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HFG SOUTH AFRICA

FINAL REPORT



USAID's Health Finance and Governance (HFG) project helps to improve health in developing countries by expanding people's access to health care. Led by Abt Associates, the project team works with partner countries to increase their domestic resources for health, manage those precious resources more effectively, and make wise purchasing decisions.



ABOUT THE HEALTH FINANCE AND GOVERNANCE PROJECT 2012-2018

The Health Finance and Governance (HFG) Project works to address some of the greatest challenges facing health systems today. Drawing on the latest research, the project implements strategies to help countries increase their domestic resources for health, manage those precious resources more effectively, and make wise purchasing decisions. The project also assists countries in developing robust governance systems to ensure that financial investments for health achieve their intended results.

With activities in more than 40 countries, HFG collaborates with health stakeholders to protect families from catastrophic health care costs, expand access to priority services – such as maternal and child health care – and ensure equitable population coverage through:

- Improving financing by mobilizing domestic resources, reducing financial barriers, expanding health insurance, and implementing provider payment systems;
- Enhancing governance for better health system management and greater accountability and transparency;

- Improving management and operations systems to advance the delivery and effectiveness of health care, for example, through mobile money and public financial management; and
- Advancing techniques to measure progress in health systems performance, especially around universal health coverage.

The HFG project (2012-2018) is funded by the U.S. Agency for International Development (USAID) and is led by Abt Associates in collaboration with Avenir Health, Broad Branch Associates, Development Alternatives Inc., the Johns Hopkins Bloomberg School of Public Health, Results for Development Institute, RTI International, and Training Resources Group, Inc.

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To learn more, visit www.hfgproject.org

BOLSTERING SOUTH AFRICA'S HIV AND TB RESPONSE, BUILDING A MORE EFFICIENT, EQUITABLE HEALTH SYSTEM



MAJOR CHALLENGES:



Sustainability of HIV and TB response



Passive oversight of public resources



Inequities in health care



Passive approach to purchasing primary health care services



RESULTS ACHIEVED:



Increased budgets for HIV and TB



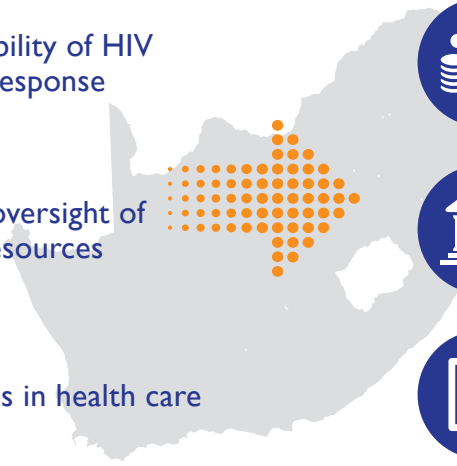
Improved technical capacity for program and financial management



Bill on national health insurance formulated and submitted to the Cabinet



Consensus and capacity built for new provider payment methods for primary health care



HFG OVERVIEW IN SOUTH AFRICA



CHALLENGES

South Africa is faced with the tremendous challenge of scaling up coverage of antiretroviral therapy (ART) from around 4 million to the country's more than 7 million people living with HIV (PLHIV), all while preparing for the eventual draw-down of donor funding for HIV. As home to the world's largest HIV epidemic, with prevalence estimated at 18 percent of the adult population (Statistics South Africa 2017), South Africa has mounted a wide-ranging response aimed at providing accessible, affordable care and treatment services that are primarily domestically funded. As of FY2017, the South African government was contributing 66 percent (Guthrie et al. 2018) of the country's total spending on HIV and TB (HIV-TB co-infection is over 50 percent). However, despite program scale-up in recent years, ART is estimated to cover only 56 percent of South Africa's 7 million PLHIV (UNAIDS 2018). The National Department of Health is committed to ending the epidemic by getting at least 90 percent of PLHIV on ART and achieving viral suppression for at least 90 percent of those on ART. These ambitious targets will require significant scale-up

of the HIV program, and as an upper middle-income country, South Africa cannot count on sustained, long-term donor funding.

