



# SAVINGS@WORK



## GOVERNMENT SPENDING REVIEWS CONFERENCE

Topic: Why are the Medical  
Legal Claims against the state  
on the rise?

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# Introduction

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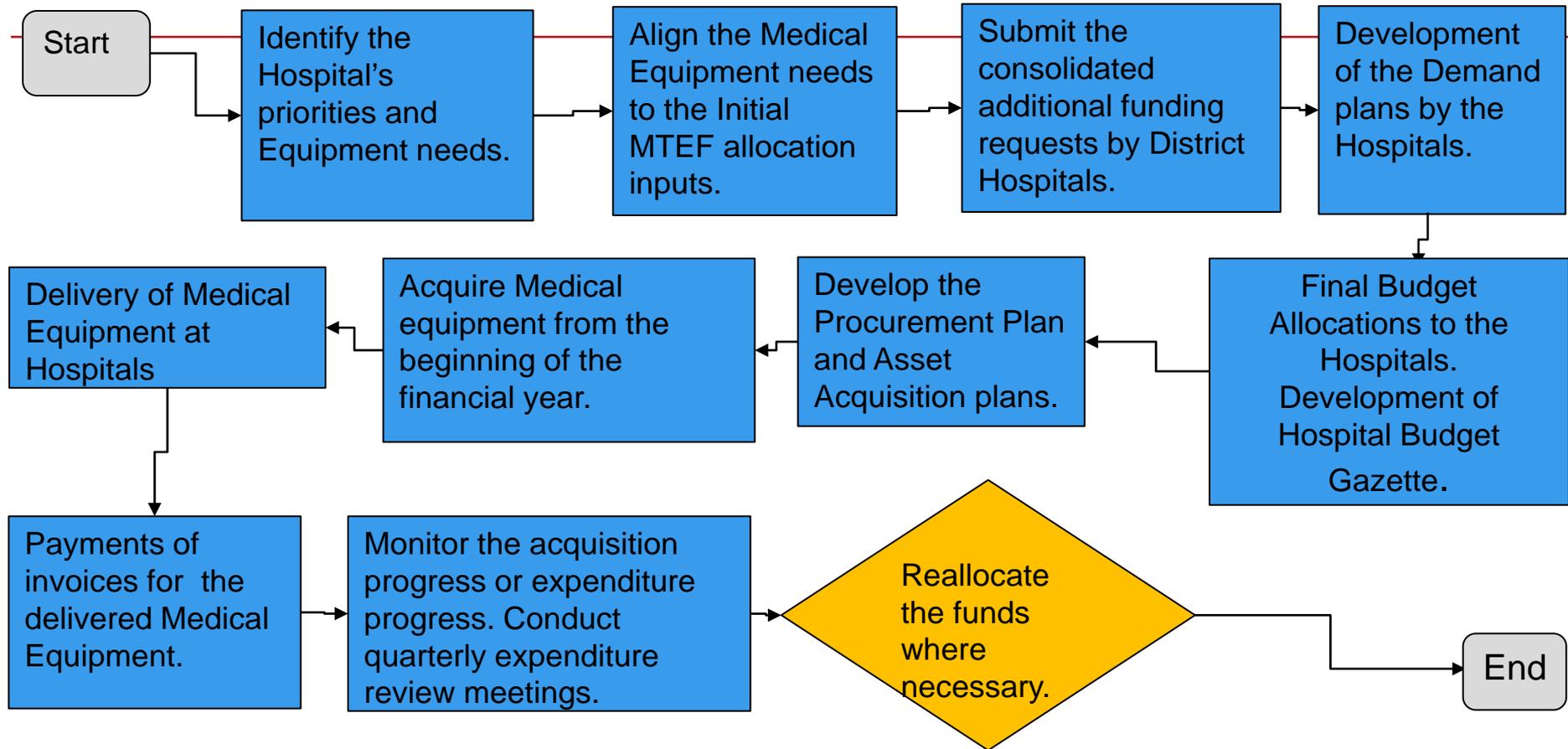
- This Performance Expenditure Review(PER) of the District Hospitals from 2015/16 to 2018/19 focuses on, why are the medical legal claims against the Free State Department of Health increasing?
  - Does the department budget adequately for medical equipment and other items at district hospitals?
- The review revealed that there are a number of contributing factors to the worsening/medical legal claims problem. Which include:
  - Shrinking equitable share allocation received from Treasury.
  - Increasing compensation of employees costs, which crowd out other items.
  - Failure to generally budget equitably within the department.
  - Failure to fill critical health professionals' posts.
  - Failure to allocate budget for the essential equipment and slow or non-procurement of medical equipment.

