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Rethinking Health Expenditure in India: How Political Shifts, Demographic Realities, and Policy Goals Shape Public Healthcare Investment

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Abstract: ***Health is both a precondition and outcome of sustainable development and is essential for completing the 2030 Sustainable Development Goals agenda. The economic success of a nation is greatly influenced by its healthcare expenditures. Indeed, improved health of the citizens translates in overall greater economy. As nations progress towards attaining universal health coverage, how a nation funds its healthcare system becomes a crucial factor, and identifying sources of funding poses a challenge. One of the aims of SDG 3. C is to substantially increase a country's health financing and the goal of India's 2017 National Health Policy (NHP) is to raise funding to public health to 2.5% of GDP. This paper analyses the India's major health expenditure patterns and trend over the years with a focus on state spending. The study found that general poll, special policies, continuity of the governments after poll, Demonetization and Pandemic have had an effect in the health expenditures of the country. The states with distinct geographical terrain, migration rate, population density, disease spread have performed distinctly in the health expenditures.***

Keywords: Health, Health Spending, Health expenditure, Health finance

1. Introduction

A healthy population is the prime requisite for any nations' aspirations and a healthy society achieves economic growth and development for which the government is compelled to utilize all resources to respond to the society's health needs (WHO, 2006). The health of the population fuels strong economic development (Razvi & Khan, 2015). Health care spending has a significant impact on economic performance. Studies have shown that increase in health care spending increases the productivity of human capital, increase in GDP and an overall positive contribution to economic performance (Raghupathi & Raghupathi, 2020). Sources of revenues from taxes, out - of - pocket payments, funds from donors and premiums from health insurance are used to support health system. (Uzochukwu et al., 2015). Indicators of health spending are essential tools for tracking resource allocation, shaping health policy creation, and enhancing the transparency and accountability of health systems (WHO, 2024). Health funding is critical in enabling health systems to sustain and promote human welfare by assuring universal access to healthcare for low - income communities while safeguarding them from financial disaster and poverty (Razvi & Khan, 2015). A major issue in Health Finance could be ineffective and unjust allocation of health expenditures, lack of adequate funding, and a heavy dependence on out - of - pocket expenses. Comprehending the levels, trends, and prospective scenarios of a nation's health expenditure is essential for informing policy and investment choices related to Universal Health Coverage.

2. Literature Review

According to Schieber et al. (2006), health expenditures in low - income nations account for 5% of GDP, but in middle - income and high - income nations, the percentage rises to 6% and 10%, respectively. The most regressive spending is out - of - pocket (OOP), which accounts for 60% of health expenditures in low - income nations and 20% in high - income ones. Social health insurance is only 2%. Deolalikar et al., (2008) assessed that India's public spending on health during the mid - 1980s was 1.6% of GDP and later fell to 0.8% of GDP by 2005 and State governments are responsible for three - quarters of public spending and 80% of total health spending is private in India. Kumar et al., (2011) analyzed the patterns of health finance in India and found that the overall health spending relative to India's GDP was 5% which was less than the global average 6% but higher than the neighboring countries like Bangladesh, Sri Lanka, Pakistan, Bhutan, China. Rao et al., (2012) analyzed public spending on healthcare in India and concluded to redesign the transfer system and health infrastructure in urban area. Siripen et al., (2014) conducted an extensive literature review of the health financing system in Sri Lanka and found that the government expenditure on military and education have found to be more than that for the public health, high debt to GDP ratio of 85% and large fiscal deficit of 7.2% making the current health finance system financially unsustainable. Uzochukwu et al., (2015) reviewed the state of health financing and its policies in Nigeria and analyzed that total budget allocation to health by Nigeria increased from 2009 to 2013 and later witnessed a decline. Lim Jeremy (2017) traced the changing ideologies governing the health care financing in Singapore and examined why and how fundamental changes are being affected. Stenberg and colleagues (2017) created forecasts for 67 low - income and middle - income nations covering the period from 2016 to 2030 on available funding to find that low - income countries are expected to have a shortage of funds and estimated that 274 billion dollars is needed to strengthen the health system to reach UHC. Koch et al. (2017) examined how out - of - pocket health expenditures put households in Chile at risk of financial catastrophe and poverty due to disparities in financial protection, concluding that the Chilean healthcare system falls short in safeguarding

