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A Study of Trends in Healthcare Spending in India

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Abstract

The total health services expenditure in India over a year has been pegged at 3.6% of GDP while the average person has to spend as much as 9,373 health expenses during the period, resulting in high costs on health services. About 3.2% of Indians fall below the poverty line by selling their wealth. Statistical data has been obtained and studied here from the reports of WHO, NHA and World Bank. The objectives of which are to make a comparative study of the trends behind the expenditure on health services carried out by the public sector and the expenditure behind healthcare done by the individual. So, during the year 2019–20, the government spent 41.4% of the total expenditure on health services while the person had to spend 47.1% resulting in a nominal expenditure of 5.7% to get health services. The implementation of various health insurance schemes by the government has effectively struck a balance between governmental and individual expenditure on healthcare services. These initiatives alleviate the financial burden on individuals by providing access to essential health services without direct out-of-pocket expenses. Consequently, citizens, particularly those previously unable to afford healthcare, now benefit from comprehensive coverage, promoting equitable access to medical services and enhancing overall societal well-being.

Keywords: Healthcare services, government healthcare expenditure, personal healthcare expenditure, medical services, health insurance

INTRODUCTION

According to statistical data from the “National Health Profile (NHP)”, India's public health services spending has been high since 2019, despite being less than 1.2% of GDP, which is the lowest compared to BRICS countries (Brazil, Russia, India, China and South Africa) [1]. “According to statistics from the Organization for Economic Cooperation and Development (OECD)” the total healthcare expenditure in India during a year is 3.6% of GDP, while according to the 360 Report of the "Indian Consumer Economy", the average over a year in India, a person has to spend as much as Rs 9,373 health expenses [2]. As a result of the high cost of health services, most of the urban or rural population pays for their health services expenses by taking a bank loan or selling their property. As a result, according to the WHO's "World Health Statistics" in 2014, about 3.2% of Indians fall below the poverty line due to high expenditure on health services by the average person in India during a year [3]. According to a 2017 WHO and World Bank report, more than 500 million people were pushed below the poverty line in 2015. As a result, the "PM-JAY-MA Scheme" has been launched in the year 2021. This scheme is the world's largest health insurance scheme which provides for the expenditure on health services up to Rs. 5 lakh per family per year. The expenditure incurred on this scheme is divided in the ratio of 60% by the Central Government and 40% by the State-Union Territories (Ministry of Health and Family Welfare, 2023) [1].

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LITERATURE REVIEW

Bhukta and Patra (2022): The Econometric Analysis of Health Expenditure Inflow with

Economic Growth in India based on secondary information studies statistical data on health services spending in India from 2000 to 2021 [4]

The primary objective of this report is to delve into the intricate relationship between public health expenditure and economic growth, alongside scrutinizing the correlation between private health expenditure and economic advancement. Through the application of the Johnson Co-integration test on the statistical dataset, the findings reveal a nuanced insight: although there appears to be no direct association between public and private health expenditure and economic growth, a unidirectional causality emerges where economic growth influences both public and private health expenditure. However, it is crucial to acknowledge a significant limitation of this report: the validity of the data analysis hinges greatly upon the assumption of normalcy within the years spanning from 2000 to 2021. Failure to ensure normalcy within this timeframe could potentially skew the results, painting an inaccurate portrayal of the relationship between health expenditure and economic growth. Hence, ensuring the integrity of the data within this timeframe is imperative for drawing accurate conclusions regarding the nexus between health expenditure and economic prosperity.

Wu *et al.* (2010): An Overview of the Healthcare System in Taiwan [5]

The report, published in 2010, shows that Taiwan spends 6.2% of its GDP on health services. When the National Health Insurance Scheme was launched in Taiwan in 1995, 57% of the people were covered under this insurance scheme. These included laborers, government employees, farmers, fishermen, etc. In Taiwan, 90% of people currently have access to health insurance, according to Taiwan's government reports, due to the availability of health care, the inclusion of the wider population, the reduction in waiting time for health care, the low cost. As a result, Taiwan has a system of government payments for the use of health services, but in reality, the facility of health insurance has not been adequately available to the people, mainly due to the poor performance of the employee as well as the insufficient information about health services to the people. Due to this limitation of the insurance plan, people have not been able to take adequate advantage of health services.