# Findings: Institutional analysis

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- The Bill of Rights in Section 27 of the **Constitution of the Republic of South Africa of 1996**
- The **National health act (2003)** provides a framework for a structured uniform health system within the Republic.
- Health Professions act (1974)
- SA Health Products Regulatory Authority
- Norms and Standards for the District hospitals (2002)

# Findings: Programme delivery and performance



# Findings: Programme delivery and performance

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- The following failures to comply to the above process have contributed to the increasing medical claims and other problems:
  - Non submission of MTEF inputs or submission of poor quality inputs.
  - Additional funding requests are not submitted or they are not adequately costed and motivated.
  - Non submission of demand plans and non-compliance to supply chain management processes like, the compilation of asset acquisition plans and procurement process etc.
  - Rising compensation of employees costs, which crowd out the purchasing of other goods and services' items.
  - Lack of proper functioning Financial Control Committees at district hospitals.

# Findings: Expenditure Analysis

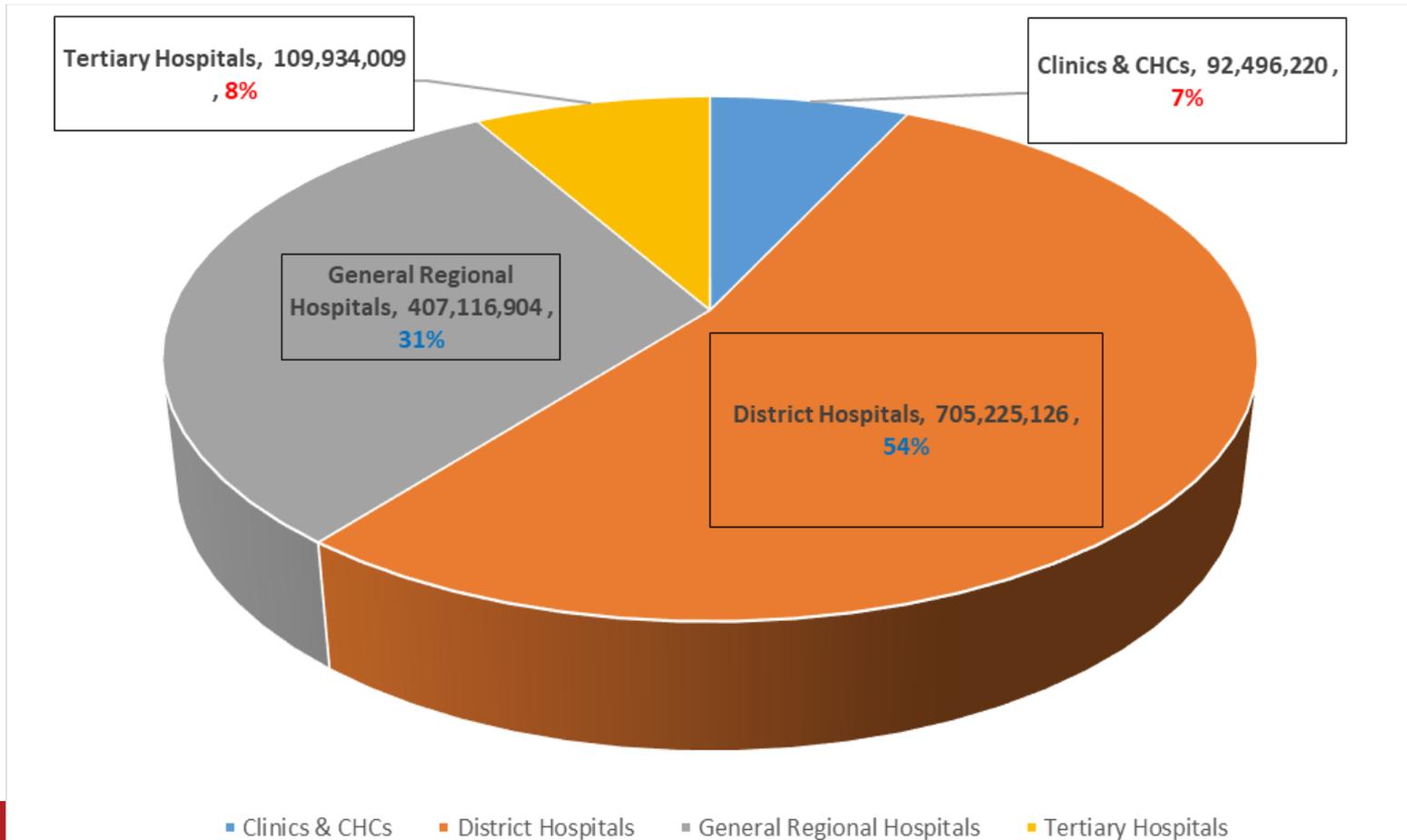


- The Free State Department of Health is currently faced with over **R1.3 billion** worth of unpaid registered medical legal claims, calculated from 2015/16 to 2018/19.
- From 2015/16 to 2018/19 the department has already spent or lost **R133.9 million**.

Department - FS Health	2015/2016	2016/2017	2017/2018	2018/2019	Grand Total
Paid Legal Claims - Amounts (BAS system)	32,073,627	45,377,443	16,194,905	40,300,110	133,946,085
<b>Compound Annual Growth Rate (CAGR)</b>					<b>8%</b>
Projected Legal Claims Payments	2019/2020	2020/2021	2021/2022	Grand Total	
	43,486,951	46,925,800	50,636,585	141,049,335	

# Findings: Expenditure Analysis

- The Medical Litigations Register shows that the **District Hospitals** are accountable to 54% or over **R705 million** of the registered R1.3 billion medical claims from 2015/16 to 2018/19.