against financial difficulties. Dieleman et al. (2018) projected future trends in health expenditure and Universal Health Coverage (UHC) performance for the years leading up to 2040 across 188 countries, revealing that per capita health expenditure is expected to rise in upper middle - income nations. Additionally, they discovered a significant correlation between the UHC index performance and the pooled per capita resources. Wagstaff et al. (2018) analyzed the impact of out - of - pocket (OOP) health payments on poverty, found that 1.4% of the global population, were impoverished by OOP at the $1.90 per day poverty line, decreasing from 2.1% in 2000 and at $3.1 0 per day poverty line impoverishment increased from 1.7% to 1.8%. The study suggested that government financing, rather than private insurance or non - profits, is crucial for reducing impoverishment from OOP spending. Kastor (2018) examined the disease specific out - of - pocket health spending, catastrophic and distress health financing for 16 selected communicable and non - communicable diseases and found that cancer disease had highest out of pocket spending on hospitalization, highest impact of catastrophic expenditure and high distress financing private health services. While existing literature extensively covers health spending patterns across various countries, regions, and groups, there is a research gap in detailed analysis specific to India's Health Spending and State - Level Performance. This study aims to address this gap by exploring the health spending pattern of India and evaluating the performance of its states.

3. Data and Sources

The health spending pattern of any country would reveal the proximity of achieving the various national and global health financing targets in the coming years which would lead to the achievement of health SDG 3. C and ultimately Universal Health Coverage. The present study analyses the growth, trend and pattern of key health expenditures of India. The study considers the published health expenditure data ranging from the year 2000 to 2020 available from the World Bank, World Health Organization's data repositories and National Health Accounts (2023). The data collected are evaluated through various statistical tools like line graph. Current health expenditure which includes government, private and external health expenditures are the primary sources of health spending. The results and discussion on these individual parameters of health expenditures are presented in the next part. Current health expenditure pertains to the total consumption of health care goods and services by households, government, and non - profit organizations (OECD, Eurostat, & WHO, 2011). Domestic government health expenditure encompasses internal government transfers and grants, as well as government subsidies and contributions to voluntary health schemes and social health insurance. Domestic private health expenditure consists of revenues generated from households, companies, and non - profit entities within the country. External health expenditure includes direct foreign contributions, foreign transfers managed by the government, and all financial resources entering the national health system from outside the nation.

4. Analysis & Interpretation

4.1 Current and Domestic Government Health Expenditure as Percentage of Gross Domestic Product (GDP)

Current Health Expenditure as part of GDP indicates the total operational expenditures on healthcare relative to the nation's economic progress (MHFW, 2023). The proportion of domestic government health spending relative to GDP serves as a measure of the government's commitment to allocating resources toward health within the broader economy, as indicated by GDP. Fig 1.1 below depicts the percentage of India's Current Health Expenditure and Domestic Government Health Expenditure as part of GDP over the years 2000 to 2020. Since Current Health Expenditure (%GDP) refers to the amount of money used on health care both from public and private funds as part of GDP, the overall decrease of 18% in 2021 as compared to 2000 can be attributed to factors such as downturn of economy leading to budgetary cuts, demonetization. The following years showed a decline due to the restrain in accessing the health services. The year 2020 experienced increase in health spending due to pandemic and there was a drop in the following year 2021 when the crisis was less extreme. There was an increase in current health spending in the year 2013 when the GDP growth rate of the nation rose to the average of 6.4% (nine - tenths growth of the previous year). Due to the political instability in 2004 when the government was conducting the general elections, there was a decrease of government health expenditure due to slowed priorities to health by government.

