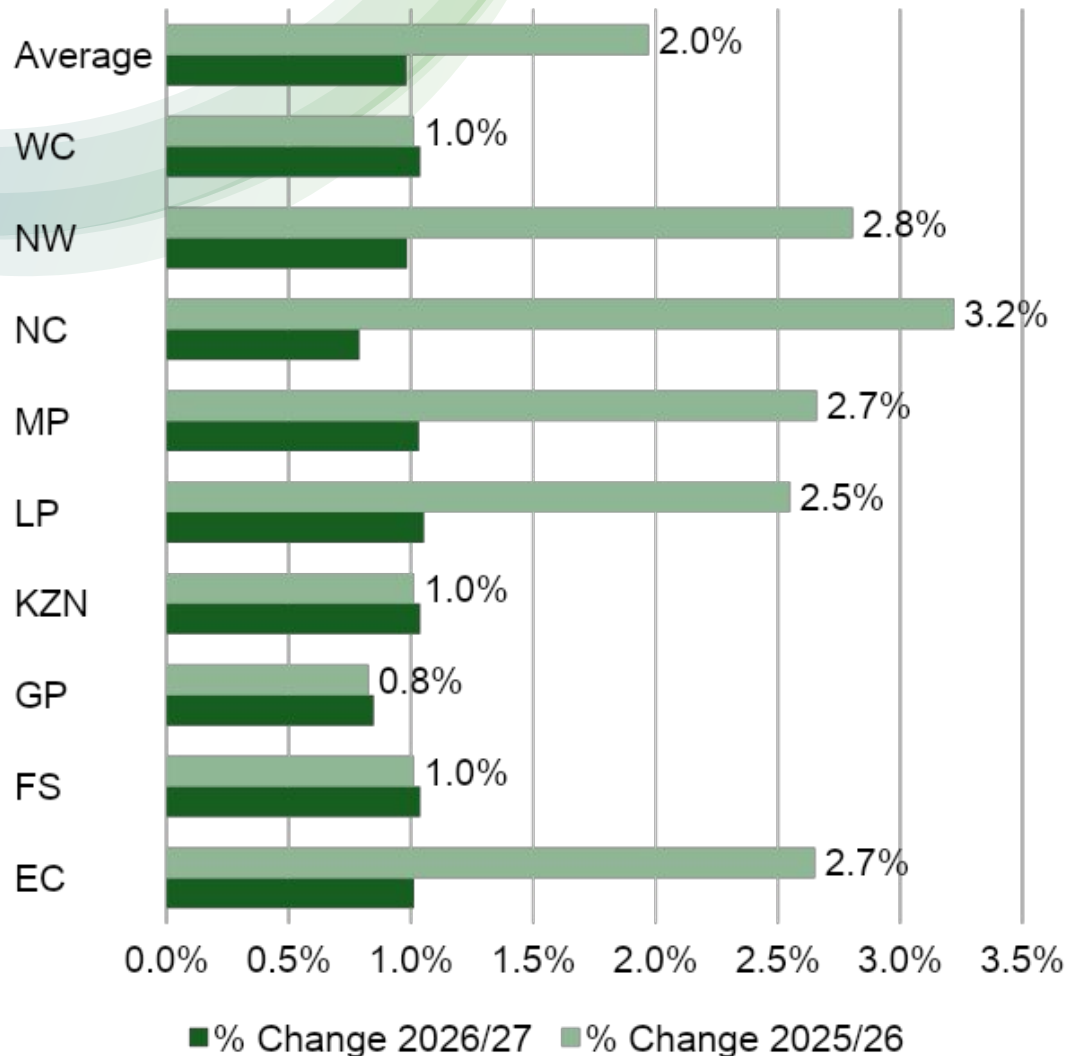
Conditional Grants Allocations: District Health Programs Grant (2024 and 2025 Budget for FY2025/26 Allocations)



- The **District Health Programs Grant (DPHG)** consists of two main components: a comprehensive HIV/AIDS component and a district health component.
- A total of R28.3 billion is allocated to the DHPG in the 2025/26 financial year, of which R24.9 billion is allocated through the Comprehensive HIV/AIDS component and R3.41 billion is allocated through the District Health Component.
- Allocations to the 9 provinces have increased by an average of 0.4 per cent in 2025/26 (relative to baselines in the 2024 budget).
- Allocations to the KZN, Northern Cape, and Free state provinces have increased by 0.5 per cent each in the 2025/26 financial year, while the Western Cape and Eastern Cape provinces witnessed the lowest increases of 0.3 per cent each.