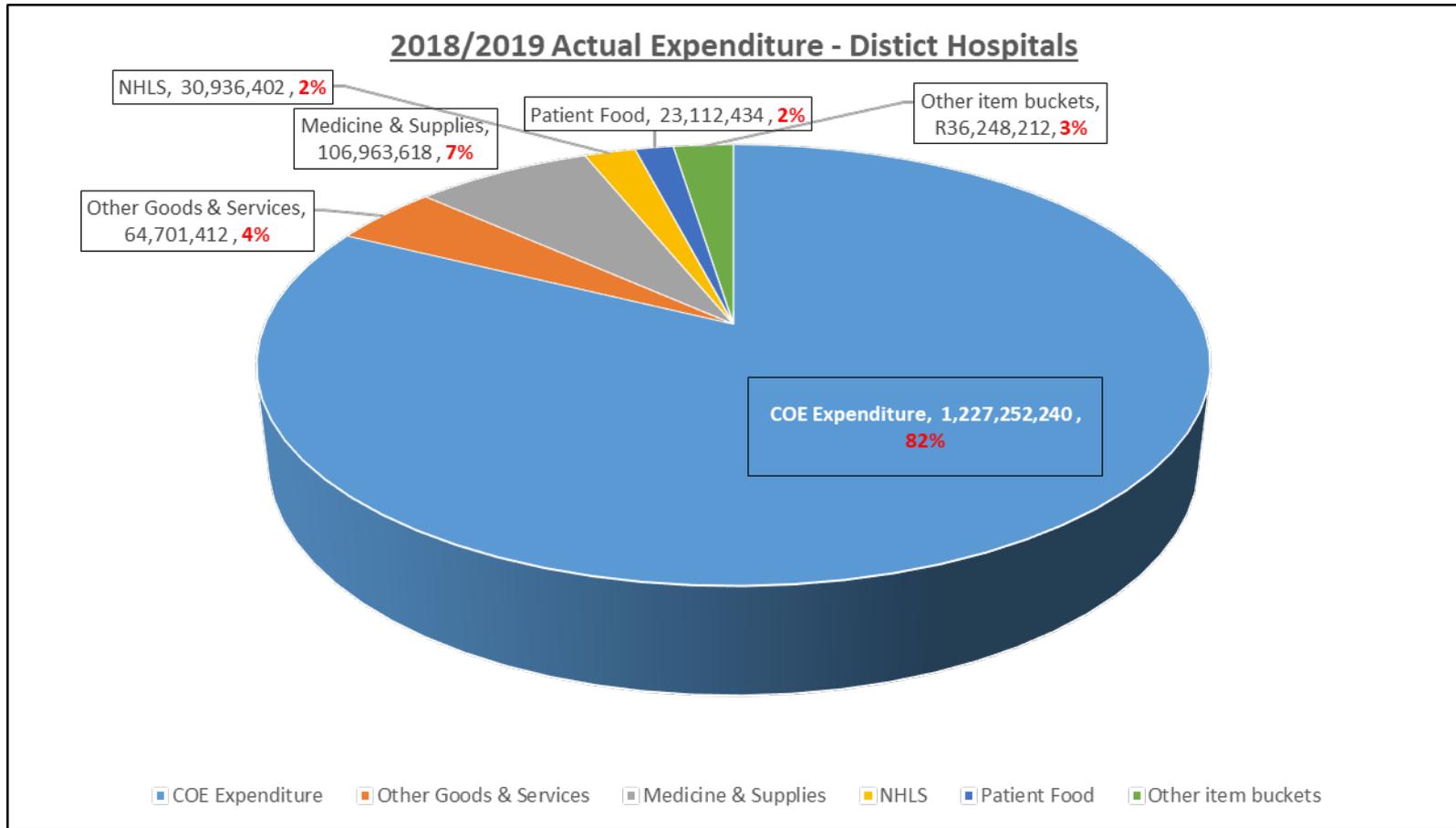


# Findings: Expenditure Analysis



- By comparing the 2019/20 Annual Performance Report's (APP's) Average Expenditure Per Patient Day Equivalent (PDE) projections (**R2 500**) versus the expenditure projections (**R3 804**) calculated on the compound annual growth rate (CAGR) the district hospitals will have a budget **shortfall** of about **R366 million** over the 2019 medium term.

# Findings: Expenditure Analysis



# Findings: Savings, Trade-offs and Constraints

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## ■ Option 3:

- The District Hospitals compensation of employees' allocation will be increased by the Treasury recommended 6.4%, and about **250 critical vacant posts of staff nurses and 50 medical officers** will be filled.
- The budget allocation to district hospitals is mainly calculated based on consumer price index and **additional 3 percent on medical items**, to arrive at the generally accepted health sector medical inflation rate.
- **PDE** will be factored into the Medical items' budget allocation.
- **Medical equipment** will be acquired at the currently acceptable level of need.

# Findings: Savings, Trade-offs and Constraints

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- **Option 3:** Even though, the total costs of running the District Hospitals over the three years will be **R5.5 billion** under this option. Scenario 3 seems more likely to improve the service delivery level at the District Hospitals and address the problem of the increasing medical legal claims against the state.

