

Reforming Financing for Health in India

Introduction

India has some of the poorest health indicators. The poor of the country have very less access to health services. Quality of health services is also not satisfactory. One of the main reasons for this state of affairs is inadequate availability of finance for health. In this paper, we explore the present financial situation for health in India and some suggestions for financial reforms to bring desirable changes.

Pattern of health spending in India

Financing is the most critical of all determinants of Health System. The nature of financing defines the structures and behaviour of different stakeholders and quality of outcomes [1]. Total Health Expenditure was 4 % of Gross Domestic Product (GDP) in 2013, out of which government spending was 1 %. Government spending on health was 32 % of Total Health Expenditure (THE) in 2013 whereas Private Health Expenditure was 68% (Table 1). Household out-of-pocket spending (OPS) was 58 % of THE. Share of health was 4% of general government budget in 2013. Per capita expenditure on health in 2013 was 61 US\$ [2].

Salient features of health financing in India

Two most important features of Health Financing in India are:

Low levels of public spending: Total government spending on health has remained stagnated at about 1% of GDP despite efforts to increase public funding after 2005-06 including the adoption of National Rural Health Mission (NRHM) [3] (Figure 1).

Very high out-of-pocket spending: Inadequate levels of public health finances has resulted in the population seeking private health providers in the form of out-of-pocket (OOP) spending. OOP spending in India is over four times higher than the public spending on health. To ensure Universal Health Coverage (UHC) and equity in healthcare, OOP spending should not be more than 30%. Indian healthcare system is also characterized by poor quality in healthcare services with adverse effects on the population's health status and a lack of focus on preventive healthcare.

Vision for India

Universal Health Coverage is required for promoting and protecting health which is essential for human welfare and sustained economic and social development. Health for all would contribute both to a better quality of life and also to global peace and security. It is very difficult to achieve UHC without a well-functioning health financing system [3-5].

Having committed to WHO in 2005 to reform its Health Financing for Health, India has to bring fundamental reforms in its system. The current situation and the vision are depicted in the following (Figure 2).

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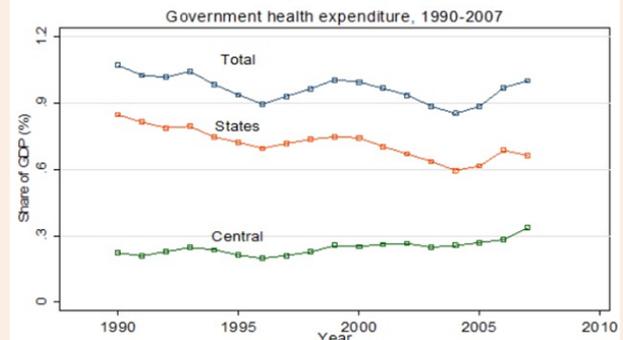


Figure 1: Government Health Expenditure, 1990-2007.

Source: Figure 1 Government Health Financing In India: Challenges In Achieving Ambitious Goals [3].

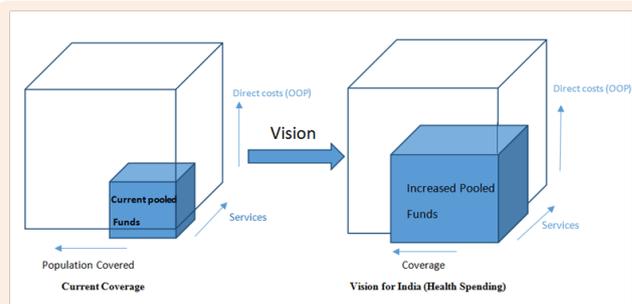


Figure 2: Vision for India.

- | | |
|-----------------------------------|-----------------------------------|
| a. Coverage-inadequate | Increased pooled funds |
| b. Services-inadequate | Extended coverage (UHC) |
| c. Out-of-pocket expenditure-High | Reduced out-of-pocket expenditure |

Barriers to Health Finance Reforms & Solutions

India faces three main problems which restrict movement towards Universal Health Coverage:

Table 1: Health care financing issues and challenging at different socioeconomic settings

Out Of Pocket Health Expenditure as % Of Total Health Expenditure			
	<30%	30%-50%	>50%
Equity	Public funds including external resources available to provide equitable services.	Equity is partially achieved for selective only.	Extremely inequitable
	Narrow gaps exist between rich and poor.	Gaps exist across population segments or geographical areas.	Large gaps exist between various population segments.
Access to services	Services of assured quality are generally accessible.	Moderate levels of physical and financial access.	Low levels of investment in health.
	Constraints exist for rural populations.	Rural and poor are often excluded.	Large gaps existing terms of availability and quality.
			Restricted physical and financial access by the poor.
Universal Coverage	High coverage is achievable through tax, social insurance and other prepayment schemes.	Low to moderate coverage.	Very low population coverage.
		Social health insurance generally available for formal sector.	Often lack service infrastructure.
		Weak taxation basis exist both for formal and informal sector	Underdeveloped social insurance and prepayment mechanisms.
Effectiveness of resource use	Coordination and better resource targeting is required.	Some essential health interventions are funded publicity.	Resources spent mainly on personal and hospital based care.
	Resources are used more effectively when necessary public and personal health interventions are defined	Most of remaining funds are spent on hospital based care and pharmaceuticals.	High prevalence of provider induced demand.
			Weak administration of available resources.
Financial protection	Tax or pre-paid social safety nets generally provide adequate financial protection to people.	Limited financial protection.	Lack of social safety nets and limited or no financial protection to the majority of people.
		Health insurance is available segments only for urban population.	High prevalence of poverty due to catastrophic health expenditure.