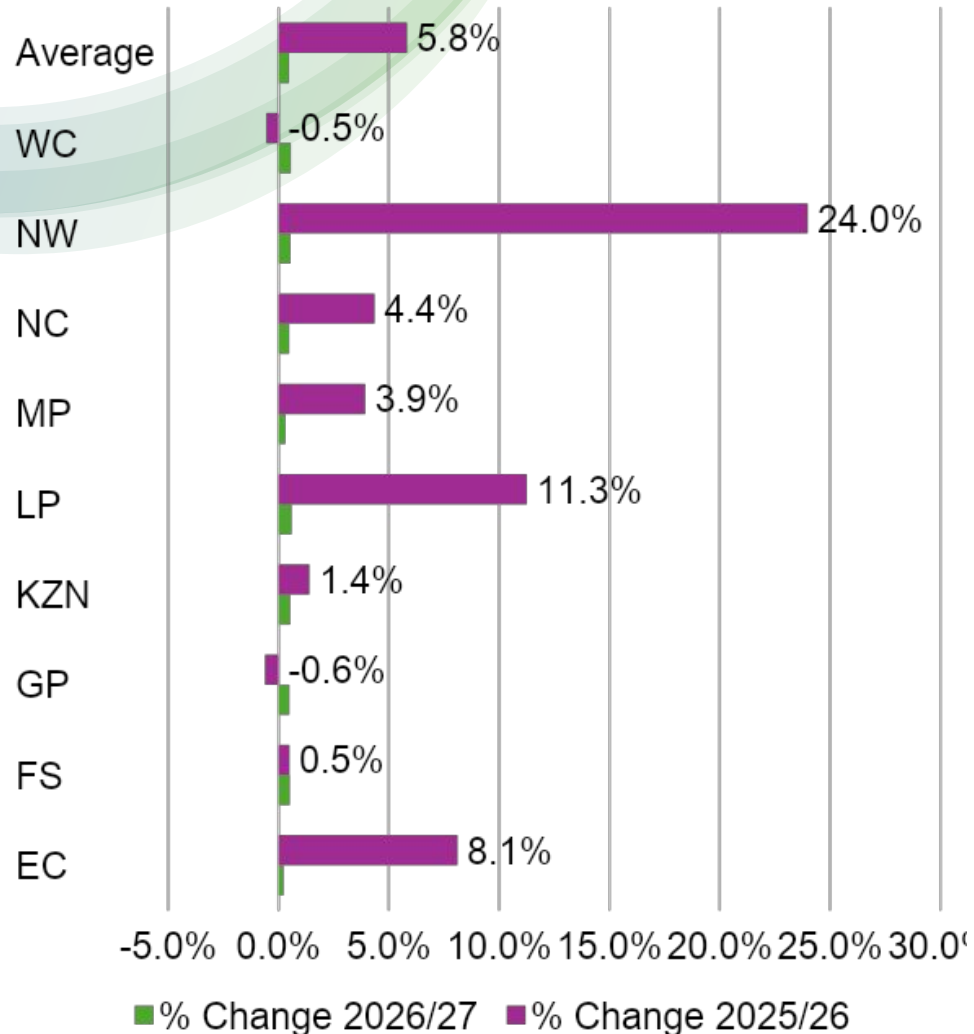
Conditional Grants Allocations: Human Resources and Training Grant (2024 and 2025 Budget for FY2025/26 Allocations)



- The **human resources and training grant (HRTG)** has two components.
- The training component funds the training of health sciences professionals, including specialists, registrars and their supervisors. The statutory human resources component funds internship and community service posts, as well as some posts previously funded from the equitable share.
- A total amount of R5.6 billion is allocated for the Human Resources and Training Grant for the 2025/26 financial, of which R2.6 billion is allocated towards the Statutory human resources Component and R3.0 billion is allocated towards the Training Component.
- The grant allocations to the 9 provinces will grow at an average of 2.0 per cent in the 2025/26 financial year, relative to its baseline in the 2024 budget.
- The Northern Cape province witnessed the largest growth of 3.2 per cent in the 2025/26 financial year, followed by Mpumalanga and the Eastern Cape province both with 2.7 per cent growth rates.
- The Gauteng province witnessed the lowest growth of 0.8 per cent in the HRTG allocations.



Conditional Grants Allocations : National Tertiary Services Grant (2024 and 2025 Budget for FY2025/26 Allocations)



