

Summary

This Performance and Expenditure Review (PER) was focused on the comparative analysis of three support services, which are pivotal to the delivery of healthcare services by the nine provinces, namely laundry, security and food services.

An analysis of the institutions governing these services revealed that while some high-level health and safety regulations exist, standard operating procedures as set out by national and provincial authorities were difficult to obtain. Where regulations and procedures do exist, they are poorly enforced and as a result, hospitals do not follow them. Audit investigations conducted into these services revealed major challenges faced by laundry, security and food services at hospitals across the country.

One of the primary aims of this PER was to estimate historical expenditure for the three services between the years 2012/2013 and 2016/2017. In order to do this, a combination of BAS expenditure data, PERSAL salary data and some survey data was used. Where expenditure was found to be missing or inconsistent, it was built up, using cluster averaged unit expenditure for security and food services and unitised provincial laundry expenditure for laundry services. For all three of the services, expenditure on compensation of employees was identified as a significant driver of expenditure. With respect to provinces, it was found that Gauteng and KwaZulu-Natal account for the largest proportion of national expenditure.

In order to assess the three services for potential savings, the costs associated with each service were projected forward from 2017/2018 to 2021/2022 using the real compound annual growth rate (CAGR) and projected consumer price index (CPI). These projected values were then fitted with a savings and trade-offs model to determine which model of delivery was most cost effective.

Total estimated expenditure on laundry services amounted to just under R5 billion between 2014/2015 and 2016/2017. Laundry services were found to be most cost effective when done on-site using an outsourced contractor and provincial laundries were found to be the least cost-effective model. An investigation into why the provincial laundry is least efficient should be conducted, given that around 32% of all hospitals make use of provincial laundries.

Total estimated expenditure on security services amounted to around R3.35 billion between 2014/2015 and 2016/2017. Outsourced security services were found to be cheaper only in large facilities. This is likely due to the size of the staff complement required at large facilities. A value add in the future would be a provincial comparative analysis of the various service providers to establish which is the most cost effective in each province.

Total estimated expenditure on food services amounted to just over R6 billion between 2014/2015 and 2016/2017. Outsourced food services were found to be more cost effective than insourcing at large and medium urban hospitals. Insourcing was found to be most cost effective for high and medium capacity rural facilities as well as all low capacity urban facilities. The study was unable to assess whether on-site or off-site outsourcing was a better model. This should be assessed by way of future analyses.