

**AN ANALYSIS OF REVENUE COLLECTION IN  
CAPRICORN DISTRICT HOSPITALS IN LIMPOPO  
FROM 2001-2006**

by

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## **SUMMARY**

The Department of Health and Social Development in Limpopo endeavors to efficiently and effectively manage revenue collection. The study analyzed the revenue collection for the Capricorn district hospitals from 2001 to 2006 by identifying problems and possible solutions related to revenue collection.

A quantitative analysis of data has been obtained from in- depth structured interviews and revenue records. An analytic retrospective study design was used.

All revenue records from 2001/2002 to 2006/2007, financial managers, revenue clerks, and clients /patients who came to request credit from each hospital constituted the population of the study.

The findings were that in 2001/2002 none of the hospitals were able to attain the revenue targets. In 2005/2006 revenue targets were increased by almost double the amount however all hospitals were able to attain the revenue targets as prescribed. It implies that the hospitals were able to collect more revenue than in the previous financial year. It has been noted that the appointment of CEOs has brought a tremendous change in revenue collection.

It has been identified that revenue is the life blood for a country or institution. The institutions need commitment of all stakeholders to collect revenue.

## DECLARATION

I declare that **AN ANALYSIS OF REVENUE COLLECTION IN CAPRICORN DISTRICT HOSPITALS IN LIMPOPO FROM 2001 TO 2006** is my own work and all the sources that I have used or quoted have been indicated and acknowledged by means of complete references

\_\_\_\_\_  
SIGNATURE

(MS R.S. Mabyana)

\_\_\_\_\_  
DATE

## ABBREVIATIONS

|             |  |
|-------------|--|
| CEO:        | Chief Executive Officer  |
| COST/PDE:   | Cost per patient days equivalent   |
| DHS:        | Department of Health Services  |
| GDP:        | Gross Domestic Product   |
| INCOME/PDE: | Income per patient day's equivalent  |
| ICD-10:     | International Statistical Classification of Diseases and related Health Problems. Tenth Revision |
| IVR         | Interactive Voice Response System  |
| LRA:        | Lesotho Revenue Authority  |
| MEC:        | Member of the Executive Council  |
| PDE:        | Patient day's equivalent   |
| PGDS        | Provincial Growth and Development Strategy   |
| RRA:        | Rwanda Revenue Authority   |
| SARS:       | South African Revenue Services   |
| SCOPA:      | Select Committee on Public Accounts  |
| SHI:        | Social Health Insurance  |
| VAT:        | Value Added Tax  |
| ZRA:        | Zambia Revenue Authority   |

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# **CHAPTER 1**

## **ORIENTATION TO THE STUDY**

### **1.1 Introduction**

The chapter outlines the background, problem statement, research question, purpose, objectives, significance, and the limitation of the study of revenue collection in the Capricorn district hospitals. The meaning of different terms used in this study has been highlighted for a better interpretation and understanding.

### **1.2 Background of the study**

The Department of Health and Social Development in Limpopo endeavours to efficiently and effectively manage revenue collection. It aims at developing and implementing an appropriate system that will provide for the identification, collection, safeguarding, recording, and reconciliation of information.

The Department of Health and Social Development in Limpopo is composed of five health districts, namely Capricorn, Mopani, Sekhukhune, Vhembe, and Waterberg. Capricorn district consists of six hospitals. The hospitals are Botlokwa, Lebowakgomo, Helene Franz, Seshego, W.F. Knobel, and Zebediela. Zebediela has been functioning as a health centre until, in August 2004 when it was given the status of a hospital. According to the Public Finance Management Act (1/1999) section 38 1(c) (1) an accounting officer shall collect all monies due to the state. In the Department of Health and Social Development Limpopo, the Head of the department is the accounting officer. At hospital level the Chief Executive Officer is an accounting officer and shall, therefore, collect revenue as expected.

According to Word Power Dictionary (2001:834) revenue is defined as the state of annual income from which public expenses are met. An accounting officer is expected to continuously examine his/her institution's operations to identify potential or actual sources of revenue.

Identification thereof includes regular evaluation of the institution's sources of revenue. An institution is expected to aim at maximization of revenue collection. The collection of revenue for the Capricorn district hospitals shall therefore be analyzed.

### 1.3 Problem statement

Hospitals are expected to collect revenue according to annual targets prescribed by treasury. Some of hospitals in the Capricorn district however are struggling to meet the revenue targets.

### 1.4 Research question

What are problems related to revenue collection?

### 1.5 Purpose of the study

The main purpose of the study is to find out why hospitals are not collecting revenue as expected.

### 1.6. Objectives of the study

The objectives of the study are to identify:

- ✚ Problems related to revenue collection.
- ✚ Possible solutions to improve revenue collection.

## 1.7. Significance of the study

In view of the significance it was seen that it would be important to conduct a study that would analyze the collection of revenue in the Capricorn district hospitals .The findings of the study will suggest the best strategies on how to improve revenue collection.

## 1.8 Definition of terms

1.8.1 The following terms are hereby defined.

- ✚ Accounts receivable means the amount of money that will be received by the institution at some stage in the near future.
- ✚ Budget refers to a written statement of what resources, money, time and people will be needed to provide specific services or products over a specified period of time.
- ✚ Cash is regarded as the available money as a resource.
- ✚ Credit refers to a process of being able to obtain goods or services before paying them trusting or hoping that payment will be made in future.
- ✚ Cost per patient day's equivalent in this study, is defined as the average amount of money used to treat a patient per day.
- ✚ Expenditure refers to the process of spending funds.
- ✚ Inpatient days, in this study, are regarded as a unit measure utilized to indicate the services rendered to one inpatient between the censuses taking hours on two successive days.

- ✚ Income per patient day equivalent refers to the income the hospital receives from patients following treatment.
- ✚ Patient day's equivalent, in this study, is seen as one third of outpatient /casualty visits plus inpatients (admissions and discharges) over a period of forty-eight hours.
- ✚ Population refers to a group (usually of people) about whom we want to be able to draw conclusions.
- ✚ Revenue means income received by institutions from various sources for services rendered.
- ✚ Hotel service programme refers to a programme that supports service excellence by ensuring that both medical and non-medical care are fully covered through addressing service delivery gaps.

## 1.10 Conclusion

The Department of Health and Social Development in Limpopo is aiming at developing and implementing an appropriate system that will enable hospitals to collect revenue as expected. It is evident that some hospitals are struggling to meet the revenue targets. The main purpose of the study is to identify problems and possible solutions related to revenue collection.



## **CHAPTER 2**

### **LITERATURE REVIEW**

#### **2.1 Introduction**

This chapter is a presentation of the literature that was collected and perused. There is an abundance of literature on revenue collection in various countries. There is however limited information on revenue collection with regard to the health services or hospitals.

Sources from the library and websites were consulted. In this study the literature on the international, African and South African perspectives is discussed. The section will highlight what other countries are practising and which are the best practices that can be adopted to improve revenue collection in Capricorn district hospitals.

Faul, Ever, Ingham and Lomax (1999:64) describe revenue as a gross inflow of economic benefits during the period arising in the course of ordinary activities of an enterprise when those inflows result in equity other than increases relating to contributions from equity participants Niemach and Bennett (2002:147) refer to revenue as the amount which the business receives or will receive as a result of its business activities. This is normally referred to as sales or turnover.

#### **2.2 An international perspective**

The Department of Health Services (DHS), California aims at protecting and improving the health of the residents through a variety of programme that promote, prevent, and coordinate a high quality health system. It was found that there are no standard set of policies, procedures and controls for these disparate systems.

The business processes utilized to collect fees and fines to support these programme were not designated to take advantage of available economies and new technology. There were numerous problems directly related to the decentralization of the Department of Health Services revenue collection, among others were procedures for the receipt, collection and deposit of fees and fines (Anon, 2004:1)

### 2.2.1 Procedures

The procedures vary widely. They were determined by programme staff with limited oversight or direction by the DHS Accounting Section. In Santa Clara County the Department of Revenue provides agencies and departments within the County with professional collection services using collection enforcement techniques comparable to those used in the private sector.

Services provided include billing and collection, explanation of client charges, negotiating payment arrangements, delinquent noticing, collection pursuit through client follow-up, small claims action, lawsuits, accounting and distribution of revenue collected to appropriate funds and entities (Anon., 2003:1).

### 2.2.2 Fees and fines

The fees and fines collection systems were found to be disaggregated, inefficient and fail to collect all fees due to the state. Fee and fine collection systems had high error rates and were technologically outdated.

The decentralization of revenue collections by the Department of Health Services in California resulted in an increasing age schedule of overdue fees and fines for the collection of returned financial instruments. The health programme staffs were diverted from performing programme related functions to fee and fine collection.

The process of collecting fees and fines is predominately check-based which increases administrative burdens.

It is unresponsive to private business needs for ease of payment of certain types of licenses. Fee and fine collections include the payment instrument along with other non-monetary documentation. (Anon., 2004:2-3)

### 2.2.3 Accounts receivable

Since the Department of Revenue of Santa Clara County is aiming at maximizing revenue collection, revenue is distributed timely and consistently to provide a funding source for other services.

The provision of quality customer service is done through processing documents timeously to establish account data and bill clients. Informative and accurate monthly billing statements are sent to clients for the purpose of facilitating prompt payment. The Department further deposits revenues in a timely manner to maximize interest earnings

The phone lines have been replaced with digital lines to improve the quality of their phone call reception and at the same time reduce costs. An interactive voice response system (IVR) has been installed to assist clients with information relating to their accounts. A client is able to verify the last payment (Anon., 2003:1).

### 2.3. Summary of an international perspective

The Department of Health Services in California is struggling with procedures and processes to collect revenue.

Formal account receivables were not setup for overdue fees and fines. This has let to an in increased risk of non-collection and the under reporting of Accounts Receivable in financial reports.

Programmes are not diligent for revenue collection by the state government. Santa Clara County Department of Revenue has a professional collection service using collection enforcement techniques. There is a system in place for managing account receivables.

Santa Clara County Department of Revenue is focusing especially on quality customer service. Documents are processed promptly to establish account data and billing of clients. Clients are sent bills on monthly basis. Prompt banking is done to target the earning of interest at the end of the month while an interactive voice response system helps the clients to be updated with their accounts and to pay timeously.

## 2.4 An African perspective

### 2.4.1. Angola

Angola as a country is now reaping the fruits of its customs reform and modernization programme, as reflected in rising revenue collection figures. The Angola Government has embarked on a custom reform and modernization programme which is aiming at improving the administration of taxes and duties by addressing issues such as enhancing revenue collection.

Revenue has increased three to four times since they started with the implementation of this project. The records reflect collection of 100 million US dollars in the year ending 30th June 2005. This is a growth of 45.9% compared to the same period in the previous year, when customs collected 68.5 million US dollars (Buyonge, 2005:1-2).

#### 2.4.2. Lesotho Revenue Authority

The Lesotho Revenue Authority (LRA) is an operationally autonomous body that was established by an Act of Parliament in January 2003. It has become a model of good practice in making changes to boost trade and maximize revenue collection while the new Value Added Tax (VAT) system has a direct positive impact on the incomes and expenditure of poor families.

The successful introduction of both VAT and a system to claim tariff revenues from South Africa by the LRA provides the Government with revenues, which enable it to finance services to benefit the poor. The LRA has recognized the importance of strong links with its main trading partner through the South African Revenue Service.

The South Africa Revenue Service (SARS) was enabled to directly refund the LRA all VAT paid on goods imported from South Africa. At once revenue collections were increased by 167% and 320% respectively at two of the main border posts over two years (2004 and 2005). Growth in revenue collection at all posts, year on year was 204%.

The reforms at the border minimized the risks of smuggling and tax evasion. The incentive to cheat has been removed ever since the refunds on imports were made directly to the LRA (Anon., 2005:2)

#### 2.4.3 Rwanda Revenue Authority

The Rwanda Revenue Authority (RRA) was officially established on January 1, 1998. The overall mission of the RRA is to maximize revenue collection, at minimum cost, while providing a high quality, courteous and equitable service. The RRA had some structural shortcomings which included revenue loss. This was due to weak systems, corruption, delays, smuggling, tax evasion, poor documentation, and alack of statistical data.

The RRA adopted specific strategic objectives that are aiming at maximizing the flow of tax revenues to the Government. In 1994 revenue collection was 5.8 billion FRW; and in year 2002 revenue collection was 95 billion FRW. This shows a growth rate of 1,638%.

The strategy to achieve the above projected tax collections was to improve the efficiency and effectiveness of revenue assessment and collection. This includes a rolling three-year staff training plan, which will make the biggest and most direct contribution to revenue maximization.

Rwanda's reform since 1994 was guided by an increase in the domestic revenue, widening the tax base and gradually lowering the tax rates. Various tax collection measures have been implemented to make revenue collection more effective and efficient. Some of them include contracting revenue receipts to commercial banks to increase efficiency and reduce risks of revenue loss through the hands of their own staff. The measures have been efficient as manifested in significant increases in revenue collection and tax compliance levels (Anon., 2006:1-6).

#### 2.4.4. Zambia Revenue Authority

Government has commended the Zambia Revenue Authority (ZRA) for surpassing revenue collection targets by K359.6 billion in the first five months of 2006. The ZRA Customs and Excise Division which had always been trailing in the first quarter have this time made a historical achievement of going past the set targets. Government was pleased with ZRA's positive performance.

Surplus collections by the ZRA were easing Government's efforts of fulfilling developmental projects. The ZRA had the mandate to collect revenue in order for Government to carry out its developmental activities. According to the revenue collection out-turn as at May 2001, the ZRA collected K152.2 billion in excise taxes against the target of K150.2 billion, a K2.1 billion surplus over target.

During the period under review, the Kwacha lost some strength against all the hard currencies, registering 5.75% depreciation against the US dollar. In the light of the foregoing, the Kwacha value of the trade taxes increased on account of the depreciation of the Kwacha.