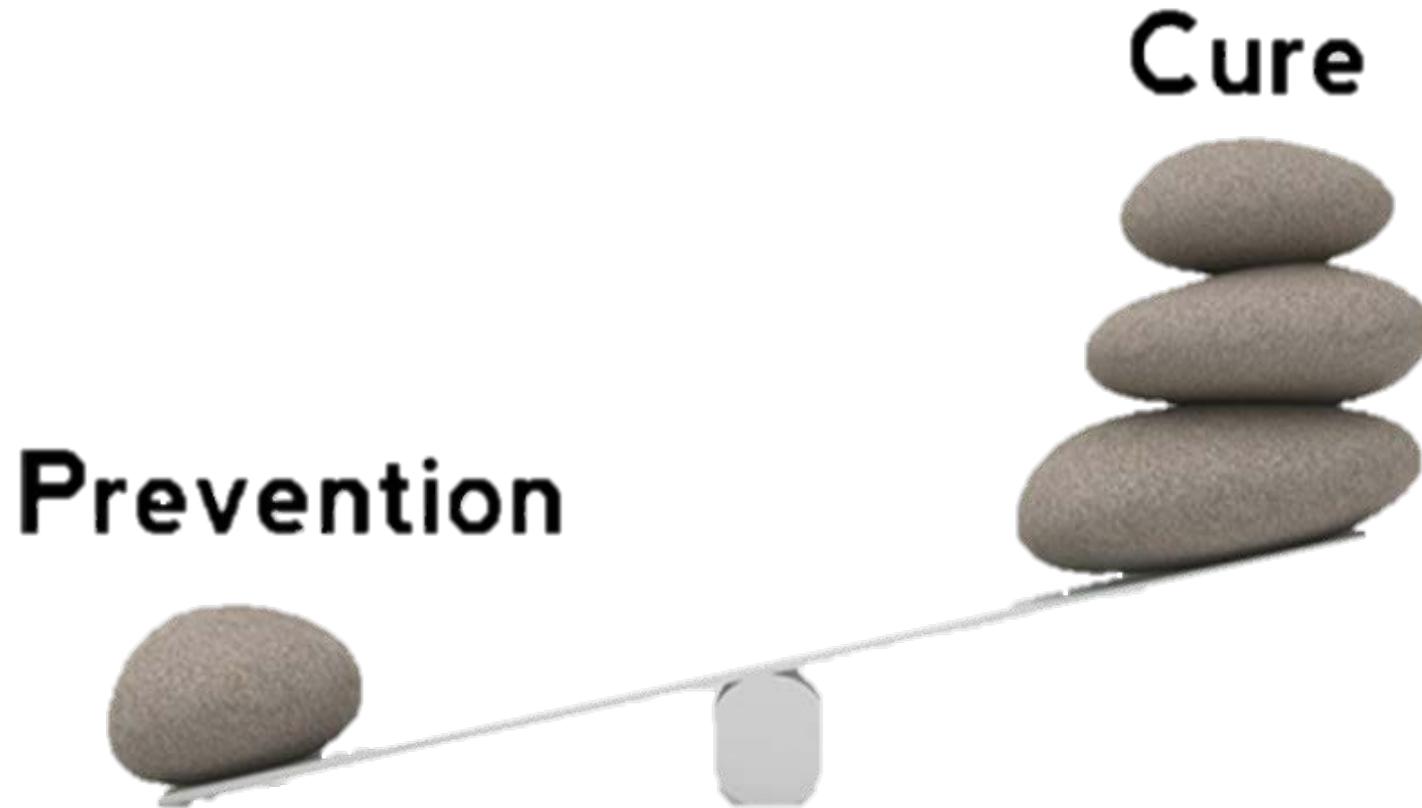
# Conclusions and recommendations

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- The current budget allocation has indirectly led to an unintended result of over R705 million worth of litigations arising from medical legal cases at the district hospitals. Therefore, the budget allocation between the sub-programmes of District Health Services should be reassessed. The **budget allocation of District Hospitals** should be increased by approximately additional R170 million, in line with the above factors mentioned Option 3.
- At the current rate of expenditure at district hospitals, **compensation of employees** expenditure will account for 82.4% of the total District Hospitals' budget from 2019/2020 onwards over the medium term period. This will further shrink the budget share for other items. The reprioritised budget should be equitably directed at medical items and compensation of employees' item bucket for filling critical and vacant posts.
- A continued effort to capacitate the **clinics and community health centres** should be made. So that the number of patients seen at the district hospital health care level is minimised.

# Conclusions and recommendations

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- Invest extra millions on District Hospitals versus spending billions on Medical Claims.

# Topic: Why are the Medical Legal Claims against the state on the rise?

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**Thank you**