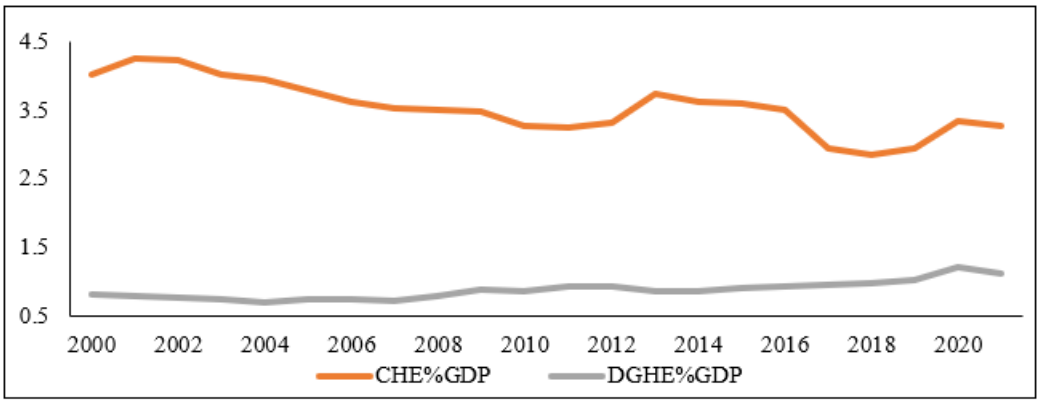

Figure 1.1: Current Health Expenditure (CHE) and Domestic Government Health Expenditure (DGHE) as % of Gross Domestic Product (GDP) of India for the period 2000 to 2021

Source: National Health Accounts (2023), Ministry of health and Family Welfare, Government of India

The subsequent general elections happened in 2009 witnessed an increase in government health spending as the election results of that term revealed no change in leadership creating political stability and continuity of adopted policies and reforms. The pandemic year increased the government's commitment to health increasing the government health spending for that year. The following year experienced a gradual decline in government spending owing to the less severe situation than the previous pandemic year.

4.2 Domestic Government Health Expenditure and Out of Pocket Expenditure as % of Total Health Expenditure of India

Government Health Expenditure encompasses all health - related financial outlays that are overseen and financed by the Union, State, and Local Governments, as well as quasi - Governmental organizations and contributors when the funds are allocated through government bodies. Out of Pocket Expenditures are costs that individuals pay directly at the time they receive healthcare services. Both of these types of spending significantly impact the health system. The total health expenditure includes all health - related spending, ideally derived from National Health Accounts (NHA) that encompass all funding sources—external, governmental, and non - governmental, as well as household out - of - pocket expenses. Limited government spending on health may lead to a greater reliance on out - of - pocket costs. A favorable trend showing rising government health expenditures alongside a decline in out - of - pocket spending signifies an expanding role for the government in financing healthcare costs, which reflects a reduced dependency on direct payments from individuals and indicates the level of financial protection available for households regarding healthcare expenses.

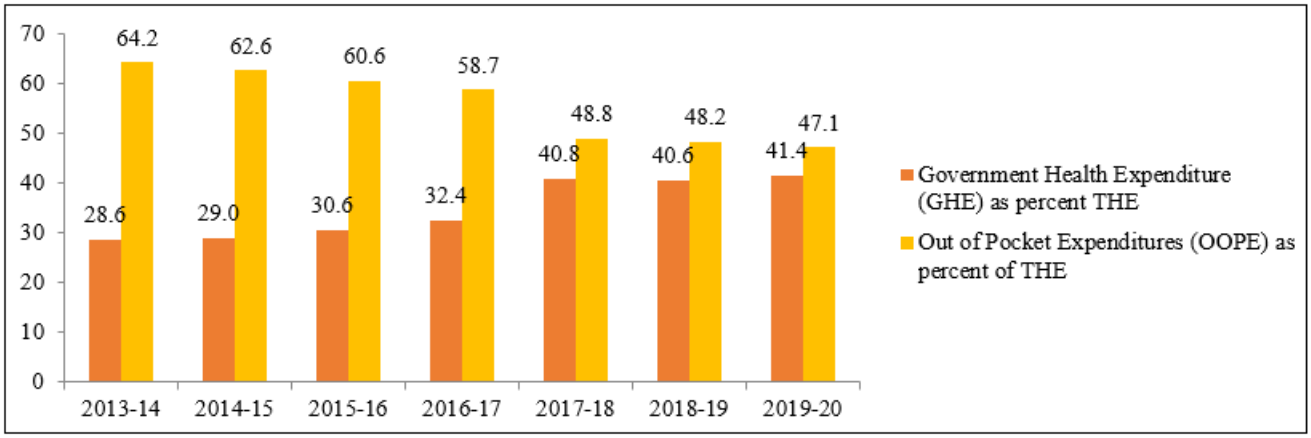

Figure 1.2: Government Health Expenditure and Out of Pocket Expenditure as % of Total Health Expenditure of India from 2013 to 2020.

