



PHARMACEUTICAL BUDGETS, EXPENDITURE MONITORING AND REPORTING



PTC WEBINAR



02 JUNE 2023
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Problem Statement



- **Medicine unavailability** impacts the lives of patients
- **Medicine competes** with other line items in the overall health budget
- **Poor budget forecasting** and **insufficient budget allocations** to priority areas such as medicine negatively affect the Provinces' ability to pay suppliers within the prescribed period of 30 days as required by the PFMA.
- Furthermore, the lack of clear, effective and continuous **budget monitoring**, reporting and accountability on the medicine budget means the Provincial Departments cannot proactively and effectively address existing budget gaps
- Many of the medicine supply issues can be attributed to **late payments and or non-payments of suppliers.**
- **Supply chain inefficiencies** arise – higher cost from supplies due to slow payments
- **Significant accruals** have arisen on medicine supply over last few years



health

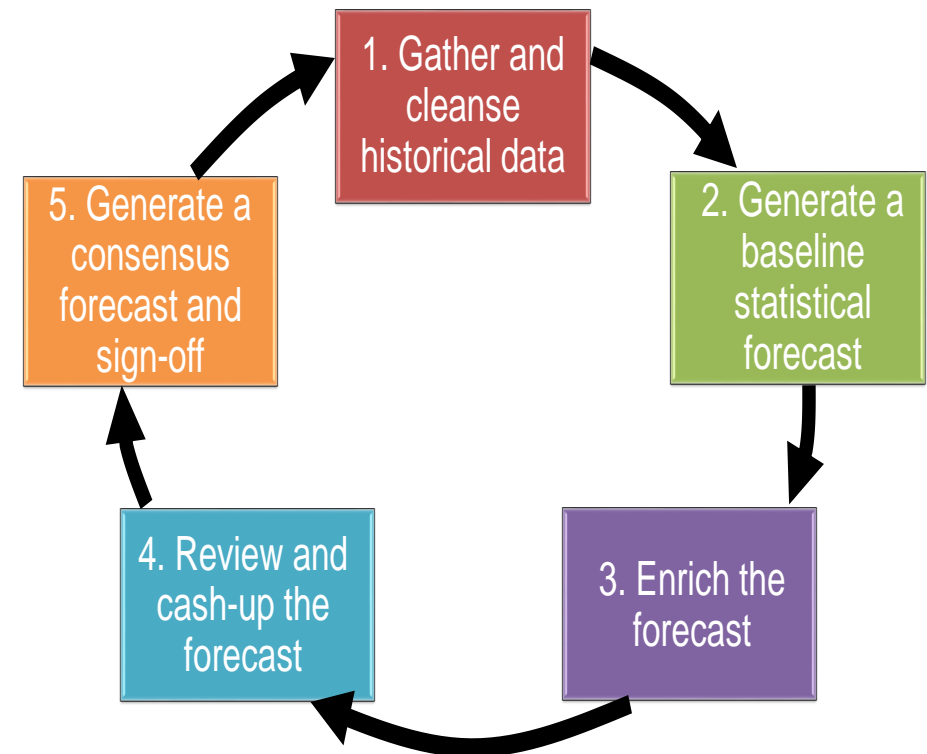
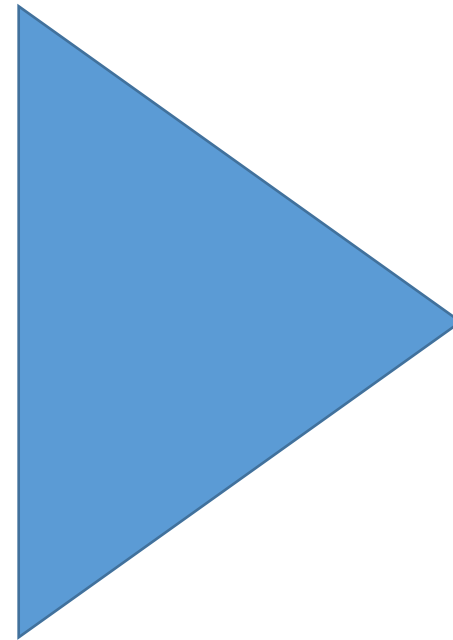
Department:
Health
REPUBLIC OF SOUTH AFRICA

