

**Preliminary analysis of plans and budgets pertaining to Antiretroviral Treatment the Free State Department of Health.**

**16 February 2009**

On 29 January 2009 the Aids Law Project (ALP) requested that the Public Service Accountability Monitor<sup>1</sup> undertake a budget analysis of the Free State Health Department's spending on HIV/AIDS treatment. The ALP had been informed by various stakeholders that a moratorium had been placed on the provision of certain health services by the Free State Health Department (the Department).

The Department confirmed in a media release on 14 November 2008 that it had issued a moratorium on new patients receiving treatment which indicated *inter alia* as follows:

“Due to our current financial pressure, the entry of new patients into the program has been delayed since the beginning of November”<sup>2</sup>

The PSAM has considered the following documents in preparing this preliminary analysis<sup>3</sup>:

- 1) Free State Health Department Annual Performance Plan 2008/09 – 2010/11 (APP);
- 2) Free State Health Department Annual Report 2006/07;
- 3) Free State Health Department Annual Report 2007/08;
- 4) National Treasury's Second Quarter Results for the Free State Province for the 2008/09 financial year (unaudited);
- 5) Media Release: Statement by the Head of the Free State Health Department, Professor Pax Ramela on the challenges of the ART Program, 14 November 2008.
- 6) Media Release: Induction of new patients on the ARV Program in the Free State. Department of Health, Free State Province, 11 February 2009.

The following documents remain outstanding and have been requested:

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<sup>1</sup> A programme of the Centre for Social Accountability which is affiliated to Rhodes University.

<sup>2</sup> Media Release from Free State Health Department dated 14 November 2008 entitled: Statement by the Head of the Free State Health Department, Professor Pax Ramela on the challenges of the ART Program.

<sup>3</sup> In producing this analysis, the PSAM wishes to acknowledge the support of the *Center on Budget and Policy Priorities (CBPP)* who have provided support via a grant from the *International Budget Partnership* of the CBPP.

- a) HIV/Aids Business Plans for the Free State Health Department for 2007/08 and 2008/09;
- b) Free State Health Department Annual Performance Plan 2006/07 to 2008/09.
- c) A range of quarterly reports produced by the University of Free State, University of Cape Town and the Medical Research Council entitled: *Implementation of the Comprehensive Care, Management and Treatment of HIV and AIDS Programme*

These documents are vital in order to undertake more in depth research.

## 1. What are the treatment targets?

According to various source documents, the patient treatment targets for ART are as follows:

### Patients registered for ART compared to target

**Table 1:**

| 2006/07 actual vs target      | 2007/08 actual vs target                   | 2008/09 (target)    | 2009/10 (target)    |
|-------------------------------|--|---------------------|---------------------|
| 36 481 <sup>4</sup> vs 11 000 | 22 389 <sup>5</sup> vs 15 900 <sup>6</sup> | 28 000 <sup>7</sup> | 34 000 <sup>8</sup> |

It is apparent from this Table that the reported actual number of patients on ART during 2006/07 and 2007/08 far exceeded the targets. This explains in part why the Department has experienced funding constraints which have resulted in patients not receiving treatment despite qualifying.

There has also been a marked reduction in the number of patients on ART between 2006/07 and 2007/08, with patients dropping from 36 481<sup>9</sup> to 22 839. This reduction is not explained further in the Department's Annual Report for 2007/08.

It appears highly likely that the reported number of patients on ART during 2006/07 (36 481) is grossly inaccurate in that it is contradicted by the total which is contained in the Free State Health Department's Annual Performance Plan for 2007/08 – 2009/10 which lists 4928 patients as receiving ART as at the end of 2006/07.<sup>10</sup> This figure appears more accurate when recourse is had to the October 2008 statistics produced by the Health Information Epidemiology, Evaluation and Research Cluster of the National

<sup>4</sup> Free State Health Department Annual Report for 2006/07, p.37. This figure needs to be compared against the figure provided in Free State Health Department Annual Performance Plan 2007/08 – 2009/10, at p.99 which cites a significantly reduced figure of 4928 patients.