Source: National Health Accounts (2023), Ministry of health and Family Welfare, Government of India

Following the 2014 general elections, India had a stable government with clear majority leading to reduction in political instability and the launch of various government initiatives for health notably National Health Mission (2013), Ayushman Bharat (2018), National Health Policy (2017) has given rise in the role of government financing for health causing the increasing trend of government health spending during the period. Though out of pocket spending was showing a decreasing trend, it constitutes nearly 40% of the total indicates lack of public funds, poor quality public services etc. The economic growth over the past decades has fueled rising disposable income that are available to be spent in the private sector which also causes the increase in out - of - pocket spending. Launching of number of health and wellness centers to deliver primary health care and health coverage for secondary and tertiary hospitalization under the Ayushman Bharat Flagship Scheme also led to the increase in government health spending and decrease in out - of - pocket health spending by citizens (Fig 1.2).

4.3 Primary Health Expenditures of India as Proportion of Current Health Expenditure

Domestic private health spending, which includes household out - of - pocket medical expenses, voluntary and non - voluntary health insurance premiums, accounts for about 60% of the nation's current health spending. Even while it's trending downward, out - of - pocket expenses still make up a significant portion (Fig 1.3).

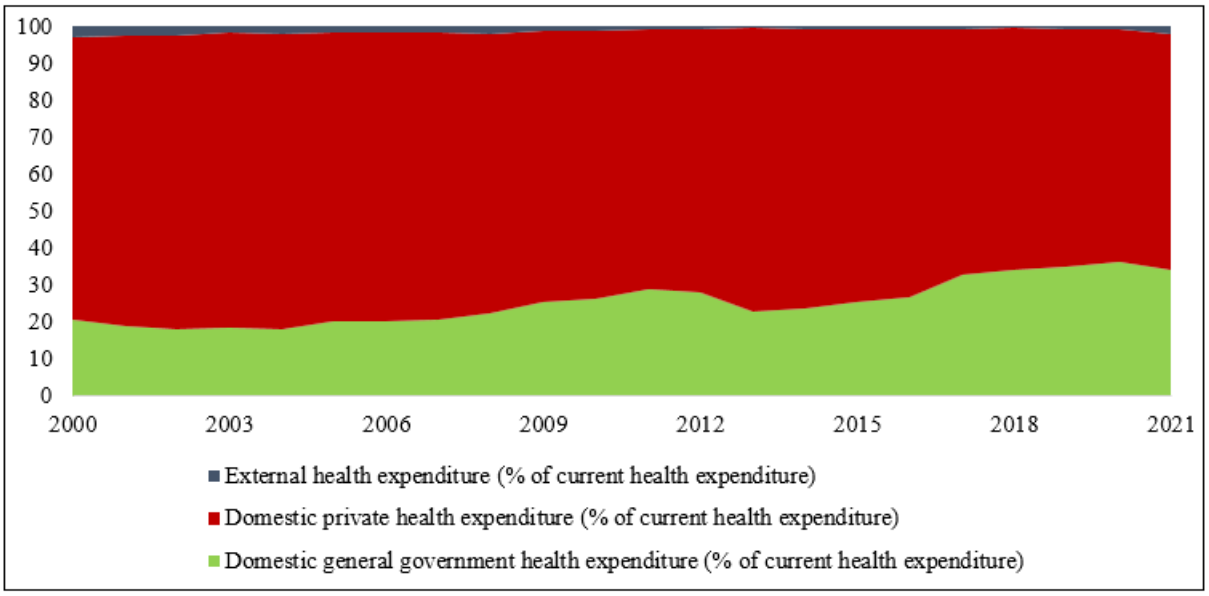

Figure 1.3: Domestic private health expenditure, Domestic government health expenditure and External health expenditure as proportion of current health expenditure during the years 2000 - 2021
Source: World Health Organisation

