



# Not-for-Profit Hospital Model Study: NITI Aayog

## Why in News

Recently, the [NITI Aayog](#) released a comprehensive study on the **Not-for-Profit Hospital Model** in the country.

- It is an initiative in a step towards **closing the information gap on such institutions and facilitating robust policymaking** in this area.

## NITI Aayog

- It is a **public policy think tank of the Government of India**, established with the aim to **achieve sustainable development goals with cooperative federalism** by fostering the involvement of State Governments of India in the economic policy-making process using a bottom-up approach.
- It was established to **replace the [Planning Commission](#)**. The **Prime Minister is its ex-officio chairman**.

## Key Points

### ▪ Major Findings:

#### ◦ Low Charge:

- Most of the not-for-profit hospitals **charge lower than the for profit hospitals**.
- Prices of Rural Community Based Hospitals are lower, while Rural Cooperative Hospital prices are comparable with government hospital rates.

#### ◦ Empanelment:

- Most of the Not-for-profit Hospitals are **empaneled with State or Central Government Healthcare schemes**.

#### ◦ Expenditure:

- The not-for-profit hospitals **use various levers to facilitate their low cost of clinical care and reduced operational expenditure**.
  - Following levers are used - multitasking of workforce, In-house manufacturing of equipment, such as beds, dental chairs, etc.
- Not for profit Hospitals have **lower operating costs as compared to For-Profit Hospitals**.

#### ◦ Quality:

- There is a **strong focus on quality care** across all categories of not-for-profit hospitals, as most of them had some form of accreditation for their services.

## ▪ Challenges:

### ◦ Recruitment:

- Most of the hospitals find it **difficult to recruit and retain doctors and staff.**

### ◦ Reimbursements:

- Delayed **reimbursements and long-pending amounts**, despite their persistence, causing strain in their cash flows, and in turn, burdening their operations.

### ◦ Funding:

- Many of these hospitals are **dependent on external funding** in the form of philanthropy and grants for capital expenditure components, such as infrastructural expansion, purchase of new technology, and advanced equipment.

### ◦ Compliance burden:

- Some of the hospitals, especially those in remote areas, reported challenges because of the **high compliance burden of staffing requirements of the Regulations for running a blood bank 1999, [Clinical Establishments Act 2010](#), [Pre-Conception and Pre-natal Diagnostic Techniques \(PCPNDT\) 1994](#)**, and Quality standards.

## ▪ Suggestions:

### ◦ Policy Interventions:

- Short- and long-term policy interventions—such as **developing criteria to identify these hospitals, ranking them** through a performance index.

### ◦ Tax Exemptions:

- To promote these hospitals, the government **should increase the tax exemption for donations and membership fees** of these hospitals.

### ◦ Using their Expertise:

- Promoting top hospitals for practising philanthropy, among others. It also highlights the **need to use the expertise of these hospitals** in managing human resources with limited finance in **remote areas**.

## Not-for-Profit Hospital

### ▪ About:

- Private hospitals are largely divided into **for-profit hospitals and not-for-profit hospitals.**

- Cumulative cost of care at not-for-profit hospitals is lesser than for-profit hospitals by about **one-fourth in the in-patient department.**

- For-profit hospitals **account for 55.3% of in-patients**, while **not-for-profit hospitals account for only 2.7% of in-patients** in the country.

- **Not-for-profit does not make profits for its owners** from the funds collected for patient services. The owners of these hospitals are often **charitable organizations or non-profit corporations.**

- The **fees for service at these hospitals are generally lower than for-profit hospitals** and the **income from fees** (above the cost of service) are **reinvested** in the hospital.

- These hospitals are a **potential remedy to the challenges of unavailability and unaffordability of healthcare** in India.

### ▪ Significance:

- The infrastructure, services, and charges of these hospitals are positioned to **cater to the unreached and underprivileged population of the country.**
- The **not-for-profit hospital sector** provides not only curative but also preventive healthcare.
- It **links healthcare with social reform, community engagement, and education.** It **uses government resources and grants to provide cost-effective healthcare** to people without being concerned about profits.
  - However, over the years, this sector has remained **understudied.**

### **Recent Initiatives in Health Sector**

- [Increased Allocation for Health in Budget 2021.](#)
- [PM Atmanirbhar Swasth Bharat Scheme](#)
- [National Digital Health Mission](#)
- [National Medical Commission \(NMC\) Act, 2019.](#)
- [Pradhan Mantri Bhartiya Janaushadhi Pariyojana.](#)
- [Ayushman Bharat.](#)

**[Source: PIB](#)**

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