The ZRA has been established to ensure that revenue is collected on behalf of Government. If the Government is in a position of achieving above budget, will be able to fulfill developmental projects. At the end of the year, this will contribute to the Gross Domestic Product (GDP) (Musanka, 2005:1-2).

#### 2.4.5. Namibia

The Katima Mulilo town council has taken steps to boost revenue and improve services rendered to residents of this principal town in the Caprivi region, close to the Zambian and Botswana borders. The council realized the importance of putting measures in place that will improve the collection of revenue from water services, rates and rentals.

The council's effort to introduce a water billing system in the town hit a snag only two months after its installation because of the illegal connections that are rife, adding to the problems encountered by the council in its efforts to increase its revenue base. It has been highlighted that there will be an introduction of new tariffs, as the present tariffs are too low.

The council wanted to introduce rent in the informal settlements in the town, dog licenses and a fee for animals brought into town for slaughtering as a strategy to collect more revenue. Another challenge for the council was water which was only available for about two hours in the mornings and another two hours in the evenings. One of the projects being considered for increasing the revenue is growing flowers in garden refuse as most of the flowers sold in the country are imported from South Africa (Anon., 2001:1).

#### 2.4.6. Mozambique

The Mozambican customs service collected 9,024.5 billion meticaais (about \$36 million) in 2005 compared with the targeted 8,892.89 billion meticaais, which amounted to 49% of the country's total domestic revenue.

A report from the Customs General Directorate states that the 2005 figures represent a 21.91% growth when compared with the previous year, when the institution collected 7,397.82 billion meticaais.

Despite the gradual reduction in tariffs, as the Southern African region moves towards becoming a free trade area, the Mozambican government believes that the customs services can still collect more money than they are currently doing. For 2006, these services have the target of collecting more than 10,600 billion meticaais in duties.

The trade protocol signed by the member states of the Southern African Development Community (SADC) seeks to have established a free trade zone by 2015. The logical consequence of this will be that tariffs on most goods produced by SADC member states most notably South Africa will shrink to zero, with a consequent dramatic effect on customs revenue.

The share of domestic consumption tax done by introducing value-added tax, use the import duty tariffs for protection purposes while the sales tax or consumption tax would be used for revenue generating purposes. (Anon., 2005:1).

### 2.5 Summary of African perspective

Revenue is the lifeblood of the country or organization to survive. Angola after the massive war, Angola had to pick up the bits and pieces to normalize the situation. In its reform and modernization process revenue enhancement was given priority.



The establishment of the Revenue Authorities in Lesotho, Rwanda and Zambia has caused tremendous improvements in revenue collection. The Lesotho Revenue Authority has successfully managed to introduce both VAT and a system to claim tariff revenues from South Africa.

The tariffs provide the Government with revenues, which enable it to finance services which are of benefit to the poor. The Rwanda Revenue Authority had some structural shortcomings which included revenue loss due to weak systems, corruption, delays, smuggling, tax evasion, poor documentation, and a lack of statistical data.

The RRA implemented a strategy through a phased programme of computerizations. The programme will minimize any leakage of tax revenues due to fraud, tax evasion and corruption. There are many sources of revenue that can be used; hence Katima Mulilo town council in Namibia is trying to collect revenue in the form water services, rentals or rates to improve the services of its residents.

## 2.6 South African perspective

The National Treasury, of which the Minister Finance, is in charge of the National Revenue Fund. Section 213 of the constitution of the country expects that all monies received by government must be paid into the National Revenue Fund. The money from the National Revenue Fund may not be withdrawn except in terms of the appropriation by an Act of Parliament or as a direct charge against the fund, subject to section 14(1) a (ii) of the constitution, 1996

The Act of Parliament provides for equitable share division raised nationally among spheres of government. The budget in each sphere of government contains estimates of revenue and expenditure differentiating between capital and current expenditure. Each Province has got its Provincial Treasury of which the MEC for Finance is in charge of the Provincial Revenue Fund.

The departments in a Provincial government are responsible for the proper management of revenue collected.

A media statement on the preliminary revenue results for fiscal year 2004/05, the Minister of finance indicated that SARS had managed to collect R354, 9 billion in revenue. The amount is R10 billion more than the revised target of R345, 3 billion. He further mentioned that South Africans had raised to the challenge of enhancing a culture of responsibility and increasing a sense of fiscal citizenship as it is always quoted by President Mbeki.

South Africans should be proud of an improving trend in compliance to which they are all contributing. It ensures a resilient foundation and sustainable revenue for the second decade of their democracy. Businesses and individuals are responding in a positive way to the efforts that are spearheaded by the SARS to improve tax collection and narrow the tax gap (Manuel, 2005:1)

Hlophe and Friedman(2006:3) state that South Africa has achieved consistent and dramatic improvements in revenue collection since the mid-1990s. The questions of how the states should extract resources from citizens and their performance should shape, are being explored in the context of revenue mobilization in a democratic South Africa.

The improvements are mainly the result of improved administrative capacity in the South African Revenue Services (SARS). There is no evidence for linking improved collection to enhanced citizen confidence in government.

Improved revenue collection has little to do with more positive citizen attitudes towards the use of state funds for the improvement of the lives of all. South Africa contains a tax paying culture, contrary to many other developing nations.

The absence of tax revolts and protests indicates that in South Africa tax collectors benefit from a propensity to pay taxes built up over many years which is strong enough to ensure higher payments when managerial methods improve.

### 2.6.1 South African Revenue Services

By the late 2000, the first sign of an improved revenue administration were beginning to emerge. This is reflected by a strong nominal growth averaging 13% per year. Between 1996 and 2000 SARS has managed to collect more than R20 billion above initial forecasts in the printed budget.

This process was possible because SARS is having administrative autonomy. Its organizational composition was beginning to be reformed into a modern and efficient revenue and custom authority. (Anon., 2004:1).

In his introductory remarks when tabulating the budget for National Treasury, the South African Revenue Services and Statistics South Africa, the Minister of Finance, indicated that the performance of SARS is judged by evaluating the revenue collected, the administration of South Africa's growing trade with the outside world, by our success in increasing tax compliance and combating tax fraud. SARS has collected R281, 1 billion in 2002/2003 which is R1, 7billion above the revised target.

Over the past year, the South African Revenue Service (SARS) has continued to make significant progress in enhancing its administrative capacity in order to become a world class tax and customs administrator capable of effectively responding to the challenges of globalization.

Tax collections in 2001/2002 are estimated to exceed the original budget estimate by more than 6%, Attributable in part to more effective revenue collection and enforcement. The revenue performance is also testimony to the success of the sweeping tax reform agenda of the past decade.

The South African Revenue Service has displayed a growing competence and effectiveness in terms of discharging its responsibilities towards revenue collection. It is anticipated that SARS may raise about R40 billion Rand. This will lower debt service costs in the years to come, and lower interest rates across the entire economy. It is anticipated that there will be a room for moderate tax relief.

## **2.6.2 National Department of Health**

Public sector health services are still heavily dependent on general tax revenue. The other additional source of finance is local government's 'own revenue', which is sometimes used to supplement subsidies provided by provincial governments.

User fees too generate some income. The revenue is returned to the provincial treasury because it may be used on other services. It is not, strictly speaking, meant as a source of finance for public health services only.

This reliance on a single source of finance for the majority of the public sector health services limits the ability of health authorities to restructure health services. The health authorities are limited to respond to the changing and growing needs of the population.

If health services are to be expanded, health authorities will need to convince budget decision-makers to award health a larger slice of the resource pie or consider alternative funding sources. Since the implementation of the new constitution, the competition for limited government resources between different service departments occurs primarily at provincial level.

In some cases this makes it easier for a provincial health department to obtain a larger budget. In other cases, particularly in those provinces which have inherited large bureaucracies through the re-incorporation of a number of former homeland authorities, it could result in health not being adequately prioritized (Anon, 1998:4)

McIntyre, Baba and Makan (1994:1) mentioned that in recent years user fees and social health insurance (SHI) have received most attention as alternative sources of financing. One possibility would be to charge insured patients higher fees for services received at public sector hospitals and for at least a part of the fee revenue to be retained by the hospital as an incentive for revenue collection.

In order to attract medical scheme members back to the public sector, it would probably be necessary to introduce a 'hotel service programme' which aims at improving health services in these hospitals.

While some provinces are trying to increase fee levels for members of medical schemes and improve revenue collection methods, revenue receipts remain. There has been little progress in negotiating with provincial treasuries for fee revenue to be retained within the health sector. Presently user fees are, therefore, still not bringing in substantial additional revenue for the health sector.

The relationship between the SHI and increased fee revenue at public sector hospitals has recently been highlighted. Considering the low proportion of the population covered by more comprehensive medical schemes at present, it is unlikely that substantial additional fee revenue can be generated.

However, if all formal sector employees and their dependants were covered by a compulsory hospital insurance scheme, the number of patients currently using public sector hospitals whose inpatient care costs were covered would increase dramatically.

If the public health sector is to make dramatic and rapid progress towards achieving its goal of universal access to primary care services, these remaining financing issues must be addressed as a matter of urgency

### 2.6.3 Kwazulu-Natal Provincial Government

In his budget speech, Miller (2005:12) indicated that it is important to increase the levels of collecting revenue in the provincial government. If the levels of own revenue collection were increased there is a potential for meeting the provincial goal of alleviating poverty.

A dedicated revenue component has so far been established in the budget office of the Provincial Treasury to investigate the entire own revenue policy, systems, structures and processes. The aim is to raise the levels of revenue collection within the existing legislative framework.

Kwa-Zulu Natal provincial government commissioned a major revenue research project in 2003 to investigate the existing revenue base, collection effort and to recommend improvements to the revenue collection system. The objective of the study was to establish a more scientific model for the forecast of revenue in the province.

It included a comprehensive evaluation of the existing sources of revenue with a view of determining their proper bases, ensuring regular adjustment to tariffs, enhancing management and collection systems, and determining the feasibility of appropriate revenue retention and incentive schemes.

Vapi (2002:1) reported that Kwazulu-Natal's Health officials pledged to forgo the comfort of private hospitals because they believe that their medical aid will help bring much needed funds into the public health sector. Dr Zweli Mkhize, Member of the Executive Council (MEC) for Health, and Ronald Green-Thompson, Head of the Department, encouraged elected officials and civil servants to utilize public hospitals as the medical payouts will help fund improvements.

Vapi (2002:1) further indicated that Green-Thompson told a budget hearing in Pietermaritzburg that poor revenue collection is contributing to the decaying public health infrastructure. He further highlighted that patients do not see public health institutions as their first choice because some are working for the Department but still go to the private sector. The main reason is the under collection of revenue and limited funds that the government is experiencing

#### 2.6.4 Mpumalanga Provincial Government

When tabling a budget for 2004, the MEC for finance indicated that, Mpumalanga needs to ensure that revenue collection efforts are maximized so that it should be in a position to realize the main pillars of the Provincial Growth and Development Strategy (PGDS).

This could be done through developing new strategies and ensuring that all role-players are committed towards the success of those strategies. Revenue, if optimally collected, can ease many constraints the department is faced with. It can enable them to deliver the necessary services and improve the lives of their people.

For the 2005/2006 financial year, the Provincial Treasury committed to assist departments to realize the optimal collection of their own revenue. It can be done through intensifying the campaign to urge vehicle owners to register their vehicles in Mpumalanga, to revise vehicle tariffs on an annual basis, to strengthen internal controls, systems regarding the overall cash management of revenue collection, and the management of information systems in departments in order to maximize the collection of revenue.

The Mpumalanga Department of Finance is anticipating that if these strategies could be applied to collect its own revenue, remarkable improvement will be made in 2005/2006 financial year.

#### 2.6.5 City Council of Johannesburg: Gauteng Province

The local government, unlike other spheres of government, depends on almost 90% of its own revenue to meet operations. Good revenue management is, therefore, critical. The city council of Johannesburg feels that revenue is the lifeblood of the city.

In 2001 the council initiated a re-examination of its revenue operations, management, structure and approach. It came up with the implementation of a new strategy which aims at resolving these problems such as the recruitment of a new management team for revenue, completing numerous revenue improvement projects, designing and implementing a Revenue Shared Services Centre for the entire city by January 2006 and addressing the social aspects of revenue and credit control. The City's seriousness about revenue management is evident from the sheer scale and pace at which it was pursuing revenue improvements (Anon., 2003:1-2).

#### 2.6.6 Limpopo Department of Health and Social Development

Hospitals in Limpopo are owed about R146 million by patients whose medical aid companies have not settled their bills, and those who lied about being poor.

Limpopo has 43 state hospitals that provide private wards for financially well-off patients who prefer to use their own doctors, instead of state doctors. The department was seeking tenders from debt collection companies to collect the outstanding money.

It had been identified that some of the patients provide false information which makes difficult for the department to collect its monies. It is anticipated that after appointing the company, the department will be in a position to pin down the cheaters.

The legislature's Select Committee on Public Accounts (Scopa) noted that debt from these patients rose from R83.6 million in 2003 to R146 000 000 in 2004. It was identified that the majority were patients on medical aid who were in arrears and those who lied about being poor so that they could get cheaper services.



Medical aid companies have been given an option to pay accounts electronically or directly into the department's bank account.90% of the companies have already started paying in that manner.

The arrangement increased the collection of outstanding fees from about R25 000 to R420 000 a month. Hospitals are already verifying patients' personal details in their outpatient departments to enable billing officers to trace defaulters.

The Department is also issuing regular reminders to medical aid companies which have not paid their debts. The debt-collecting company would target accounts that have been in arrears for over six months. The department believes that the appointment of hospital chief executive officers will tighten up general management, including revenue collection (Yende, 2006:1).