The government has also been taking steps to make good on a 1997 political commitment to address severe inequities in health care, which mirror the country's income inequality (Gini coefficient of 0.69 in 2014, one of the highest in the world; The World Bank). Within South Africa's two-tiered health system, the public sector spends about half of the country's total health expenditure to serve 84 percent of the population, while the private sector consumes the same amount catering primarily to the 16 percent of South Africans covered by private insurance. Inefficiencies plague both sectors; for example, private hospital prices are on par with prices in countries with much higher GDP levels and labor costs, such as the United Kingdom and Germany (Lorenzoni and Roubal 2015). The government's proposed path to a more equitable and efficient health system is national health insurance, as promised in 1997.



CHANGE

In 2014, USAID asked HFG to assist South Africa in planning how HIV financing and service delivery could be integrated with the future national health insurance program, and how the expected improvements in efficiency and equity could be realized. At that time, South Africa had minimal experience with provider payment methods other than fee-for-service in the private sector and input-based line-item budgets in the public sector, and there was tension between the two sectors around the future of national health insurance. Already faced with a sluggish economy, the government also anticipated a transition away from donor HIV funding. Over 2015–2018, HFG provided the National Treasury and the National Department of Health with tailored, in-depth advice on national health insurance to expand and sustain the HIV response for years to come.

Our technical assistance to government partners in South Africa brought results in each focus area:

1. Resource mobilization for HIV and TB

- In 2015, the South African Cabinet approved an additional US\$150 million for HIV and TB programs over 2017–2019, in line with an HFG analysis based on the country's HIV and TB Investment Case (DOH and SANAC 2016).
- In 2018, the South African Country Coordinating Mechanism began using the latest HIV and TB expenditure review as an input to the funding request for 2019–2021, totaling US\$353 million. HFG led the expenditure review, conducting it with the National Department of Health and two South African research institutes.

2. HIV and TB program technical capacity to better steward public resources

- HFG led a series of trainings with the National Department of Health, the Center for Economic Governance and Accountability in Africa, and the Health Economics and Epidemiology Research Office to institutionalize expenditure analysis capacity, resulting in a tenfold increase in the number of South Africans trained to undertake this work. Further, these skills were transferred to provincial-level managers, leading to improved programmatic and financial management of the HIV, AIDS, and TB conditional grant.
- HFG participated in joint National Treasury-National Department of Health quarterly performance reviews of the HIV conditional grant, which accounts for 85 percent of the total domestic spending on HIV. HFG suggested more meaningful indicators to measure performance and address gaps in conditional grant reporting to improve transparency and accountability.

3. Development of national health insurance policy and architecture

- In December 2015, the National Department of Health published the draft White Paper on National Health Insurance. The Cabinet approved national health insurance policy in 2017, and in 2018, the National Department of Health submitted a bill to the Cabinet to launch the national health insurance scheme. Along this

timeline, HFG supported the National Treasury in reviewing policy documents and providing inputs to the National Department of Health as it crafted the bill. HFG laid out an interim structure for the national health insurance fund within the National Department of Health, proposed a functional structure for a future national health insurance fund or agency, and shared international experiences and practices regarding health care information technology investments.

4. Implementation of new provider payment methods to improve efficiency and service quality

- We coordinated four primary health care costing studies to help determine resource needs and pricing for capitation.
- Through presentations, workshops, and participation in working groups, we built local understanding of provider payment methods across the National Department of Health, the National Treasury, providers, and insurance schemes.
- Based on HFG's recommendations, the National Treasury and the National Department of Health agreed on a new conditional grant for national health insurance for FY 2018/19 to introduce a capitation-based performance contract model at the primary health care level.

“HFG’s support has been great. You contributed the evidence and facilitated the use of evidence in decision making well. It was very positively received by stakeholders.”

~ Dr. Anban Pillay, Deputy Director General, National Health Insurance, National Department of Health, South Africa



MAKING A DIFFERENCE



RESULT AREA I

Increased resources for HIV and TB

HFG worked closely with the National Treasury to increase domestic funding of the country's HIV response through better budget proposals.