<sup>5</sup> Free State Health Department Annual Report for 2007/08, p. 75. This figure needs to be compared against the figure provided in Free State Health Department Annual Performance Plan 2008/09 – 2010/11, at p.90 which is 17891 (for the 2007 Calendar year

<sup>6</sup> Free State Health Department Annual Performance Plan 2008/09 – 2010/11, p. 99

<sup>7</sup> Free State Health Department Annual Performance Plan 2008/09 – 2010/11, p. 99.

<sup>8</sup> Ibid

<sup>9</sup> Free State Health Department Annual Report for 2006/07, p.37

<sup>10</sup> Free State Health Department Annual Performance Plan 2007/08 – 2009/10, at p.99.

Health Department which maintain that as at February 2007, 3812 patients in Free State were on the Comprehensive HIV and AIDS Treatment Plan.<sup>11</sup>

If the conservative number (4928) of patients on ART is used, then it is apparent that there was a massive increase in patient numbers during 2007/08 which appear to be accurate and substantiated by various sources of information and data.<sup>12</sup>

The following remarks by the Accounting Officer reveal to some extent the constraints faced by the Department during 2007/08 which had an adverse effect on the standard and reach of health care:

The Department was for the past few years faced with an increased demand for its services on the one hand and insufficient resources to provide these resources on the other hand.

This is mainly due to increased burden of disease caused mainly by the HIV, TB and AIDS scourge. This results in increased utilisation of our facilities, mainly through increased numbers and the admission of more severe cases. Despite this, we have been cautious as a department and have tried to limit the over-expenditure that would normally accompany such demand increases.

This has caused us to ration and prioritise the cases that are managed at our hospitals and clinics. This has the natural consequences of under-serving the population resulting in backlogs of specific service areas. In all these approaches, we have however tried not to compromise the quality of the services that we render at our facilities.

The department is facing this increased demand for services, with an accompanying substantial personnel shortage. This is mainly due to underproduction and migration of skilled personnel to other provinces, countries and the private sector. This has encouraged us to double our efforts to train, recruit and retain these scarce professionals.

There is also a maintenance and equipment backlog that accumulated over the years that the department is faced with and is attempting to address with limited resource. Additional funding in this respect is essential to maintain the quality of services and to retain personnel.<sup>13</sup>

The disjuncture between targets and the need for ART appears to have been overlooked given the following remarks by the Department contained in its 2007/08 Annual Report regarding the availability of ARVs at ART sites in the Province:

There is a difference between an Assessment ARVs site and a Treatment ARVs site. ARVs are kept at the Treatment sites and supplied to the Assessment sites per patient per order. **All the Treatment sites in the province are adequately stocked with ARVs at all times.** This is made possible by the fact that they are encouraged to keep a 3 months buffer stock of ARVs. There are pharmacists at the Treatment sites who monitor the stock levels on a continuous basis and order whenever necessary.

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<sup>11</sup> October 2008 statistics produced by the Health Information Epidemiology, Evaluation and Research Cluster of the National Health Department which were circulated to DGs, DDGs and Cluster Managers on 15 December 2008.

<sup>12</sup> The 2007/08 actual total of 22389 (reported in the Department's 07/08 Annual Report) are far closer to the patient treatment numbers listed in the October 2008 statistics produced by the Health Information Epidemiology, Evaluation and Research Cluster of the National Health Department.

<sup>13</sup> Free State Health Department Annual Report for 2007/08, pp. 163- 164.

The stock at the Medical Depot and at the Central Dispensing Pharmacy is kept at appropriate levels by the pharmacists working there. They may experience problems in replenishing due to supplier challenges, but this is rare. The Chief Pharmacist employed in the ART program facilitates the smooth running of the ARVs demand and supply chain throughout the province.

