



# Moving away from 1%

Posted at: 24/01/2019

## **Sluggish health spending can be reversed with a substantial increase in the allocation for health in the Union Budget**

- India's neighbours, in the past two decades, have made great strides on the development front.
- Sri Lanka, Bangladesh and Bhutan now have better health indicators than India, which has puzzled many.
- India's health achievements are very modest even in comparison to large and populous countries such as China, Indonesia or Brazil.

### **Clear trends**

- Looking at other developed and transitional economies over many years, two important trends can be discerned: as countries become richer, they tend to invest more on health, and the share of health spending that is paid out of the pocket declines.
- Economists have sought to explain this phenomena as "health financing transition", akin to demographic and epidemiologic transitions.
- The point to be noted is that similar to these transitions, the health financing transition is not bound to happen, though it is widespread.
- As with the other two transitions, countries differ in terms of timing to start the transition, vary in speed with which they transition through it, and, sometimes, may even experience reversals.
- Economic, political and technological factors move countries through this health financing transition.
- Of these, social solidarity for redistribution of resources to the less advantaged is the key element in pushing for public policies that expand pooled funding to provide health care.
- Out-of-pocket payments push millions of people into poverty and deter the poor from using health services.
- Pre-paid financing mechanisms, such as general tax revenue or social health insurance (not for profit), collect taxes or premium contributions from people based on their income, but allow them to use health care

based on their need and not on the basis of how much they would be expected to pay in to the pooled fund.

- Hence, most countries, which includes the developing ones, have adopted either of the above two financing arrangements or a hybrid model to achieve Universal Health Care (UHC) for their respective populations.
- Similarly, public expenditure represents 2%-4% of GDP among the developing countries with significant UHC coverage, examples being Ghana, Thailand, Sri Lanka, China and South Africa.

### **Low spending, interventions**

- Unlike these countries, India has not invested in health sufficiently, though its fiscal capacity to raise general revenues increased substantially from 5% of GDP in 1950-51 to 17% in 2016-17.
- India's public spending on health continues to hover around 1% of GDP for many decades, accounting for less than 30% of total health expenditure.
- Besides low public spending, neither the Central nor the State governments have undertaken any significant policy intervention, except the National Health Mission, to redress the issue of widening socioeconomic inequalities in health.
- Last year, the Union government launched the Pradhan Mantri Jan Arogya Yojana with much fan-fare but only Rs.2,000 crore was allocated to this so called 'game-changer' initiative.
- This assumes importance as the National Health Policy 2017 envisaged raising public spending on health to 2.5% of GDP by 2025.
- This 'sticky public health spending rate' of 1%, which does not increase despite robust economic growth for years, is partly due to a decline in the Centre's expenditure, which fell from 0.40% of GDP in 2013-14 to 0.30% of GDP in 2016-17 (As per 2018-19 budget allocation, 0.33% of GDP).

### **Increase allocation**

- If this sluggish public health spending has to be reversed, there is a need for a substantial increase in the allocation for health in the forthcoming Union Budget.

- However, the rise in government health spending also depends on health spending by States as they account for more than two-thirds of total spending.
- Hence, both the Centre and States must increase their health spending efforts, which would reduce the burden of out of pocket expenditure and improve the health status of the population.

The Hindu