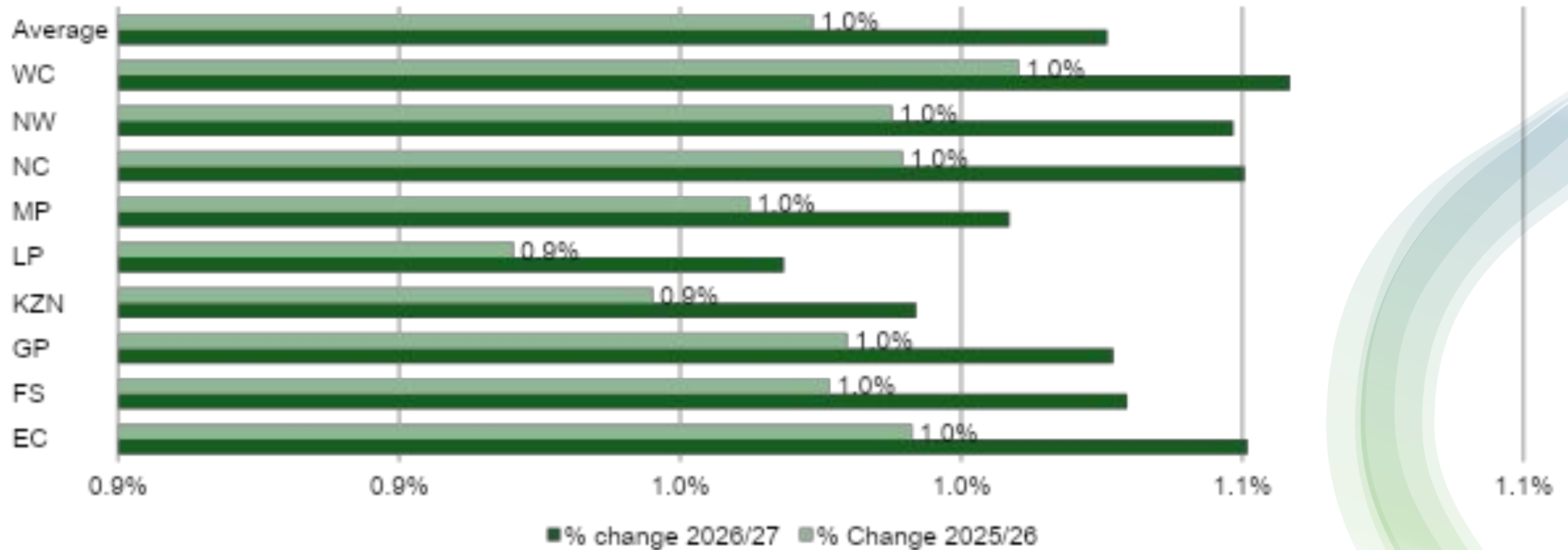
- The **national tertiary services grant** provides strategic funding to enable provinces to plan, modernize and transform tertiary hospital service delivery in line with national policy objectives.
- The grant operates in 35 tertiary hospitals across the nine provinces and continues to fund medical specialists, equipment and advanced medical investigation and treatment according to approved service specifications.
- Allocations to the 9 provinces increased at an average of 5.8 per cent in the 2025/26 financial year.
- Allocations to the North West province increased by 24 per cent in 2025/26, followed by Limpopo province and the Eastern Cape province with 11.3 per cent and 8.1 per cent respectively.
- These growth rates reflect funds that were not allocated in the 2023/24 MTEF for 2024/25, which have now been allocated to Eastern Cape, Limpopo, Mpumalanga, and the North West provinces to develop and expand tertiary services in their facilities.

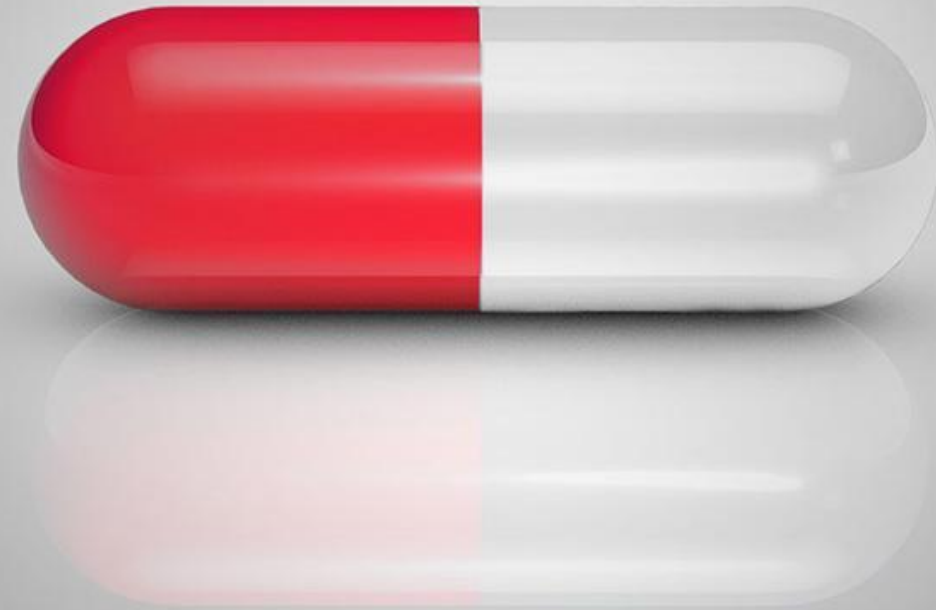


Conditional Grants Allocations : National Health Insurance Grant (2024 and 2025 Budget for FY2025/26 Allocations)



- NHI is aimed at ensuring that everyone has access to essential healthcare services, regardless of income level or geographical location.
- A total amount of R466 million is allocated to the National Health Insurance Grant in the 2025/26 financial year.
- NHI Grant allocations to the 9 provinces increase at an average of 1 per cent in the 2025/26 financial year.





Health Entities



Health Entities: Budget Deviation and Performance Indicators

- **Selected Entities:**

- Council for Medical Schemes
- Mines and Works Compensation Fund
- National Health Laboratory Service
- Office of Health Standards Compliance
- South African Health Products Regulatory Authority
- South African Medical Research Council

- **MDTP outcome: Improved access to affordable and quality healthcare**

- The data on the performance of these selected entities centres around critical performance targets that are aimed at improving access to affordable and quality healthcare in South Africa.



