

Hardly a gamechanger

The National Health Protection Scheme announced in this year's Budget has generated a lot of debate. The government has committed itself to "providing coverage up to 5 lakh per family per year for secondary and tertiary care hospitalisation" for 10 crore poor families, with approximately 50 crore people as beneficiaries. As only 2,000 crore in 2018-19 has been allotted to finance this scheme, various government functionaries have come up with estimates between 10,000 to 12,000 crore as its actual cost. We wish to take the debate beyond the money required and look at other crucial issues.

First, the government's target group seems to be the bottom 40% (50 crore) of the population. A good starting point would be to look at the insurance coverage that this section already has.

Making health insurance work

An analysis of the National Sample Survey (NSS) 71st round (2014) unit record data for "Social Consumption in India: Health" shows that only 11.3% of the bottom 40% (10.5% covered by government insurance) population has any insurance coverage as against 17.9% for the top 60% (14.3% covered by government insurance). In other words, just to bring the entire 40% of the population under health insurance is a huge task, with fiscal implications. As latest official data for 15 States show, starting from 2008, only 66% of the target below poverty line population has come under coverage of the Rashtriya Swasthya Bima Yojana (RSBY), the government-run health insurance programme for the poor. In 2017-18, the government allocated only 1,000 crore for RSBY, covering roughly 10% of the bottom 40% of the population.

We estimate, on the basis of National Sample Survey data, that the total cost of medical expenditure (including reimbursements) for hospitalisations incurred by the bottom 40% was 14,286.82 crore in 2014, with the average cost of hospitalisation being only 8,081 in the same year. With 5 lakh coverage (if we assume that most of the hospitalisation cost will be reimbursed) then the premium which needs to be paid would be much higher than the government's estimate.

The problem, however, is in terms of the rate of hospitalisation and reimbursement of expenses that insurance companies pay, as seen in the table.

Three observations are crucial in reading the table. First, the rate of hospitalisation for those covered under some kind of health expenditure support is higher than those without any cover, for the bottom 40% as well as the entire population. If the new health scheme announced in the Budget brings more people under insurance, then the rate of hospitalisation will show significant improvement.

Therefore, over and above the money needed for insurance premium, adequate medical infrastructure needs to be created for the scheme to work; given that there has not been much allocation for it in the Budget. In the absence of such allocation, private health-care demand will rise, possibly leading to an increase in the cost of private health care. Second, reimbursement as a percentage of medical cost of hospitalisation in government schemes is abysmally low, especially for the bottom 40% of the population. Only 4.5% of total hospitalisation expenses are reimbursed to the bottom 40% and 11.9% for the entire population.

Get cracking: on implementing 'Modicare'

This raises questions about the efficacy of government schemes. Even with the meagre coverage of 30,000 (RSBY), the proportion of hospitalisation cost reimbursed is low. There is no guarantee

that increasing coverage will improve this.

Third, the proportion of hospitalisation cost reimbursed is much higher for insurance schemes directly bought by households than government ones. In the case of insurance being paid by the government, insurance companies are most often unwilling to pay the reimbursement as compared to when a household pays. This could be a result of low premiums paid by the government or a general apathy towards honouring the insurer's commitment when the payers are not the actual patients but the government.

The percentage of hospitalisation cost reimbursed is low for health insurance schemes and most of them only cover hospitalised treatment. Generally, a majority of health insurance schemes do not cover the cost of a non-hospitalised outpatient visit. For health insurance schemes, what essentially happens is that the government pays the premium to insurers which in turn pay the hospitalisation expenses.

Given the state of government medical care in India, a significant proportion (more than 50%) of the population opt for private facilities. Thus, health insurance creates a larger market for private players. A sudden expansion of the government-funded insurance market may aggravate the problem of hospital-induced demand for medical care such as an unnecessary hospital stay, diagnostic tests and surgeries unless supply-side conditions are improved and the entire health sector brought under regulation. The Budget declaration is quite silent about these complementary steps.

Ayushman Bharat: the big budget scheme

The moot point is actually an old one. If the government is serious about providing health care to even the bottom 40% of the population, it should not only increase its current budgetary allocation substantially but also strengthen the health infrastructure at all levels which includes a strong regulatory mechanism. Neither the Budget nor the National Health Policy 2017 shows any clear and convincing direction of heading in this path.

Subrata Mukherjee is Associate Professor, Institute of Development Studies, Kolkata and Subhanil Chowdhury is Assistant Professor at the same institute

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