Pharmaceutical Budget Forecasting Process



The systems have not only made medicines availability, visibility and reporting possible, but have also made the forecasting of medicines budget possible

- National Surveillance Centre
- Stock Visibility System
- Medicine Master Data System
- RSA Pharma
- RX Solution



Pharmaceutical Budget Forecasting Process



Baseline Budget Forecast

Zero based budget generated by NDoH with the Provinces and using a sound demand planning methodology

Review and Approval

Proposed budget is reviewed and approved by Provincial Finance, HOPDS and Provincial Treasuries

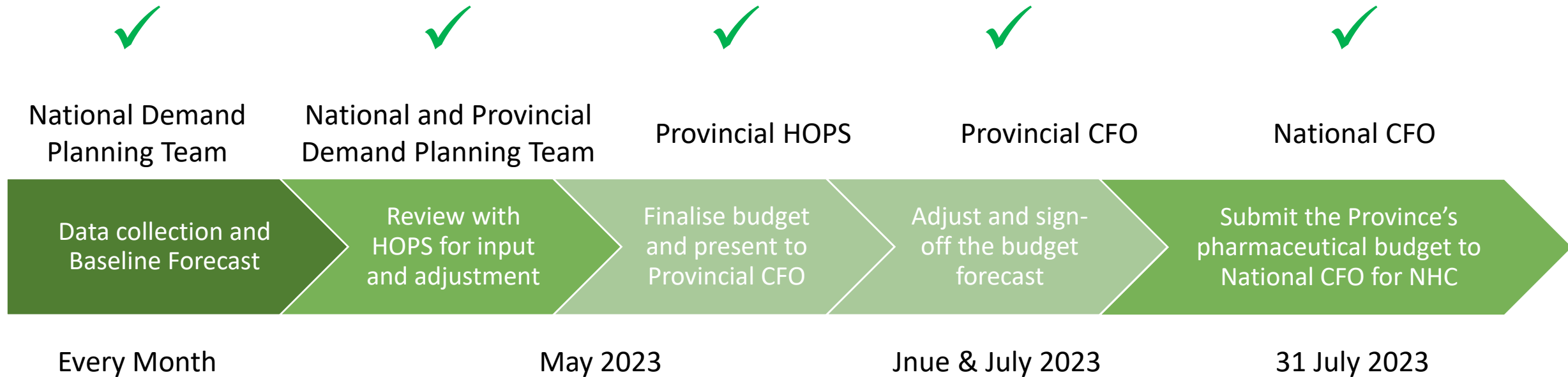
Budget Allocation

Relevant Treasuries to allocate earmarked funds to Provinces by Fund

Monitoring and Control

Actual expenditure is monitored by the HOPS, CFO and Finance Team, Provincial Treasury supported by NDoH

Pharmaceutical Budget Process Timelines for FY 2023/24



Input Parameters used to generate the Pharmaceutical Budget



- Dispatch quantities data was used to generate forecast at the facility level
- **All pharmaceutical contracts** were included
- **TEE/TLD forecast** as defined by the transition project team was used.
 - A slight decrease in the cost of both TEE and TLD
- **TE forecast** was increased for Pre-exposure prophylaxis (PrEP) for provinces participating in PrEP
- **Vaccines forecast** was based on birth rate statistics and loss assumptions as provided by the EPI programme and approved by provinces
- The **Master Health Procurement List (MHPL) cost** was used to cash up the current forecast to generate the pharmaceutical budget
- Any additional costs for **off-contract items** were obtained from the province
- In addition to using current costs, **pharmaceutical price inflation of 6.897%** was used as seen over the last two years on MHPL items

Budget Exclusions



- **Non-pharmaceutical items**
 - Surgical or consumable products
 - PPE's etc
- **Accruals** from the previous financial year
- **Depot levy** – charged by some depots to facilities
- **Irrational product use impact**
- **Patient growth rate** (only included for Vaccines, TLD/TEE, TE)

