

#### **CABRI Policy Dialogue**

Supporting the equity and adequacy of facility budget allocations in South Africa

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### Introduction

- The South African public health sector receives funding from Provincial Equitable Share (75%) and Conditional Grants (25%) (primarily disease specific, specialized services, training and infrastructure related).
- Facilities can generate their own revenue.
- Health budget allocations are primarily been based on historic costs, plus an inflator.
- Budget is allocated to maintain the current service platform and its support structure.
- Facility budgets are determined at a provincial level.



# Provincial Equitable Share (PES)



#### **Provincial Equitable Share**

South African Constitution

- Requires that an equitable share of nationally raised revenues be allocated to provinces
- To enable provinces to perform their allocated functions

- Provincial Equitable Share (PES) formula
- Comprises six
  components: health,
  education, basic,
  poverty, institutional,
  and economic activity
- These components are indicative of government priorities

2010 review of the PES formula

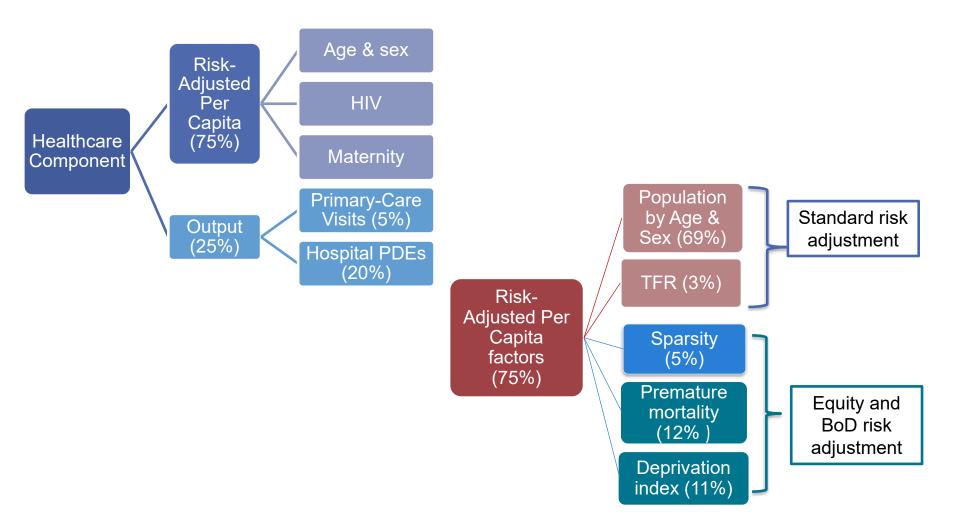
- The health component was updated to use a risk-adjusted capitation index and output data from public facilities to estimate each province's share of the health component
- The risk-adjusted capitation component accounts for the estimated health care needs of each province
- The output component accounts for the realised demand for health services
- The risk-adjusted index subcomponent accounts for 75% of the total health component, whereas the output subcomponent accounts for 25%.

2020 review of the PES formula

- To assess whether the risk-adjustment factors continue to be suitable
- And whether any additional factors should be added and to inform the relative weightings between the factors
- Output subcomponent
  not reviewed



### PES architecture 2010 to 2020

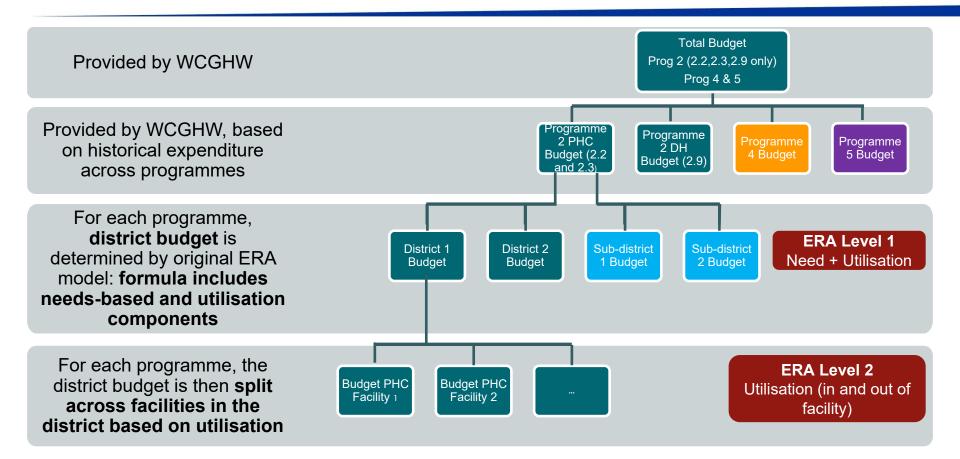




# Equity Resource Allocation (ERA) – WCDHW



### **ERA Model structure**



- PES is at a provincial level, while ERA goes down to district, sub district and facility level
- ERA starts to delink budget allocation from historical cost expenditure trends



## **ERA Needs and Utilisation Weighting**

#### Weightings: ERA Level 1

Final allocation				
Component	РНС	DH	RH	СН&ТН
Needs-based component	94%	79%	79%	0%
Utilisation component (demand)	6%	21%	21%	100%
Total	100%	100%	100%	100%

Needs-based component				
Component	РНС	DH	RH	СН&ТН
Age and Sex	72%	72%	72%	0%
HIV	0%	0%	0%	0%
Multiple Deprivation	11%	11%	11%	0%
Sparsity	5%	5%	5%	0%
Premature Mortality	12%	12%	12%	0%
Trauma and Violence	0%	0%	0%	0%
Placeholder Factor	0%	0%	0%	0%
Total	100%	100%	100%	0%

Utilisation component				
Component	РНС	DH	RH	СН&ТН
SVU	100%	100%	100%	100%
Case mix (DRGs)	0%	0%	0%	0%
Total	100%	100%	100%	100%

#### Weightings: ERA Level 2

Final allocation				
Component	РНС	DH	RH	СН&ТН
SVU	100%	50%	50%	50%
Hospital Beds	n/a	50%	50%	50%
Clinic Size Proxy	0%	n/a	n/a	n/a
Placeholder Factor	0%	0%	0%	0%
Total	100%	100%	100%	100%



## Thank you