Except for the already dispensed ARVs, no ARVs stock is kept at Assessment sites as they are not accredited to do so. This is what probably happened at the **Winnie Mandela Clinic** (J-clinic at Botshabelo), an assessment site, where a shortage was apparently experienced. This problem has since been resolved.<sup>14</sup>

It is clear that the ART targets set by the Department for 2006/07, 2007/08 and 2008/09 are inaccurate and have contributed to the current funding constraints.

## 2. What are the budgets?

As already indicated, there is a significant disjuncture between ART targets set by the Department and the reported number of patients actually receiving ART.<sup>15</sup> Let us consider the budgets and expenditure mindful of these disjunctures.

### Comprehensive HIV and Aids Conditional Grant

Table 2:

| 2006/07 Budget vs Actual Exp  | 2007/08 Budget vs Actual Exp | 2008/09 Budget      | 2009/10             |
|-------------------------------|------------------------------|---------------------|---------------------|
| R142m vs R142m. <sup>16</sup> | R153m vs R153m <sup>17</sup> | R189m <sup>18</sup> | R222m <sup>19</sup> |

The Department maintains that for 2008/09 it requested R252 million<sup>20</sup> from the National Health Department and National Treasury in order to provide treatment to 27000<sup>21</sup> patients by year-end but only received R189 million (a shortfall of R63 million on their requested budget). This explanation will require further investigation. The National Department's should be asked on what bases they refused to consider the budget requested as this will shed more light on the issue.

The Department has also indicated that by the end of September 2008, they had 29 291 patients on ART<sup>22</sup> which means that if the moratorium is lifted before year-end they

<sup>14</sup> Free State Health Department Annual Report for 2007/08, p. 173.

<sup>15</sup> Not to mention the number of patients awaiting ART.

<sup>16</sup> Free State Health Department Annual Report for 2006/07, p. 176.

<sup>17</sup> Free State Health Department Annual Report for 2007/08, p. 235.

<sup>18</sup> 2008/09 Appropriation Bill for Free State and 08/09 APP at p.100. As at 30 September 2008 (ie the end of the second quarter of 2008/09, the FS DoH had spent approximately R90m or 47.9% of the conditional grant whereas 6 other provinces had spent in excess of 50% of the same grant: see Statement of Receipts and Payments for the 2<sup>nd</sup> Quarter Ended 30 September 2008 Free State Province, National Treasury; see also 2008/09 Financial Year Mid-Term Provincial Budget Report dated 10 November 2008, National Treasury.

<sup>19</sup> Free State Health Department Annual Performance Plan 2008/09 – 2010/11, p. 100.

<sup>20</sup> Statement by the Head of the Free State Health Department, Professor Pax Ramela on the challenges of the ART Program, 14 November 2008.

<sup>21</sup> 1000 patients less than the target listed in the 2008/09 – 2010/11 APP at p.99.

<sup>22</sup> Statement by the Head of the Free State Health Department, Professor Pax Ramela on the challenges of the ART Program, 14 November 2008.

would have easily exceeded the 2008/09 ART target. An Adjustments Appropriation Act was gazetted in December 2008 however the Department did not receive any additional funding from National Treasury<sup>23</sup> unlike Health Departments in Kwazulu-Natal, Mpumalanga, Northwest and Gauteng.

An assessment of the MTEF increases to the HIV & AIDS Conditional Grant over the period, taking into account the effects of inflation reveal the following:

Table 3:

| <b>06/07 Budget</b> | <b>07/08 Budget</b> | <b>Nominal vs Real Increase</b> | <b>08/09 Budget</b> | <b>Nominal vs Real Increase</b> | <b>09/10</b> | <b>Nominal vs Real Increase</b> |
|---------------------|---------------------|---------------------------------|---------------------|---------------------------------|--------------|---------------------------------|
| R142                | R153m               | 8% vs 0.56% <sup>24</sup>       | R189m               | 23.4% vs 16.4%                  | R222m        | 17.1% vs 11.7%                  |

