

Case histories: On National Health Protection Scheme

The government's intention to launch the world's largest health insurance programme, the National Health Protection Scheme, raises an important issue. Should the focus be on the demand side of health-care finance when the supply side, the public health infrastructure, is in a shambles? Experience with insurance schemes, such as the Centre's Rashtriya Swasthya Bima Yojana and Andhra Pradesh's Rajiv Aarogyasri, show how demand side interventions can miss the mark. While the RSBY and Aarogyasri did improve access to health-care overall, they failed to reach the most vulnerable sections. At times they led to unnecessary medical procedures and increased out-of-pocket expenditure for poor people, both of which are undesirable outcomes. These showed that unless the public health system can compete with the private in utilising funds from such insurance schemes, medical care will remain elusive for those who need it most. Policymakers behind the NHPS, which will cost the government around 5,000 crore in its first year, must take heed.

Both RSBY and Aarogyasri are cashless hospitalisation schemes. While both benefited people living below the poverty line, over-reliance on private hospitals and poor monitoring watered down their impact. According to one Gujarat-based study, a majority of RSBY insured patients ended up spending about 10% of their annual income during hospitalisation, because hospitals still charged them, unsure as they were when they would be compensated. A study in Andhra Pradesh found that beneficiaries spent more from their own pockets under Aarogyasri. They spent most of their money on outpatient care, and Aarogyasri didn't tackle this adequately. Possibly the most problematic fallout was mass hysterectomies done in Andhra Pradesh. Between 2008 and 2010, private hospitals removed the uteri of thousands of women unnecessarily, to make a quick buck. Thus, perverse incentives can drive the private sector to sabotage schemes that are not well monitored. The second problem with over-reliance on the private sector is that it limits the reach of such programmes. Evidence from RSBY and Aarogyasri shows that as distance from empanelled hospitals grew in Andhra and Gujarat, fewer people benefited from them — most empanelled hospitals are private and urban. Scheduled Tribe and rural households typically missed out, while richer quintiles of the population benefited. There can be much gained from the NHPS if the government views it as the first step towards universal health care, rather than a panacea to all of India's health-care woes. The second, and a long-awaited, step is to reform the public health system. Without this, an insurance scheme, no matter how ambitious, will be a band-aid.

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