Goel and Khera (2015): Public Health Facilities in North India An Exploratory Study in Four States [6]

Rajasthan, Jharkhand, Bihar and Himachal Pradesh were selected in this report; in which, health services provided in regional health centers, community health centers and hospitals were studied. The report accounts for as much as 2.5% of GDP spent on public health services out of total public spending. Health services have been adequately available in Rajasthan by changing the structure of public health services. According to National Family Health Survey during the year 2005–06, 70% of the people in Rajasthan used a public health facility. But, often public health services are not available as a result of poor performance of employees. Whereas, the public health facility infrastructure in Jharkhand and Bihar is much weaker than the public health facility infrastructure in Rajasthan. Therefore, the expenditure on public health services in both these states should be increased. Himachal Pradesh does not see poor performance of employees and lack of infrastructural health facilities. According to the National Family Health Survey report during 2005–06, 83% of households in Himachal Pradesh use public health services. Therefore, it can be said that Himachal Pradesh health services in these four states are strong and of good quality which is adequately available to public health services.

Chaudhary and Datta (2020): The Analysis of Private Healthcare Providers [7]

Analysis of Private Healthcare Providers is dominated by 58% in rural areas and 68% in urban areas, according to the report of 71 published by NSSO, based on the source of secondary information. The primary objectives of the study are twofold: firstly, to analyze the extent of private sector involvement within the healthcare domain, and secondly, to assess the proportion of benefits derived from the Ayushman Bharat scheme, a flagship initiative by the Indian government [8]. The report underscores a significant dominance of private institutions over their public counterparts within India's healthcare landscape. Consequently, in response to the escalating costs associated with healthcare services, the Government of India has launched the Ayushman Bharat Scheme, aiming to extend financial assistance

to alleviate the burden on individuals. This ambitious scheme targets the coverage of 50 crore people, highlighting the pressing need for comprehensive healthcare coverage across the nation [9]. However, the implementation of large-scale insurance plans like Ayushman Bharat necessitates substantial infrastructure and administrative support. Notably, the report reveals that a staggering 99% of healthcare services in rural areas are provided by private, unorganized health institutions, underlining the pivotal role played by the private sector in catering to the healthcare needs of rural communities. According to him, emphasis should be laid on monitoring, administrative transparency, ensuring quality to promote health services in a better way [10].

OBJECTIVES AND RESEARCH METHODOLOGY

Statistical data has been obtained from the reports of WHO, NHA and World Bank and studied. To conduct a comparative study of the trends behind the expenditure on healthcare done by the individual and the expenditure trends behind the health services carried out by the public sector.

Table 1. Percentage of total expenditure (GDP) incurred on healthcare.

Year	Total cost of healthcare (%) in GDP
2004–05	4.2
2013–14	4
2014–15	3.9
2015–16	3.8
2016–17	3.8
2017–18	3.3
2018–19	3.2
2019–20	3.3

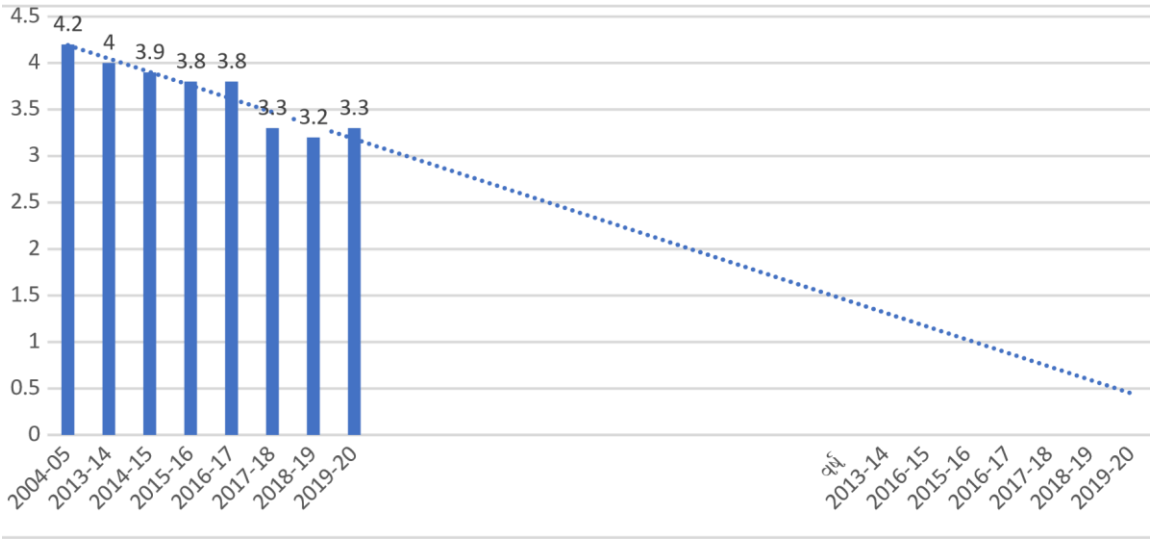

Figure 1. Percentage of total healthcare expenditure of GDP in India (2004–05 to 2019–20).