Budget Deviations across Selected Entities (2024 and 2025 Budget for FY2025/26 Allocations)



- **South African Medical Research Council (SAMRC):** The analysis shows that the budget deviation for the entity saw the largest increase for the 2025/26 fiscal year at 22.4 per cent in comparison to what was estimated in the 2024 Budget, presenting significant inconsistencies in the National Treasury’s budget allocations over the MTEF.
- **South African Health Products Regulatory Authority (SAHPRA):** The Budget 2025 deviation for the 2025/26 fiscal year compared to Budget 2024 amounts to a 9 per cent increase in the allocation to SAHPRA, and a





Council for Medical Schemes



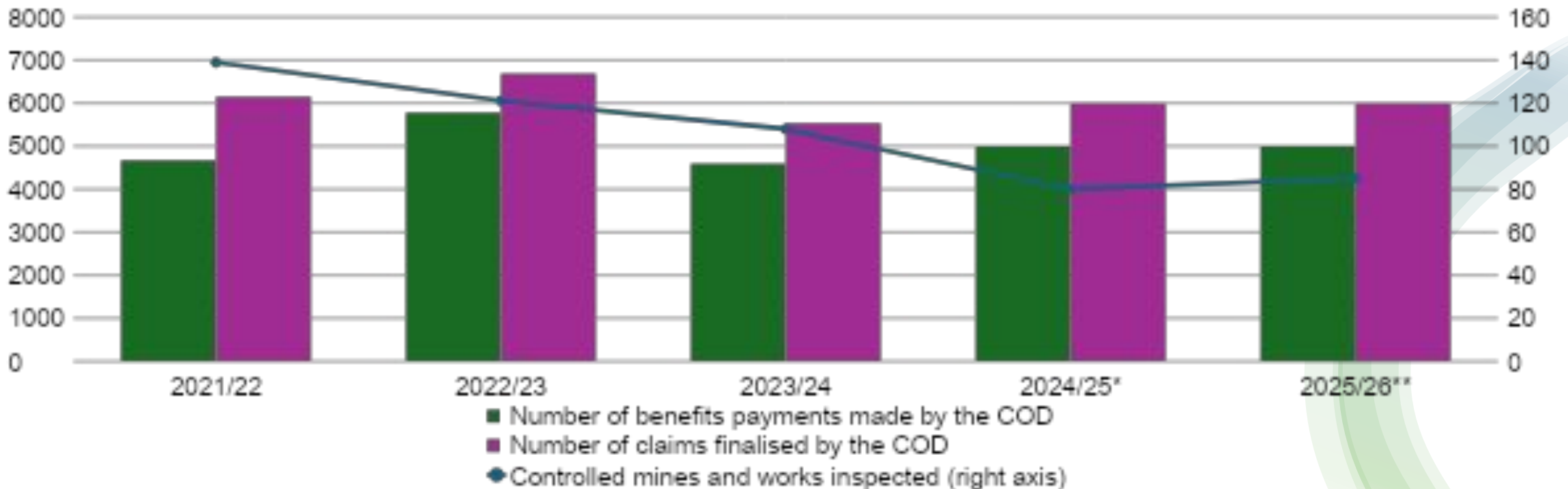
- The Council for Medical Schemes (CMS) was established in terms of the Medical Schemes Act (1998) to oversee the medical schemes industry and regulate it by controlling and coordinating its functions.
- In terms of **key regulatory outcomes for the entity**, the data shows some declining performance, particularly in terms of processing amendments of interim rules, accreditation of broker applications and the implementation of governance interventions.





Mines and Works Compensation Fund

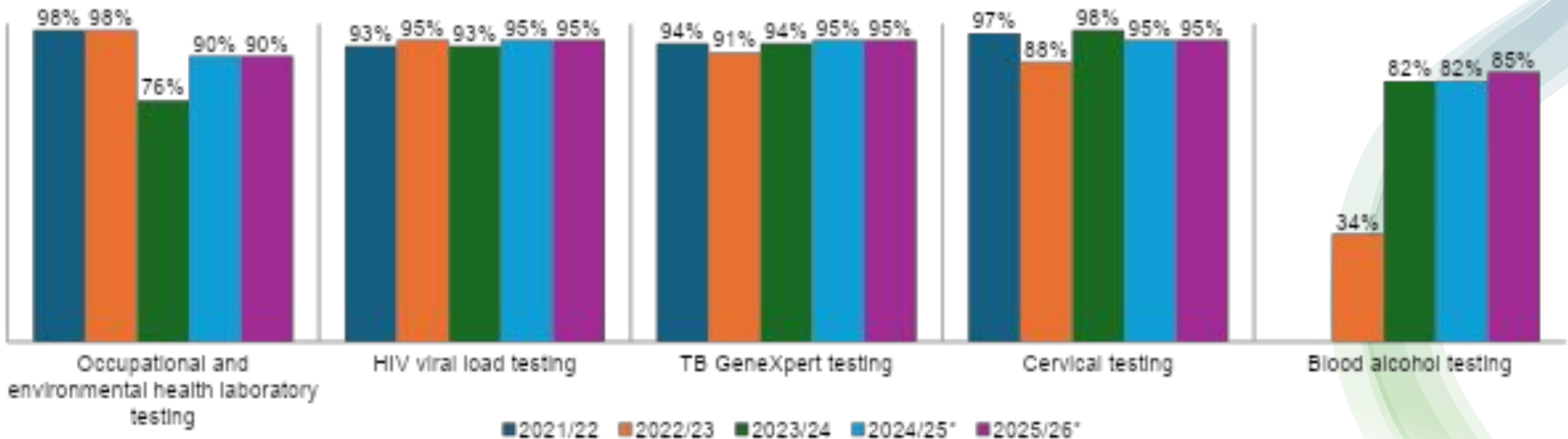
- The entity was established in terms of the Occupational Diseases in Mines and Works Act (1973) and is administered by the Compensation Commissioner for Occupational Diseases (CCOD).
- There has been a **steady decline** in the number of controlled mines that have been inspected (within a given year) since 2021/22 and some decline in the number of claims finalised, particularly since 2022/23.
- However, this may be expected as the entity projects claims to decrease due to declining rates of tuberculosis incidence and an increase in dust control measures implemented in mines.





