

Health budget slashed

Tamar Kahn: BusinessLIVE, 24 February 2021

THE Treasury has instituted unprecedented cuts to the health budget as it seeks to rein in government spending. Despite shoring up funding to tackle the coronavirus pandemic, Treasury has instituted a R67.2-billion cut to consolidated health expenditure over the medium-term expenditure framework, deepening the R3.9-billion cut that had already been worked into the 2020 budget. The 2020/2021 special adjustments budget allocated and re-prioritised roughly R20-billion to the health sector for Covid-19 interventions. This year's budget sees R9-billion allocated to the government's Covid-19 vaccine rollout and another R8-billion is allocated to provinces for coronavirus prevention, testing and care, including hospitalisations during a possible third wave of infections. But consolidated health expenditure shrinks 0.3 percent between 2020/2021 and 2023/2024. Using the Treasury's estimates of consumer price inflation, which average 3.95 percent over the period, this represents a cut in real terms of 4.25 percent. The lion's share of the cuts to health spending will be felt in the compensation bill, but there are also planned cuts to conditional grants for HIV/AIDS, hospital infrastructure and training.

The HIV/AIDS component of the HIV/AIDS, tuberculosis, malaria and community outreach grant is to be cut by R6.4-billion over the medium-term, reflecting slower-than-anticipated expansion of the government's HIV treatment programme. The estimated number of people on treatment stands at 5.7-million, and the government aims to reach 6.7-million by 2023/2024. The HIV/AIDS component of this grant is allocated R69.3-billion over the medium-term. The national tertiary services grant is to be cut by R3.5-billion to R41.7-billion, leaving less money for specialised healthcare, while the human resources and training grant is trimmed by R1-billion. Consolidated government health expenditure is set to rise from a revised estimate of R247-billion in 2020/2021 to R249-billion in 2021/2022, and will then drop to R246-billion in 2022/2023 before dropping slightly to R245-billion in the outer year. This year's Budget Review is notably silent on National Health Insurance (NHI), the government's plan for achieving universal health coverage. But the Treasury has set aside R7.5-billion over the next three years for the NHI indirect grant, which makes provision for improving the health system, funding infrastructure projects and bolstering capacity in the National Health Department. Medical tax credits are to be increased in line with inflation, rising from R319 to R322 for the first two medical scheme members, and from R215 to R224 for all subsequent members.