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HEALTH ACCOUNT NUMBERS THAT REQUIRE CLOSER SCRUTINY

Relevant for: Developmental Issues | Topic: Health & Sanitation and related issues

Low public spending on health in India has meant that people depend heavily on their own means to access health care. It causes rich-poor, rural-urban, gender and caste-based divides in access to health care, pushes people to poverty, and forces them to incur debt or sell assets. As a result, our health outcomes are worse than in many neighbouring countries.

In this context, the National Health Accounts (NHA) report for 2017-18 is being celebrated widely as it shows that total public spending on health as a percentage of GDP has increased to a historic high of 1.35% of GDP, finally breaking through the 1%-1.2% mark of GDP. Out-of-pocket expenditure as a share of total health expenditure has come down to less than 50%. An increase in public spending and decline in out-of-pocket expenditure, if actually realised, are welcome steps forward to achieve greater financial protection. However, the NHA numbers need to be carefully scrutinised before jumping to conclusions.

The NHA capture spending on health by various sources, and track the schemes through which these funds are channelised to various providers in a given time period for a given geography. Multiple data sources are combined to produce the estimates. Out-of-pocket expenditure, the biggest part of NHA estimates is captured using "Household Social Consumption in India: Health" survey of National Sample Survey Organisation. Public spending on health by various departments of the Union and State governments, major urban local bodies, and social security schemes are captured from Budgets. Various sources are also used to capture insurance premiums, expenditure estimates from firms, non-governmental organisations and foreign entities.

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India’s total public spending on health as a percentage of GDP or in per capita terms has been one of the lowest in the world. There has been a policy consensus for more than a decade now that public spending has to increase to at least 2.5% of GDP. However, there has not been any significant increase so far. Despite several pronouncements, it has continued to hover around 1%-1.2% of GDP.

The Union government traditionally spends around a third of the total government spending whereas the majority is borne by the States. The increase shown in NHA 2017-18 is largely due to increase in Union government expenditure. For 2017-18, the Centre’s share in total public spending on health has jumped to 40.8%. However, if we study the spending pattern of the Ministry of Health and Family Welfare and the Ministry of AYUSH, we see that expenditure increased to 0.32% of GDP from 0.27% in 2016-17 — insufficient to explain the overall jump.

Much of this increase has actually happened on account of a tripling of expenditure of the Defence Medical Services (DMS). Compared to an expenditure of 10,485 in 2016-17, it increased to 32,118 crore. During this period, expenditure on the National Health Mission increased only by 16% to 25,465 crore. Though the increasing spending for the health of defence personnel is a good thing, such spending does not benefit the general population. Clearly, the health of women in the reproductive age-group and children below five years, who constitute a third of our population, have been accorded lesser priority compared to the around

64 lakh families covered under the DMS. The other thing to note is that the share of current health expenditure has gone down to 88% of THE compared to 92.8% in 2016-17. Within government expenditure, the share of current health expenditure has come down to 71.9% compared to 77.9% a year ago. This essentially means, capital expenditure has increased, and specifically in defence.

There is a problem in accounting capital expenditure within the NHA framework. Equipment brought or a hospital that is built serves people for many years, so the expenditure incurred is used for the lifetime of the capital created and use does not get limited to that particular year in which expenditure is incurred. Counting the capital expenditure for a specific year leads to severe over-counting. Considering this, the World Health Organization proposes to leave out capital expenditure from health accounts estimates, instead focus on current health expenditure. However, in NHA estimates in India, in order to show higher public investment, capital expenditure is included; thus, Indian estimates become incomparable to other countries.

If we take out the capital expenditure, current health expenditure comes down to only 0.97% of GDP. This is only a marginal increase from 0.93% in the previous year.

The NHA estimate also shows that out-of-pocket expenditure as a share of GDP has reduced to less than half of the total health expenditure. Over the last few years, the share of out-of-pocket expenditure has been declining. For the year 2017-18, out-of-pocket expenditure has declined not only as a share of total health expenditure but also in nominal and real terms. Is it a welcome development? Does it mean improved financial protection? Has it declined because public spending has increased?

NSSO 2017-18 data suggest that during this time period, utilisation of hospitalisation care has declined compared to 2014 NSSO estimates for almost all States and for various sections of society. The decline in out-of-pocket expenditure is essentially due to a decline in utilisation of care rather than greater financial protection.

The experience of various developing countries suggests that as public spending on health increases, utilisation of care increases because there is always a lot of latent demand for health care which was hitherto unrealised as people could not afford health care. With increased public investment as health care becomes cheaper, people tend to access care more. Since it is very unlikely that peoples' need for health care has declined, and current government health expenditure has not increased much, a decline in out-of-pocket expenditure could be due to lower utilisation of care — a sign of distress rather than a cause of celebration.

Actually, the NSSO survey happened just after six months of demonetisation and almost at the same time when the Goods and Services Tax was introduced. The disastrous consequences of the dual blow of demonetisation and GST on the purchasing power of people are quite well documented. As purchasing power declined, health care would have become more unaffordable, forcing people to forgo care. Though more people have moved towards subsidised public services to some extent, this has not been enough to offset the decline in utilisation.

Another plausible explanation is linked to limitations in NSSO estimates. The NSSO fails to capture the spending pattern of the richest 5% of the population (who incur a large part of the health expenditure). Thus, out-of-pocket expenditure measured from the NSSO could be an under-estimate as it fails to take into account the expenditure of the richest sections.

To sum up, one may argue that much of the increased public spending is not going to benefit the common people as it is mostly a one-time investment for defence personnel. The reduction of out-of-pocket expenditure is a sign of distress and a result of methodological limitations of the

NSSO, rather than a sign of increased financial protection.

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