The Department of Health and Social Development is concerned about the inconsistency of revenue collection from various hospitals. A task team formed by representatives from various districts was elected. The team benchmarked in different provinces which were doing well in terms of revenue collection, for example Kimberley hospital in the Northern Cape, Klerksdorp hospital in North West Province and Johannesburg General Hospital in Gauteng.

On arrival from the benchmarking trip, feedback was given to various districts through their representatives. The five districts had meetings where attendees were chief executive officers, financial managers and revenue clerks.

The issues for the discussions were debt management, patient classification, ICD-10 CODING and marketing of hospital services. The meetings that were held at the districts gave rise to the Provincial Summit on the improvement of revenue collection which was held in July 2006.

The institutions gave their inputs which were mostly general. The outcome of the summit emphasized the implementation of lessons learned during the benchmarking process and a revenue turnaround strategy was formulated.

### 2.6.7 Summary of South African Perspective

Though user fees generate some income, the revenue is returned to the provincial treasury because it may be used on other services. It is not strictly speaking, meant as a source of finance for public health services only.

This reliance on a single source of finance for the majority of the public sector health services limits the ability of health authorities to restructure health services. The health authorities are limited to respond to the changing and growing needs of the population.

The South African Revenue Services (SARS) is judged by evaluating the revenue collected, the administration of South Africa's growing trade with the outside world, its success in increasing tax compliance and combating tax fraud.

South Africa contains a tax paying culture, contrary to many other develops nations hence the improved revenue collection.

The Head of the Kwazulu-Natal Department of Health encouraged the majority of government workers to go for medical treatment in public hospital.

The Department of Finance in Mpumalanga believes that the residents of Mpumalanga should take into consideration registering their vehicles in their province.

The city council of Johannesburg initiated a re-examination of its revenue operations, management, structure, and approach. It came up with the implementation of a new strategy which aims at resolving problems such as the recruitment of a new management team for revenue, completing numerous revenue improvement projects.

The Department of Health and Social Development is concerned about the inconsistency of revenue collection from various hospitals.

It has been identified that some of the patients provide false information and it thus becomes difficult for the department to collect its monies. The Department appointed tenders from debt collection companies to collect the outstanding money.

The department further investigated strategies that will improve revenue collection. The feedback from the benchmarking gave rise to a Provincial Revenue Summit, because each and every institution or organization wants a better performance.

## 2.7 Revenue management

Recognizing the complexity of revenue collection, the collaboration of many parties, willing and unwilling, within and without government is required. Understanding the problem presented by each source of revenue, and achieving a satisfactory procedural solution, requires strong institutional commitment. Revenue collection requires legislative support and organizational arrangements which include commitment to quality reporting and the constructive involvement of policy leaders.

The timely formulation and implementation of revenue measures require management attention and persistence, best expressed through work plans and formal performance reviews. According to Treasury Regulations, section 7 (7.2.1), the accounting officers of an institution must manage revenue efficiently and effectively by developing and implementing appropriate processes that provide for the identification, recording, reconciliation and safekeeping of information about revenue.

### 2.7.1 Identification of revenue

The accounting officers should be able to identify potential sources of revenue including fines, fees, grants, levies, subsidies and other forms of charging. The identification of revenue includes the regular evaluation of the institution on revenue. Each institution should aim at optimizing its revenue resources even if the revenue collected is not retained by the institution but paid into the relevant revenue fund.

The review of the institution's resources should be carried out by managers who are familiar with the operations of the institution. The managers should also be aware of the proposed initiatives that may have a revenue bearing effect.

Revenue review is a continuous process but it is specifically being conducted during the budget process when resources and requirements are under consideration. It is also required that information on the tariffs be disclosed in the annual report including any free services rendered, but not taken into account in the budget.

### 2.7.2 Management of accounts receivable

The management of accounts receivable or the credit extension policy flows from the credit extension activities of a business or institution. Credit is extended in an attempt to increase sales and eventually the market share. Account receivables are managed in terms of selected business/institutional credit policy.

A credit policy is determined after certain aspects of the extension of credit have been considered, e.g. the sales conditions. Credit sales conditions include aspects such as the credit period and cash discounts offered for the payments of accounts within a specific period.

The credit period to be employed must be decided on e.g. open accounts, promissory notes, letters of credit, and drafts. Prospective customers must be subjected to credit analysis in order to establish their credit worthiness. Guidelines for credit worthiness must be formulated.

An optimal policy will be followed by an institution to minimize the total costs associated with the extension of credit. A policy for the collection of accounts receivable must be formulated.

In order to execute the collection policy, ageing schedules should be used for accounts receivables.

An ageing schedule indicates the credit position of a business/institution by means of the age distribution of respective accounts. (Van Rensburg,1997: 151-152).

Lehan (2005:7-8) states that Government liquidity, its ability to satisfy obligations when due, depends on the timely receipt of revenues. Time is mostly not on the side of revenue collectors. Revenue collection officials must also be ever attentive to the timing of receipts.

The collectibility of revenue receivables tends to deteriorate, rather than improve with time, as the status of people, and their property and businesses, continually change with the changing circumstances of life.

Addressing delinquencies promptly, on the first day of the delinquency, reduces the possibility of eventual losses because the debtors seldom pay accounts unless a claim has been issued. It is of paramount importance to issue statements requesting payment regularly and as early as possible to facilitate the timeous collection of revenue. The form that is used to notify the debtor to pay should be numbered for control purposes.

Revenue collection officials must strive to minimize the amount of staff time devoted to the receipt and recording of revenues in favour of increased staff attention to delinquents, overdue receivables and coverage deficiencies negative data carefully designed to focus on delinquents, outstanding receivables, and unrealized revenue

The National Treasury Regulation requires that procedures be implemented to ensure the accuracy of the information included for the establishment and maintenance of control accounts, as well the performance of regular and independent checks.

The objective for managing account receivables is to collect account receivables as quickly as possible without losing revenue from high pressure collection techniques. To accomplish the goal credit selection and standards, credit terms and credit monitoring will be discussed.

### 2.7.3 Credit selection and standards

This involves the application of techniques for determining which customers/patients or clients should receive credit. This process involves evaluating the customer's credit worthiness and comparing, its minimum requirements institutional credit standards for extending to a customer.

Section 27 (3) of the Constitution provides "that no one may be refused emergency medical treatment." In public institution such as a hospital a patient/client will not be denied health services because he/she is not credit worthy.

### 2.7.4 Credit monitoring

According to Gitman (2006:648) the final issue the institution will have to consider in its account receivable management is credit monitoring. It is an ongoing review of the institution's accounts receivable to determine whether customers are paying according to stated credit terms.

If they are not paying in a timely manner, it will alert the institution of the problem of credit monitoring. Slow payments are costly to the institution because they lengthen the average collection period. This increases the firm's investment in account receivables.

### 2.7.5 Internal control procedures

Nair (2000:5) indicates that institutions should apply the internal control procedures which include issuing of mandates for the collection of revenue, the detection of unauthorized or forged signatures to ensure that the total of the individual accounts is balancing with the control account total. Other risks which revenue might be exposed to in revenue management processes are to ensure that there is separation of duties.

There should be provision for effective supervision and monitoring of revenue collected, for example, the same person may not perform activities related to the collection, recording and banking of revenue. Operational activities must be distinguished from the immediate supervision of activities.

Accounting officers should identify limits on the revenue base. This includes the government policies in relation to particular sections of the community, the need for government services to reflect the value for money, community expectations, and the inflation rate.

#### 2.7.6 Cash management system

The accounting officer is responsible for establishing systems, procedures and training and awareness programmes to ensure efficient and effective banking cash management. Revenue should be collected when it is due and be banked promptly. (Treasury Regulations 2000, Paragraph 31.1(31.1.2) (a)).

The debtors have to be pursued with appropriate sensitivity and rigour to ensure that amounts receivable by the institution are collected and banked promptly. An action that avoids locking up money unnecessarily should be taken by managing inventories, and recommending selling of surpluses or underutilized assets (Treasury Regulations 2000, Paragraph 31.1(31.1.2) (b)).

Cash managers should follow certain principles of good management system. Cash requirements should be forecasted on daily basis and over the short term, that is three to six months, to ensure that sufficient funds are available to deal with the daily demands that may be placed on the institution. Short term sources of funds that can be used to meet an unexpected cash demand should be developed.

Customers, payments and other receipts are converted into cash that can be used by the institution as good funds as efficiently as possible. The level of idle cash balances should be kept at a minimal (Henderson, Trennepohl and Wert, 1984:240).

## 2.8 Summary of literature reviewed

It has been identified that for an institution, organization or country to function effectively it has to be supported by funds from various sources. The possible sources of revenue have to be clearly identified so that they are managed properly. There are procedures, processes and policies involved in the collection of revenue.

Revenue collection requires legislative support and organizational arrangements which include commitments to quality reporting. Treasury Regulations, also requires that appropriate processes should provide for the identification, recording, reconciliation, and safekeeping of information about revenue.

Many governments in the United States and elsewhere delegate the responsibility of revenue collection to a collector, heading revenue collection units. The complexity of revenue collection should not be underestimated. The collection of government revenues requires the collaboration of many parties.

Understanding the problem presented by each source of revenue, and achieving a satisfactory procedural solution, requires a strong institutional commitment and the constructive involvement of policy leaders. In South Africa the South African Revenue Services is the main source of revenue for the country.

It has displayed a growing competence and effectiveness in terms of discharging its responsibilities towards revenue collection. South Africa has achieved consistent, and in some cases, dramatic improvements in revenue collection since the mid-1990s. The improvements are mainly the result of improved administrative capacity in the South African Revenue Services.



Countries that have been affected by continuous warfare are embarking on a serious reform process with the main aim of putting systems in place in order to maximize the revenue collection.

The establishment of revenue authorities in some of the African countries has made it possible for them to collect revenue and to be in a position to render services to their communities.

## 2.9 Conclusion

Though the Department of Health Services in California was struggling with procedures and processes in collecting revenue, Santa Clara County have a professional collection service using collection enforcement techniques. There is a system in place for managing account receivables.

Revenue is the lifeblood of the country or organization to survive. Angola, in its reform and modernization process, gave priority to revenue enhancement. The establishment of the Revenue Authorities in Lesotho, Rwanda and Zambia tremendous improvements in revenue collection. Few benefits are gradually being recognized. The tariffs provide the government with revenues, which enable it to finance services which are of benefit to the poor.

South Africa contains a tax paying culture, contrary to many other developing nations, hence the improved revenue collection. The South African Revenue Services is judged by evaluating the revenue collected, its Siyakha programme is has managed to reach its target on an annual basis. It has successfully managed in increase tax compliance and combated tax fraud.

## CHAPTER 3

### RESEARCH METHODOLOGY

#### 3.1 Introduction

The chapter presents and describes the important information related to strategy and methodology of conducting the research study.

#### 3.2 Study method

A quantitative approach has been used. It is a research whereby numerical information is collected by the researcher under conditions of considerable control. It uses structured procedures and formal instruments to collect information where objectivity in the collection and analysis of information through statistical procedures is emphasized. (Polit and Hungler, 1995:15-16). Treece and Treece (1986:113) mention that quantitative research generally focuses on small number of concepts. It begins with preconceived hunches about how the concepts are interrelated

The researcher will review the revenue records kept and filed at various institutions under review .and interview the finance managers, revenue clerks and patients who are requesting credit at that time.

#### 3.3 Study design

According to Treece *et al* (1986:113) the design and conduct of the study is the heart of the research report

A research design is a scheme of action to answer the research question 'or questions. After formulating the specific problem and thoroughly reviewing relevant literature the researcher thinks through to produce a workable strategy

Polit, Beck and Hungler (2001:167), refer to a research design as the researcher's overall plan to answer the research or testing the research hypotheses. In a quantitative research, the research design spells out the strategies the researcher plans to adopt to develop information that is accurate and interpretable

An analytic retrospective study design was used because the revenue records were reviewed and analyzed as far the 2001/2002 to 2006/2007 financial years. The study is also longitudinal as data were collected at multiple points that are five hospitals in the Capricorn District.

The data has were recorded and captured on excel Graphic presentation, while frequency distribution and computers were used to analyze the data. The responses from the finance managers, revenue clerks and patients were captured on an interview schedule for proper analysis and interpretation.

The researcher broke down the data into constituent parts to obtain the answers to the research questions. The analysis of data does not in itself provide answers to questions; hence it should be interpreted and conclusions made (De Vos, Strydom, Fouche and Delport, 1997:204-205).

## 3.4 Methods

### 3.4.1 Study population

All revenue records from 2001/2002 to 2006/2007, available at five Capricorn district hospitals under review and the financial managers, revenue clerks, and one client /patient who came to request credit will constituted the population of the study.

All records from the Capricorn District Hospitals were reviewed between 2001/2002 to 2006/2007. The information recorded before 2001/2002 and after 2006/2007 was excluded

### 3.4.2 Sampling

Polit *et al* (1995:230) refer to a sample as a process of selecting a portion of a population to represent the entire population. It consists of a subset of units that composes the population.

De Vos *et al*, (2005:194) describe a sample as a subset of measurements drawn from the population in which the researcher is interested. A sample is studied for the purpose of understanding the population from which it is being drawn. Mouton (1996:132) refers to a sample as a process of selecting things or objects when it is impossible to have knowledge of a larger collection of these objects.

A non-probability purposive sampling was used. It is based on the assumption that a researcher's knowledge about the population can be used to handpick the cases to be included in the sample. The researcher might decide purposefully to select the widest possible variety of respondents or might choose subjects who are judged to be typical of the population in question or particularly knowledgeable about the issues under study (Polit *et al*, 1995:239).

The researcher reviewed all revenue records that were filed and kept at five Capricorn district hospitals during the period under review. The researcher will interviewed the managers from finance, clerks from the revenue services and one patient /client requesting credit in the hospitals under review as they had information pertaining to revenue collection.

### 3.4.3 Data collecting instrument

The data to identify problems related to revenue collection and possible solutions to improve revenue collection were collected. The researcher used computers to capture the data.