When the National Treasury and the National Department of Health identified an opportunity to improve budget bids for HIV and TB, we helped them respond by using evidence from the HIV and TB Investment Case, which presents the cost of the most effective interventions. HFG worked closely with the National Treasury to compare the National Department of Health's bids against data from the Investment Case, and advised both departments on ways to strengthen submissions and prioritize investments. Informed by HFG's analysis, the National Treasury proposed increased allocations for HIV and TB to the South African Cabinet. These were approved in October 2015, despite limited fiscal space. As a result, the national government committed to increasing its budget for HIV and TB programs by more than 5 percent, adding:

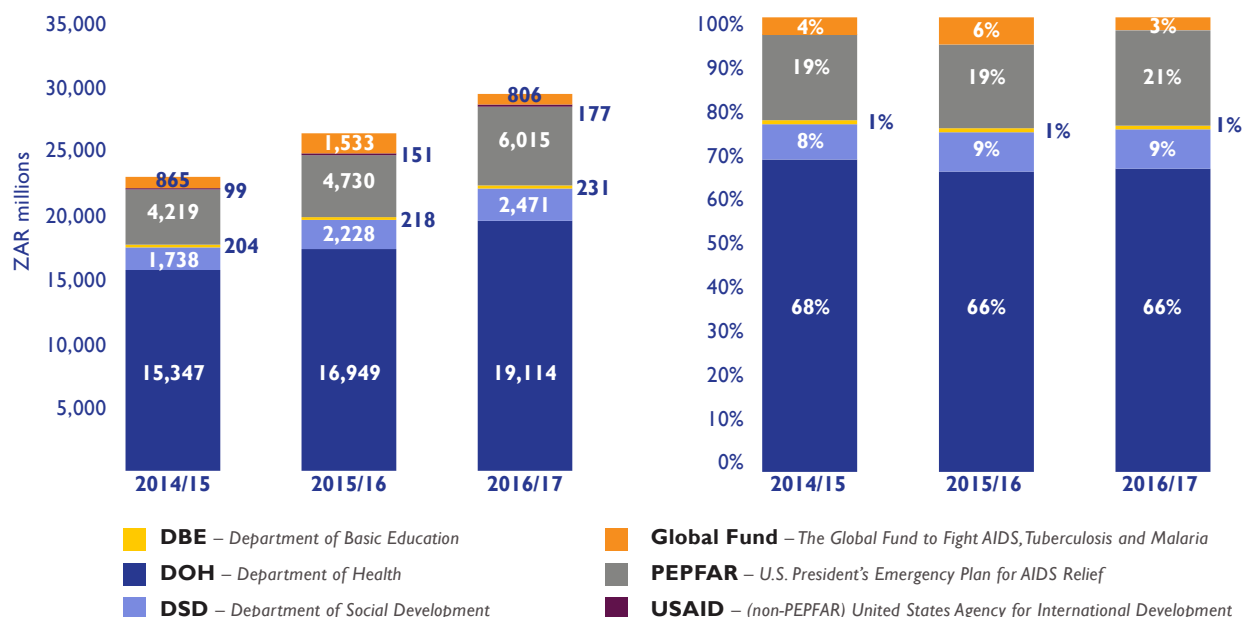
- **US\$80 million** (ZAR 1 billion) in **FY 2018/19** for continued expansion of the ART program

- **US\$1.6 million** (ZAR 20 million) in **2017/18** and **US\$6.3 million** (ZAR 80 million) in **2018/19** for scaling up HIV prevention efforts, including social and behavior change communication campaigns, condom procurement and distribution, demand creation for male medical circumcision, and outreach to sex workers and young women
- **US\$19 million** (ZAR 240 million) in **2017/18** and **US\$40 million** (ZAR 500 million) in **2018/19** for expanding TB interventions, including active case finding, improved diagnostics, and chemoprophylaxis for PLHIV and other high-risk groups

We also contributed to a review of South African government, U.S. Government, and Global Fund expenditures on HIV and TB (see Result 2), which is informing South Africa's latest funding request to the Global Fund. The South African Country Coordinating Mechanism is seeking US\$353 million in funding for the 2019–2021 period.

