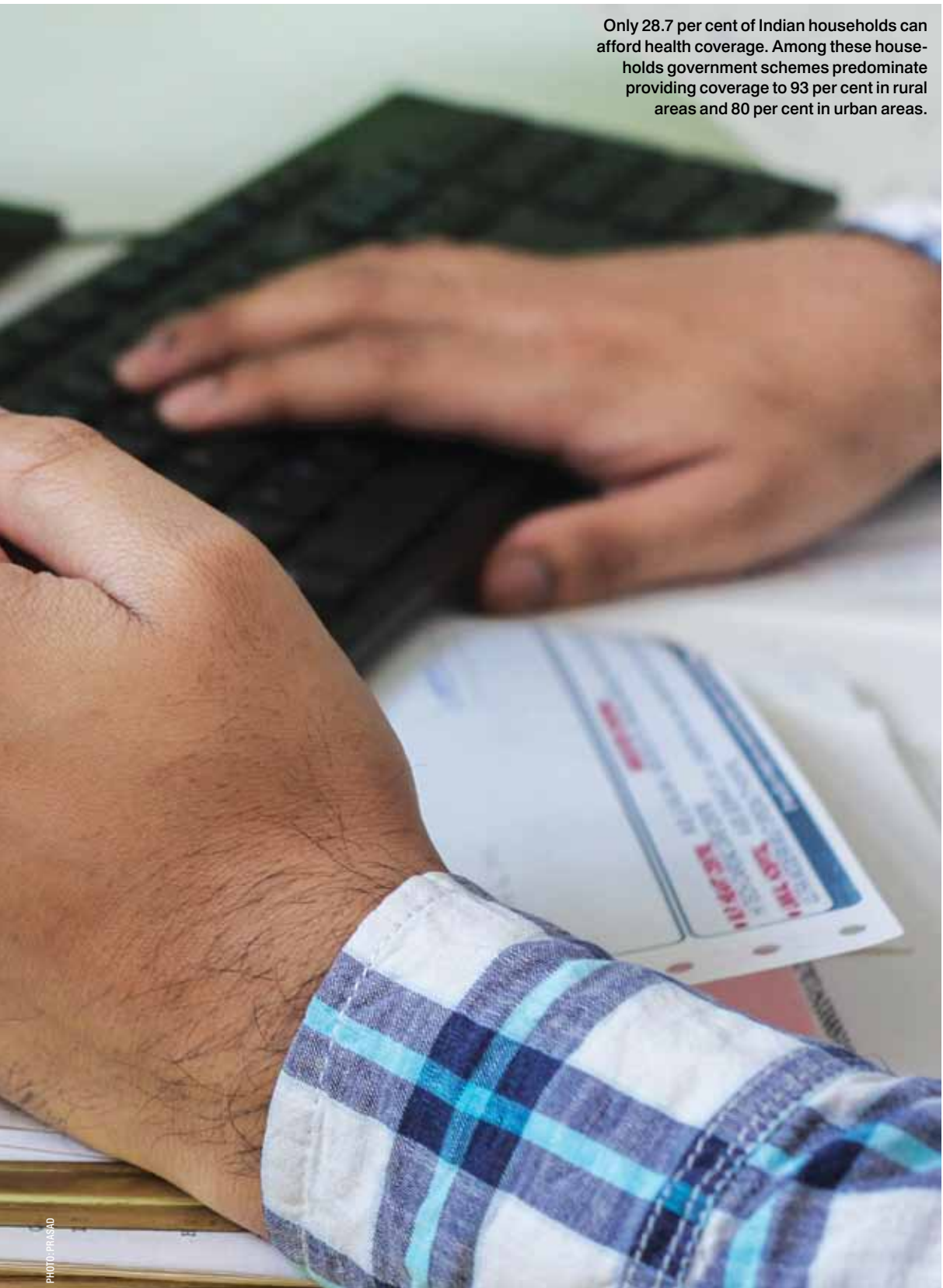




By Dripto Mukhopadhyay

Healthcare Insurance in India A Few Concerns

Only 28.7 per cent of Indian households can afford health coverage. Among these households government schemes predominate providing coverage to 93 per cent in rural areas and 80 per cent in urban areas.



The Union Government's budget speech of 2018-19 announced two major initiatives, the National Health Protection Scheme and the establishment of Health and Wellness Centres. Central and state governments have always put health at the forefront of planning, but public health expenditure as a percentage of GDP has remained low. Low expenditure, skewed distribution of coverage across states, lack of facilities in government hospitals among other problems prevail in the public health sector.