The data from 2001/2002 to 2006/2007 financial years were captured on quarterly basis. The data was then presented in the form of graph for proper analysis and interpretation. In addition to the data collected from hospitals, information was also gathered from the financial managers, revenue clerks and a patient requesting credit from the hospital.

The structured questionnaire interview schedule was used (see annexure A) because the response rate is high in face to face interviews. People feel free to give ideas and inputs especially if the environment is conducive.

According to Treece et al (1986:298) the respondents are reluctant to refuse to talk to an interviewer who is directly involved in the process. The depth of the response is assured as the researcher is able to pursue any question of special interest. Data from each interview are usable

The respondents are less likely to give answers like 'I don't know.' If the interviewee does not understand the question. He or she may get clarity or have the question repeated. A face-to-face interview has the advantage for additional data. The participants were briefed about the nature and purpose of the interview. The researcher had strict control over the order of presentation of the questions.

Structured interview questions were designed and presented by the researcher. All the questions were directed at obtaining information to the problem studied. The researcher used both open ended and closed ended questions.

The respondents were given the chance to express their own views. Interviewing these three people in each hospital was to find out more information about revenue matters and coming up with strategies for improvement

### 3.5 Ethical considerations

Permission to conduct the research was obtained from the Limpopo Department of Health and Social Development in July 2007. This was done through writing a letter to the Department of Health and Social Development requesting permission to conduct research in Capricorn District hospitals. A research proposal and a letter from the University of Limpopo were attached.

#### 3.5.1 Consent form from staff

Initial information about the study was provided to finance managers and revenue clerks through quarterly meetings, informal discussions and the District Summit that was held in 2006. The purpose of the study was highlighted.

The possible use of information was explained to the respondents. Consent forms were made available to the staff at the outset of the study. Staff filled out the consent forms to indicate their willingness to be involved in the study, including their right to withdraw.

#### 3.5.2 Consent from patients

A written consent form was signed by each respondent. They were actually encouraged to feel free during the interview session. The respondents were assured of privacy, confidentiality and anonymity. Potential risks, harm and inconveniences that might arise during the research process were mentioned.

The researcher was available for answering and clarifying any questions that needed to be clarified. The researcher identified herself and how she should be contacted if case needed. The respondents were informed about the right to refuse to participate and withdraw at any time.

## 3.6 Limitations of the study

### 3.6.1 Limitations

#### 3.6.1.1 The Unicare system

The Unicare system was utilized to access information. It is an information system used by the Department of Health and Social Development for patient administration. Lebowakgomo Hospital is not connected to the Hospital information system and data were collected manually. The process of data collection was time consuming.

#### 3.6.2 Records

The researcher collected data from the revenue records of the hospitals under review.

The data collected from the revenue records could not give detailed information to arrive at the research findings. The structured interview questions were used to collect data from the financial managers, revenue clerks and clients requesting credit.

### 3.7 Conclusion

In this study quantitative the approach was used with the application of an analytic retrospective study design because the revenue records were reviewed and analyzed as from 2001 to 2006.

All records from 2001/2002 to 2006/2007 were available at the five Capricorn district hospitals under review and financial managers, revenue clerks, and one client /patient constituted the population of the study

In addition to the data collected from the hospitals, information was also gathered from the financial manager, revenue clerk and a patient requesting credit from five hospitals. Structured interviews were used to collect information from the participants.

Structured interview questions were designed and presented by the researcher. The consent form was made available to the participants. The study had some limitations. For instance was difficult to locate some of the information as Lebowakgomo hospital is not connected to the hospital information system.



## CHAPTER 4

### DATA PRESENTATION

#### 4.1. Introduction

This chapter presents the data in the form of tables and graphs. The data were collected from the 2001 to 2006 financial years. The data were captured on excel and displayed in the form of graphs for the purposes of analysis and interpretation. The data were presented in an orderly manner to show relationships. Tables were also used where graphs could not serve the intended purpose.

#### 4.2 Tables

##### 4.2.1 Table 4.1

The table below displays the capacity of the hospitals under review. Lebowakgomo Hospital (previously Dr Machupe Mphahlele Memorial) though classified as a district hospital had the highest capacity of all the hospitals in the district. Botlokwa had the lowest capacity. Botlokwa had developed from the status of a health centre to a hospital.

There are authorized and actual beds.

Authorized beds: The number of beds designated to the hospital.

Actual beds: There are actual beds which patients occupy on daily basis

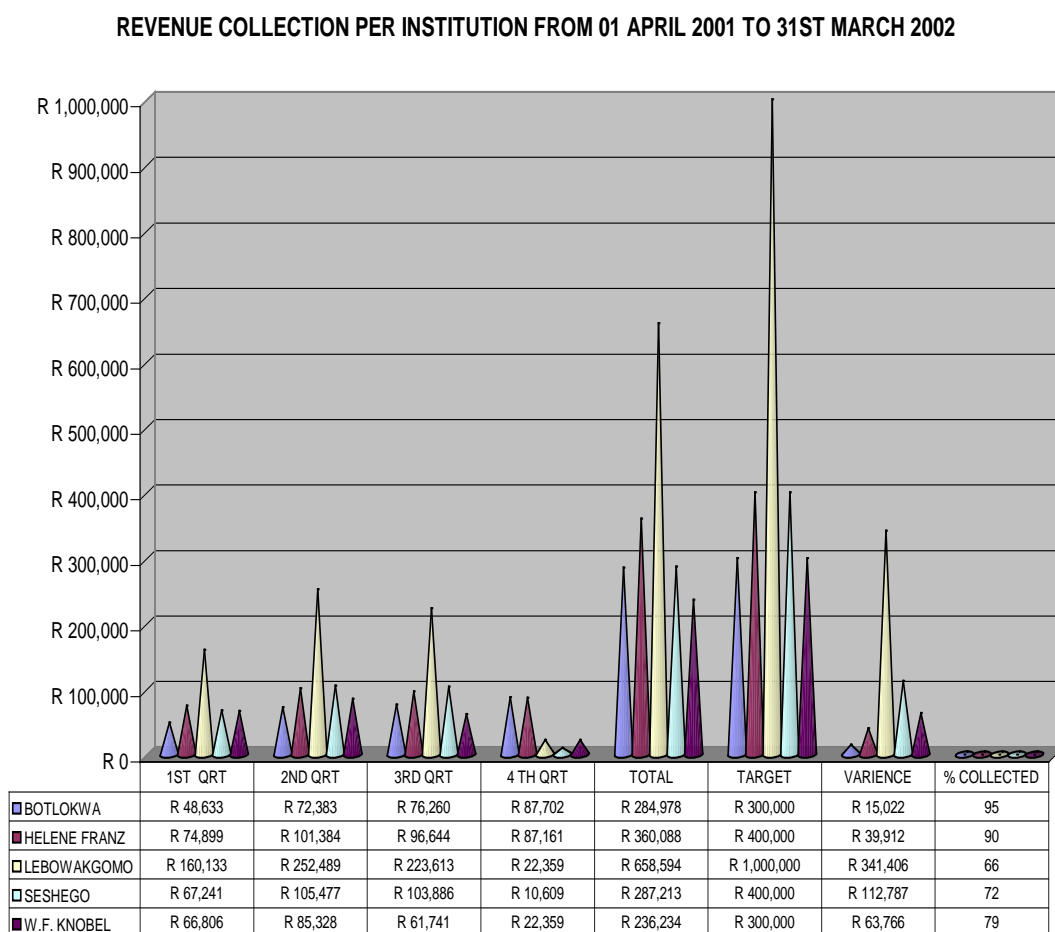
Table 4.1 Capacity of hospitals

| HOSPITALS    | AUTHORISED | ACTUAL |
|--------------|------------|--------|
| BOTLOKWA     | 88         | 56     |
| HELENE FRANZ | 149        | 119    |
| LEBOWAKGOMO  | 252        | 216    |
| SESHEGO      | 180        | 139    |
| W.F. KNOBEL  | 243        | 120    |

#### 4.2.2 Table: 4.2

It presents a graph showing revenue collection for April 2001 to March 2002. The information was captured in quarters. The total amount of revenue collected and target for each hospital are displayed. The highest percentage of revenue collected is 95%. The hospitals did not attain revenue target.

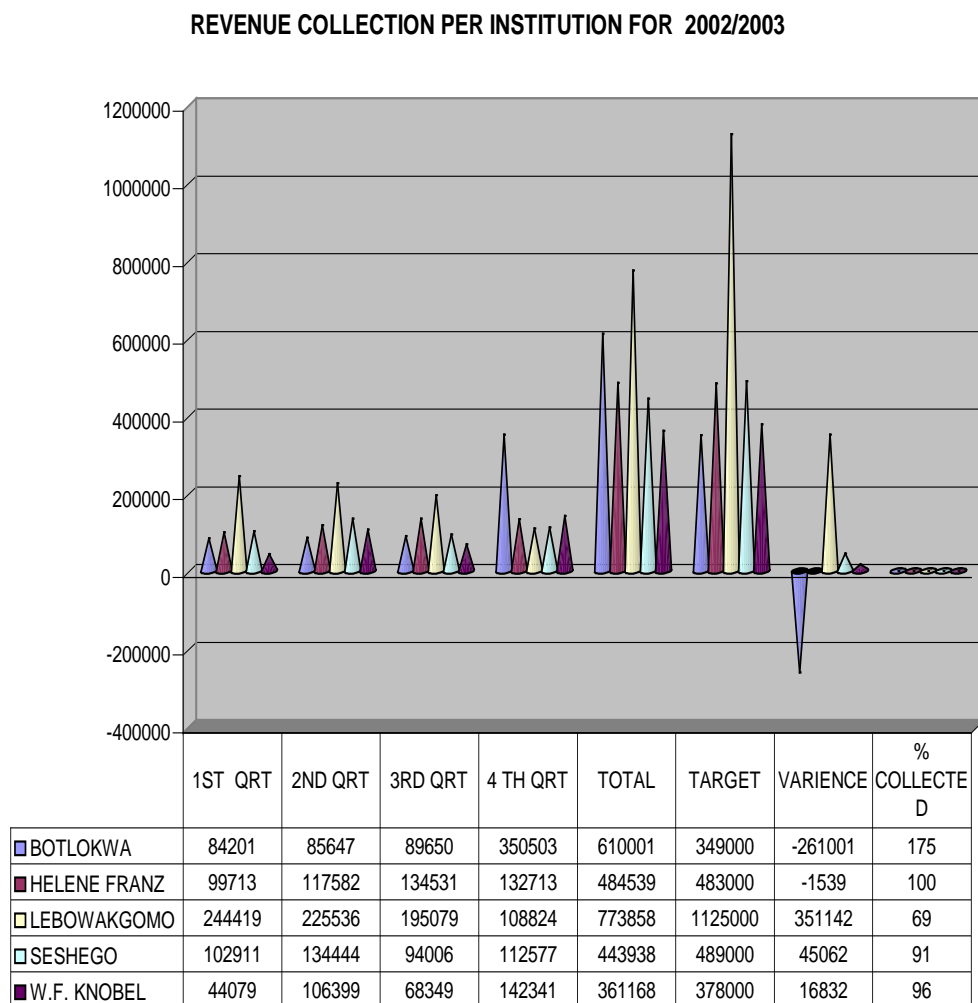
Table 4.2: Revenue collection for 2001/2002



### 4.2.3 Table 4.3

Table 4.3 presents data pertaining to revenue for the 2002 to 2003 financial year. The information was captured in quarters. The total amount of revenue for each hospital is shown. Various targets for the hospitals are displayed. The highest percentage of revenue collected was 175%. Botlokwa and Helene Franz managed to attain the target.

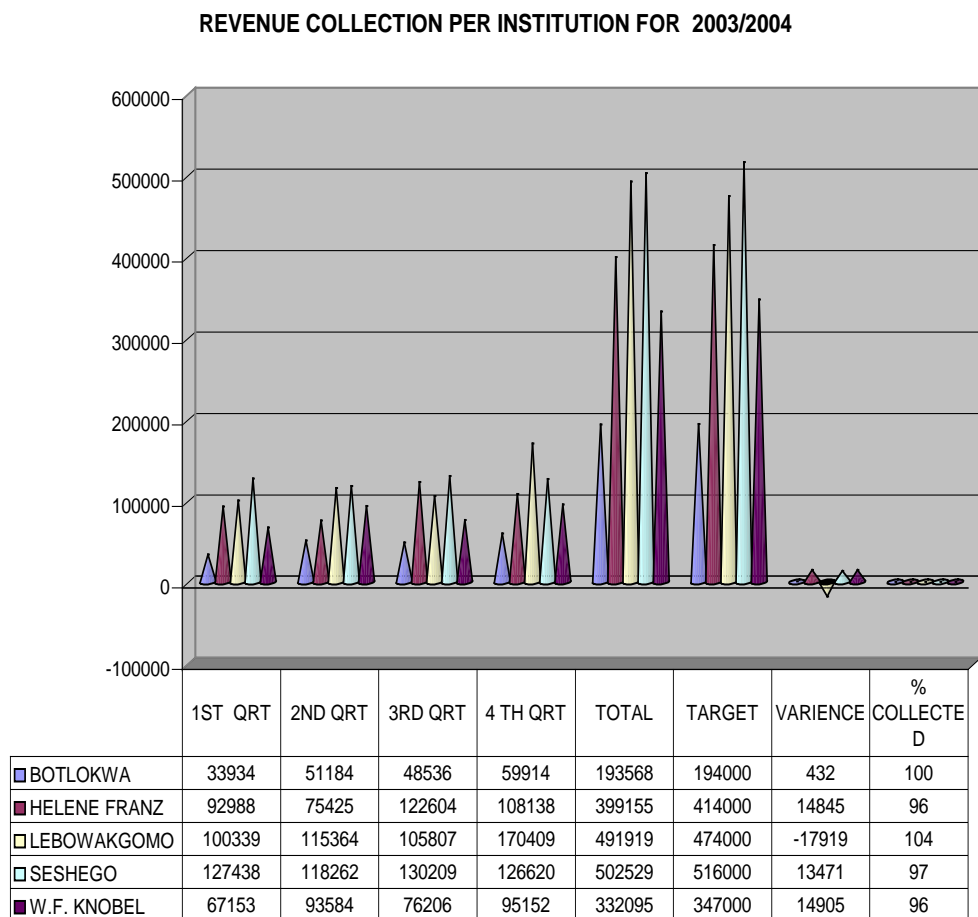
Table 4.3 Revenue collection for 2002/2003



#### 4.2.4 Table 4.4

It shows the collection of revenue from 2003 to 2004. The information was captured and distributed in quarters. Targets for the hospitals have been displayed. The highest percentage of revenue collected was 104%.

