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TAC calls for decisive action from the National Department of Health and Treasury to prevent the collapse of the National Health Laboratory Service

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Summary

The National Health Laboratory Service (NHLS) is vital to our health system. It conducts virtually all diagnostics for the public health system. This also includes HIV viral loads, CD4 counts, TB culture and resistance tests.

It is a functioning institution. But it is facing bankruptcy and collapse because the Gauteng and Kwazulu-Natal Provincial Departments of Health have failed to pay it.

Funding constraints have already begun to impact the NHLS?s ability to provide quality and rapid diagnostic services.

For patients, rapid diagnostics often mean the difference between life and death. Delays in diagnosis for conditions such as HIV, TB, drug resistant TB and cancers, postpones the initiation of treatment and leads to higher mortality rates.

The deterioration or collapse of the NHLS will severely harm South Africa?s health public health system and our health outcomes.

This is an urgent crisis.

TAC therefore demands:

- National Treasury steps in and pays the NHLS what provincial departments owe. We understand that the constrained fiscal environment may require Treasury to shift funds from non-essential budget items and may even require further borrowing. But we believe that the social costs far outweigh the cost to the fiscus to service a small increase in debt.
- We urge the National Department of Health and Treasury to put in place plans that will ensure that KZN and Gauteng will be able to make all payments for goods and services provided by suppliers and contractors.
- Treasury and the National Department of Health must compel the KZN Department of Health to pay monies owed to the NHLS and pay for all services at the rate agreed between the Minister of Health and the NHLS

each year and not at a rate which they choose.

The TAC is organising demonstrations in Kwazulu-Natal and Gauteng to hand these demands to the provincial governments.

The NHLS provides diagnostic health services to at least 70% of people in South Africa

The state NHLS is one of the few state institutions that provides country-wide quality services, and health care workers rely heavily on these services to provide care.

The NHLS serves at least 70% of the population. It provides diagnostic and pathology services for both communicable diseases such as HIV and TB as well as non-communicable diseases such as diabetes and cancer. It has been estimated that by the end of 2011 the NHLS will have performed more than 76 million diagnostic tests this year alone.

According to the National Institute for Communicable Diseases, in 2011 the NHLS performed 1.16 million HIV viral load tests and 2.92 million CD4 count tests. The NHLS also performed more than 272 thousand molecular HIV diagnosis tests on infants exposed to HIV at 6 weeks.

In addition to HIV diagnostics, the NHLS is responsible for TB diagnostics including microscopy, culture and drug sensitivity testing. In 2010 the NHLS had performed more than 4.7 million smears, 1 million cultures and 100, 000 Lymphocyte Proliferation Assays.

What is the current financial situation within the NHLS?

For the financial year 2010/11 the NHLS?s total turnover was approximately R3.59 billion. It estimates that this will increase to more than R3.95 billion in 2011/12. As of July 2011, the health departments owed the NHLS R1.76 billion of which R1.27 billion was overdue (this amount had not been paid within 30 days as required by the PFMA), with much of this debt extending beyond 150 days. Of the overdue amount KwaZulu-Natal and Gauteng were by far the biggest contributors, owing the NHLS R729 million and R463 million respectively. It has been reported that since July this amount has increased to more than R700 million and R 900 million respectively.

Why are Gauteng and KwaZulu-Natal not paying?

There are a number of reasons for why these provinces are not paying the NHLS what is owed including their own resource constraints, poor financial management and, in some instances, disagreements over the rate at which services are provided.

Gauteng, for example, started the 2011/12 financial year with a budget deficit (caused by debt) of approximately R1.2 billion which has since increased to nearly R1.4 billion. This debt means that Gauteng simply does not have the money to pay what is owed to the NHLS. This debt is largely due to problems with financial management, including that:

- the department cannot adequately account for how it is using its financial resources due to weak financial management systems;
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there is massive loss through unauthorised expenditure, fraud and corruption; and

- employee costs increase well beyond inflation each year and are not adequately budgeted for. This means that, in order to ensure that all employee costs are covered, funds must be shifted from other areas such as the goods and services budget which, amongst other things, is used to pay for diagnostics.

KZN on the other hand, while having many of the same financial management challenges as Gauteng, over the last few years has managed to overcome its own debt crisis. The reason for their failure to pay what is owed to the NHLS is less clear, but anecdotal reports indicate that it is due to a disagreement about the rates at which diagnostics should be paid for. Based on information we have at hand, the KZN health department is only paying a flat rate of R34 million per month for diagnostics, yet it receives services that are at least R90 million. This is despite the fact that attempts have been made by the National Department of Health to get the provincial department to pay for services at nationally agreed rates.

Reports received of the crisis facing the NHLS

Reports received by TAC from health care workers, suppliers, and NHLS staff reveal that failure by the Gauteng and KwaZulu-Natal DoH to pay the NHLS for services rendered is already severely compromising the NHLS ability to deliver services.

We have heard that certain tests cannot be performed because some suppliers have closed accounts with the NHLS due to non-payment. Reports reveal that the closure of supplier accounts has meant that even the most basic supplies such as reagents, alcohol, rubber gloves and clearing supplies are in short supply.

There have also been instances, particularly in rural areas, where couriers have refused to transport samples between health facilities and NHLS labs because couriers have not received payment.

NHLS staff indicated that there is a moratorium on hiring new staff due to financial constraints. Further, while existing staff must pick up the slack for shortages, they no longer receive overtime allowances and there are indications that staff time is being rationed. This is already starting to result in resignations amongst highly skilled staff who are being poached by the private sector.

We have also been told that infrastructure maintenance may have to be put on hold and labs in some instance have been temporarily closed; again, due to the fact that contractors cannot be paid.

Even though many of the NHLS?s larger suppliers appear to have been able to carry the burden of debt, they cannot continue to do this indefinitely.

What this means is that the NHLS will need to, and in some instances already has started to, ration diagnostics and limit services to emergency diagnostics. Labs will need to be consolidated and centralised. The collection of samples from primary health care facilities has already been, and will continue to be, limited.

Conclusion

It is clear that if urgent decisive action is not taken by the National Department of Health and Treasury to ensure the NHLS receives monies owed to it before the end of the year, the NHLS will collapse. This will do unprecedented damage to our health system's ability to respond to both communicable and non-communicable diseases. This crisis has the potential to undo all the progress that has been made in the fight against HIV/AIDS and TB. The government

cannot allow indecisiveness to compromise the care of millions of South African?s accessing services in the public sector. We believe a failure to act will amount to the abuse of the fundamental right to access health care services as enshrined in our constitution.

For further comment and more information please contact Catherine Tomlinson at catherine.tomlinson@tac.org.za or 021 422 1700.

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