National Health Laboratory Service

- The NHLS was established in 2001 in terms of the National Health Laboratory Service Act (2000) and is charged with providing cost-effective laboratory services to all public sector healthcare providers, including disease surveillance and specialised diagnostics.
- The selected indicators shown below show **high levels of performance** in some targets since 2021/22, with 88 per cent or more of the entity's targets for HIV, TB and cervical testing being achieved.
- Blood alcohol testing performance has shown dramatic improvement since 2021/22, which may indicate improved skills and capacity in this area.

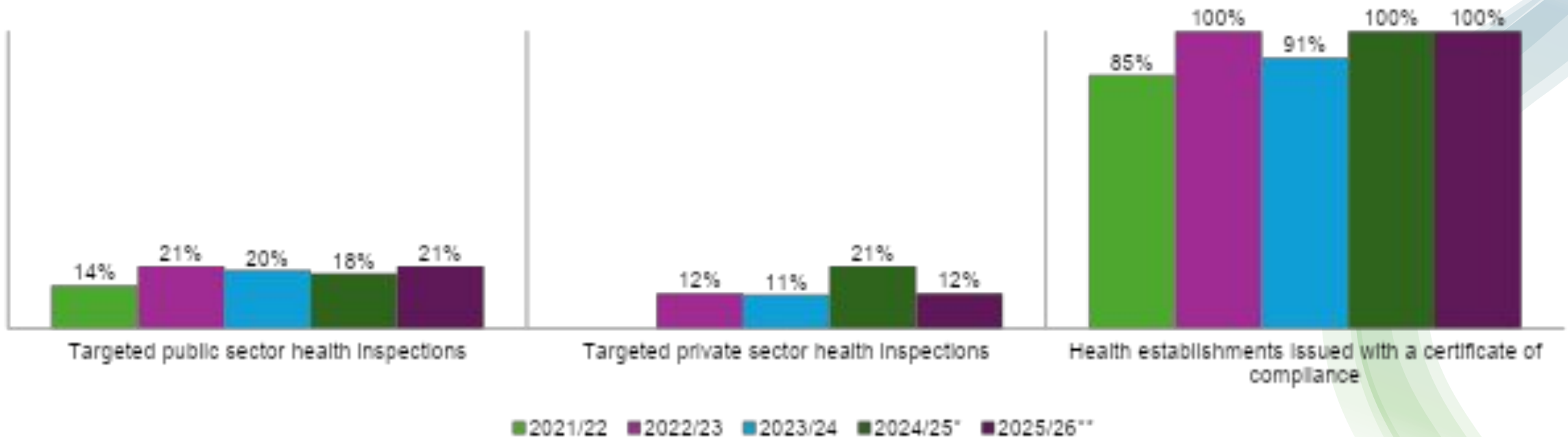




Office of Health Standards Compliance



- The OHSC is an independent health regulator that monitors and enforces health establishments' compliance with the prescribed norms and standards of healthcare, established in terms of the National Health Amendment Act (2013).
- In terms of certifications and enforcement, the OHSC has performed consistently well in recent years, showing further improvement since 2021/22.
- However, the Commission notes with concern the underperformance of the **compliance inspectorate programme**, achieving at most 21 per cent of the entity's targets across both public and private health institutions.