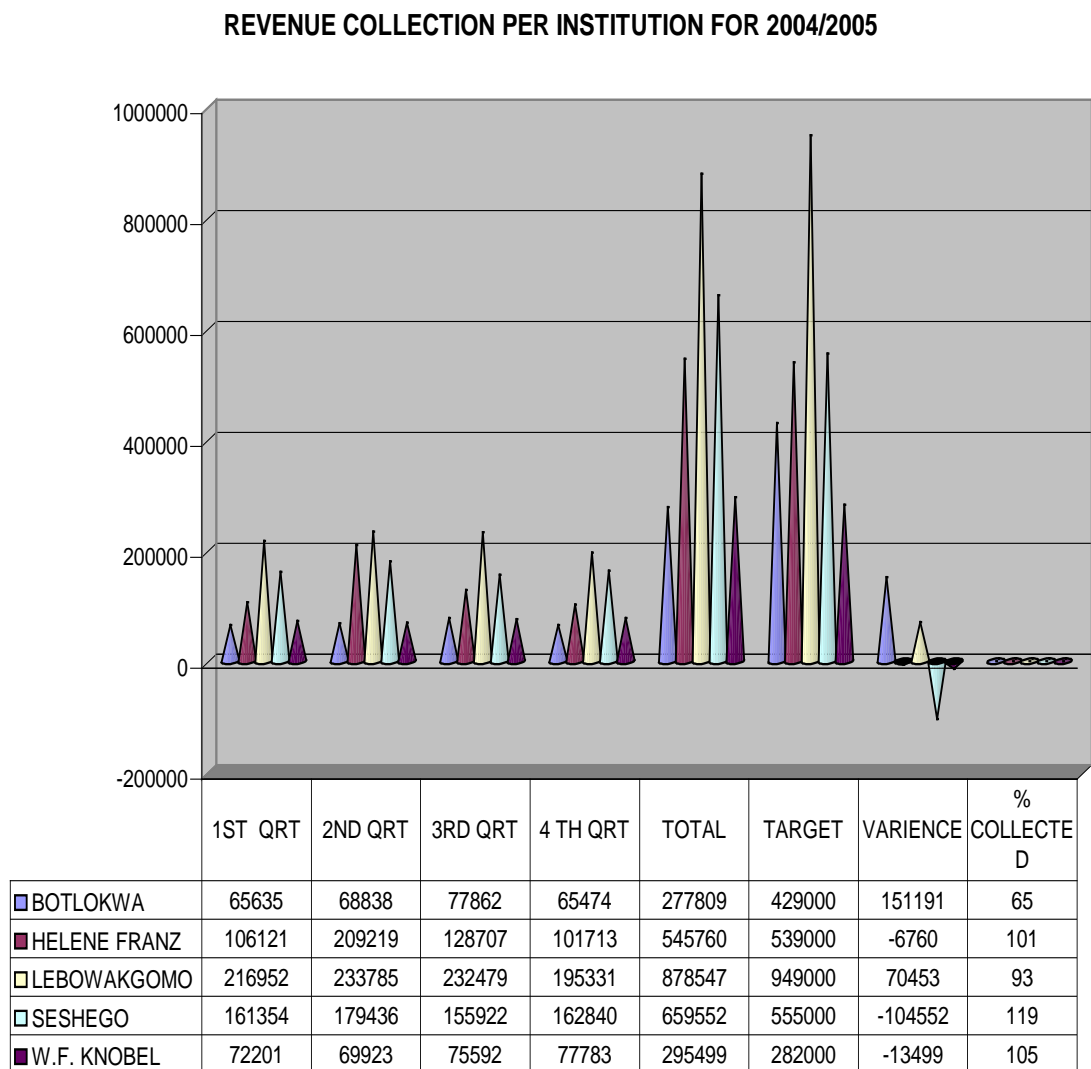
Table 4.4: Revenue collection for 2003/2004



#### 4.2.5 Table 4.5

The table presents the collection of revenue from 2004 to 2005. The information has been captured in quarters. Various target for the hospitals are displayed. The highest percentage of revenue collected is 119%

Table 4.5: Revenue collection for 2004/2005

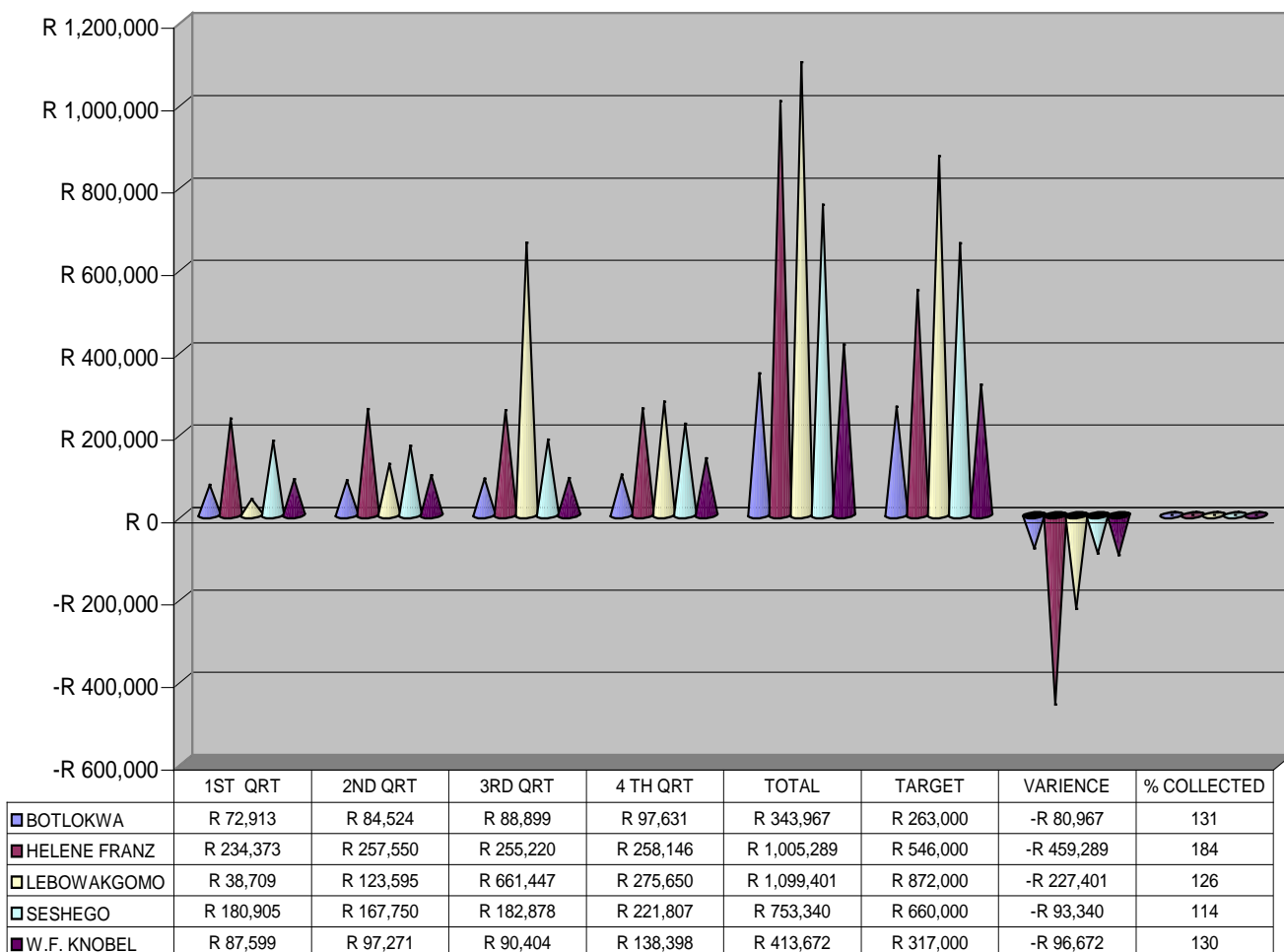


#### 4.2.5: Table 4.6

Table 4.6 presents the collection of revenue from 2005 to 2006, where information was classified in quarters and various targets for the hospitals are displayed. The highest percentage of revenue collected was 184%.

Table 4.6: Revenue collection for 2005/2006

#### REVENUE COLLECTION PER INSTITUTION FOR 2005/2006



4.2.6 Table 4.7

According to table 4.7 the following revenue was collected from 2006 to 2007. The information was captured and distributed by quarters. Targets for the hospitals are displayed. And show that the highest percentage of revenue collected was 176%.

Table 4.7: Revenue collection for 2006/2007

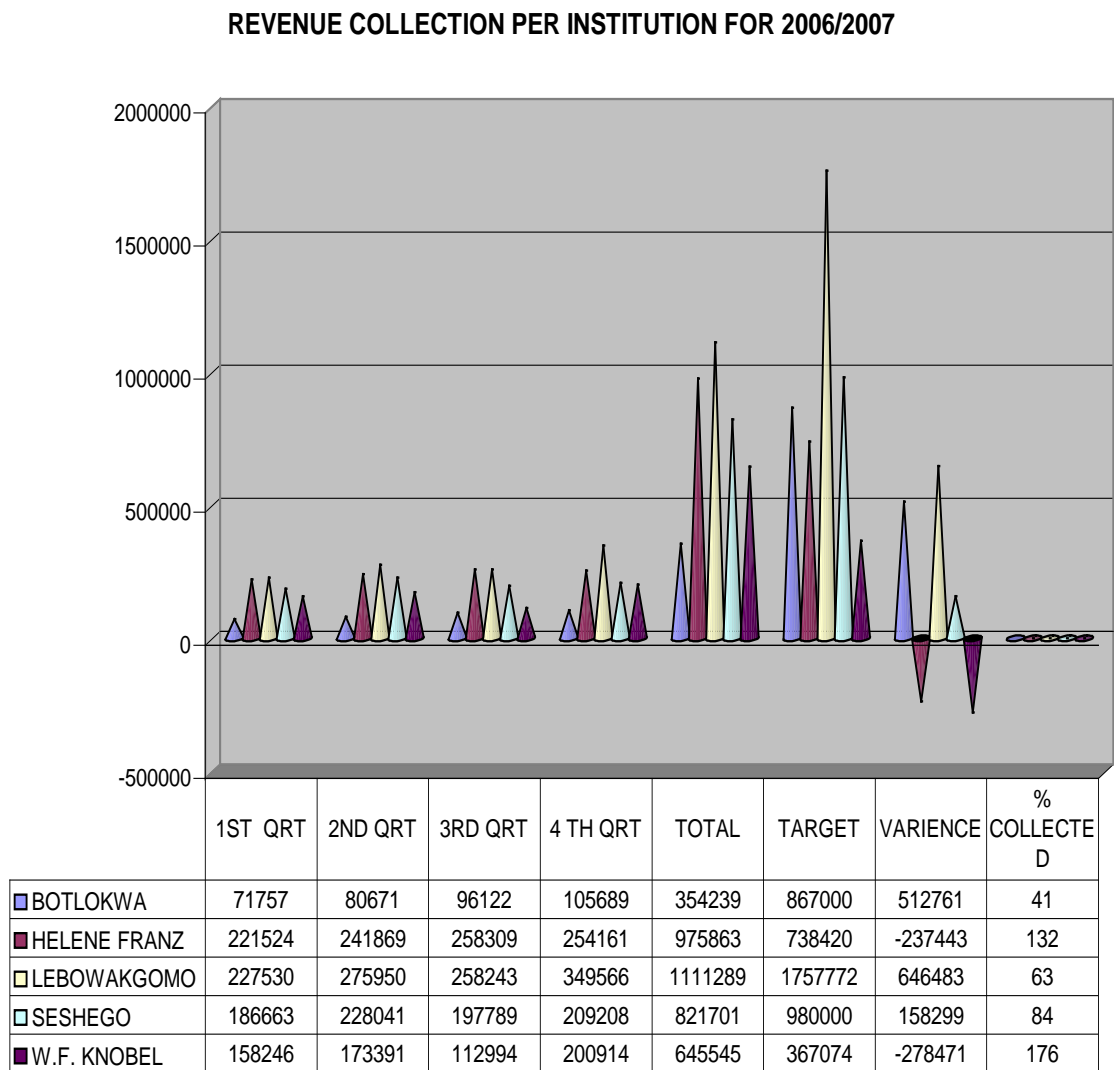




Table 4.8 presents the patient day's equivalent of the Capricorn district hospitals from 2004/2005 to 2006/2007

Table 4.8: Patient day's equivalent (pde) for 2004/2005-2006/2007

| HOSPITAL     | 2004/2005 | 2005/2006 | 2006/2007 |
|--------------|-----------|-----------|-----------|
| BOTLOKWA     | 7 466     | 30 172    | 24 934    |
| HELENE FRANZ | 14 314    | 41 607    | 37 349    |
| LEBOWAKGOMO  | 34 474    | 77 882    | 86 356    |
| SESHEGO      | 19 957    | 57 721    | 56 017    |
| W.F. KNOBEL  | 19 625    | 56 752    | 45 657    |
| TOTAL        | 95 836    | 264 134   | 250 313   |

Table 4.9 presents Cost per patient's days equivalent (cost/pde) for Capricorn district hospitals from 2004/05-2006/07

Table 4.9 Cost per patient day's equivalent (cost/pde)

| HOSPITAL     | 2004/2005 | 2005/2006 | 2006/2007 |
|--------------|-----------|-----------|-----------|
| BOTLOKWA     | R571      | R964      | R1077     |
| HELENE FRANZ | R807      | R794      | R1166     |
| LEBOWAKGOMO  | R1047     | R1289     | R1286     |
| SESHEGO      | R581      | R763      | R907      |
| W.F. KNOBEL  | R639      | R796      | R1078     |
| AVERAGE      | R729      | R921      | R1102     |

Table 4.10 presents the income per patient day's equivalent (income/pde) for Capricorn district hospitals from 2004/05-2006/07.