Example of Budget dashboard: Northern Cape



Northern Cape Department of Health - Medicine Budget



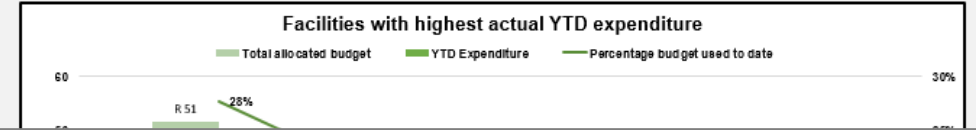
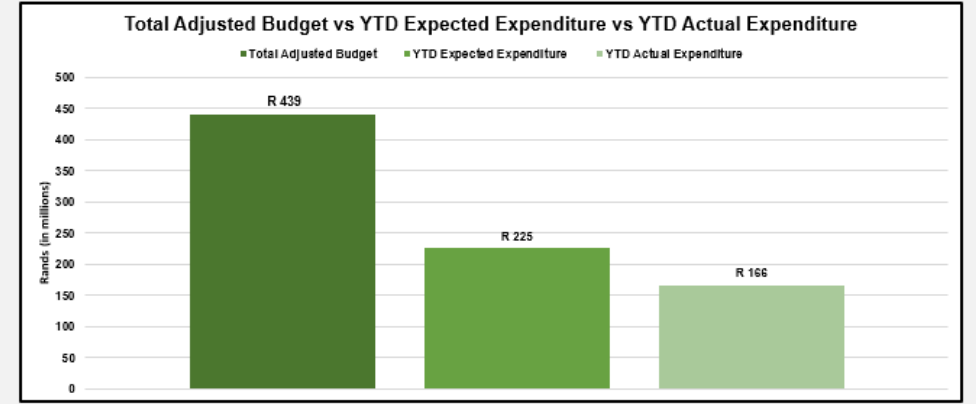
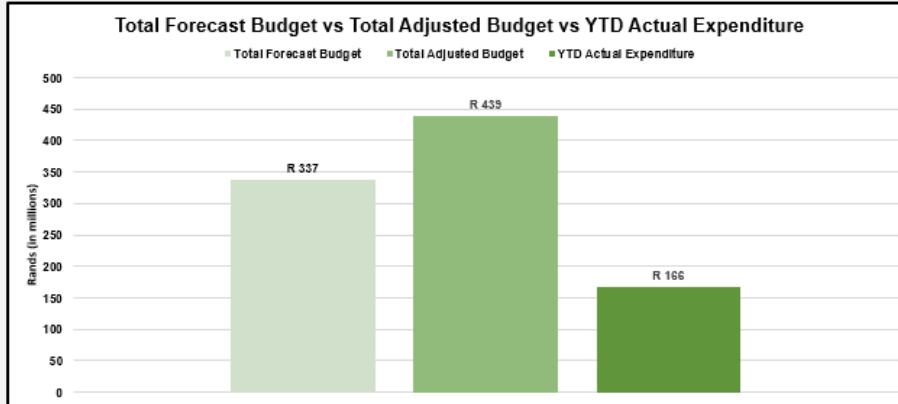
Publish date: 2020/08/24

KEY for datasources
 BAS data
 Forecast data
 VMS data

Clear Filters Refresh all

- Facility**
 - AGGENYS CLINIC
 - ALEXANDER BAY CHC
 - ASKAM CHC
- SCOA Item**
 - INV MEDI:ANTIRETROVIRAL MED...
 - INV MEDI:LARGE VOL PARENTE...
 - INV MEDI:MEDICINE MEDI DEPOT
 - INV MEDI:OTHER MEDICINE
 - INV MEDI:VACCINES
- Fund**
 - NATIONAL TERTIARY SERVICES ...
 - TUBERCULOSIS COMPONENT
 - VOTED FUNDS
 - (blank)

Total Forecast Budget	Total Allocated Budget	YTD Actual Expenditure	Remaining Budget	Remaining Budget (%)	Accruals as of 31st March	YTD Accrual and Commitments
R 336,693,949	R 412,671,000	R 166,266,689	R 272,979,311	62%	R 59,705,787	R 212,610,302
YTD Forecast budget	Total Adjusted Budget	YTD Expected Expenditure	YE Expected Outcome	Projected over/under budget	Accruals Paid to date	Remaining budget less YTD Acc. and Comm.
R 139,523,416	R 439,246,000	R 225,390,021	R 398,514,836	9%	R 1,473,320	R 60,369,009



The End



Thank you