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Magnitude of Health Expenditure in India: A Reflection of Ayushman Bharat Pradhan Mantri Jan Arogya Yojana (AB-PMJAY)

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Abstract

The health expenditure has been measured in India using National Health Accounts (NHA) Estimates for India from 2013-24 to 2021-22. The study also measured the changes in sources of financing health expenditure and break up of average medical expenditure for hospitalization in India by using two quinquennial rounds conducted by National Sample Survey Organization (NSSO). This study has also focused on the impact of Ayushman Bharat-Pradhan Mantri Jan Arogya Yojana (AB-PMJAY), the world's largest Government funded health insurance scheme, on various types of health expenditures such as expenditure on revenue of healthcare financing schemes, expenditure on health care providers, expenditure on health care functions, sources of financing healthcare expenditure. The analysis shows that from 2013-14 to 2021-22 there was remarkable changes in expenditure on revenues of healthcare financing schemes as expenditure by household revenues has declined by 22.34 percent from 70.9 percent in 2013-14 to 50.55 percent in 2021-22 due to increase in share of health expenditure by both Union and State Governments.

Keywords: health expenditure, functions, providers, sources of financing, revenue

Introduction

People's health has long been seen as a sign of their happiness and success (Ruggeri, 2020). Health continues to be a key factor in determining and measuring human well-being globally (Currie, 2016). A person's health is generally understood to be a condition of whole physical, mental, and social well-being rather than only the absence of illness (WHO) (Patel). Equal access to healthcare services is a basic human right and a top priority for healthcare practitioners to guarantee people's well-being (Nunes).

In fact, even though all governments may agree in theory that improving healthcare systems is essential to guaranteeing that everyone has fair access to care, yet putting such systems into practice can be difficult, especially in low- and middle-income nations. Most people in these nations lack access to healthcare services, and even if they did, the cost would be prohibitive. People are forced to spend money at the expense of other necessities due to inadequate public healthcare system contributions and poor health insurance coverage (Kruk).

Numerous studies have demonstrated that the out-of-pocket costs associated with health care drive people to cut back on household spending on various necessities, including clothing, housing, and their children's education. It causes them to experience severe financial difficulties, frequently plunging them into extreme poverty. People often put off

getting the treatment they need for the same reason, which raises healthcare expenditures even more and occasionally lowers the likelihood of surviving an illness. This also makes households less financially stable. Within and within nations, the relationship between health spending and poverty has been well studied and analysed. The discrepancy between poverty estimates based on gross household resources and those determined after subtracting health expenditures might be regarded as poverty caused by health expenditures if health spending is wholly non-discretionary. The link between poverty and health spending has been the subject of numerous studies, especially in low- and middle-income nations where the financial burden of medical expenses is typically greater (Aregbesola). By carrying out various empirical investigations, scholars and decision-makers have also attempted to understand this relationship in India. They concurred that, in India, where government healthcare spending accounts for 1.28 percent of GDP, out-of-pocket medical expenses had a significant impact on poverty. One of the main contributors to household debt and poverty in low- and middle-income families in India is health spending. Over 70% of health care costs are paid for out of pocket by consumers. In this case, households would have been financially protected by health insurance, but only 1.6% of people have health insurance. In the end, the primary factor that pushes households into poverty is out-of-pocket expenses. Numerous research has examined how OOP health spending affects poverty in India (Priyanka).

Objectives

The objective of the study is to examine the changes in health expenditure in India.

Methodology

The secondary data has been collected from NHA (National Health Systems Resource Centre) and National Sample Survey Office - M/o Statistics and Programme Implementation (MOSPI), Government of India (GOI).

Table 1 Distribution of Current Health Expenditure on Revenues of Healthcare Financing Schemes (In percentages)

S. No	Revenues of Financing Schemes	2013-14	2021-22	Percentile Changes
1.	Household Revenues	72.9	50.55	-22.34
2.	State Governments	12.7	21.77	+9.07
3.	Union Government	7.8	15.94	+8.14
4.	Enterprises	-	8.13	+8.13
5.	Local Bodies	0.6	1.08	+0.48
6.	Others*	6.0	2.53	-3.47

Source: National Health Systems Resource Centre, Various Rounds.