High profit motive, advanced technology, high administrative costs of hospitals, high salaried medical professionals in private sector could be the reason for the dominating nature of health expenditure from domestic private sources in the total current health expenditure. With the launch of various government health programmes and insurance schemes such as National Health Mission (2005), National Tobacco Control Programme (2007), Aam Admi Bima Yojana, Dr. YSR Aarogyasri Health Insurance Scheme and Rajiv Aarogyasri Community Health Insurance (2007), National Programme for Prevention and Control of Cancer, Diabetes, Cardiovascular Diseases and Stroke (2010), National Programme for Health Care of the Elderly (2011), National Stroke Registry Programme (2012), Mission Indradhanush (2014), Pradhan Mantri National Dialysis Programme (2016) the government health expenditure has increased considerably during the period 2000 - 2020. The external health expenditure which denotes the donor funding from other countries to India funds has constituted merely around only 0.5 % of the total current health expenditure indicating the poor level of funds received by the country from foreign sources for health. It has been declining since 2000 except it showed an increase after 2020 could link up the funds received internationally by India to overcome the effects of the pandemic.

4.4 Health Expenditure Magnitude in the Indian States during 2020.

Uttar Pradesh has incurred the Total Health Expenditure as % their GSDP which is 5%. Uttarakhand had the lowest THE as % GSDP which was 1.7% (Fig 1.4). Uttar Pradesh being the state with highest population has incurred the highest total health expenditure. Uttarkhand with highest migration due to difficult geographic terrain might had less demand for health care services due to low population density causing the lowest total health expenditure. Uttarakhand has the largest share of Government Health Spending as a percentage of Overall Health expenditure which is 61.8% (Fig 1.5). Kerala had the lowest GHE as % THE which was 24.4%. Uttarakhand with 86% of its geographic terrain as mountains, private healthcare providers must be less prevalent in the state and government is providing the highest health expenditure. Also, with the execution of various health programmes and schemes like Atal Ayushman Uttarakhand Yojana, Mukyamantri Swastya Bima Yojana, the government's role in financing health is higher in the state. Kerala has incurred the highest per capita out of pocket health spending with Rs.7206 per person in 2019 - 2020. Bihar has incurred the lowest out of pocket health spending with Rs.863 per person (Fig 1.6). Kerala had the highest out of pocket spending per person during 2019 - '20 which might be due to the fact that the first ever covid - 19 case was reported in the state and the second wave rose by in the early 2020 ahead of all the other Indian states. The state became the hotspot during the year and rising infections would have caused people to spend more from out of pocket. Bihar on the other hand was one among the states which had lower covid - 19 spread and low fatality rate due to the migrant population of the state and has incurred the lowest out of pocket spending.

Figures 1.4, 1.5, 1.6 showing Health Expenditure Magnitude in the Indian States during 2020

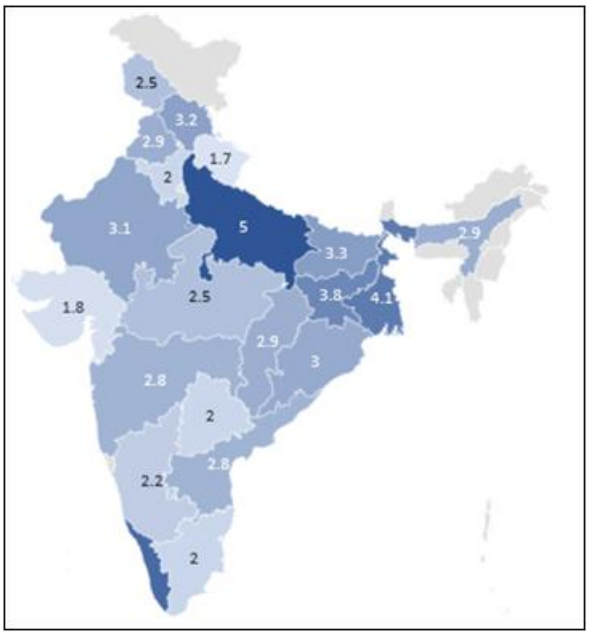

Figure 1.4: Current Health Expenditure as % of Gross State Domestic Product, National Health Accounts, 2023