SOUTH AFRICAN GOVERNMENT DOMINATES THE FUNDING FOR HIV AND TB

Figure I: Total HIV and TB spending (ZAR millions) by source and year (left) and funder share (%) (right)





RESULT AREA 2

Enhanced technical capacity to steward HIV and TB resources

Strengthened technical capacity for oversight and accountability of the HIV, AIDS, and TB conditional grant

HFG supported a local consortium—led by officials from the National Department of Health, the Center for Economic Governance and Accountability in Africa, and the Health Economics and Epidemiology Research Office—to review HIV and TB expenditure for fiscal years 2014/15 through 2016/17. The analysis confirmed that the South African government continued to lead in scaled-up financing for HIV and TB responses and accounted for more than 80 percent of the treatment spending, while donors contributed nearly half the funding for prevention and investments in program enablers such as policy, advocacy, and health system strengthening interventions.

With HFG's support, the Center for Economic Governance and Accountability in Africa, a regional civil society organization focused on rights-based and developmental health financing in Africa, improved its ability to conduct expenditure analysis. The center has since been assisting all nine provincial departments of health in better reporting, and supporting the National Department of Health in reviews. The National Department of Health continues to use expenditure analysis when conducting quarterly reviews of the provinces' use of funds from the HIV, AIDS, and TB conditional grant.

Alongside the analysis, HFG supported the Health Economics and Epidemiology Research Office in developing BASLY, an Excel-based tool that greatly reduces the time and effort required for expenditure analysis by automating several key steps. BASLY searches provincial health department records for every HIV- and TB-related transaction, extracts them into a common database, consolidates the interventions and cost categories into a list of common codes, and runs high-level analysis on this dataset. In addition, the tool can analyze other expenditure data along with the provincial health department extract. Because the tool can be adapted to analyze other disease or program areas and to incorporate

donor expenditure data, its use can help officials monitor expenditures more routinely to support management decisions in real time.

Improved performance measurement of the HIV, AIDS, and TB conditional grant

The HIV, AIDS, and TB conditional grant represents 85 percent of the total domestic spending on HIV, so ensuring these funds are spent effectively is a key lever for domestic financing of HIV. HFG participated in joint National Treasury-National Department of Health quarterly performance reviews and suggested more meaningful indicators to measure performance and address problems with conditional grant reporting.

One major issue has been that South Africa's data on the number of patients on ART appears to be inaccurate and incomplete. For example, at the beginning of FY 2017/18, provincial departments of health reported that 3.8 million people were on ART. Over the year, provinces reported more than 730,000 newly diagnosed HIV patients, all of whom should have begun receiving ART. However, at the end of the year, the total number of patients on ART was only 4.1 million, 400,000 fewer than expected (likely due to losses to follow-up). Further, the national ART database does not include the 1 million patients on ART who are registered through South Africa's e-prescription system, nor does it include patients receiving treatment in the private sector. The databases for each of these groups are not integrated. To address this issue, we recommended that the National Department of Health consolidate data across the conditional grant reporting system, the e-prescription program, donor-funded NGOs, and private medical schemes to get a complete, accurate count of the number of people on ART.

Another problem is that the indicators in the conditional grant framework are in absolute numbers, instead of rates, and thus do not really measure performance. HFG recommended a revision of indicators. For example, for mother-to-child transmission, we recommended replacing the number of antenatal clients tested for HIV with the percentage of clients tested. In the TB realm, percentage-based indicators were introduced for

fiscal year 2018/19; the TB indicators include the percentage of TB clients started on treatment, the treatment success rate, the TB Rifampicin-resistant confirmed treatment start rate, and the TB multi-drug resistant treatment success rate. Although HIV

indicators are still based on absolute numbers, the introduction of the new TB indicators, prompted by HFG recommendations, has paved the way for a similar revision of the HIV indicators.