(Others* = NGOs & Funding Agency, Transfers distributed by union and state governments from foreign origin (0.70 %) and (0.40 %) and NPISH non-profit institutions serving households (1.52%) and all direct foreign financial transfers (0.27%)

Distribution of current health expenditure on revenue of healthcare financing schemes from 2013-14 to 2021-22 has been shown in table 1. Table reveals that current health expenditure on revenue of healthcare financing schemes by household revenues has declined by 22.34 percent as it was 72.9 percent in 2013-14 and declined to 50.55 percent in 2021-22. The table further reveals that positive change can be seen in share of state governments as well as union government. Revenue of financing schemes by state government increased by 9.07 percent from 12.7 percent in 2013-14 to 21.77 percent in 2021-22 and by union government increased by 8.14 percent from 7.8 percent in 2013-14 to 15.94 percent in 2021-22. Expenditure by local bodies has increased by 0.48 from 0.6 in 2013-14 to 1.08 percent in 2021-22 and expenditure by others has declined by 3.47 percent from 6.0 in 2013-14 to 2.53 percent in 2021-22 and. Almost 23 percent decline in the expenditure on health from household revenues shows that expenditure on health from both the governments state as well as union has increased during this time.

Table 2 Distribution of Current Health Expenditure on Healthcare Providers (In percentages)

S. No	Healthcare Providers	2013-14	2021-22	Percentile Changes
1.	Private Hospitals	21.2	26.96	+5.76
2.	Pharmacies	35.7	19.35	-16.35
3.	Government Hospitals	10.8	18.99	+8.19
4.	Government Clinics	6.3	7.15	+0.85
5.	Providers of Preventive Care	4.5	10.42	+5.92
6.	Private Clinics	4.9	3.81	-1.09
7.	Admin Agencies	3.3	3.48	+0.18
8.	Diagnostic Labs	6.7	3.32	-3.38
9.	Patient Transport	4.5	3.65	-0.85
10.	Others*	2.2	2.87	+0.67

Source: National Health Systems Resource centre, Various Rounds.

Others* = Retail sellers and suppliers of durable medical goods and appliances (0.11%) and others healthcare providers (2.76%)

Distribution of current health expenditure on healthcare providers from 2013-14 to 2021-22 has been shown in table 2. Table reveals that Current Health Expenditure on private hospitals has increased by 5.76 as it was 21.2 percent in 2013-14 and increase to 26.96 percent in 2021-22. The table further reveals that share of pharmacies has declined by 16.35 percent from 35.7 percent in 2013-14 to 19.35 percent 2021-22. Share by government hospitals increased 8.19 percent from 10.8 percent in 2013-14 to 18.99 percent in 2021-22. Current health expenditure on government clinics increased 0.85 percent from 6.3 percent in 2013-14 to 7.15 percent in 2021-22. The table further reveals that expenditure on providers of preventive care increase about two times from 4.5 percent in 2013-14 to 10.42 percent 2021-22. Expenditure on private clinics has declined by 1.09 percent as it was 4.9 percent in 2019-20 and to 3.81 percent 2021-22. Health expenditure on admin agencies has increased 0.18 percent from 3.3 percent in 2013-14 to 3.48 percent 2021-22. Share of expenditure diagnostic labs has declined 3.38 percent from 6.7 percent in 2013-14 to 3.32 percent in 2021-22. Expenditure on patient transport has declined 0.85 percent from 4.5 percent in 2013-14 to 3.65 percent in 2021-22 and expenditure on others has increased 0.67 percent from 2.2 percent on 2013-14 to 2.87 percent in 20121-22.

Sources of Financing Hospitalisation Expenditure has been shown in table 3. Table reveals that financing from household income has increased from 67.8 percent to 79.5 percent from NSS71 to NSS75. Financing from borrowings has declined from 24.9 percent to 13.4 percent, decline can be seen in sale of physical assets from 0.8 to 0.4 percent, contribution from friends and relatives has declined from 5.4 percent to 3.4 percent and by others increased more than four times from 0.7 percent to 3.2 percent.

Table 3 Sources of Financing Hospitalisation Expenditure (In percentages)

Source of financing	NSS 71		NSS 75	
	Rural	Urban	Rural	Urban
Household income/ saving	67.8	74.9	79.5	83.7
Borrowing	24.9	18.2	13.4	8.5
Sale of physical assets	0.8	0.4	0.4	0.4
Contribution from friends and relatives	5.4	5.0	3.4	3.8
Other sources*	0.7	1.3	3.2	3.4
All sources	**100.0**	**100.0**	**100.0**	**100.0**

Source: National Sample Survey Office - M/o Statistics and Programme Implementation (MOSPI),

Government of India (GOI). India - Social Consumption: Health, NSS 71st and 75th round.