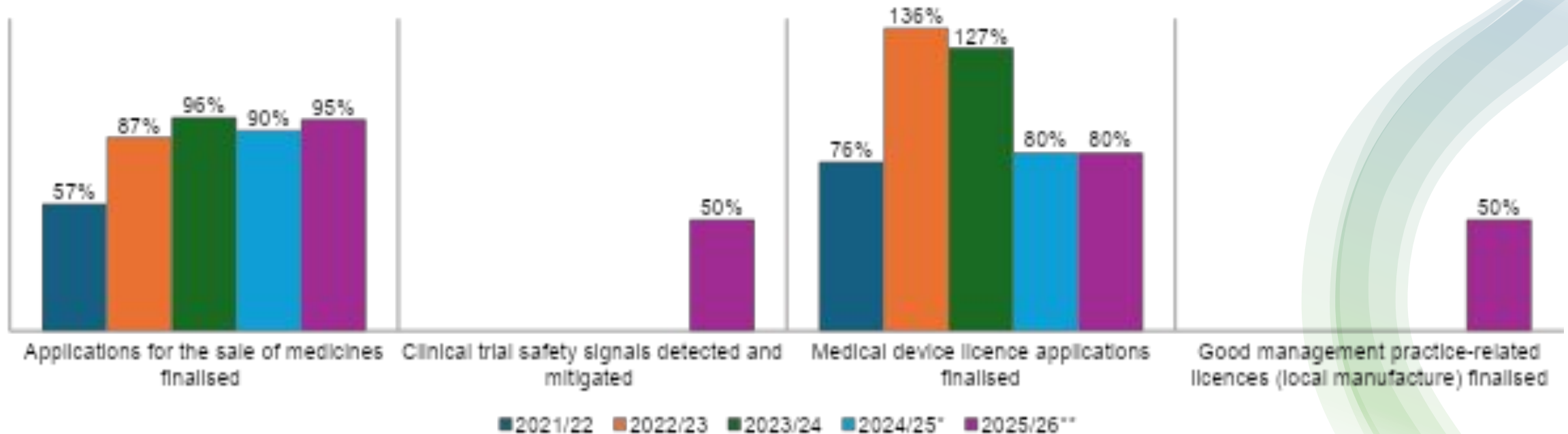


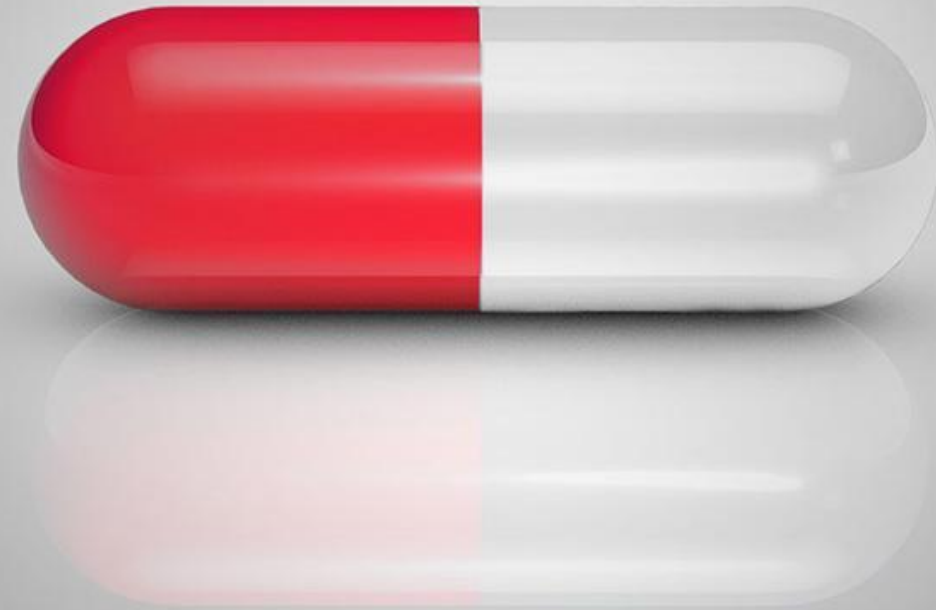


South African Health Products Regulatory Authority



- The SAHPRA monitors, evaluates, inspects and manages the registration and control of medicines, scheduled substances, clinical trials, medical devices and related matters in the public interest in terms of the Medicines and Related Substances Act (1965).
- The Commission commends the entity's improvement concerning **evaluation and registration targets**, showing signs of increasing efficiency at least in some key performance areas.
- However, there is substantial scope for improvement in **licensing practices** and detecting safety signals in clinical trials, as both data and performance in these activities are lacking according to the data.