PROVIDING AN IN-DEPTH UNDERSTANDING OF WHO FUNDS SOUTH AFRICA'S HIV INTERVENTIONS

Figure 2: Total HIV spending by source and year (ZAR millions)

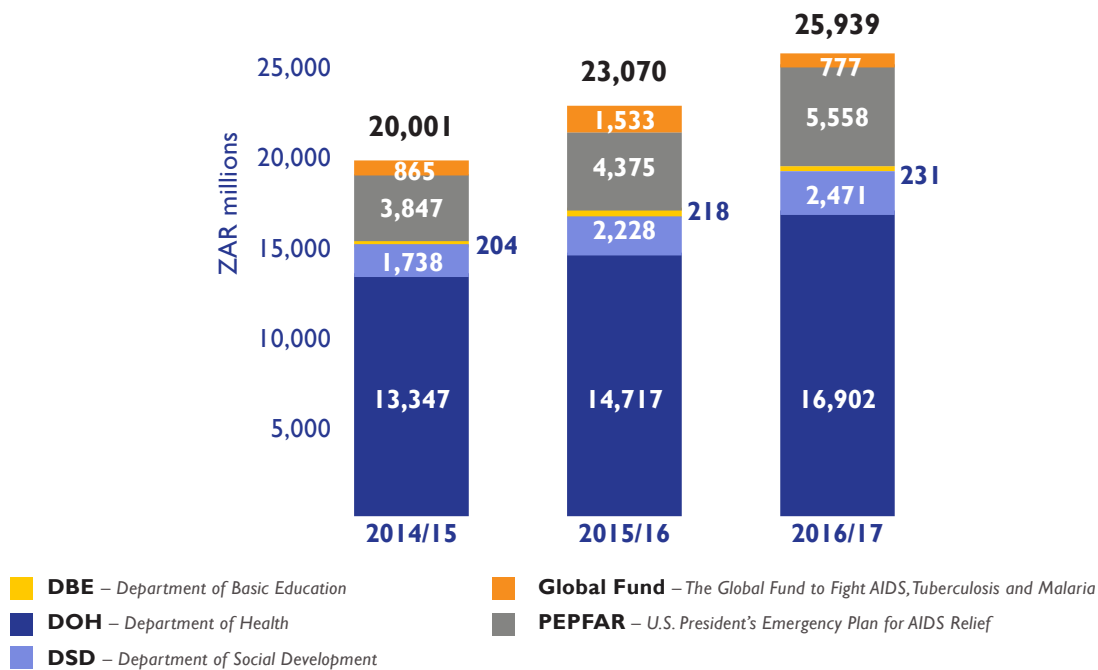
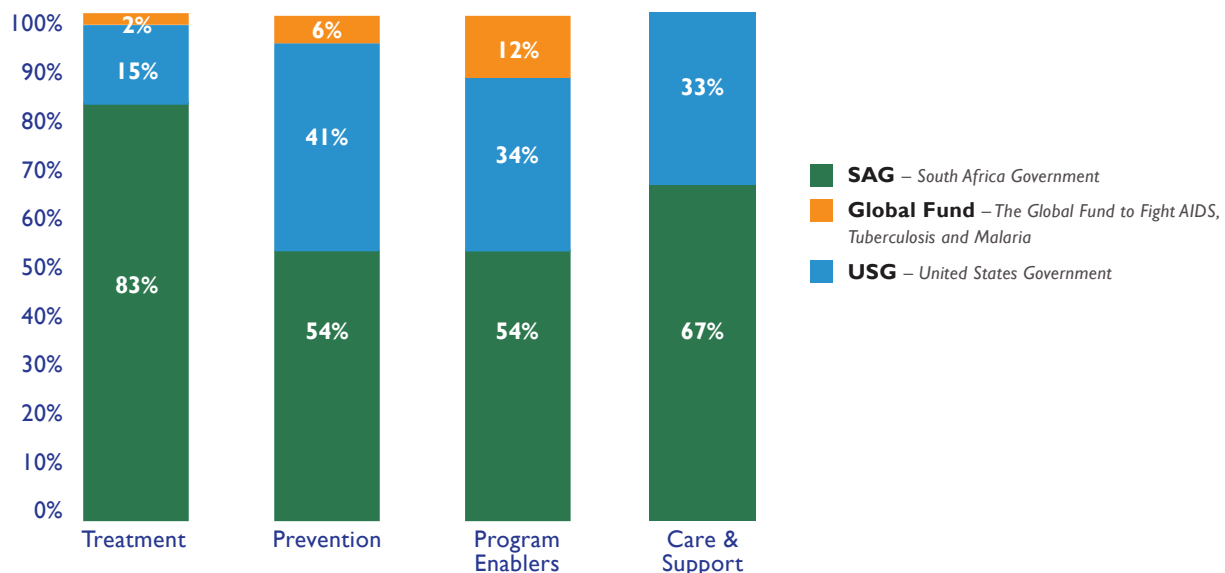