Others* = NGOs, employer, and insurance companies

In urban areas financing of healthcare by household income has increased from 74.9 percent to 83.7 percent, borrowing declined nearly three times from 24.9 percent to 8.5 percent, sale of physical assets from 0.8 percent to 0.4 percent, contribution from friends and relatives has declined 5.0 percent to 3.8 percent and by other sources has increased nearly two and half times from 1.3 percent to 3.4 percent.

Table 4 Break-Up of Average Medical Expenditure for Hospitalisation in India (In Rupees)

	NSS 71				NSS 75			
	Public Hospital		Private Hospital		Public Hospital		Private Hospital	
Components of medical expenditure	Rural	Urban	Rural	Urban	Rural	Urban	Rural	Urban
Package component	1,108	1,833	5,996	11,967	427	867	6,631	15,380
Doctor's fee	482	668	4,031	5,896	172	197	5,340	6,284
Medicines	2,284	2,222	5,362	6,201	2,220	2,100	6,818	7,035
Diagnostic tests	857	856	2,063	2,759	800	770	2,802	3,403
Bed charges	213	221	2,641	3,351	118	152	3,377	4,176
Others*	569	1,791	1,633	2,201	553	752	2,379	2,544
Total	**5,512**	**7,592**	**21,726**	**32,375**	**4,290**	**4,837**	**27,347**	**38,822**

Source: National Sample Survey Office - M/o Statistics and Programme Implementation (MOSPI), Government of India (GOI). India - Social Consumption: Health, NSS 71st and 75th round.

Package Components: A Bundled set of medical services offered to a patient at a predetermined price.

Others*= Attendant charges, Personal medical appliances, Blood, Oxygen.

Break up of average medical expenditure (Rs.) for hospitalisation in India has been shown in table 4. Table reveals that from NSS 71 to NSS 75 total medical expenditure of public hospitals in rural areas has declined from 5,512 to 4,290. Out of total, expenditure on package component has declined more than two times from 1,108 to 427, expenditure on doctor's fee has declined nearly three times from 482 to 172 rupees, expenditure on medicines has declined marginally from 2,284 to 2,220 rupees, expenditure on diagnostic tests has declined from 857 to 800 rupees, expenditure on bed charges has declined from 213 to 118 rupees and others expenditure has declined marginally from 569 to 553 crores.

Total expenditure of public hospitals in urban areas has declined from 7,592 to 4,837 crores. Out of total, expenditure on package component has declined more than two times from 1,833 to 867 rupees, expenditure on doctor's fee has declined more than three times from 668 to 197 rupees, expenditure on medicines has declined from 2,222 to 2,100 rupees, expenditure on diagnostic tests has declined from 856 to 770, expenditure on bed charges has declined from 221 to 152 rupees, expenditure on others has declined more than two times from 1,791 to 752 rupees.

Table also reveals average medical expenditure of private hospitals. From NSS 71 to NSS 75 Expenditure of private hospitals in rural areas has increased from 21,726 rupees to 27,347 rupees. Out of which expenditure on package component has increased from 5,996 rupees to 6,631 rupees, expenditure on doctor's fee has increased from 4,031 rupees to 5,340 rupees, expenditure on medicines has increased from 5,362 rupees to 6,818 rupees. Expenditure on other items has also shown increased.

Expenditure of private hospitals in urban areas has increased from 32,375 rupees to 38,822 rupees. Out of which expenditure on package component has increased from 11,967 rupees to 15,380 rupees, expenditure on doctor's fee has increased from 5,896

rupees to 6,284 rupees, expenditure on medicines has increased from 6,201 rupees to 7,035 rupees, Expenditure on other items has also shown increased.

Results and Conclusion

This study concludes that current health expenditure by household revenues is more than 50 percent of the total expenditure in India which is very high as compared to other developed or developing countries. Out of total expenditure on health care providers more than 50 percent expenditure has spent on private healthcare providers. Expenditure on inpatient care is about 40 percent, on pharmaceutical goods is about 20 percent and on output care is more than 15 percent. The study further conclude that more than 80 percent of the total expenditure has financed by household income or savings. In public hospitals more than 40 percent expenditure has incurred on medicines. Due to health expenditure millions of people fall below poverty line every year. There are remarkable changes in expenditure of public hospitals services package component, doctor's fee, and bed charges.

Discussion

Union and state governments should increase expenditure on health care to reduce household health expenditure and launch more inclusive health schemes. Governments must expand the coverage of AB-PMJAY to inpatient care as well as outpatient care.

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