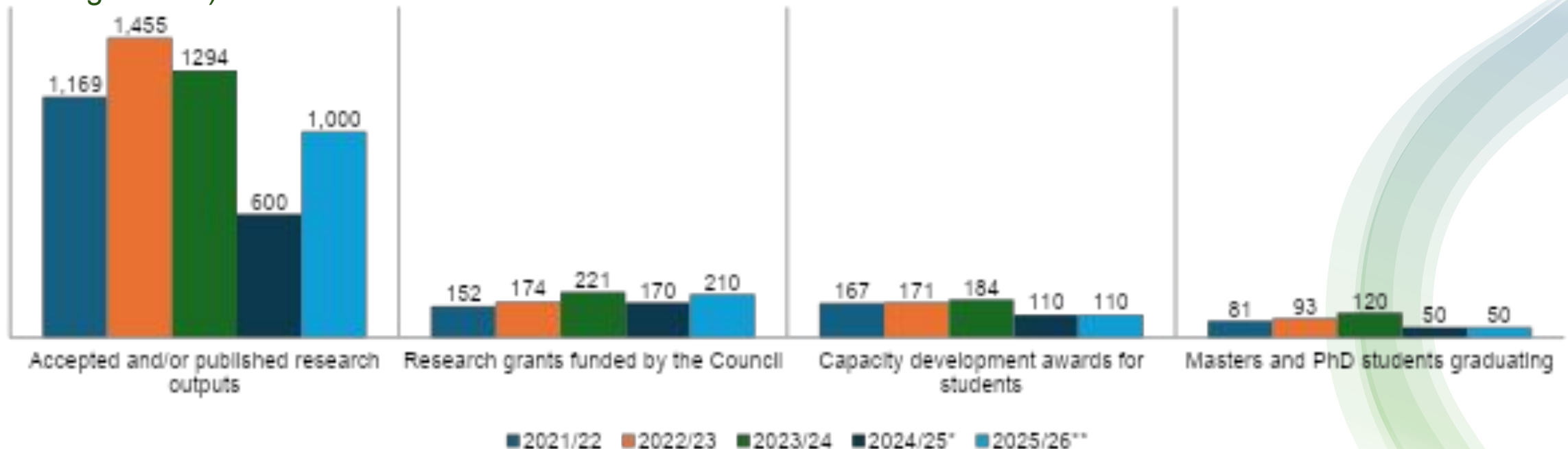
National Health Insurance



South African Medical Research Council



- The SAMRC is mandated in terms of the South African Medical Research Council Act (1991) to improve the health and quality of life through research, development and technology transfer.
- Performance data indicates that **research outputs** are expected to decline by approximately 46 per cent in the 2025/26 fiscal year compared to the previous year, which could significantly undermine the entity realising itscore functions and mandate.
- This is despite the entity seeing the largest increase in budgeted spending for the 2025/26 and 2026/27 fiscal years according to the previous analysis (deviation between projected allocations in the Budget 2024 and Budget 2025).





National Health Insurance



South Africa, aims to achieve Universal Health Coverage (UHC) which seeks to ensure that every member of the population has access to quality healthcare services without incurring financial hardship and has decided to use National Health Insurance (NHI) as a vehicle to achieve UHC.

- One of the main goals of NHI is to address the significant disparities in access to healthcare between different population groups in the country.
- NHI is aimed at ensuring that everyone has access to essential healthcare services, regardless of income level or geographical location.

NHI is aimed at ensuring that everyone has access to essential healthcare services, regardless of income level or geographical location.

NHI as a major reform within the health sector requires significant reforms, including:

- Investment in healthcare infrastructure (new or upgraded facilities)
- Human resources (recruitment and training of healthcare professionals), and
- Systems and technology (improved, integrated and updated health information systems)



National Health Insurance

- NHI will be implemented in three different phases using both direct and indirect conditional grants.

NHI conditional grant: The National Health Insurance Grant – to expand the healthcare service benefits through the strategic purchasing of services from healthcare providers.

Direct NHI component: Personal services – to expand access to healthcare service benefits through the strategic purchasing of primary health care services from healthcare providers. Priorities include Oncology, mental health, GP contracting, HR capitation and health professionals contracting.

Direct NHI component: Non-Personal services – to develop and roll out new health information systems, implement ideal clinic interventions and enable the health system to address the deficiencies in primary health care services systematically. Priorities include medical stock, health information systems, ideal clinic and Centralised Generic Medicine Dispensing and Distribution.

Direct NHI component: Health Facilities Revitalisation – to improve spending, performance as well as monitoring and evaluation on infrastructure in preparation for NHI, enhance the delivery of infrastructure for NHI accelerate the fulfilment of occupational health and safety requirements.