Figure 3: Relative contribution of funders to HIV interventions (2016/17, %)





RESULT AREA 3

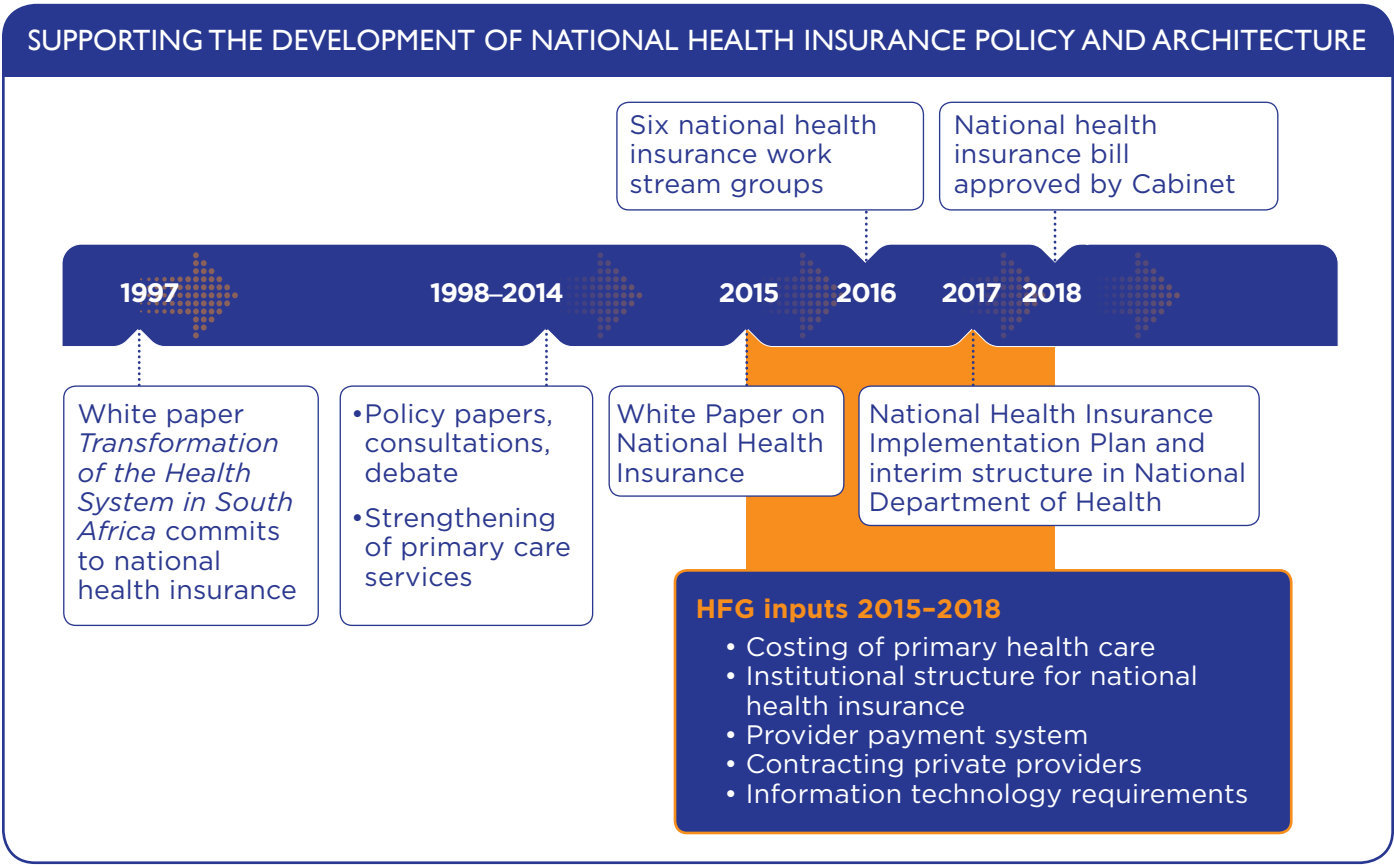
Significant progress on national health insurance design

