Review of pre-populated unit costs against final unit costs used by provincial departments of health in the 2015/16 HIV/AIDS conditional grant business planning tool

Budget Policy Brief 10

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Introduction

CEGAA has worked with Strategic Development Consultants (SDC) to review the health department's business planning tool Version 4.4 for the health HIV/AIDS conditional grants, and followed with a thorough upgrade of the tool from Version 4.4 to 5.0 (now upgraded to Version 6.0). Various issues were identified in the old version that prevented provinces from submitting detailed and accurate business plans for their health HIV/AIDS conditional grants. The main limitation of the old tool was that it lacked a costing element which is important in determining good budgets and feasible targets. Based on CEGAA and SDC's guidance, an input cost sheet has been added in the new revised business planning tool, with approval from the National Department of Health (NDOH) and National Treasury (NT).

The old tool did not utilise costing information to determine budgets, resulting in overspending due to insufficient resources allocated, or underspending where output targets were not aligned well with inputs, and there were various challenges slowing down spending in some programmes. Thus, the purpose of this brief is to compare the nationally pre-populated unit costs against those used by health HIV/AIDS managers in the nine provinces. It also aims to determine if the provinces used any of the unit cost information which were suggested by the national health department in the prescribed business planning tool for the HIV/AIDS conditional grant.

Comparing the nationally suggested input costs with provincial input costs

The NDOH suggested several unit costs for the different cost categories, using costs from the unit cost data collection that was part of the South African HIV and TB Investment Case project. ART-related costs were based on outputs of the National ART Cost Model (NACM). These were recommended where provinces did not have their own constituted unit costs.

The new business plan tool was piloted in all nine provinces in South Africa between 20 November 2014 and 12 February 2015, leading to numerous revisions after provinces gave their feedback. Where the tool provided suggestions of the unit costs to be used, there was almost no relationship or alignment between the suggested national input costs and the provincial input costs, without much information regarding the reasons for the discrepancies. Provinces used mostly their own figures relating to their real costs, i.e. what they were actually paying to their service providers; some provinces also used ingredient based costing to

get to their programme budgets whereas others simply applied an inflation-related increase to their lump sum budgets. Provincial managers pointed out that the suggested input costs were either too low or too high, compared to what their suppliers charged. Thus provinces simply used lump sums which did not reflect the suggested unit costs, nor did they reflect or refer to their own locally sourced unit cost information.

The inclusion of the input cost sheet in Version 5.0 tool was a good initiative to prompt provinces to take costing seriously, that is, to identify and quantify the ingredients required for every programme according to their annual targets, enabling them to justify their targets and budget requests within the available budget ceilings given by NDOH. According to NDOH provinces are allowed to use their own unit costs as long as they can justify them and provide sources of information for such costs.

Below is a summary of explanations given by provinces regarding their different unit costs. Appendix 1 presents the provincial unit costs in detail in comparison to the unit costs suggested by NDOH. Because most of the provinces provided lump sum budgets that were not comparable to the suggested unit costs by NDOH, the project team together with provincial managers simply used the formula *"Unit cost = total cost/quantity*" to roughly determine unit costs for some interventions.

Findings by province

In **Gauteng**, the provincial DOH provided their HIV CG budget figures per annum and not per quarter or per item as suggested by NDOH. None of the suggested input cost had been used as the provincial managers indicated that none of these costs were in line with the provincial actual costs. The recommended input costs regarding drug costs were not used as the province added 5% to all their drug prices from their medical depot, to cover drug transportations and other hidden costs. In some cases the transport costs were not considered in the provided costs. The Gauteng HIV/AIDS managers suggested that for the next business plans NDOH should not provide any unit costs in the BP tool, however provinces should provide their own unit costs from their suppliers.