As shown in Table 1 and Figure 1 chart, the percentage of total healthcare expenditure of GDP in India during the year 2004–05, 2013–14, 2014–15, 2015–16, 2016–17, 2017–18, 2018–19, 2019–20, 4.2, 4, 3.9, 3.8, 3.8, 3.3, 3.2, 3.3 respectively. From 4.2% in 2004–05, it has come down to 3.3% during 2019–20, which means that average healthcare costs have come down. As a result, people fall below the poverty line due to increased expenditure on health services.

As shown in Table 2 and Figure 2 chart, the percentage of expenditure incurred by the government and by the individual in the total expenditure of health services is shown during the year 2013–14, 28.6% of the total expenditure on health services was spent by the government while 64.2% had to be spent by the individual so that people had to spend 33.6% more to get health services. As a result, more than 500 million families fell below the poverty line in 2015, according to the WHO report. While during the year 2019–20, 41.4% of the total expenditure of health services was spent by the government, while the person had to spend 47.1% as a result of which people have to spend a nominal expenditure of 5.7% to get health services.

Table 2. Percentage of expenditure incurred by individuals and governments behind health services.

Year	Expenditure by Government	Personal Expenditure
2013–14	28.6	64.2
2016–15	29	62.6
2015–16	30.6	60.6
2016–17	32.4	58.7
2017–18	40.8	48.8
2018–19	40.6	48.2
2019–20	41.4	47.1

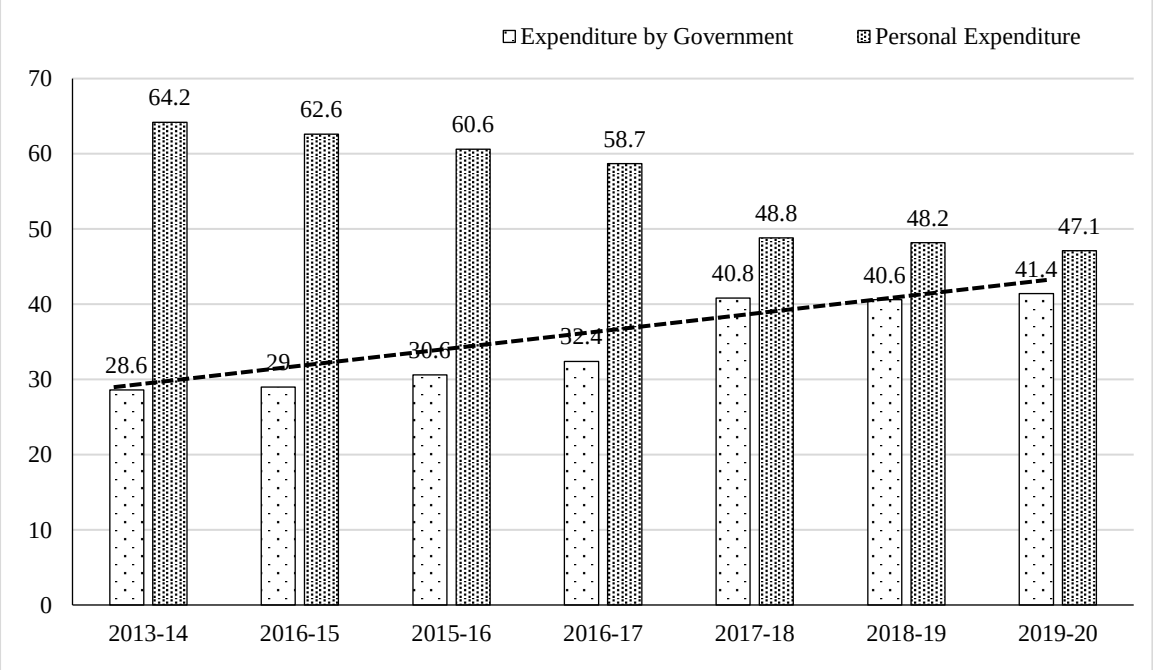

Figure 2. Government and Individual Expenditure on Health Services (2013–14 vs. 2019–20).

CONCLUSION

Thus, per capita spending on healthcare, the public healthcare sector continues to see an increase in the costs behind health care and service. During 2019, 3.16% of GDP was spent on total healthcare, while 54.4% of the per capita expenditure was incurred, which means that per capita expenditure continues to increase but not as much healthcare services are provided by the public health sector, resulting in an increase in the per capita cost of private healthcare.

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