After a decade of consultations and analyses, South Africa’s National Department of Health published, in December 2015, the draft White Paper on National Health Insurance and received more than 160 written comments from doctors, civil society organizations, academics, and insurance schemes. HFG assisted the National Treasury in analyzing the comments, and, since 2016, has provided international expertise to the National Treasury and the National Department of Health on the design and implementation of national health insurance, delivering numerous technical products to respond quickly as the local discussion evolved. Our contributions included:

- An organizational structure for a future national health insurance agency
- An interim national health insurance structure (within the National Department of Health) that was established in 2017
- Cost-effective options for a unique identifier for all insured persons to meet national and international standards for IT and privacy

- Recommendations for an Electronic Prescription Service (e-Prescription) for electronic prescribing and dispensing to increase patients’ access to the thousands of commercial pharmacies in the country and reduce the risk and cost of medication errors. With HFG’s support, South Africa built on its existing e-prescription system, the Centralised Chronic Medicines Dispensing and Distribution (CCMDD) system originally introduced with PEPFAR funding.
- Feedback on draft policies and bills to be submitted to the South African Cabinet

In 2017, the Cabinet approved the revised national health insurance policy (White Paper on National Health Insurance). In April 2018, the National Department of Health submitted to the Cabinet a bill to launch national health insurance; the bill was published in the government gazette for public comment in June 2018. Once enacted, the bill will provide the legal framework for enrolling all South Africans into the national health insurance system.



“I would like to express appreciation for the support given by HFG over the past two to three years, and on the capitation workshop over two days in July, including the first day with the government steering committee and second with 20–30 general practitioner leaders from across South Africa. We found the HFG team’s role very helpful, both in providing technical expertise and international experience from experts located in several countries with good learning lessons and administrative inputs for organizing the meeting. Thank you very much.”

~ Dr. Mark Blecher, Chief Director: Health and Social Development, National Treasury, South Africa



RESULT AREA 4

Progress on new provider payment methods to improve efficiency and quality

Strategic purchasing is a key pillar of South Africa’s health reform agenda, explicitly prioritized in the national health insurance White Paper and draft bill. Since 2016, HFG has supported activities to prepare the National Treasury and the National Department of Health for a transition from passive to more strategic approaches to purchasing primary health care services, including for HIV. Our contributions included:

- Facilitating and providing expert advice to the National Treasury-National Department of Health Primary Health Care Costing Task Team in conducting four costing studies and a synthesis analysis to inform the design of a capitation financing model. Our analysis highlighted wide variation in unit costs related to a range of factors, including different clinical practices, variable productivity, and disparities in input costs across settings and between the public and private sectors.
- Recommending that the national health insurance conditional grant include new components for implementation of a performance-based capitation payment model for primary health care. Funds were allocated in FY 2018/19 for capitation, national health insurance priority areas, and related information system investments.
- Building understanding of provider payment methods and catalyzing a domestic policy process to experiment with contracting out primary health care service delivery to private general practitioners. HFG facilitated two workshops for the National Department of Health-National Treasury steering group on performance-based capitation payment for primary health care. Results included endorsement of the policy direction by general practitioners who were consulted during the workshops and clear next steps to pilot the new payment method.