The National Health Policy, 2017 envisioned 1.5 lakh health and wellbeing centres to bring health care system closer to locations where people live. A budget of 1200 crore was allocated for this flagship programme. Admitting that lakhs of families in India borrow or sell assets to receive indoor treatments at hospitals, the Indian Finance Minister stated during the January 31, 2018 budget speech that the "Government is seriously concerned about such impoverishment of poor and vulnerable families. Present Rashtriya Swasthya Bima Yojana (RSBY) provides annual coverage of only 30,000 poor families. Several state governments have also implemented/supplemented health protection schemes providing varying coverage. My government has now decided to take health protection to more aspirational level. We will launch a flagship National Health Protection Scheme to cover over 10 crore poor and vulnerable families (approximately 50 crore beneficiaries) providing coverage upto 5 lakh rupees per family per year for secondary and tertiary care hospitalisation." If implemented, this reportedly will be the world's largest government funded healthcare programme. In the backdrop of this, the article attempts to provide an assessment of current situation regarding Indian health insurance market and likely implications of externalities that are required to make intentions of the government, a success.

The above figures suggest one key aspect clearly. Though, both the Centre and the state governments, always claim health to be a critical component of planning, reality is far from it. As Figure 1 suggests, public health expenditure as percentage of GDP was far below many other countries of the world. More importantly, even

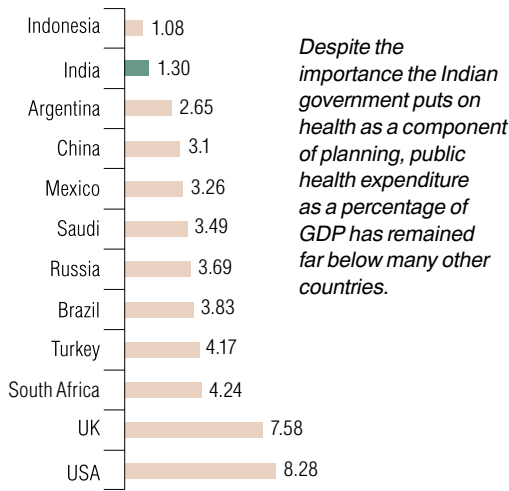
with scanty fund available for healthcare sector development, total funds that remained unspent was significantly high. Except the last couple of years, unspent funds was nearly 20 per cent of the total fund (Fig. 2). This puts a question on the authorities about their true intention of proactively developing healthcare in the country, which is perhaps the most important development parameter. It is obvious that while the basic healthcare facilities are given less importance compared to many other sectors, health insurance would hardly figure in governments' agenda, at least in reality. Let's look at the current health insurance sector.

Health insurance sector in India

To understand the current scenario and possibilities of health insurance sector in India it is pertinent to understand types of health expense coverage one avails at present. Only 28.7 per cent households are privileged enough to avail any kind of health coverage—disaggregated as 28.9 and 28.2 per cent for rural and urban areas respectively. As evident from Fig 3, among the households covered under any health scheme, about 93 per cent in rural areas and 80 per cent in urban India are covered by governmental schemes. State health insurance scheme and RSBY are the two government schemes that provide maximum coverage to both urban and rural areas. Health insurances purchased from private companies (by households) are as low as 8.5 and 1.8 per cent in urban and rural areas respectively covered under any health scheme.

Equally skewed distribution is observed in relation to wealth index. The National Family Health Survey (NHFS) shows that except the topmost quartile of wealth group, for rest of the quartiles

Fig. 1: Public Health Expenditure as Per Cent of GDP 2015-16



Source: Economic Survey 2015-16

Despite the importance the Indian government puts on health as a component of planning, public health expenditure as a percentage of GDP has remained far below many other countries.

