# JOINT STATEMENT BY THE TREATMENT ACTION CAMPAIGN (TAC) AND PUBLIC SERVICE ACCOUNTIBILITY MONITOR (PSAM) ON OSD

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The implementation of the Occupational Specific Dispensation (OSD) in 2007 and 2009, without properly costing and planning the expenditure, led to significant instability in health care budgets and the delivery of services.

The OSDs are government?s schemes to introduce revised salary structures that are unique to each identified public service occupation. Nurse?s OSD was implemented in 2007 as part of a deal to end an earlier public sector strike by adjusting salaries and establishing career paths. OSD was implemented for doctors in 2009. The aim of OSD is to keep and attract doctors and nurses in the public sector.

South Africa is facing a shortage of healthcare workers in the public sector and it is necessary to attract and retain healthcare workers to strengthen healthcare delivery and to meet the targets for the treatment, prevention and care of HIV and TB. The OSD is an important step to improving conditions and pay and establishing career paths in the public sector. The Department of Health has already announced that new OSD packages for medical practitioners, pharmacists and some emergency personnel will be implemented from 1 April 2010.

The issue with OSD is that it was not properly costed before it was implemented and the unexpected costs have destabilized other healthcare services including the rollout of antiretroviral therapy.

For example, the Free State is a province that is facing continuous drug-stock outs and extremely long waiting lists for ART. A study presented at CROI 2010 evaluated all ART eligible patients (CD4<200 cells/mm3) enrolled in 36 clinics in the Free State public-sector treatment programme. Patients were initiated in the study between May 2004 and Dec 2007 and followed until Dec 2008. The shocking outcome of this study was that almost one quarter (23%) of patients died while waiting for treatment.

It is evident that poor health planning and the lack of proper costing of services have played a role in the poor delivery of services in the Free State. During the July 2009 Free State Health Summit, the Commission on Medicine was chaired by the CEO of the HIV programme, Ms. Makhokho. One of the points made at the summit was that approximately 60% of the budget for the HIV programme goes to salaries and that the budgeting process starts with budgeting for salaries before providing for other costs including antiretroviral therapy.

At the meeting, Sello Mokhalipi, from the Free State HIV and AIDS Coalition questioned: ?why we would pay salaries to people to tell patients that there is no medication??

Scaling up spending on salaries through OSD has further strained the delivery of services. While ART access remains limited in the Free State, health services and other essential medicines with less protection than HIV treatment,

prevention and care have been severely compromised.

Sello Mokhalipi stated: ?all of the clinics in the area, even the district hospitals seem to be having a shortage of general treatments and there is not even panado. Diabetics are forced to go and buy treatment for themselves ? what about those that cannot afford this??

The Eastern Cape has also faced a number of issues in terms of budgeting for OSD. According to the MEC for finance in the Eastern Cape, the Provincial Health Department will overspend on its budget by R1.6 billion mainly due to the ?higher than budgeted employee costs?. For the 2009/10 financial year the Department estimates that it will overspend on its R6.23 billion Adjusted Appropriation for the compensation of employees by R1.33 billion or 21%. This figure includes one off payments for the Human Resources Operational Project Team (HROPT).

This overspending on underfunded and unbudgeted mandates relating to the compensation of employees has had a significant impact on the Provincial Health Department?s ability to deliver services in other areas. By the end of the third quarter of 2009/10 the Provincial Department was forced to suspend payments to several contractors and suppliers resulting in some contractors and suppliers suspending services until payments have been made.

The impact of OSD and HROPT accruals and additional OSD expenses has also had a significant affect on the Eastern Cape Department of Health?s budget for 2010/11. In an effort to address these underfunded and unbudgeted mandates the budget for the compensation of employees has increased by R1.6 billion or 26% from the R6.27 billion allocation in 2009/10 to R7.92 billion in 2010/11. This means that the proportion of the budget which goes to the compensation of employees has increased to 60% from 54% in 2009/10. This increase has, however, been at the expense of other critical allocations such as goods and services and buildings and fixed structures which have seen their allocations sliced to make up for shortfalls in this area. For example, the allocation for goods and services which includes medical supplies, medicines and laboratory services, will decrease by R312 million or 8% from the R3.8 billion revised estimate in 2009/10 to R 3.48 billion in 2010/11. When inflation is taken into account this represents a real decrease of 13% against the revised estimate.

On 15 September 2009, during the Provincial Budget and Expenditure Review from 2005/06 ? 2011/12, the Treasury?s Director for Health Policy was questioned as to where the additional funding for OSD is coming from. He explained that additional funding was made available to provinces to cover OSD but that provinces are filling empty posts without proper budgeting which has added additional strain. Yet filling empty posts and improving conditions for healthcare workers are both vital to strengthening our health system and meeting our targets for the treatment, prevention and care of HIV and TB.

It is clear that OSD was implemented without proper budgeting and planning which has destabilized health systems. The Department of Health must identify and rectify its shortfalls in using health budgets efficiently and effectively. Should the Department not take adequate steps to address budgetary pressures related to the implementation of the OSD it runs the risk of once again overspending on the compensation of employees at the expense of other critical services such as the provision of essential medications and medical supplies to health facilities.

In this regard, an integrated support team made up of finance and health systems specialists led by Deloitte and Touche has produced 10 reports; one on each provincial health department and one on the national department. These reports can help us understand and rectify the financing and managerial challenges in the public health system. They need to be made public.

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