LOOKING FORWARD



SUSTAINABILITY

Since it began in 2015, the HFG program in South Africa has been country-led and designed to sustain the government's progress toward 90-90-90 goals and establish a more equitable and efficient health system through national health insurance. The National Treasury and the National Department of Health now have in place a national health insurance policy and a draft bill that provide a legal framework for implementing national health insurance. The National Department of Health's conditional grants for national health insurance and coordination mechanisms, such as the steering group on provider payments, will sustain the efforts to develop the operational aspects of the insurance scheme. The National Department of Health and other stakeholders gained a new source of international technical assistance when South Africa joined the Joint Learning Network for Universal Health Coverage (JLN). The JLN gives South African stakeholders access to a global network of government peers and experts who can provide advice on the design and implementation of various aspects of national health insurance. The National Treasury has already engaged the JLN for the primary health care payment model

design workshop. The USAID Mission will transition HFG's health insurance expert advisor to another implementing partner to continue technical assistance to the National Treasury and the National Department of Health.

Due to HFG's support, accurate data on HIV and TB expenditures is now available, a contribution that is greatly valued by South Africa's National Department of Health, provincial health authorities, the South African National AIDS Council, USAID, the Global Fund, and UNAIDS. To sustain production and use of this data, we built the skills of the National Department of Health and the Center for Economic Governance and Accountability in Africa to conduct improved routine expenditure analysis and interrogate spending patterns alongside indicators of program performance. We have greatly facilitated data collection and routine analysis through our collaboration with the Health Economics and Epidemiological Research Office to develop BASLY. This new Excel-based tool expedites several key steps of HIV and TB expenditure analysis, and will help the National Department of Health analyze spending much faster than previously possible, saving time, effort, and resources.



LESSONS LEARNED

- **Effectively supporting major health reforms requires flexibility, teamwork, and the ability to mobilize diverse expertise.** The national health insurance agenda required advice on a range of policy, financing, governance, and implementation issues that no individual or single organization could provide. In addition to HFG, the National Department of Health and the National Treasury consulted the World Health Organization, other U.S. Government-funded implementing partners, other international experts (such as the Center for Global Development), local academic institutions, and local interest groups. The HFG team embraced and encouraged this approach and ensured that the project's inputs complemented and built upon the inputs of others.
- **Reinforcement of key principles and options leads to political dialogue and consensus building.** Rather than making narrow recommendations on national health insurance, we supported ways of thinking about issues, rooted in principles and lessons from other countries' experiences. HFG also supported all opportunities to engage a wide range of stakeholders. For example, we contributed to several of the national health insurance work stream groups established by the National Department of Health. Diversity of stakeholders in the groups helped build consensus on many (if not all) issues, and this was reflected in the policy approved by the Cabinet. These practices continue to shape the National Treasury's and the National Department of Health's approaches to policy design and implementation.

- **Policy design benefits from multiple perspectives.** We brought in experience from multiple countries across a range of national health insurance components, including organizational structure, ways to pay providers, benefit package design, information systems, and the role of the private sector. The National Department of Health itself sought to learn from Brazil, Croatia, South Korea, Japan, and the United Kingdom through invited speakers, visits, and materials.
- **Applying international experience requires deep understanding of country context.** Our familiarity with the evolution of the South African health system, intensive relationship building with key actors, and the ability to spend a lot of time in the country (despite not having a country office) ensured that our analysis and advice were rooted in the country's needs and sensitive to practical constraints. In doing this, the HFG team steered clear of simplistic solutions.
- **Investing in existing pockets of excellence can catalyze transition and ensure sustainability.** HFG's partnerships with leading government units and cutting-edge research organizations embedded capacity and experience in domestic institutions and prepared them to play critical analytical and stewardship roles in the face of decreasing external support.



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