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Financing Health in India: An Overview

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Abstract

Financing health care means ensuring adequate funds for health care to provide equitable access to all people and to reduce financial burden on the people. India's healthcare system is neither sufficient nor updated. Quality of health care services is one serious issue in the country. Each year 122 person per 1 lakh die due to poor quality of care. There is linkage between poor quality of health service and low investment on health. For the last three decades Indian Government's spending on health ranges between 1% to only 1.6% of GDP. The Indian government has been taking the major responsibility in health sector. It provides health care services to the people free of costs. But the public health system is insufficient in comparison to the huge population size. Depriving quality health care services people are forced to move towards private health care providers. But in return of higher price the services provided by private players are not adequate. The objective of this paper is to have an overview on the healthcare financing system of India and its consequences. It is found that government's share of spending is decreasing while out of pocket expenditure is in an increasing trend in India.

Keywords: Finance, Health, Expenditure, Death, Government

INTRODUCTION

Financing health care means ensuring adequate funds for health care to provide equitable access to all people and to reduce financial burden on the people. The WHO in the year 2000 defines health financing as the 'function of a health system concerned with the mobilization, accumulation and allocation of money to cover the health needs of the people, individually and collectively, in the health system the purpose of health financing is to make funding available, as well as to set the right financial incentives to providers, to ensure that all individuals have access to effective public health and personal healthcare'. In many countries across the globe achieving universal healthcare coverage is still a dream. People are not getting medical services due to higher costs. In other cases even if paying out-of-pocket expenditure people do not access health care services due to lack of modernization of the facility. Governments of the developing countries are struggling to invest the adequate amount of resources in health sector. To counter these problems, the World Health Organization (WHO) focuses on three measures—revenue raising, pooling of funds and purchasing of services. Investing on health is a precondition of achieving economic development. The OECD countries on average spent 8.8% of their GDP on health in 2018 where the governments financed 71% of health expenditure. In twenty-two member countries the government's spending on health was above the average with the highest 85% by Norway and Luxembourg (OECD Health Statistics, 2019) [1]. India's general healthcare system is facing challenges like insufficiency and lack of modernization. Quality of health care services is one serious issue in the country for long

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time. Each year 122 person per 1 lakh die due to poor quality of care in India (The Lancet, September 6, 2018) [2]. Currently India ranked 145 out of 180 countries on quality of and access to healthcare services, and 179 out of 189 in prioritization of health in government budgets (Sinha, 2021) [3]. There is linkage between poor quality of health service and low investment on health. For the last three decades Indian Government's spending on health ranges between 1% to only 1.6% of GDP. The Indian government has been taking the major responsibility in health sector. It provides health care services to the people free of costs. But the public health system is insufficient in comparison to the huge population size. Depriving quality health care services people are forced to move towards private health care providers. But in return of higher price the services provided by private players are not adequate in quality. In recent time, the government encourage PPP model in health care. The Public-Private Partnership approach combines the efforts of public, private and other organizations by contributing to their core competencies. Under this model the health care services are delivered to the people by making arrangement between public and private sector health service providers.

REVIEW OF LITERATURE

The increasing cost of health care services is a worldwide phenomenon. Demand for health care rises with demographic changes. On the supply side improved technology in healthcare and invention of sophisticated diagnostic machines increases the costs manifold. The rising costs invites more financing on health, particularly public funding. The WHO's (2008) discussion paper on '*Formula Funding of Health Services'* argues that national governments play a crucial stewardship role in ensuring that health service funds are used efficiently and equitably, and that health care agencies are incentivized appropriately. The central government's funds for financing health system are collected through taxation, paid by citizens and businesses in various forms. The health financing may be determined either through traditional method or formula funding. Under traditional method allocation of funds among local agencies are arbitrary but under the formula funding, mathematical rules that determine the magnitude of the funding received by a local agency are specified in advance. Purohit (2020) [4] in his book '*Economics of Public and Private Healthcare & Health Insurance in India'* comments that in India the governments shoulder major responsibility of providing healthcare services. But over the last two decades the government health care institutions are facing resource crunch, particularly the institutions in the rural areas. They were forced to run with obsolete machines. Due to this deficiency even the poor people have to seek service of private provider. Dubochet (2012) [5] observed that India's public spending on health is one of the lowest worldwide. Private funds complete the country's total expenditure on health, at 4.4 per cent of GDP. The consequence is that the 6.2% of population falling below poverty line each year because of health expenditure and the trend is increasing in recent years. Burns (2014) [6] comments that in India with regard to cost nearly 70 per cent or more of all healthcare is financed out of pocket by the population. There is little health insurance, or other forms of risk pooling, little regulation and accountability of providers. The efficiency of public sector healthcare is questionable and there is great distrust.