Table 4.10: Income per patient day's equivalent (income/pde)

| HOSPITAL     | 2004/2005 | 2005/2006 | 2006/2007 |
|--------------|-----------|-----------|-----------|
| BOTLOKWA     | R12       | R13       | R 13      |
| HELENE FRANZ | R 9       | R 20      | R 27      |
| LEBOWAKGOMO  | R 9       | R 14      | R 14      |
| SESHEGO      | R12       | R11       | R15       |
| W.F. KNOBEL  | R 5.31    | R 8       | R15       |
| AVERAGE      | R10       | R13       | R 17      |

Table 4.11 presents the responses from the financial managers for Capricorn district hospitals

Table 4.11: Responses financial managers

| FINANCIAL MANAGERS | NO 1  | NO 2  | NO 3  | NO 4  | NO 5   |
|--------------------|---|---|---|---|--|
| QUESTION 1         |   | No  | Yes   | Yes   | Yes  |
| QUESTION 2         | Cash  | Cash  | Cash  | Cash  | Cash   |
| QUESTION 3         | Authorization   | Authorization   | Authorization   | Authorization   | Authorization  |
| QUESTION 4         | Identity document   | Identity document   | Identity document   | Identity document   | Identity document  |
| QUESTION 5         | Not applicable  | Just reluctant  | Not applicable  | Not applicable  | Not applicable   |
| QUESTION 6         | Yes   | Yes   | Yes   | Yes   | Yes  |
| QUESTION 7         | - Indunas<br>- Community radio station  | Community radio station   | Community radio station   | - Indunas<br>- Community radio station  | - Indunas<br>- Community radio station   |
| QUESTION 8         | Yes   | Yes   | Yes   | Yes   | Yes  |
| QUESTION 9         | Monthly   | Monthly   | Monthly   | Monthly   | Monthly  |
| QUESTION 10        | Yes   | Yes   | Yes   | Yes   | Yes  |
| QUESTION 11        | - Some patients do not bring along their identity documents<br>- some patients who are working are reluctant to pay | - Hospital employees keep their files to themselves<br>- Poor internal control measures | - Some patients do not bring their identity documents<br>- Some hospital employees keep their files to themselves | - Patients with medical aids consult to private practitioners<br>- Some patients who are working are reluctant to pay | - Fraudulent activities by some hospital employees<br>- Poor internal control measures |
| QUESTION 12        | Awareness campaigns   | Strengthen supervision and monitoring   | Charged as paying patients  | Awareness campaigns   | Strengthen internal control measures   |

Table: 4.12 presents the responses from the revenue clerks in Capricorn district hospitals

Table: 4.12 Responses from the revenue clerks

| REVENUE CLERKS | NO 1   | NO 2   | NO 3   | NO 4  | NO 5   |
|----------------|--|--|--|---|--|
| QUESTION 1     | Yes  | No   | Yes  | Yes   | Yes  |
| QUESTION2      | Cash   | Cash   | Cash   | Cash  | Cash   |
| QUESTION 3     | Confirmation   | Confirmation   | Confirmation   | Confirmation  | Confirmation   |
| QUESTION 4     | Identity document  | Identity document  | Identity document  | Identity document   | Identity document  |
| QUESTION 5     | Not applicable   | Not applicable   | Not applicable   | Not applicable  | Not applicable   |
| QUESTION 6     | Yes  | Some   | Yes  | Yes   | Yes  |
| QUESTION 7     | - Indunas<br>- Community radio station   | - Community radio station<br>- Indunas and Magoshi                                     | - Revenue outreach<br>- Community radio station  | - Revenue campaign<br>Indunas<br>- Community radio station    | - Indunas<br>- Community radio station   |
| QUESTION 8     | Yes  | Yes  | Yes  | Yes   | Yes  |
| QUESTION 9     | Monthly  | Monthly  | Monthly  | Monthly   | Monthly  |
| QUESTION10     | Yes  | Yes  | Yes  | Yes   | Yes  |
| QUESTION 11    | - Some patients who are working are reluctant to pay<br>-Hospital employees keep their files to themselves | - Hospital employees keep their files to themselves<br>-Poor internal control measures | - Some patients don't bring their identity document<br>-Some hospital employees keep their files to themselves | - Patients with medical aids consult to private practitioners | - Fraudulent activities by some hospital employees<br>- Poor internal control measures |
| QUESTION 12    | - Revenue awareness campaigns for internal and external clients  | - Imbizos<br>- strengthening supervision and monitoring                                | - All patients who do not have identity document to be classified as paying patients unless proven otherwise   | Revenue awareness campaigns for internal and external clients | - Strengthening supervision and monitoring<br>-  |

Table: 4.13 present's responses from patients/clients

Table: 4.13 Responses from patients/clients

| Patient /client | NO 1                  | NO 2             | NO 3                       | NO 4                                    | NO 5                           |
|-----------------|-----------------------|------------------|----------------------------|---|--------------------------------|
| QUESTION 1      | Yes<br>Other services | No<br>Unemployed | No<br>Not working          | Yes<br>Contribute for<br>other services | No<br>Government<br>should pay |
| QUESTION2       | Yes                   | Yes              | Yes                        | Yes                                     | Yes                            |
| QUESTION 3      | Cash                  | Cash             | Cash                       | Cash                                    | Cash                           |
| QUESTION 4      | Reminded              | Should be traced | Negotiate for<br>extension | Should be<br>made to pay                | Reminded                       |

#### 4.3 Conclusion

The data were presented in the form of graphs and tables for proper analysis and interpretation. The data were displayed in order of sequence, from 2001 to 2006.

The responses from the various participants are displayed in an interview schedule.

## CHAPTER 5

### DATA ANALYSIS AND INTERPRETATION

#### 5.1 Introduction

The chapter presents the analysis and interpretation of data collected from the revenue records and structured interviews from finance managers, revenue clerks and patients.

#### 5.2 Revenue analysis 01 April 2001 to 31 March 2002

The information collected was in the records and the reports were classified in quarters. In the first quarter the amount collected by the three hospitals was nearly the same, ranging between R66, 000 and R75, 000. Lebowakgomo and Botlokwa hospitals' revenue was relatively higher and lower respectively.

In the second quarter there was a remarkable increase in the revenue collection in all the hospitals. The third and fourth quarters showed both a slight and a serious decline in revenue collection respectively in all hospitals except Botlokwa hospital.

The following figures were obtained:

Helene Franz from R96, 644 to R87, 161. Lebowakgomo dropped from R223, 663 to R22, 359, Seshego from R103, 886 to R10, 609, W.F. Knobel from R61, 741 to R22, 359.

The percentages were as follows:

- ✚ Botlokwa 95%,
- ✚ Helene Franz 90%,
- ✚ Seshego 76%,

- ✚ W.F. Knobel 72%,and
- ✚ Lebowakgomo 66%.

### 5.3 Revenue analysis 01 April 2002 to 31 March 2003

In the 2002 to 2003 financial year the structures of the hospital were still the same as for the 2001/02 financial year.

The information was captured and classified according to quarters. The target allocated range between R349.000 and R1.125.000. The highest target was for Lebowakgomo and the lowest for Botlokwa.

The figures for the first quarter revealed that W.F. Knobel had the lowest figure with an amount of R44, 079 while Lebowakgomo had the highest with an amount of R243, 826.

In the second quarter there was a remarkable increase in revenue collection. W.F. Knobel showed some improvement by collecting R106, 399 but it was still the second but last on the list. Lebowakgomo experienced a slight decrease by an amount of R225 536.

Although the third quarter is showed a general decline, of revenue collection Botlokwa managed to do well. In the fourth quarter all hospitals experienced an increase with Botlokwa being the highest with R350.503 .This term W.F. Knobel was the second by collecting R142, 341

Only two hospitals managed to attain the target that is Botlokwa and Helene Franz. The order of collection was as follows

- ✚ Botlokwa 175%,
- ✚ Helene Franz 100%,
- ✚ W.F. Knobel 96%,
- ✚ Seshego 91%,and
- ✚ Lebowakgomo 69%.

## 5.4 Revenue analysis 01 April 2003 to 31 March 2004

The management structure of the hospitals was still the same as for the 2001/2002 financial year. The information was captured and classified in quarters. The analysis was done and the findings were as follows: The target allocated ranged between R194.000 and R516.000. The highest target was for Seshego and the lowest Botlokwa.

In the first quarter the collection was generally low. However, Seshego and Lebowakgomo managed to collect R127, 438 and R100, 339 respectively.

The collection in the second quarter Seshego was the highest with R118, 262 and Lebowakgomo with second R115, 364, Botlokwa collected R51, 184, the lowest amongst the hospitals.

In the third quarter Seshego was the first with R130, 209 and Botlokwa last with R48, 436. In the fourth quarter Lebowakgomo collected R170, 409 and managed to reach the target.

Generally Seshego was showing a good performance and had a deficit of 3% from reaching the target. Botlokwa was struggling but managed to reach its target.

The percentages were as follows

- ✚ Lebowakgomo: 104%,
- ✚ Botlokwa 100%,
- ✚ Seshego: 97%,
- ✚ Helene Franz: 96%, and
- ✚ W.F. Knobel: 96%.



## 5.5 Revenue analysis 01 April 2004 to 31 March 2005

All the hospitals in each quarter collected above R100, 000 with the exception of Botlokwa and W.F. Knobel whose collection ranged between R65, 000 and R77, 000 respectively. Only Seshego, W.F. Knobel and Helene Franz managed to reach the target. The target for W.F. Knobel was not increased like for the other hospitals

The percentages are listed hereunder:

- ✚ Seshego 119%,
- ✚ W.F. Knobel 105%,
- ✚ Helene Franz 101%,
- ✚ Lebowakgomo 93% and
- ✚ Botlokwa collected 65%.

## 5.6 Revenue analysis 01 April 2005 to 31 March 2006

In 2005/2006 the hospitals managed to attain the target. Helene Franz did well as it managed to collect above R200, 000 in each quarter. It collected 184%

The percentages were as follows:

- ✚ Helene Franz 184%,
- ✚ Botlokwa 131%,
- ✚ W.F. Knobel 130%,
- ✚ Lebowakgomo 126%, and
- ✚ Seshego collected 114%.

## 5.7 Revenue analysis 01 April 2006 to 31 March 2007

In the first and second quarters all the hospitals managed to collect above R100, 000 with the exception of Botlokwa, Lebowakgomo and Helene Franz continuously managed to collect above R200, 00 in all four quarters.

There was a remarkable increase of targets for all the hospitals with the exception of W.F. Knobel. Though Lebowakgomo was collecting above R200, 000 in each quarter it could not reach the target. Only Helene Franz and W.F. Knobel attained the target. Botlokwa was greatly affected by the increase in the target where it undercollected by 41%.

The percentages are listed hereunder:

- ✚ W.F. Knobel 176%,
- ✚ Helene Franz 132%,
- ✚ Seshego 84%,
- ✚ Lebowakgomo 63%, and
- ✚ Botlokwa collected 41%.

## 5.8 Summary of revenue collection 2001/2006

The structure of the hospital management was changed. The chief executive officers (CEOs) were appointed as the heads of the institutions from March 2004. There are eight managers who are reporting to the chief executive officer. Cooperate and financial services have been separated. Each section is headed by a deputy manager with the exception of Lebowakgomo where sections are headed by managers.

The revenue targets for the hospitals were allocated according to the hospital's capacity. The highest target was allocated to Lebowakgomo and the lowest to Botlokwa in terms of bed occupancy.

In 2001/2002 none of the hospitals attained the target. In 2002/2003 the targets were increased for each hospital. Botlokwa and Helene Franz managed to attain the target. The highest percentage of revenue collected was 175%

There was a tremendous reduction of revenue targets for all the hospitals in 2003/2004.

The target for Botlokwa was reduced from R349, 000 to R194, 000. In general Seshego was showing a good performance and had a deficit of 3% to reach the target. Though Botlokwa had been struggling it, with Lebowakgomo, managed to reach its target. The highest percentage collected was 104%

In 2004/2005 only Seshego, W.F. Knobel and Helene Franz managed to reach the target. The highest percentage collected was 119%.

All hospitals managed to reach the target. It is strongly believed that the appointment of the CEOs had an influence in the changes encountered in 2005/2006. The highest percentage collected was 184% by Helene Franz Hospital.

There was a remarkable increase of targets for all the hospitals in 2006/2007 with the exception of W.F. Knobel. Lebowakgomo, though it was collecting above R200, 000 in each quarter, could not reach the target. Only Helene Franz and W.F. Knobel did attain the target. The highest percentage collected was 176%.

## 5.9 Performance indicators

### 5.9.1 Patient day's equivalent

It is calculated by adding the inpatient days to one third of outpatient visits. The patient day's equivalent for 2004 to 2007 is displayed in table 4.8.