Fig. 3: Per Cent Distribution of Households Covered under any Health Scheme/Insurance by Rural and Urban

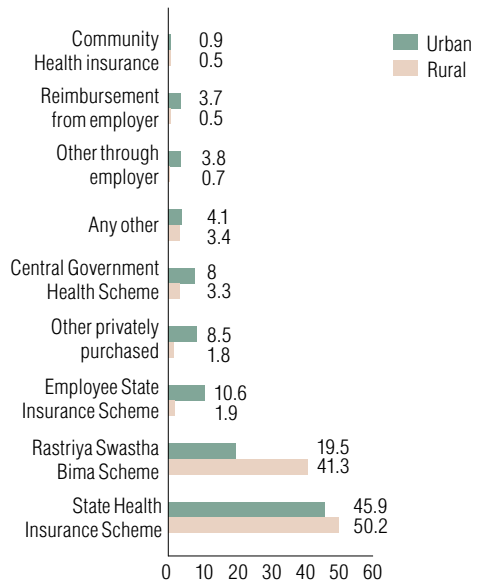
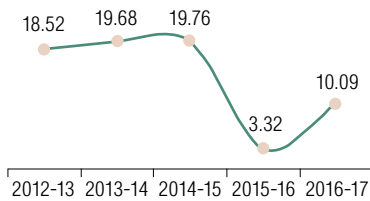


Fig. 2: Per Cent Unspent of Total Grant



Source: Controller General of Accounts

Total funds that remained unspent was significantly high even in the scenario of low funds being allocated for the healthcare sector.

Only 28.7 per cent of Indian households have the monetary means to avail health coverage. The numbers can be broken down to 28.9 per cent for rural and 28.2 per cent for urban areas. Among households availing health schemes, government schemes provide coverage to 93 per cent in rural areas and 80 per cent in urban areas.

Source: National Family Health Survey (NFHS-4), 2015-16, International Institute for Population Sciences, Mumbai, December 2017.

Fig. 4: Per cent Distribution of Households Covered under any Health Scheme/Insurance by Wealth Index



There is a skewed distribution between private and state schemes vis-a-vis wealth index. Only topmost quartile availed private schemes; the remaining 95 per cent of households are covered under state health insurance scheme and Rashtriya Swasthya Bima Yojana (RSBY).

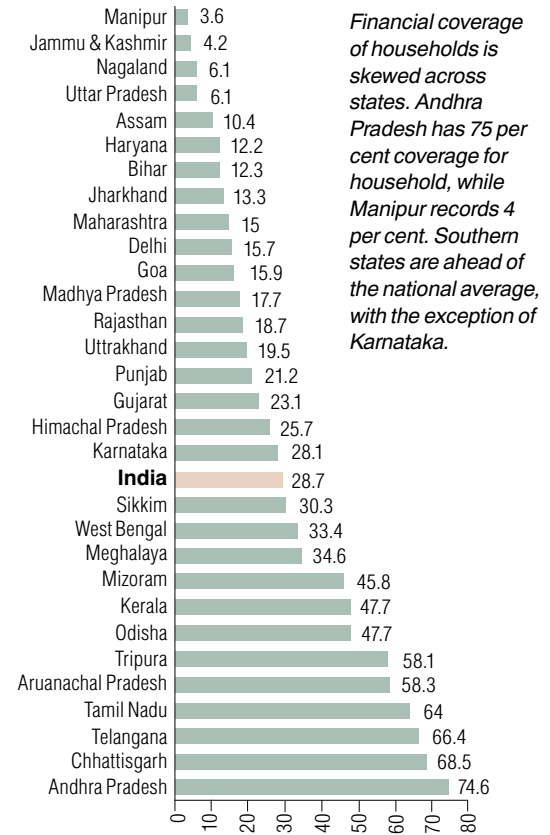
Source: National Family Health Survey (NFHS-4), 2015-16, International Institute for Population Sciences, Mumbai, Dec 2017.

state health insurance scheme and RSBY are the most important options. As expected, households covered under health insurance by private service providers is significantly high for the topmost wealth quartile.

Apart from rural-urban wealth distribution, financial coverage of households for healthcare is extremely skewed across states in India. While the per cent of households with at least one member covered under any health scheme or insurance is as high as 75 per cent in Andhra Pradesh, the same is as low as about 4 per cent in Manipur. Significant regional disparity and more importantly, intra region disparity is sharp. All southern states are much ahead of the other regions of the country. However, in Karnataka this percentage is marginally lower than India average. While most of the north-eastern states record a coverage above national average, this percentage is less than 10 in Assam, Nagaland and Manipur. All western and northern states are below average. Surprise inclusion among the top states is Chhattisgarh which is ranked at number two with a health coverage of 68.5 per cent.