In **Mpumalanga**, there was no consistency in the presentation of their budget data, as some of the costs were broken down per item whereas some are lump sums for which the province did not give any details about the ingredients which made up the allocations. The province only used one suggested unit cost for the POC CD4 Monitor of R240 000.00 per item. The province pointed out that they had challenges with the suggested unit costs as these tended to be higher than the costs they normally use, meaning that more budget resources would be required to achieve the given targets.

In **Limpopo**, some of their HIV CG budget was presented per quarter or per item as suggested by NDOH, while some other figures were costed as annual lump sums. None of the suggested NDOH input costs were used in Limpopo, as the province indicated most were either too high or too low, and hence the PDOH used their own unit costs, as provided by their service suppliers.

In the **Eastern Cape**, the province presented most of their HIV CG budget as lump sums which required further breakdown. None of the suggested unit costs were used because they were different from the figures suggested by national.

In the **Western Cape**, the province managed to cost all their programmes and presented their budget as suggested by the NDOH either per quarter or per item. However, none of the nationally suggested input costs were used by the province. Most of the suggested unit costs seemed to be either higher or lower than what the suppliers had provided to the province.

In the **Northern Cape**, the province had many large lump sums. However, there were few health commodities which they costed per item. Just like with most of the provinces, none of the suggested unit

costs were used. Most of the suggested costs were too little compared to what the suppliers had given to the province.

In the **Free State**, there were many large lump sums which needed to be disaggregated. The province only provided their budgets per annum and not per quarter or per item as suggested by NDOH. Only the suggested IEC flyer input costs of R4.84 was used by the province.

In **North West**, the province provided their budget per annum and not per quarter. None of the suggested unit costs were used by the province. The province had problems with populating the tool itself, this brought on many challenges to them when they had to use the input cost sheet. CEGAA provided numerous technical support correspondence and visits to clarify things and to go through the BP tool itself.

In **KwaZulu-Natal**, the province used their own unit costs to determine their budgets, and none of the nationally suggested unit costs were used. The suggested unit costs were either higher or lower than the ones provided by the suppliers used by province.

Recommendations

It is recommended that provinces source, update and reference their unit costs on an annual basis, and submit these to the NDOH for incorporation into the business planning tool before provincial allocation letters are sent to provinces for planning. The letters should be sent together with the tool which is already updated with provincial unit costs. This process should happen on an annual basis to ensure that correct unit costs are updated in line with changing costs and are used for realistic target setting and budgeting. In addition, the input description list and input measures, e.g. per annum, per quarter or per item, should be standardised in the BP tool, so that provinces use the same recommended input measures to make costing more comparable and to avoid lump sums.

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Appendix 1: Comparison of nationally suggested unit costs with provincial unit costs