OBJECTIVE

The objectives of this paper are:

(a) To have an overview on the healthcare financing system of India and
(b) To highlight the consequences healthcare financing pattern.

METHODOLOGY

This paper uses descriptive method of analysis. Only secondary data are used. Data are collected from government reports, journals and books. Web materials are also used.

DISCUSSION

Financing of Health Care in India

The following table shows the trends different sources of financing of health care in India in recent decades:

Table 1. Indicators of Health Financing

Indicator	2015–16	2014–15	2013–14	2004–05
Total Health Expenditure (% of GDP)	3.8	3.9	4	4.2
Government's Spending (% of GDP)	1.02	0.98	1.00	1.12
Per Capita Health Expenditure (in Rs.)	4116	3826	3638	1201
Government Health Expenditure (%)	30.6	29	28.6	22.5
Out of Pocket Expenditure (%)	60.6	62.6	64.2	69.4
Social Security Expenditure (%)	6.3	5.7	6	4.2
Private Health Insurance Expenditure (%)	4.2	3.7	3.4	1.6
Donor Funding for Health (%)	0.7	0.7	0.3	2.3

Source: National Health Account, GOI, 2019

The Table 1 reveals that India's total expenditure on health as a percentage of GDP is in declining trend. In 2004–05, the country spent 4.2% of GDP which keeps on falling to 3.9% in 2014–15 and further to 3.8% in 2015–16. Government's spending on health is static around 1% of GDP. Although per capita health expenditure doubled from Rs.1201 in 2004–05 to Rs.4116 in 2015–16, but the cost of health increases at a much higher rate during the period. Out of total expenditure on health, government's share has been increased from 22.5% in 2004–05 to 30.6% in 2015–16. Still this is very insufficient as the people are required to spend more than 60% of total health expenditure out of their own pocket. Gradually, the private insurance health expenditure is rising. If government's spending on health is increased from current level to 3% of GDP then it could reduce out of pocket expenditure from 60% to 30% (Economic Survey, 2021) [7].

Health Care Finance and its Impact

India's budgetary allocation in health has been always inadequate. It is ranging around 1% of GDP which is far below the internationally recommended 6%. This inadequate spending leads to insufficient infrastructure, shortage of manpower, poor doctor-patient ratio and imbalance between rural and urban health care. There is always the shortages of manpower, beds in hospitals, materials, medicines, equipments etc. in comparison to the population size. As per the norm of WHO, there must be 25 health workers (doctors, nurses and midwives) in every 10,000 population but India has only 19 workers. Similarly, doctor-population ratio should be 1:1000 but in India it is as high as 1:1700 (Purohit, 2020) [4]. Again, the ratios are very miserable in rural areas. The deficiencies in public health care system forces the poor Indian people to seek for private health care. The exorbitant fee in private health care forces them to borrow money from various sources and contributes to their impoverishment.

FINDINGS

The findings of the study are summarized as below:

- India has an unhealthy declining trend in total expenditure on health as a percentage of GDP.
- Government's share of spending on health is remaining static around 1% of GDP.
- Out of pocket expenditure is having an increasing trend in India.
- Comparatively less spending on health results insufficient improvement in healthcare facilities.
- Private health insurance expenditure is increasing.
- More pressure on private financing contributes impoverishment in India.

CONCLUSION

From the above discussion, it is clear that India is far behind in case of health financing. India is still failing to achieve even half of the recommended level of health of financing on health. Although the government provides universal health care free of cost but the public healthcare centres are not able to cater the need of the people's health both in terms of quantity and quality. The worrying trend is that the government is gradually put the burden of health expenditure on the people. It leads to more inequality in the delivery of health services. Due to poor regulatory mechanism, people are exploited by private health care providers by offering low quality services at higher costs. So, reorganization of health financing in India is needed.

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