It is heartening to see that in a large number of states at least one member is a beneficiary of a sort of healthcare coverage. However, for healthcare it is critical to understand whether the covered people are delivered quality services. Healthcare coverage without quality services is as good as no health cover. As shown in Fig 3 and Fig 4, out of 28.7 per cent households where at least one member is covered by any type of health scheme or insurance, more than 95 per cent are covered by either state government or central government schemes. Therefore, the financial assistance for treatment will be available in government facilities only. But do people have confidence in the government facilities to avail this financial assistance in case health issues arise? Figure 6 presents an interesting picture. It shows that in most states more than 50 per cent of the people do not use government facilities. Two major reasons are cited—long waiting time and poor quality of treatment. It is well understood that in case of any serious illness, immediate treatment and quality treatment are must. Therefore, it is quite unlikely that people will stand to be benefitted by the present financial assistance for healthcare coverage. The latest NSSO report (2014) suggests that 68 per cent of the urban population and 58

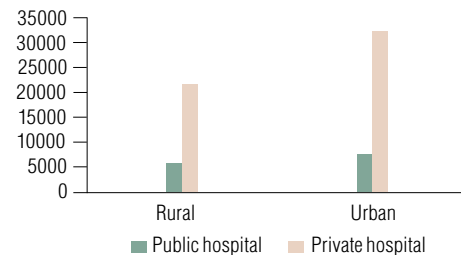
Fig. 5: Percentage of Households with at Least One Usual Member Covered by Health Scheme or Insurance



Financial coverage of households is skewed across states. Andhra Pradesh has 75 per cent coverage for household, while Manipur records 4 per cent. Southern states are ahead of the national average, with the exception of Karnataka.

Source: National Family Health Survey (NFHS-4), 2015-16, International Institute for Population Sciences, Mumbai, December 2017.

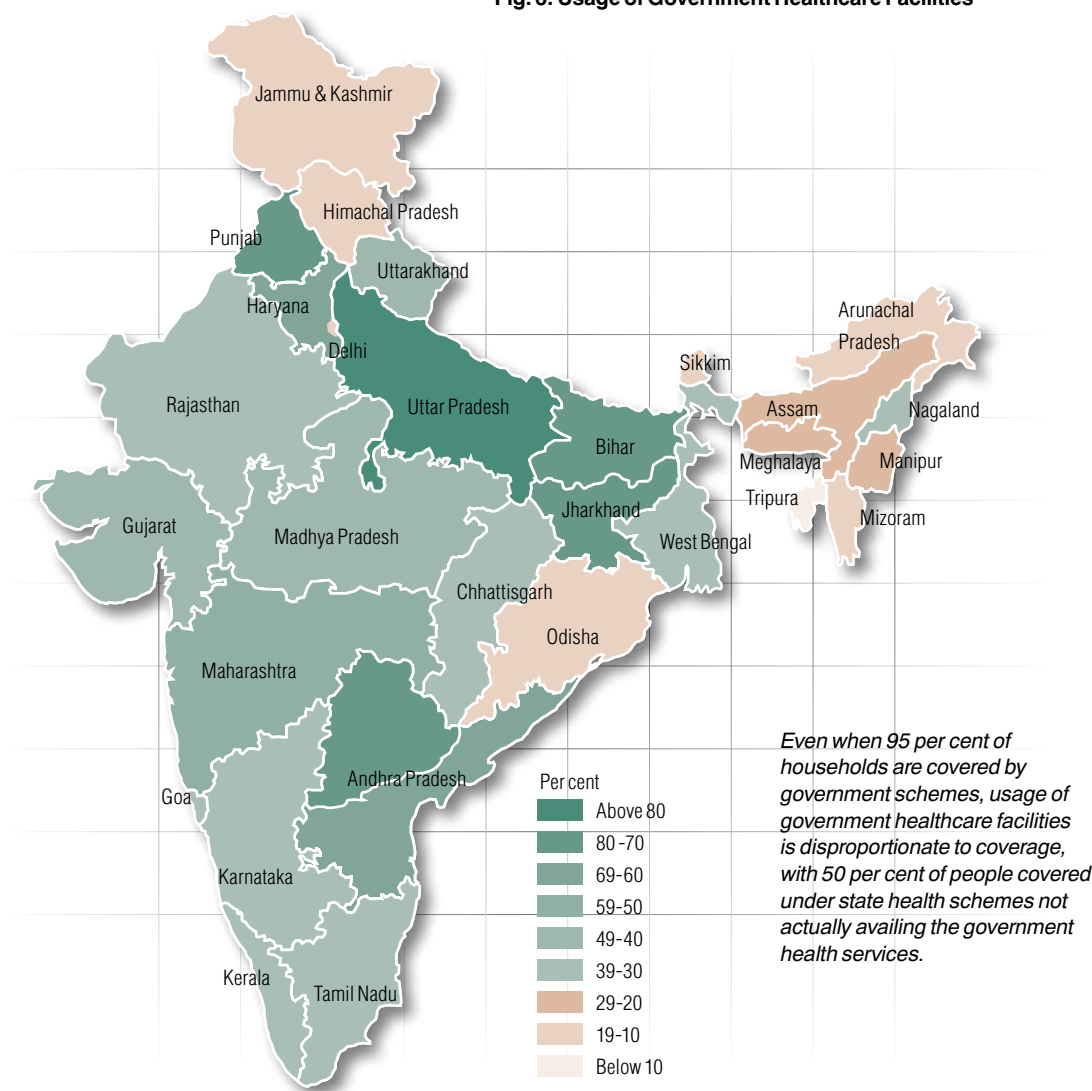
Fig. 7: Average Expenditure in Case of Hospitalisation—Public Vs Private Hospitals