In 2004/05 Lebowakgomo hospital had a patient day's equivalent of 34 474 which was higher than all other hospitals. Seshego and W.F. Knobel had a pde of 19 957 and 19 625 respectively. Helene Franz had 14 314. Botlokwa was the lowest by 7 466.

The 2005/06 financial year had an increase of patient day's equivalent. All hospitals Patient day's equivalent increased by more than 100%. The patient day's equivalent for 2006/2007 was inconsistent. All hospitals except Lebowakgomo experienced a decrease in the patient day's equivalent. The total patient day's equivalent for 2004/2005, 2005/2006 and 2006/2007 is 95 836, 264 134 and 250 313 respectively

### 5.9.2 Cost per patient days equivalent

It is calculated by dividing the total monthly cost by calculating the patient day. The cost per patient day equivalent is rated according to the capacity of the hospital. Lebowakgomo is higher than the four hospitals. It is rated like the Regional hospitals

The provincial patient day's equivalent for 2004/2005, 2005/2006 to 2006/2007 is R700, R800, and R900 respectively. It costed the department R729, R921 and R1102 to treat a patient from 2004 to 2007 respectively.

### 5.9.3 Income per patient days equivalent

The average income for the 2004/2005 was R10. There was a slight increase in 2005/2006 to R13. In 2006/07 the average income for the district was R17.

### 5.9.4 Summary

There is a relationship between the patient day's equivalent and cost per patient day's equivalent. If the patient day's equivalent is high the cost becomes lower and vice versa.

It means that if the activities in the hospital are increased, the costs are reduced if the activities are reduced, the cost becomes high for example, if there are fewer activities to be performed, the personnel executing the task and running costs remain constant then it will result in costs being increased.

The public hospitals contribute to the general welfare of the nation by treating a patient with an average of less than R20.

## 5.10 Analysis of responses from the financial managers and revenue clerks for the Capricorn district hospitals

### 5.10.1 Introduction

The constitution provides for the indigent, children under five, pregnant mothers, chronics and the aged to get free health services. Those who afford have to pay. Patients are classified according to their income. Those in the possession of medical aid and prisoners are classified as private patients.

The accounting officer of the institution which is the chief executive officer is expected to collect all monies due to the state.(Public Finance management Act (1/1999) section 38 1(c) )in this case he or she will together with the finance manager be responsible for all revenue collected and received by the hospital.

## 5.10.2 Responses from financial managers and revenue clerks

### 5.10.2.1 Paying patients

The paying patients are those who are entitled by the Constitution to receive free health services. The majority of the patients do pay for the health services.

Even those who are have medical aid, mostly prefer to pay cash as they know that the charges for cash are lower. Private patients prefer to go to the private hospitals.

### 5.10.2.2 Medical aid

The medical aid scheme is being contacted to verify a patient's fund if it is active or not and to further find out if the patient s has sufficient funds a consultation. If it is mentioned that the fund is completely exhausted, the patient is informed and made to pay cash .In some instances where patient does not have cash, an alternative of offering credit is considered.

### 5.10.2.3 Accounts

According to the Constitution, every person has the right to health services and as such the patient cannot be sent back because he/she is unable to pay for the health services. The patient is sent to the account office where a binding agreement is signed.

The patient is verified through his or her identity document for easy tracing. The accounts are followed up on monthly basis. The client is being contacted telephonically

Accounts are sent to the Indunas for easy tracing as they know the people in their villages. The clients normally honour the debts as they usually respect the traditional leaders. Most of the hospitals are in rural areas where the traditional leaders still play a major role in enforcing the law

The hospitals in the urban areas are faced with a severe challenge of being furnished with wrong house numbers. At the end of the day the person is untraceable and the debt is outstanding

#### 5.10.2.4 Those that do not pay

Some of the patients feel that the health services should be free and Government should pay the costs. The majority of those who do not pay are found to be working when traced. They often hide behind the excuses of being poor and unemployed.

They normally refuse to furnish the revenue office with their identity document and affidavit to confirm unemployment. It has been established that they are mostly the illegal immigrants from Zimbabwe and Mozambique because they do not have identity documents.

#### 5.10.2.5 Do people understand why health services should be paid for?

Nowadays people understand that there is nothing for free. Some even feel the money that is being contributed is too little to cater for health services. They are aware that the money for health services is from the taxpayer coffers hence if there is any corruption the public complains about it.

#### 5.10.2.6 How can people be reached

The hospitals did revenue awareness campaigns in the hospitals and the community. The local radio stations were used to reach out to the people.

The traditional leaders were brought on board and they took it upon themselves to assist the hospitals with tracing of the debtors.

#### 5.10.2.7 Other resources for revenue generation

The hospitals are collecting revenue from house rentals paid by staff members accommodated within the hospital premises and other private companies renting the offices such as National Health Laboratory Services. Other sources are from auctioning redundant equipment, selling off empty containers, swill, photocopiers, and building plans.

#### 5.10.2.8 Challenges encountered as interacting with patients

People are not well informed about the importance of paying for health service. Many patients want to be regarded as non paying patients even though they are known to be working. Most of the people from the villages know one another and it becomes easier to find out if a person is working or not if he has given the correct address.

Many patients give wrong addresses for the purpose of not being traced and do not bring along their identity documents and salary advice slips or affidavits as a means of verification. It becomes a challenge when they are classified as paying patients until it is proven otherwise.

Some of hospital employees who are collecting money for chronic treatment keep their files to themselves so that they should not pay. In addition the majority of patients visiting health services cannot read and write.

In some instances it was found that instead of giving patients receipts, they are issued with an account voucher. This means that the patient has paid but according to the records, he or she still owes the hospital money.

#### 5.10.2.9. Possible solution to challenges

It is suggested that revenue awareness campaigns be conducted for the internal and external clients to make them aware of the importance of paying for health services.

##### Internal clients

During the budget meeting special emphasis should be placed on the issues of revenue. Workshops should be conducted internally for hospital employees to be part of the problem and solutions to it. Hospital board members representing staff should be part of the revenue collection committee as well.

Staff members who are involved in fraudulent activities should be investigated and be disciplined accordingly. Control and monitoring should be strengthened. The necessary procedures during consultation should be followed. Each patient file should be audited for the outstanding debts. Reminders should be sent to collect the outstanding debts.

##### External clients

Awareness campaigns should be conducted at various tribal authorities. Traditional leaders, hospital board members and revenue committee should work together to convince people to pay for health services. Traditional leaders and hospital board members should be involved because people trust and respect them.



Patients are to bring along their identity books and pay slips or salary advice for easy classification. If the patient has failed to bring along the necessary document he or she should be classified as a paying patient.

### 5.11 Summary of the responses from the financial managers and revenue clerks

The revision of the management structure especially with the appointment of chief executive officers was a great achievement by the Department of Health. The programme was given attention that was needed. Revenue was taken as a priority together with hotel service programmes.

The main reason was that the programme focused on projects such as customer and public relations, linen and bedding, catering services, interior decorations, edutainment, maintenance services, and residential life which have improved the previous health services. Generally, the patients started to see and experience the changes that were implemented.

The public is gradually being convinced to visit public hospitals and this is going to have a positive influence on revenue collection. The staff felt that attending the customer-care workshops, has enabled them to be in a position to handle the customers as they come for consultation and sometimes to request credit. It is strongly believed that people understand that they should pay for the health services.

There are people who unfortunately, want to play cheat by pretending to be unemployed. The procedures to generate and collect revenue need to be put in place. Constant monitoring and supervision are of importance because where there is money there is always a possibility of crime being committed.

The finance managers together with the revenue have identified other sources of revenue, which when carefully monitored, can contribute significantly to their project to in outstanding money.

The challenges that exist need internal control measures and internal and external revenue awareness campaigns. A team approach will have positive results; nurses can encourage the relatives to pay as they come to see patients during visiting hours.

## 5.12 Responses from the patients

### 5.12.1 Introduction

District hospitals are the level one institutions which receive patients from clinics and directly from their home. They provide services for all patients paying and non paying.

#### 5.12.1.1 Is it necessary to pay for the health services?

The majority of the patients felt that was not necessary for them to pay for the services as they were unemployed. Government should incur the costs. Moreover hospitals are often far from where they stay.

They travel long distance to access health services. Mobile clinics visit an area only once a month. Patients have to hire various means of transport yet pay R20.00 for a consultation. Health services are not expensive but they are not accessible. Government should build many clinics so that the ill can visit the hospital when it is really necessary

#### 5.12.1.2 Payments

Most of the patients use cash as a means of payment. One client recommended that government should look into the issue of using credit card facilities as some of the clients do not have medical aids but have credit cards to pay their bills.

#### 5.12.1.3 Accounts

Government should be strict in monitoring accounts. If a person has signed an agreement it should be followed up for payment. People should understand illness can occur at any point in life when a person may not have money to pay but arrangements for payment should be made.

#### 5.12.1.4 Failure to honour the debt

One of the patients indicated that those who have breached a contract should be handed over to the police or credit bureau as they make it difficult for the government to progress in terms of rendering health services.

#### 5.12.2. Summary of patients responses

Generally patients felt that they should pay for services rendered. They were only frustrated by the distances that they had to travel to access the health services. Government should improve a payment system by the installation of credit facilities to accommodate those who are affected. People who do not honour their debts should be handed over to their respective traditional leaders, the police and credit bureaus.

## 5.13 Conclusion

It has been identified that during the 2001/2002 financial year none of the hospitals was able to attain its revenue target. The targets for the hospitals were increased on annual basis but the criterion used was not disclosed.

From 2002/2005 hospitals had been struggling to reach the target but failed to do so. With the exception of Botlokwa and Helene Franz, the others have managed to attain the target in 2002/2003. Though Botlokwa was struggling together with Lebowakgomo it managed to reach its target in 2003/2004.

In 2004/2005 only Seshego, W.F. Knobel and Helene Franz managed to reach the target. The target for W.F. Knobel was not increased like those at other hospitals. It remained around R282, 000 while those at other hospital were increased by almost double the amount. All hospitals managed to reach the target. The highest collected was 184% by the Helene Franz hospital.

There was a remarkable increase of targets for all the hospitals in 2006/2007 with the exception of W.F. Knobel. Lebowakgomo though it collected above R200, 000 in each quarter, could not reach the target. Only Helene Franz and W.F. Knobel did attain the target. The highest percentage collected was 176%.

Revenue together with a hotel service program was taken as a priority. The main reason was that the hotel service programme was embarking on the improving of health services in general which is attracting patients to public hospitals and this increased the revenue collection.

The customer-care workshops that were arranged for frontline employees enabled them to be in a position to handle the customers as they come for consultation, sometimes requesting credit. There were a few challenges that they encountered which need revenue awareness campaigns and continuous monitoring.

It is strongly believed that people understand that they should pay for the health services. Unfortunately people are used to the process of being given things for free in all forms.

There is a relationship between the patient day's equivalent and cost per patient day's equivalent the more activities performed the less the cost will be expedited and visa versa the public hospitals were contributing almost R1000 to treat a patient and received less than R20 per patient.

Besides the patient fees there were some revenue sources that were identified, which need to be pursued.

## **CHAPTER 6**

### **DISCUSSION**

#### **6.1 Introduction**

The chapter presents the discussions about the revenue collection from the international, African and South African countries. The various methods of collecting revenue have been explored. The policies and procedures on how to manage revenue are also discussed.

##### **6.1.1 An African perspective**

The African countries have mostly established revenue authorities to ensure that they are able to collect revenue in all forms. Some of the countries such as Mozambique and Angola have embarked on a custom reform and modernization programme which is aiming at improving the administration of taxes and duties by addressing issues such as enhancing revenue collection.

The establishment of the Revenue Authorities in Lesotho, Rwanda and Zambia has caused tremendous improvements in revenue collection. The strategy to achieve the above projected tax collections is to improve the efficiency and effectiveness of revenue assessment and collection.

The successful introduction of both VAT and a system to claim tariff revenues from South Africa by the LRA provides Government with revenues, which enable it to finance services of benefit to the poor.

### 6.1.2 South African perspective

South Africa has achieved consistent and dramatic improvements in revenue collection since the mid-1990s. The improvements are mainly the result of improved administrative capacity in the South African Revenue Services. SARS is having an administrative autonomy. Its organizational composition was beginning to be reformed into a modern and efficient revenue and custom authority.

SARS continued to make significant progress in enhancing its administrative capacity in order to become a world class tax and customs administrator capable of effectively responding to the challenges of globalization. South Africans should be proud of an improving trend in compliance to which they are all contributing. It ensures a resilient foundation and sustainable revenue for the second decade of their democracy. Businesses and individuals are responding in a positive way to the efforts that are spearheaded by SARS to improve collection and narrow the tax gap (Anon. 2004:1).

There was no evidence to link improved collection to enhanced citizen confidence in government. Improved revenue collection has little to do with more positive citizen attitudes towards the use of state funds for the improvement of the lives of all. South Africa contains a tax paying culture, contrary to many other developing nations. (Hlophe and Friedman, 2006:3)

The absence of tax revolts and protests indicates that in South Africa tax collectors benefit from a propensity to pay taxes built up over many years which is strong enough to ensure higher payments when managerial methods improve.

### 6.1.3. Revenue collection procedures

Internationally, California was found to be struggling to collect what is due to the state, yet Santa Clara was able to appropriately collect revenue.

The Department of Health Services in California did not have a standard set of policies, procedures and controls for these disparate systems.

There were numerous problems directly related to the decentralization of the Department of Health Services revenue collection among others were procedures for the receipt, collection and deposit of fees and fines. The procedures vary widely and were determined by a programme staff with limited oversight or direction the by DHS Accounting Section.

In Santa Clara County the Department of Revenue provides agencies and departments within the County with professional collection services using collection enforcement techniques comparable to those used in the private sector. Services provided include billing and collection, explanation of client charges, negotiating payment arrangements, delinquent noticing, collection pursuit through client follow-up, small claims action, lawsuits, accounting, and distribution of revenue collected to appropriate funds and entities.