Source: Strategy on Health Care Financing for countries of Western Pacific and South East Asian region [4].

Availability of resources

Any country no matter how poor or rich, should be able to ensure that everyone has immediate access to the every new technology and intervention that may improve their health and prolong their lives [3]. India needs to spend 2-3% of its GDP for health to achieve UHC and to achieve global goals. At present the share of government spending is only 1% of its GDP.

Urgent steps need to be taken to increase the availability of resources.

Some of the possible solutions to increase resources are

- a. Increase the efficiency of revenue collection [3].
- b. Reprioritize government budgets [3].

India spends only 4% of its total budget on health. Indian government needs to give high priority to health and spend higher percentage of its budget on health. States need to increase their spending by 22-38% to achieve targets.

- c. **Innovative Financing:** India has a significant foreign exchange market, with daily turnover of US\$34 billion. A currency transaction levy of 0.005% on the volume of the trade could yield about US\$ 370 million per year [3]. This possibility can be explored to get additional resources for health [3].
- d. **Development Assistance for Health:** Global solidarity in the form of official development assistance (ODA) is needed to eliminate shortfalls in resources for health in India. Rich countries can be convinced to contribute for universal health [3].

Over reliance on direct payment at the time people need care

Share of out-of-pocket spending in India is 58%, which is very high. Countries in the WHO South East Asia and West Pacific Region recently set a target of between 30% and 40% as direct payments. To reduce dependence on out-of-pocket spending, funds can come from a variety of sources such as income and wage based taxes broader based value added taxes or excise taxes on tobacco and alcohol and insurance premium [3].

Decisions need to be taken on pooling based on three broad lessons

- a. The poor population of India is too poor to contribute to the income tax or insurance premiums. Subsidy should be provided to them from the pooled funds. They should have direct access to the government financed services through subsidies on insurance premiums. Universal access to high quality health services requires high levels of pooled funds-in the order of 5-6% of GDP [3].
- b. The contributions need to be compulsory for the rich and healthy people otherwise they will opt out and there will be insufficient funding to cover the needs of poor and sick people [3].
- c. The pools that protect the health needs of a small number of people are not viable in long run. A few episodes of expensive illness will wipe them out. Cross subsidizing with the availability of multiple funds so that funds can be transferred to high risk people who require more services [3].

Insufficient and inequitable use of resources

Management of the resources and inequitable way to use the resources is the biggest challenge. At a conservative estimate, 20-40% health resources are being wasted. Raising sufficient money to meet health is imperative, but having the money alone will not ensure universal cover [3].

The main requirement is to use the resources effectively. Some possible strategies are: [3].

- a. Get the most out of technologies and health services

- b. Motivate health workers
- c. Improve hospital efficiency
- d. Get care right the first time by reducing medical errors
- e. Eliminate waste and corruption
- f. Critically assess what services are needed

Effects of Reforms on Health System

On actors

Population: The proposed reforms will lead to Universal Health Coverage for all the people of India, rich or poor. All the people will have easy access to good quality healthcare without making direct payment. Health indicators will improve to meet global targets.

Healthcare workers: With the proposed reforms qualifications, training and payments to health workers will improve leading to greater motivation to work. This will result in better health services.

Health managers: Reforms in health financing will necessitate the replacement of Health Department Officials with trained Public Health Managers who can set priorities right, design policies and strategies for Universal Health Coverage in a professional manner. Health research and information management experts will be in greater demand.

On function

Financial management: With the proposed reforms, priority to health will have to shift from very low to high. Innovative methods will have to be found to increase public financing of healthcare. Reforms will necessitate increasing allocation to health from the current 4% of general budget to at least 6-7%. To provide Universal Health Coverage and to achieve global targets, government health expenditure needs to increase to 3% of GDP. Economic policies will have to be changed to focus on 'Health for All' as a right of its citizens. Effective implementation of reforms will require systems for checking financial leakages, corruption and underutilization of available funds.

Human resources for health: Successful Implementation of health reforms is possible only through highly trained and qualified health workers. Government will have to identify priority areas and levels of training and establish training institutions in the regions of shortages. Development of professional Public Health Managers will also need to be given priority.

Monitoring & research: Supervision and monitoring of health processes is essential for the success of health finance reforms. This will require an effective Information Management System so that evidence based changes can be initiated. Similarly, research in health and public health will have to be strengthened.

On Outcomes

Reforms in Health Financing will lead to better health for all in India which is essential both for economic development and for global peace and security. Equitable health for all without hardship and catastrophe will reduce DALYs, increase productivity for economic development and enhance quality of life.

Advantages and Disadvantages of the Reform

Advantages

Proposed reforms are expected to

- a. Increase pooled funds.
- b. Reduce out-of-pocket spending.
- c. Ensure better utilization of available funds.
- d. Ensure faster movement towards Universal Health Coverage.
- e. Ensure better health services.
- f. Ensure better health indicators for all citizens and achievement of global health targets.

Disadvantages

There seem to be no disadvantages of reforms. However, if the pace of reforms is fast and health infrastructure and sufficient trained health workers are not available, the reforms may not result in early improvements in health outcomes.

Conclusion

Major Reforms are needed in Health Financing in India to move successfully towards the target of Universal Health Coverage

without causing hardship or catastrophe. This requires reducing out-of-pocket spending and increasing government spending substantially. This paper proposes some measures and strategies to achieve the target of Health for All through changes in financial policies and management.

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