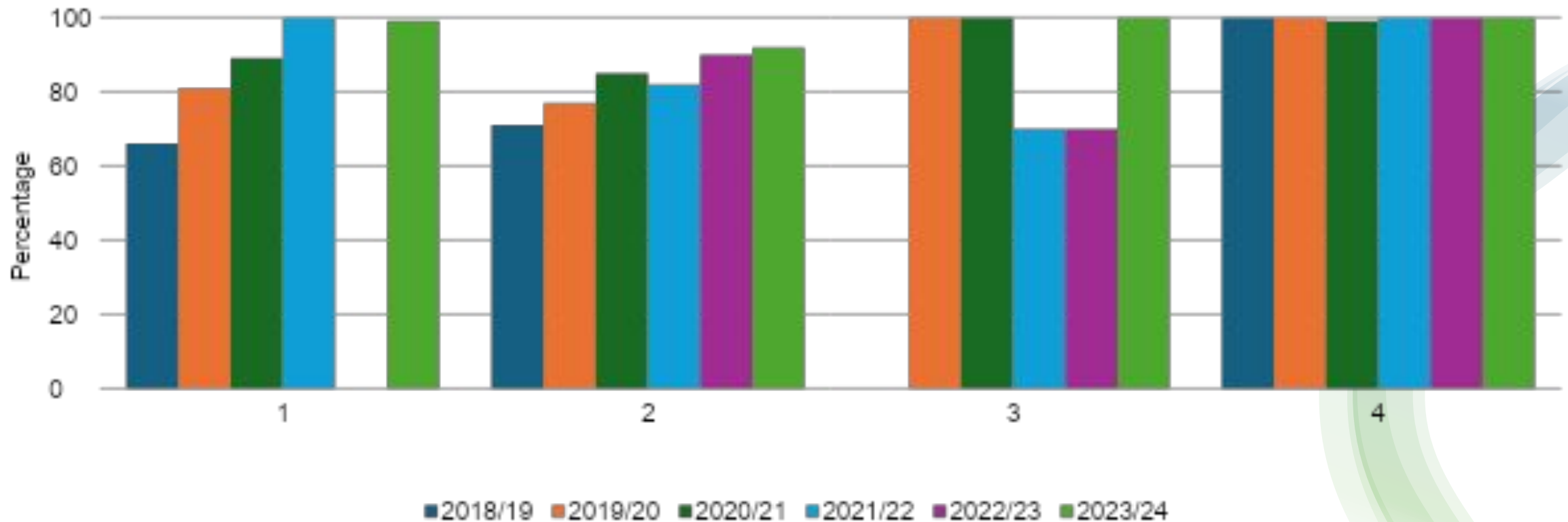


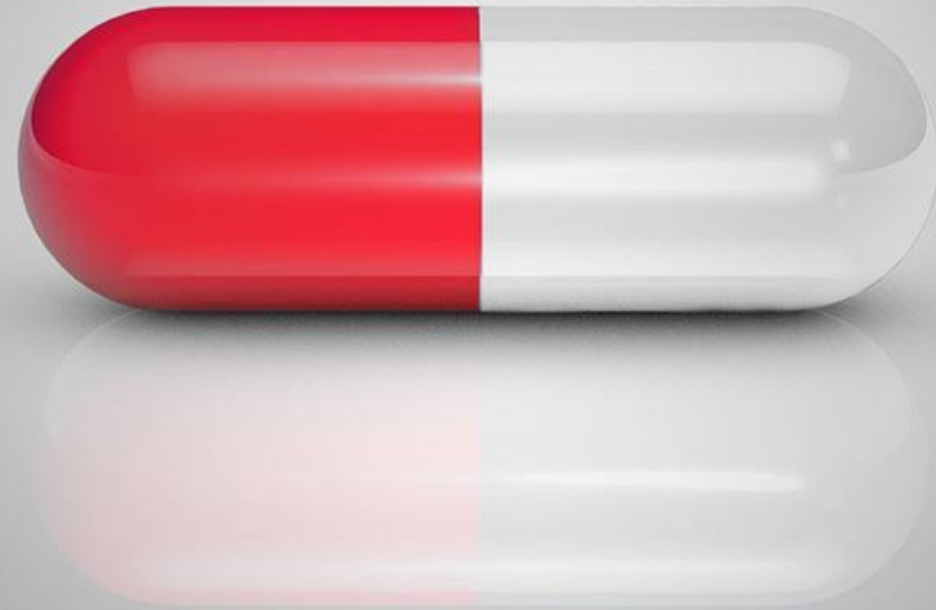


National Health Insurance



- Concerning expenditure performance, the direct NHI grant consistently performs better than the indirect components of NHI.
- The poor and inconsistent performance of indirect components of the NHI conditional grants may be seen, for example, in the Non-Personal component. While there have been some improvements, this grant remained at 92 per cent in 2023/24.





FFC Recommendations



Recommendations

- **With respect to Health Entities:**

- The Commission notes significant deviations in the budgeted allocations for some Health Entities which, without explanation, creates a degree of uncertainty which may undermine the credibility of the National Treasury's spending estimations and policy priorities over the medium-term outlook.
- The Commission therefore recommends that spending allocations be closely linked to the entity's performance outcomes. The Commission also recommends that budget allocations to entities be aligned with their core mandates as well as with the government's policy priorities, which should be made clear and transparent.
- Furthermore, the Commission notes the lack of data on performance outcomes in certain entities, such as the Health Products Regulatory Authority, and recommends that data collection and management be strengthened across all entities, as this is crucial for enhancing transparency and improving service delivery.



Recommendations



- **With respect to NHI:**

- The Commission is of the view that an integrated national information system of patient and doctor registries with real-time data will be necessary for operationalising the NHI, informing healthcare financing and provisioning decisions using a demand-based costing methodology.
- The Commission therefore reiterates the need for the development and implementation of a single, electronic system that includes live health record information, as recommended in its Submission for the Division of Revenue 2021/22 and 2025/26, and reiterated in the President's State of the Nation Address.
- The Commission also recommends that the National Treasury review the funding framework of the NHI and ensure that all funding allocated under the National Health Insurance Programme is for activities and infrastructure directly related to the programme.

- **With respect to improving efficiency in healthcare:**

- The Commission urges the Minister of Health to prioritise maintaining and improving the quality of healthcare in existing public hospital systems through reprioritisation of resources and funds to achieve allocative efficiency, as recommended in the Commission's Submission for the Division of Revenue 2025/26.
- The Commission further recommended that the Minister, together with the Provincial Departments of Health, strengthen accountability mechanisms in public hospitals and provide guidelines to improve management practices and enhance transparency.



Dr PN Mbava
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Financial and Fiscal Commission

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