#### 6.1.4. Fees and fines

In California there was a decentralization of revenue collections by the Department of Health Services. The business processes utilized to collect fees and fines to support these programme were not designated to take advantage of available economies and new technology.

This has resulted in an increasing age schedule of overdue fees and fines and for the collection of returned financial instruments. The health programme staffs were diverted from performing programme related functions to fee and fine collection.



### 6.1.5. Management of account receivables

Revenue collection officials must strive to minimize the amount of staff time devoted to the receipt and recording of revenues in favor of increased staff attention to delinquents, overdue receivables and coverage deficiencies negative data carefully designed to focus on delinquents, outstanding receivables, and unrealized revenue.(Lehan,2005:4).

Delinquencies should be addressed promptly, on the first day of delinquency, because these will reduce the possibility of eventual losses. Since debtors seldom pay accounts unless a claim has been issued, it is of paramount importance to issue statements requesting payment regularly, as early as possible. The process will facilitate the timeous collection of revenue. The form used to notify the debtor to pay should be numbered for control purposes.

In Santa Clara provision of quality customer service is done through processing documents timeously to establish account data and bill clients. Informative and accurate monthly billing statements are sent to clients for the purpose of facilitating prompt payment. The department further deposits revenues in a timely manner to maximize interest earnings

The phone lines were replaced with digital lines to improve the quality of their phone call reception and at the same time reduce costs. An interactive voice response system (IVR) has been installed to assist clients with information relating to their accounts.

### 6.1.6. Management of cash

Short term sources of funds that can be used to meet an unexpected cash demand should be developed. Customers, payments and other receipts are converted into cash that can be used by the institution as good funds as efficiently as possible.

The level of idle cash balances should be kept at a minimal. This can be maintained by banking the money on a regular basis

#### 6.1.7 Revenue management

Revenue collection requires legislative support and organizational arrangements which include commitments to quality reporting and the constructive involvement of policy leaders. The collection of government revenues requires the collaboration of many parties, willing and unwilling, within and without government

The accounting officer is required by the Treasury regulations to manage revenue efficiently and effectively. This can be done by developing and implementing appropriate processes that provide for the identification, recording, reconciliation and safekeeping of information about revenue.

#### 6.1.8 Collection of revenue by hospitals from 2001/2002 to 2006/7

During the period of 2001 to 2003, the hospitals were managed by the secretary nursing service manager and superintendents. The secretary was responsible for managing all cooperative services and finances and technical services, while the nursing service manager was responsible for managing nursing services and cleaning services. The superintendent was the overall head and responsible for clinical and clinical services. Most of the data were collected manually as the majority of the hospitals did not have a hospital information system.

There was a change of the structure of hospital management. The chief executive officers were appointed as the heads of the institutions from March 2004. There are eight managers who are reporting to the chief executive officer. Cooperate and financial services were separated.

Each section is headed by a deputy manager with the exception of Lebowakgomo where sections are headed by managers.

It was observed that the revenue targets for the hospitals were allocated according to the hospital capacity though it was not mentioned indicated or highlighted anywhere. Lebowakgomo was been allocated the highest and Botlokwa the lowest targets according to their capacity in terms of bed occupancy.

In 2001/2002 no hospital attained the target. In 2002/2003 the targets were increased for each hospital. Botlokwa and Helene Franz managed to attain the target. The highest percentage of revenue collected was 175%.

There was a tremendous reduction of revenue targets for all the hospitals in 2003/2004. The target of Botlokwa has been reduced from R349, 000 to R194, 000. In general Seshego has been showed a good performance and had a deficit of 3% to reach the target. Though Botlokwa was struggling it managed to reach its target. The highest percentage collected was 104%

In 2004/2005 only Seshego, W.F. Knobel and Helene Franz managed to reach the target. The target for W.F. Knobel was not increased like those of the other hospitals but remained around R282, 000 while other hospital has increased by almost double the amount. The highest percentage was 119%.

In 2005/2006 all hospitals have managed to reach the target. It is strongly believed that the appointment of the CEOs, have had an influence in the changes encountered in 2005/2006. The highest figure collected was 184% where Helene Franz Hospital was taking a lead.

There was a remarkable increase of targets for all the hospitals in 2006/2007 with the exception of W.F.Knobel. Lebowakgomo though it was collecting above R200, 000 in each quarter, could not reach the target. Only Helene Franz and W.F. Knobel did attain the target. The highest percentage collected was 176%.

### 6.1.8.1 Paying patients

The majority of the patients do pay for health services. The amount being paid does not make a significant difference because is very low. Most of the times even those who have medical aid, prefer to pay cash as they know that the charges for cash are lower. Patients who are in possession of medical aids prefer to be seen at the private hospitals as it is still perceived by the majority of the public that private institutions provide better health services.

### 6.1.8.2 Accounts

According to the constitution, every person has the right to health and as such the patient cannot be sent back because is unable to pay for the health services. The patient is sent to the account office where a binding agreement is signed.

Most of the hospitals are in rural areas where traditional leaders still play a major role in enforcing the law. The clients normally honour the debts as they respect the traditional leaders.

The hospitals in the urban areas are faced with the challenge of being furnished with wrong house numbers. At the end of the day the person is untraceable and the debt is outstanding.

### 6.1.8.3 Those that do not pay

Some of the patients feel that the health services should be free and government should incur the costs. The majority of those who do not pay are found to be working when traced. They hide behind the excuse of being poor and unemployed. They normally refuse to furnish the revenue office with an identity document and affidavit to confirm unemployment.

It has been identified that they are mostly the illegal immigrants from Zimbabwe and Mozambique because they do not have the identity documents.

Some people are just cheaters who are reluctant to furnish the hospital with the necessary documents. If the clerks are requesting for the necessary documents they decide to go and report at the helpline of the department that they have been denied access to health services. When such cases are investigated it is often found that the information given by the client is not valid.

#### 6.1.8.4 People understand that health services should be paid for

Nowadays people understand that there is nothing for free. Some even feel the money that is being contributed is too little to cater for the health services. They are aware that the money for the health services is from the taxpayer's money.

#### 6.1.8.5 Revenue awareness campaigns

The hospitals did revenue awareness campaigns in the hospital and the community. The local radio stations are used to reach out to people. The traditional leaders were brought on board where they took it upon themselves to assist the hospitals with the tracing of the debts.

#### 6.1.8.6 Other sources of revenue

The identification of revenue includes the regular evaluation of the institution of revenue. The accounting officers should be able to identify potential sources of revenue, including fines, fees, grants, levies, subsidies, and other forms of charging.

Each institution should aim at optimizing its revenue resources even if the revenue collected is not retained by the institution but paid in the relevant revenue fund.

The review of the institution's resources should be carried out by managers who are familiar with the operations of the institution. The managers should also be aware of the proposed initiatives that may have a revenue bearing effect.

During the interview session with the finance managers and revenue clerks, other sources of revenue besides patient's fees were mentioned. These are the rentals for accommodation, in terms of offices, tuck shops, and houses and the selling off redundant equipments, swill and copiers.

#### 6.1.8.7. Challenges encountered when interacting with patients

##### 6.1.8.7.1 Lack of information/ignorance

People are not well-informed about the importance of paying for health services. The patients want to be regarded as non paying patients, often those who are working. Most of the people from the villages know one another and it becomes easier to find out if a person is working or not provided he or she has given the correct address.

Ignorance is still taking its toll. There are perceptions regarding free health services. The majority of people think that by voting, they are entitled to free health services

Patients give wrong addresses for the purpose of not being traced. Patients do not bring along their identity documents and salary advice slips or affidavits as a means of verification. It becomes a challenge when they are classified as paying patients until it is proven otherwise.

##### 6.1.8.7.2 Hospital employees

Some of hospital the employees who are collecting chronic treatment keep their files to themselves so that they should not pay. The majority of patients visiting health services cannot read and write.

In some instances it was found that instead of patients being furnished with a receipt, they are issued with an account voucher after payment has been made. This means that the patient has paid but according to the records, he or she owes the hospital some money. The information was discovered when patients were sent reminders to pay their outstanding accounts. Perpetrators were disciplined as they are damaging the image of the hospitals.

## 6.2 Conclusion

The discussions around the international, African and South African perspectives were highlighted. It has been identified that revenue is the life blood for a country or institution. Systems have to be in place for revenue to be properly collected.

## **CHAPTER 7**

### **CONCLUSION AND RECOMMENDATIONS**

#### 7.1 Introduction

The chapter presents the conclusion and recommendations made for future research and for the department to consider

##### 7.1.1 Conclusion

Despite the limitations encountered the researcher was able to arrive at the following conclusions:

##### 7.1.2 Appointment of CEOs

The Department of Health and Social Development in Limpopo appointed the CEOs, hoping that amongst other responsibilities will be to increase and monitor revenue collection. It has been noted that the appointment of CEOs has brought a tremendous change in revenue collection.

In 2005/2006 revenue targets were increased by almost double the amount however all hospitals were able to attain the revenue targets as prescribed. It implies that the hospitals were able to collect more revenue than in the previous financial year. The Department has urged to support the efforts that have been made by the CEOs by appointing the relevant clerks to deal with revenue collection matters.

##### 7.1.3 Consultation with the CEOs

From the observations that were made, it seems that, according to the criteria for allocating targets the more the hospital collects, the more the target is being increased. There has been little progress in negotiating with provincial treasuries for revenue to be retained within the health sector. Presently user fees are, therefore, still not bringing in substantial additional revenue for the health sector.



The support that can be given to the hospitals is to consult with hospitals during the allocation of revenue targets, over and above discussing the possibilities of retaining of revenue as an incentive.

#### 7.1.4 Project management

Revenue collection needs to be dealt with by applying the project management approach strategy. A project manager should be one of the revenue clerks who are already acquainted with the processes and procedures of collecting revenue. The responsible person should be trained in project management. At the end of the financial year, an awards giving ceremony should be organized to recognize individuals, teams and hospitals that have been able to collect more than the others.

#### 7 1.4 Performance instruments

The implementation of the new management structure in 2004/2005 has had a positive influence on the improvement of revenue collection. It is suggested that each Chief Executive Officer should include revenue collection as a key result area in their performance instruments.

#### 7.1.5 Awareness campaigns

The awareness campaigns that the chief executive officers, revenue committees and hospital board have already established should continuously be conducted to keep the community informed about the importance of revenue collections.

#### 7.1.6 Team approach

The patients are being treated by the members of the multidisciplinary teams. The members of the multidisciplinary team, therefore, can take the initiative of by encouraging and motivating patients to pay for the services rendered. Ultimately, the concept can be taken very seriously. Nurses should participate in encouraging patients to pay their debts.

The relatives can be informed about the procedures to follow when payment is supposed to be made during visiting hours. This in a way will be sensitizing patients to pay. Debts will be settled prior the patients can be discharged which reduces the number of debts.

## 7.2 Recommendations

The recommendations are hereby made for consideration by the Department of Health and Social Development and other researchers for future development.

### 7.2.1 Establishment of revenue committees

It is recommended that every hospital should establish a revenue committee. The committee should consist of the liaison officer, finance manager, revenue clerks, all sectional heads, and representatives of union members, and one representative of the hospital board the committee should deal with all matters pertaining to revenue collection.

### 7.2.2 The appointment of project managers

A project manager has to be appointed to specifically deal with all issues related to revenue collection. A project manager should be able to direct the team and initiate the new strategies of collecting more revenue.

The person should be entrusted with all responsibilities regarding all processes taking place involving revenue collection however; the CEO still remains accountable for the project.

### 7.2.3 Social health insurance

In recent years user fees and social health insurance have received most attention as alternative sources of financing. One possibility would be to charge insured patients higher fees for services received at public sector hospitals and for at least a part of the fee revenue to be retained by the hospital as an incentive for revenue collection.

#### 7.2.4 Hotel service programme

In order to attract medical scheme members back to the public sector it would probably be necessary to strengthen the 'hotel service programme which has already been introduced. The programme is aiming at improving health services in these hospitals. The community is gradually starting to see and feel the changes brought about by the hotel service programme.

#### 7.2.5 Support to revenue clerks

The revenue clerks need to be given support in the collection of revenue in the form of making the relevant policies and procedures available.

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## APPENDIX I

### Structured interview questionnaire for finance managers and revenue clerks

1. Do paying patients seen at your hospital pay for health services rendered?

|     |    |
|-----|----|
| YES | NO |
|-----|----|

2. If yes, which method of payment is mostly used? Tick the mostly preferred method?

|      |             |
|------|-------------|
| CASH | MEDICAL AID |
|------|-------------|

3 If through medical aid how do you verify whether the medical aid is active or not?

.....  
.....  
.....

4 If through account how do you verify that account will be sent to the correct client?

.....  
.....  
.....

5. If no, what are the reasons by those who do not pay?

.....  
.....

6. Do clients/patients understand why they should pay for services rendered?

.....  
.....



7 If no, how will you ensure that the message reached out to everyone?

.....  
.....

8. Do you make follow up to those who didn't pay?

.....  
.....

9. In view of the fact that accounts are seldom paid unless a claim is made, instituted how often do you issue statements reminding debtors to pay?

.....  
.....

10 Besides patient's fees, is there any source that can be implemented to improve revenue generation

If yes name them.....

11 what are the challenges encountered as you interact with patients?

.....  
.....

12 what do you think can be possible solutions to those challenges?

.....

## APPENDIX II

### Structured interview questionnaire for the client /patients

1 Do you think is important to pay for health services?

|     |    |
|-----|----|
| YES | NO |
|-----|----|

Give reasons for your answer

.....

.....

2 Do you pay for health services?

|     |    |
|-----|----|
| YES | NO |
|-----|----|

3 How do you pay for the health services?

|      |             |
|------|-------------|
| CASH | MEDICAL AID |
|------|-------------|

4 What should happen in case you are unable to

pay?.....

.....

.....

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