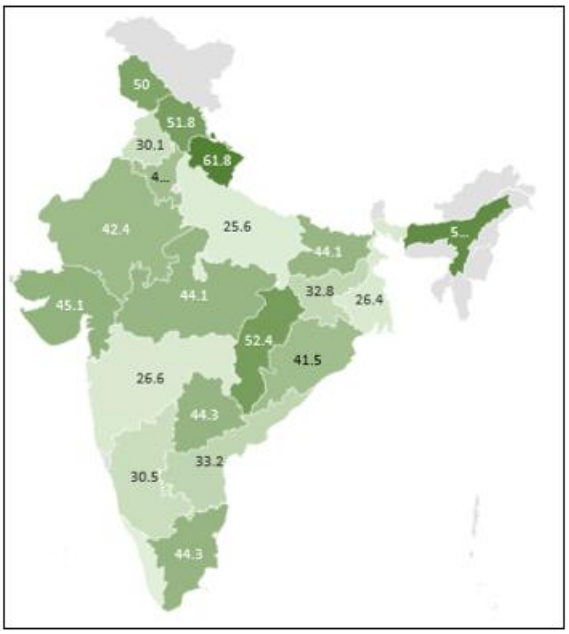

Figure 1.5: Government Health Expenditure as % of Total Health Expenditure for The Indian States, National Health Accounts, 2023

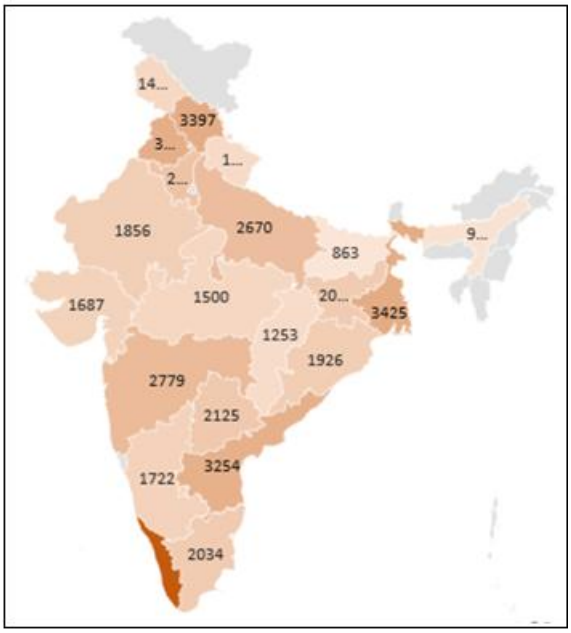

Figure 1.6: Out of Pocket Expenditure Per Capita In rupees for the Indian States, National Health Accounts, 2023

5. Conclusion

Recent data released by the NHA in 2023 indicates that public health expenditure was 1.35% of GDP in 2020, necessitating an increase of 1.15% as per the NHP 2017 target. While the proportion of households experiencing financial difficulty as a result of out - of - pocket expenses should decline, health spending should increase both in absolute terms and as a percentage of GDP. Investing public funds in healthcare can offer a more cost - effective approach compared to private spending. This strategy not only shields both economically disadvantaged and more affluent households from the economic repercussions of health crises but also contributes significantly to the well - being of impoverished communities. Public health spending can be more economical than private spending, shield impoverished and affluent households from the financial effects of health emergencies, and improve the welfare of the poor in particular. The Abuja Declaration of 2001 pledged to ensure that 15% of total government spending is designated for health (World Bank, 2016). This goal can be viewed as aspirational, as even some of the wealthier nations have not reached it. Although it's challenging to explain why 15% is considered the optimal threshold, India currently allocates less than 2% of its government expenditure to health, indicating a lack of commitment from the government. Inequity and poor health - seeking behaviour are caused by OOP expenditures, which continue to be the primary source of health care financing in India (Kastor, 2018). A rise in out - of - pocket expenses may indicate that the healthcare requirements of insured individuals are not entirely fulfilled, leading them to feel compelled to directly allocate funds towards their health.

Implementing effective health finance policies can aid in resolving these problems. The method a nation uses to fund its health care system is a crucial element in attaining Universal Health Coverage (UHC), and finding the right mix of financing sources presents a significant challenge. Universal Health Coverage is possible if additional funds are

collected and managed through pre - payment and pooling strategies. Direct out - of - pocket expenses must also be avoided in order to improve coverage for the most vulnerable and impoverished members of society. But however, whatever be the type of source financing for health system it all originates mostly from the households be it out of pocket expenditure, taxation or insurance. There remains significant curiosity about whether differences in spending growth among nations indicate an actual increase in real benefits or just inflated health care costs. Nevertheless, as long as the GDP continues to increase, allocating a larger share of a growing economy to health care isn't inherently problematic.

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