

ERSA Research Brief

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Has South Africa's Investment in Public Healthcare Improved Health Outcomes?

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Background

Since 1994, the South African government has invested significantly in public healthcare. This invested intended to improve access to quality health services to the majority of the population that were previously disenfranchised under the apartheid regime. In addition, access to improved healthcare services would consequently improve health outcomes, which is not only a key social objective but also contributes to long term economic growth. South Africa's total public health expenditure equate to around 9% of its gross domestic product, which is above the average of other countries classified as middle-income countries. However, when compared to these very same countries, South Africa's indicators of health outcomes remain relatively lower. This holds true when one considers the country's infant mortality rate and life expectancy at birth in 2014, which stands at 37% and 57 years respectively. Given these trends, one needs to question the actual impact of healthcare expenditure on health outcomes in South Africa. Given the current tight fiscal framework and the growing needs and priorities, the South African government needs to ensure that limited funds are prioritised in areas that are contributing to social and economic welfare. In addition, the success of the country's investment in social services need to be scrutinised in order to assist policy makers in improving the effectiveness of spending priorities. This study answers these key questions by undertaking a panel data analysis for South Africa's nine provinces over the period from 2005 to 2014 to ascertain the impact of healthcare spending on health outcomes.

Research Findings

In South Africa's decentralised system of government, the health function is undertaken concurrently between national and provincial government, with the former formulating policy and the latter being the implementing agent. Given this setup, the study used healthcare spending by all nine provincial governments and assessed its impact on two health outcomes, namely life expectancy at birth and the under-five infant mortality rate. Controlling for other factors that impact on these health outcomes, the study finds that healthcare spending by provinces over this period had no statistically confirmed impact on life expectancy at birth. However, public health expenditure did lead to an improvement in the under-five mortality rate. There is thus contrasting findings of the impact of public health expenditures on these two measures of health outcomes. This could be explained by the nature of health spending in South Africa, suggesting that it is effective in improving access to health facilities related to improving pre and post-natal health care, hence the improvement in under-five mortality rates. On the other hand, it could be possible that public health spending is unlikely to have a short term impact on life expectancy at birth or that other factors are more important in improving this health outcome. The study also found that income levels, the female literacy rate, immunisation coverage ratio, access to formal housing and HIV/Aids prevalence were important determinants of health outcomes in the country. Improving economic growth and hence improving the income levels of individuals improves health outcomes. This also holds true for improving the literacy rates of females and access to formal housing. Conversely, an increase in the HIV prevalence rate had negative impacts on health outcomes. This confirms that the living standards of people, in terms of their

sanitary conditions, is just as important in improving health outcomes when compared to access to health care services. This finding suggests that government can also target other levers, such as improving education levels of women, improving access to basic services and continue its fight against HIV/Aids to also improve health care outcomes. This is in addition to improving access to health care services.

Policy Recommendations

The results of the study has key policy implications and hence the study makes the following recommendations:

1. It is recommended that government should continue to prioritise greater resource allocation to public health spending as the study confirms that improved health spending does improve under-five infant mortality.
2. Government should continue its drive to improving the education of women and access to basic services, particularly formal housing, as these factors contribute in improving the health outcomes.
3. HIV/Aids continues to indirectly impact on health outcomes and increase the burden placed on health care resources and facilities. Government should continue its complementary and targeted HIV/Aids prevention programmes to improve health outcomes and decrease the burden placed on the health system.
4. Improvements in health outcomes is directly associated to health expenditure on specific programmes. As an example, the improvement in access to post-natal immunisation that resulted from increased expenditure in this area did play a role in the improvement of under-five mortality rate. Therefore, government can tackle particular improvements in certain health outcomes by focusing spending on programmes directly related to the outcome.