NDOH			Gauteng	Western Cape	Eastern Cape	Limpopo	Free State	Mpumalanga	KwaZulu Natal	North West	Northern Cape
Cost Category and Input description	Input measure	Input Cost	Input Cost	Input Cost	Input Cost	Input Cost	Input Cost	Input Cost	Input Cost	Input Cost	Input Cost
Human Resource											
Deputy Director - L6	per quarter	100 000,00					133 000,00				
Assistant Director - L6	per quarter	62 500,00					72 000,00				
Facility teams	per quarter	750 000,00							215469000.00	43 952 042,00	
Community Health Worker	Stipend per quarter	6 900,00						4 661,00	5 250,00		8 666,41
CHW supervision	per quarter per CSW	5 164,00									
Peer educator	Stipend per quarter	8 379,00	9 553,14		6 000,00			6 639,00	4 655,41		6 175,00
HCT counsellor/ tester	per quarter	15 000,00		11 448,00				9 900,00	9 661,21		7 211,45
Trainer - Medical Doctor	per day	3 000,00									
Trainer - Nurse	per day	1 500,00									
Trainer - Professional	per day	2 500,00									
ART Adult - human resources	pppa	570,05									
ART Children - human resources	pppa	576,05									
Medicines and pharmaceutical products											
ARV drugs	pa		788 697 000,00	28 680 652,56	718 309 136,00	60 381 500,00	236 000 000,00	718 309 136,00			12 690 909,75
ARVs - average cost per adult	pppa	2 154,45						533,00	273,78	273,78	
ARVs - average cost per child <13	pppa	1 608,84						533,25	273,78	273,78	
Health commodities and consumables											
Nutritional supplements	per patient pa	1 350,00			1 350,00	125,00		1 350,00	160,52		678,20
HBC kits and refills	per visit	6,27			100,00	6,27			6,27		
Male condoms	per condom	0,37	0,83	0,43	0,37	0,40	0,39	0,42	0,39	0,39	0,42
Male condom - extra thick	per condom	0,59									
Male condom and lubricant pack	per pack	1,61									
Female condoms	per female condom	16,38	7,32	7,50	7,20	7,20	8,40	12,00	7,50	7,50	10,00
Female condom demonstration models	per dildo	11,00			350,00	11,00		350,00			
Comfort packs	per pack	26,67	80,00	130,00	120,00	26,67	30,00	120,00		200,00	
HCT test kit	per kit	6,00	11,23		6,00	9,00	10,00	6,00	12,06	12,06	
HCT test consumables	per test	4,00		9,00	4,00	4,00	4,00	4,00			
consumables											
IEC flyer	per material	4,84						4,84			
IEC Poster								80,00			
Laboratory services and diagnostics											
Laboratory services - ART	pa	450 010 000,0	364 634 679,0	450 010 000,0	135 456 000,0	20 000 000,0	300 000 000,0	263 666 000,0	120 920 000,0	41 250 000,0	6 126 078,5
Laboratory and diagnostic services - average cost per adult		272,00									
Health equipment											
POC CD4 monitor	per item	240 000,00									

NDOH			Gauteng	Western Cape	Eastern Cape	Limpopo	Free State	Mpumalanga	KwaZulu Natal	North West	Northern Cape
Cost Category and Input description	Input measure	Input Cost	Input Cost	Input Cost	Input Cost	Input Cost	Input Cost	Input Cost	Input Cost	Input Cost	Input Cost
Conferencing, catering, travel and subsistence											
Internal meeting - 20 people (including lunch)	per meeting	2 800,00									
Internal meeting - 20 people (tea only)	per meeting	400,00									
Conference rate - 2 star (full day)	pp	200,00									
Conference rate - 3 star (full day)	pp	350,00						350,00	350,00		385,00
Conference rate - 4 star (full day)	pp	450,00									
Catering allowance - low cost meeting or event	pp per meeting	50,00						60,00			
Accommodation (dinner, bed, breakfast) 2 star	per night	600,00									
Accommodation (dinner, bed, breakfast) 3 star	per night	1 100,00		1 460,68				1 500,00			
Accommodation 4* (dinner, bed, breakfast)	pppn	2 200,00									
Daily Subsistence Allowance > 50km	pp	90,00									
Flights - domestic return -high cost tier	per return flight	6 500,00									
Flights - domestic return - standard cost tier	per return flight	4 000,00		4 500,00							
Transport allowance - outreach - high intensity	pppm	550,00									56 250,00
Transport allowance - outreach - low intensity	pppm	100,00						366,67			
Transport allowance - workshop attendance - long distance	pp pws	220,00									
Transport allowance - workshop attendance - standard distance	pp pws	400,00									
Transport allowance - workshop attendance - short distance	pp pws	50,00									
Ground travel - private vehicle	per km	3,30									9,73
Ground travel - public taxi	per km	1,50									
Training											
Training - non-residential conference 2 star	pppd	350,00									1 507,00
Training - non-residential conference 3 star	pppd	500,00					1 000,00				
Training - at facility (10 pp)	pppd	300,00									
Overheads and administration											
Printing - HIV Directorate	per quarter	27 000,00	468 500,00	25 000,00				27 000,00			700 000,00