A large number of households cannot avail treatment from public hospitals, and therefore rely on private hospitals not covered by state schemes, paying five times the cost they would incur at public hospitals.

Source: Health in India, NSSO Report No. 574, 71st Round, January to June 2014.

Fig. 6: Usage of Government Healthcare Facilities



Map not to scale

Source: Survey (NFHS-4) National Family Health Survey (NFHS-4), 2015-16, International Institute for Population Sciences, Mumbai, Dec 2017.

per cent of rural population go to private hospitals for their treatment.

The NSSO report also shows that on an average the treatment cost in case of hospitalisation is INR 18,268—INR 14935 for rural and INR 24436 for urban areas. Figure 7 presents the expense scenario of treatment in public and private hospitals. In both rural and urban areas, the average costs in private hospitals are four times more

than that of government hospitals. Since the large number of households cannot avail treatment in public hospitals due to various reasons, they need to opt for private hospitals under compulsions. Therefore, not only does a large number of people incur four times higher treatment cost, but it is devoid of any financial assistance as opposed to treatment in government hospitals. This expenditure is but obviously met either from their

The average expenditures in private hospitals is about **four times** than that of the government hospitals in rural as well as **urban areas**.

savings or through borrowings. With more than 60 per cent households below INR 1.5 lakhs per annum income group, the average expenditure itself is about 20 per cent of annual income. However, in many of the cases this may go beyond annual income of poor households, especially if the treatment is done in private hospitals.

Key points

A few key issues emerge from this analysis.

- Even with extremely low public expenditure on healthcare facilities, significant amount of fund available goes unspent.
- Only 28.7 per cent of the households are covered under any scheme of health scheme or insurances, where at least one member of the household is covered (according to NFHS report). However, according to NSSO report this is even lower.
- In both rural and urban areas majority of these households are covered by either state government or by central government schemes.
- According to wealth index, except the top quartile, for the rest government schemes are the only major source of any healthcare coverage.
- Significant discrepancies are noted across states in terms of healthcare financial coverage. Southern states are much ahead when the coverage is compared.
- However, across states large number of the households do not opt for government hospitals due to poor treatment quality and waiting as major reasons.
- The average expenditures in private hospitals is about four times than that of the government hospitals in both rural as well as urban areas. People incur exorbitant costs under duress.

A few concerns for future

With the Finance Minister's announcement of Ayushman Bharat and bringing 10 crore poor households in the net of health insurance, a few questions arise:

- Whatever small fund is available for health and family welfare, larger chunk is allocated for family well being than creating healthcare infrastructure. According to India Health Statistics 2017, as of March 2017 there is not even a district hospital in every district in several states.
- It is also well known that existence of healthcare facilities is disproportionately biased towards urban areas. Rural areas are majorly devoid of good healthcare facilities.
- Though every year a large number of students pass out from government and private medical colleges, most of them are unwilling to serve in rural areas.
- In this situation, with already more than 95 per cent of the covered households under government schemes, an addition of 10 crore household to this base will bring more or less everyone under 100 per cent government schemes. Where will they be treated?
- Unless the public healthcare facilities are increased in number and improved in terms of quality treatment and other relevant facilities, the situation will remain the same. ❏

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