

National Health Accounts Depicts The Crisis in the Health Sector

India continues to have one of the most privatised health systems in the world. India's public health expenditure in terms of percent of GDP (1.15 percent) spent on healthcare places India at 12th from the bottom, in the company of countries such as Myanmar, Haiti, South Sudan, Timor-Leste and Pakistan.

THE union ministry of health and family welfare (MoHFW) supported National Health Systems Resource Centre (NHSRC) has recently published (August 2016) the National Health Accounts for 2013-14. While summary data for expenditures on health are published regularly, a rigorous estimate of health expenditure in the country is being published after a gap of ten years (after 2003-04). While overall estimates have been published, the document promises that "policy interpretations of the data will follow including estimation of expenditures by diseases, age and gender in the coming year". Health expenditure relate data is an important planning tool as it provides information regarding the direction of public policy towards provision of healthcare and also provides insights into the financial burden faced by households while accessing healthcare services.

An underfunded privatised health system

The main message of the health accounts estimates is clear. India continues to be an extreme outlier in terms of public financing for health, with total health expenditure by government languishing at 1.15 percent of GDP and total public expenditure accounting for less than 30 percent of total health expenditure. This level of government apathy towards people's needs places a huge financial burden on households and leaves the bulk of India's population at the mercy of often unscrupulous and expensive private providers. India continues to have one of the most privatised health systems in the world. India's public health expenditure in terms of percent of GDP (1.15 percent) spent on healthcare places India at 12th from the bottom, in the company of countries such as Myanmar, Haiti, South Sudan, Timor-Leste and Pakistan. This may be contrasted with recommendations by public health experts that countries should spend at least 5 percent of GDP (as public expenditure) on health. It is also less than half of the 2.5 percent promised by several key documents from successive governments – the UPA's Common Minimum Programme of 2004, successive Planning Commission documents and the NDA government's National Health Policy of 2016.

The huge gap in public spending ensures that India has one of the most privatised health systems in the world, with an extremely high level of private sector participation. The proportion of public spending to total spending on healthcare (currently 28.6 percent) in India places India among the bottom 16 countries (among 190 countries in the World Bank database) in the same league as some of the poorest countries in the world – Sierra Leone, Afghanistan, Haiti and Guinea.

The following table provides details from the National Health Accounts data:

Table 1: Government Expenditure on Health

Total Health Expenditure (THE)	Rs.4,53,106 crores	4.2% of GDP	Rs.3,638 per capita
Total Government Expenditure	Rs.1,29,788 crores	1.15% of GDP	Rs.1,042 per capita
Total Central Government spending on Health	Rs. 44,564 crores	34% of total public spending	—
Total Spending by States and UTs on health	Rs.85,215 crores	66% of total public spending	—
Out of Pocket (OoP) Spending by Households	Rs.3,06,938 crores	—	Rs.2,465 per capita

Total public spending on health thus works out to less than Rs 90 per head per month, while an average individual pays over Rs 200 per month from his own resources. For 300 million people living below the official poverty line in India, private expenditure on health works out to about a week's income. It is thus not a mystery why an estimated 9 crore people are driven below the poverty line every year due to private expenditure on health.

Further, of the total government expenditure on health the central government's share is Rs 44,564 crores, and that of states and union territories is Rs 85,215 crores – 34 percent and 66 percent respectively of total government spending. While states are responsible for the bulk of public expenditure on healthcare, the financial health of the state exchequers is at the mercy of policies pursued by the central government. With increasing centralisation of financial powers at the centre, and hemmed in by neo-liberal policies that reduce government revenue, states have limited options available to increase welfare expenditure, including on health. At the same time central allocation for health has stagnated or has actually been slashed, especially in the past two years under BJP rule. Thus while the National Health Accounts data reflects the situation in 2013-14, the situation is likely to be more dire at present.

The squeeze of public finances – both at the central level and in states – means that less money is available with the government to finance public services. Let us now look at how public funds are allocated to different tiers of the health system. Government spending is divided differentially as follows: 51.1 percent for primary level care (sub centers, primary health centers, outreach programs); 23.3 percent for secondary level care (general inpatient curative care at hospitals), and 13.0 percent for tertiary level care (specialised inpatient and out curative care). The rest is made up of administrative expenses (10.1 percent) and 'unclassified' expenses (2.4 percent). While the emphasis on primary level care is correct, given the very low allocation, all levels of care are starved of public resources.

Making way for the private sector

The gap in public finances is filled up by a growing and largely unregulated private sector. The total spending in the private sector is divided as follows: 43.9 percent for primary level care, 38.1

percent for secondary level care and 17.1 percent for tertiary level care. The relative concentration of the private sector in the hospital sector (secondary and tertiary) is understandable, given that this is the lucrative profit making sector and the growth of the private sector is being driven by a growth of the private hospital sector.

How does this translate into overall spending based on level of care? The following table provides details:

Table 2: Expenditure by Category of Providers

Provider of Health Care (category)	Expenditure (in Rs.crores)	Percentage
Hospitals — Government	45,555	10.8
Hospitals — Private	89,343	21.3
General Practitioner — Private	20,570	4.9
Primary care and public health functions — Government	45,318	10.7
Pharmacies — Private	1,50,329	35.7
Diagnostic Laboratories — Private	28,035	6.7
Ambulance Services	19,149	4.5
Others	—	5.9
Total	4,21,194	

Here we are able to perceive clearly how the private sector dominates hospital care. 21.3 percent of total healthcare expenditure is on hospital based care, and private hospitals account for about double the expenditure on public hospitals. Another interesting issue emerges from this. NSSO data indicates that 40 percent of in-patients (that is those treated in hospitals) are treated in public hospitals and about 60 percent in private hospitals. Yet the expenditure for treating about one and half times more patients in the private hospitals (than in public) is double that of total expenditure in public hospitals. Further public hospitals treat more critical care patients (about 60 percent), requiring greater expenditure. This is a clear rebuttal of the argument that provision of care through private facilities is a more efficient use of resources.

Important to note in the above table is the fact that ‘pharmacies’ account for the biggest chunk of health expenditure. Clearly medicine purchase is the biggest contributor of healthcare expenditure – 35.7 percent of total and approximately half of all private expenditure. A growing additional burden is that of diagnostic tests, which already accounts for 6.7 percent of total health expenditure and about 10 percent of private expenditure. This finding supports the long held view that the cost of medicines (and increasingly of diagnostics) is the single largest factor that drives up out of pocket expenses. This needs to be kept in mind in the context of demands in public health circles of the necessity to impose comprehensive price controls on medicines – a practice abandoned gradually since the 1980s.

To sum up, the overall picture that the National Health Accounts paints is grim, but carries no surprises. The health sector has been at the receiving end of neo-liberal economic policies for decades and the results are before us. With progress cuts in health budgets instituted by the BJP

governments and other fiscal measures that impose a squeeze on public spending, the situation can only worsen.