



## Healthcare System and Expenditure in India

This editorial is based on [“Health Account Numbers that Require Closer Scrutiny”](#) which was published in The Hindu. It talks about the recent National Health Accounts (NHA) Report released for the year 2017-18 and the issues associated with the findings of the report.

The National Health Accounts (NHA) Technical Secretariat has recently released the [National Health Accounts \(NHA\) report for 2017-18](#). The report is being celebrated widely as it shows an increment in the total public spending on health as a percentage of GDP.

The report also shows that the [Out-Of Pocket Expenditure \(OOPE\)](#) as a share of total health expenditure has come down to less than 50%.

As much as these improvements are appreciated, the condition of India's public expenditure still remains dismal. There is also a **need to closely scrutinise the findings** of the NHA report.

### Findings of National Health Accounts (NHA) Report

- **Increase in Public Expenditure, Decline in OOPE:** The NHA reported that the government has increased the expenditure on health, making the decline of [Out-Of Pocket Expenditure \(OOPE\)](#) to 48.8% in 2017-18 from 64.2% in 2013-14.
  - It shows that total public spending on health as a percentage of GDP has **increased to a historic high of 1.35% of GDP** breaking through the 1%-1.2% mark of GDP.
- **Share of Primary Health Care:** The share of primary healthcare in current Government health expenditure has **increased from 51.1% in 2013-14 to 54.7%** in 2017-18.
  - Primary and secondary care accounts for more than 80% of the current Government health expenditure.
- **Social Security Expenditure on Health:** The share of social security expenditure on health, which includes the social health insurance programme, Government financed [health insurance schemes](#), and medical reimbursements made to Government employees, has **increased**.
- **Causes of Increase in Health Expenditure:** The increase shown in NHA 2017-18 is **largely due to increase in Central government's expenditure**, for 2017-18, its share in total public spending on health has jumped to 40.8%.
  - Much of this increase has actually happened on account of a **tripling of expenditure of the Defence Medical Services (DMS)**.

### Issues Highlighted by the Report

- **Expenditure on Health, Still One of the Lowest:** India's total public spending on health as a percentage of GDP or in per capita terms has been one of the lowest in the world.
  - Although, there has been a policy consensus for more than a decade to increase it up to at least 2.5% of GDP, there has not been any significant increase so far.
- **Lesser Priority on Women and Children's Health:** During the period of 2016-18, the expenditure on the [National Health Mission](#) increased only by 16%.
  - The **health of women in the reproductive age-group and children** below five years,

who constitute a third of the population, have been **accorded lesser priority** compared to the families covered under the DMS.

- Moreover, within government expenditure, the share of current health expenditure has come down to 71.9% (in 2017-18) compared to 77.9% (in 2016-17).
- **Inclusion of Capital Expenditure Leads to Overcounting:** For instance, a hospital that is built serves people for many years. So, the expenditure incurred is used for the lifetime of the capital created and the use does not get limited to that particular year in which expenditure is incurred. Counting the capital expenditure for a specific year leads to severe over-counting.
  - Considering this, the [World Health Organization](#) proposes to leave out capital expenditure from health accounts estimates, instead focus on current health expenditure.
  - However, in **NHA estimates in India, the capital expenditure is included** in order to show higher public investments. Thus, making Indian estimates become incomparable to other countries.
    - Exempting the capital expenditure from health estimates, the current health expenditure comes down to only 0.97% of GDP.
- **Decline in OOPE, A Result of Decline in Utilisation of Healthcare:** For the year 2017-18, the OOPE declined not only as a share of total health expenditure but also in nominal and real terms.
  - The [NSSO](#) 2017-18 data suggest that during this time period, **utilisation of hospitalisation care has also declined** as compared to 2014 NSSO estimates for almost all States.
  - The decline in OOPE is essentially due to a decline in utilisation of care rather than greater financial protection.
- **Lack of Authorities Given to State Governments:** [Health is a State subject](#) in India and the **state spending constitutes 68.6%** of all the government health expenditure.
  - However, the Central government ends up being the key player in public health management because the **main bodies with technical expertise are under its control**.
  - States differ a great deal in terms of the fiscal space to deal with situations like the Covid-19 pandemic due to the wide variation in per capita health expenditure.

## Way Forward

- **More Public Investments in Healthcare:** The experience of various developing countries suggests that **as public spending on health increases, utilisation of care increases** because there is always a lot of **latent demand for health care** which was hitherto unrealised as people could not afford health care.
  - With an increased public investment, **health care will become cheaper and more affordable** and consequently people will tend to access healthcare more.
- **Strengthening Urban Local Bodies:** India's health system needs more government funding for health. However, when it comes to Urban Local Bodies, this has to be a **blend of incremental financial allocations supplemented by elected representatives showing health leadership**.
  - It also requires multiple agencies coordinating with each other, increased citizen engagement in health, setting up of accountability mechanisms and guiding the process under a multidisciplinary group of technical and health experts.
- **Investments in More Medical Colleges:** To bring down costs beyond a few islands of excellence such as the AIIMS, **investments in other medical colleges shall be encouraged** to possibly bring down costs and ramp up quality of health services.
- **Tax Reductions:** Incentivising R&D (Research and Development) by **additional tax deductions** to further **support greater investments in new drug developments** and **reducing GST (Goods and Services Tax) on life-saving and essential drugs**.
- **Training of Healthcare Workers:** To prepare the existing healthcare workforce to provide the people the proposed healthcare facilities, it is important to give significant attention to their training, re-skilling, and knowledge upgradation.

### ***Drishti Mains Question***

What are the key issues faced by the healthcare sector of India? Discuss the steps that can be taken to improve the dismal condition of the health sector.

PDF Refernece URL: <https://www.drishtias.com/printpdf/healthcare-system-and-expenditure-in-india>