Poor planning and budgeting is apparent when consideration is given to the above tables in that:

- a) While the ART targets increased by 44.5% between 06/07 and 07/08 (from 11000 to 15900 patients<sup>25</sup>) the conditional grant allocation only increased nominally by 8% and when inflation is taken into account the increase is only 0.56%.
- b) While the Department planned to treat 11000 patients in 2006/07 it reported that it had treated 36481 patients which is approximately 231% more than was originally planned.<sup>26</sup> The effects that this huge influx of patients had on the 06/07 budget must have been unprecedented and has clearly adversely affected the Department's ability to provide adequate levels of health care.
- c) While the Department planned to treat 15900 patients in 2007/08 it reported that it had treated 22389 patients which is approximately 47% more than was originally planned and this was to be achieved with only an 8% nominal increase in its budget when compared with the previous years grant.
- d) While the ART target increased by 76% from the 15900 patients in 2007/08 to 28000 patients in 2008/09<sup>27</sup> the grant only increased by 23.42% nominally and by 16.42% when inflation is taken into account.

<sup>23</sup> Notice No.1359 of Government Gazette 31708 dated 18 December 2008.

<sup>24</sup> Projections for real change in allocations between financial years are based on inflation rates and projections as of March 2008. This means that changes between 2007/08, and 2008/09 are based on estimates and do not take into account significant changes in inflation over the last year where inflation has been closer to 11% and not the 6.2% used in these calculations. The figures for real change between 2007/08 and 2008/09 are therefore conservative estimates. Similarly inflation may be higher or lower than the 4.85% projection used in calculations for the change between 2008/09 and 2010/11. This means that the real change between these two years could be marginally higher or lower than the figure provided.

<sup>25</sup> See Table 1 above.

<sup>26</sup> Please note however the observations made at page 2 above regarding the questionable accuracy of the figure quoted of 36 481 patients.

<sup>27</sup> See Table 1 above.

These percentages ignore the fact that according to the Department, the 2008/09 target had already been exceeded as at the end of September 2008.<sup>28</sup>

- e) While the ART target will be increased by approximately 21% from 28000 patients (in 2008/09) to 34000 patients in 2009/10, the grant is only projected to increase nominally by 17.1% and by 11.7% when inflation is taken into account.

The inadequacy of these budgetary increases become even more apparent if consideration is given to what the HIV and Aids budget is actually used for. It should be understood that included in the provision of ART to targeted patients is an increase in the number of patients receiving counseling, testing (including regular CD4 counts) and treatment (including ARVs, Prevention of Mother to Child Transmission, Post-Exposure Prophylaxis and Home Based Care). An increase in the number of people accessing these services then also requires the expansion of infrastructure (including certification of sites to provide ARVs) and human resources (especially nurses and pharmacists) to accommodate greater demand.

This preliminary analysis of targets, expenditure and budgets relating to the treatment of HIV/AIDS patients reveals significant areas of concern, alongside deficiencies and disjuncture between what was planned, allocated and utilized and what the current demands are for treatment within the Free State.<sup>29</sup> Taken together, these factors have adversely affected levels of health care access in the province.

It is concerning to note that a number of challenges which have been experienced and which continue could have been foreseen/predicted sometime back if the targets, budgets and expenditure trends had been rigorously assessed. The failure to undertake such a forecasting exercise has meant that the matter has reached a crisis stage despite an abundance of material pointing towards the problem surfacing sooner rather than later.<sup>30</sup>

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<sup>28</sup> Statement by the Head of the Free State Health Department, Professor Pax Ramela on the challenges of the ART Program, 14 November 2008.

<sup>29</sup> Certain source documents remain unavailable. Receipt of these documents will enable the PSAM to interrogate this matter further.

<sup>30</sup> It may be that the Free State Health Department embarked upon such a forecasting exercise in which event it would be necessary for Treasury and National Health Department to explain what steps were taken to counter this ever increasing problem.