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FALLING SHORT ON MOST COUNTS

Relevant for: Health, Education & Human Resources | Topic: Health & Sanitation and related issues

Prime Minister Narendra Modi's signature Ayushman Bharat programme, rolled out in September, has been touted by most in the mainstream media as nothing short of 'revolutionary', with some even calling it the 'biggest health care programme in the world'. Is there truth in this claim?

How does 'Modicare' square with, say Obamacare, ostensibly the inspiration behind the scheme? To put the question in a broader perspective, is insurance better than universal public health care? Let's compare 'Modicare' with Obamacare. As against a coverage of roughly two crore adults (aged 18–64) under the latter, the former proposes to cover 10 crore families. So, from the look of it, Modicare indeed is a grand scheme.

But, as they say, the proof of the pudding is in the eating. For Obamacare, the U.S. budgetary provision through an excise tax was $16.3 billion in the fiscal year 2015 (97,800 crore if we convert it at a conservative exchange rate of 60 to one dollar). Accounting for the difference in medical costs between the two countries — in the U.S., it costs 200 times more — Obamacare's budget is 489 crore.

The grandness in Modicare is due to its scale as it aims to cover nearly 25 times as many beneficiaries. This means an expenditure of approximately 12,225 crore, more than six times the current allocation of 2,000 crore made in the current budget! And this is a conservative estimate because we have (a) taken an upper limit of the difference in medical costs; and (b) assumed the likelihood of illness of poor in both the countries to be the same. So, even with this ballpark estimate, Modicare is not even close to Obamacare.

Moving beyond a hypothetical international comparison, if we look more concretely at Rashtriya Swastha Bima Yojana (RSBY), an existing domestic medical insurance scheme, the actual expenditure for Financial Year 2017-18 was only 470.52 crores, as opposed to the budgeted 1,000 crore. It covered around 3.63 crore families up to a maximum expenditure of 30,000 in health-care costs. The corresponding targets for Modicare are 10 crore families and a maximum coverage of 5 lakh. Since the coverage rises by about three times (10 crore/3.63 crore), and assuming that premium amount rises by half to account for the increase in the amount covered, Modicare would require an allocation of more than 26,000 crore, 13 times as high as the current allocation. The usual insurance logic tells us that an increase of the coverage limit doesn't obviously lead to a proportionate increase in the insurance premium. So, we make a safe assumption that the premium increases by only half as much.

Let's now turn to a more fundamental question: is an insurance-based health-care system better than public provisioning of health? A central argument in favour of insurance-based system is that it is more efficient in terms of delivery and coverage with less financial burden on the government. Let us look at the implications of this.

First, it is a well-established fact that out-of-pocket medical expenditure rises with a fall in expenditure on public provisioning. In India, where just 1% of GDP is allocated for public health, 65% of the health expenditure is out-of-pocket. In Sri Lanka, where the spending slightly higher at 1.59% of GDP, the expenditure is 38%. In Thailand, where 2.89% of the GDP is marked for health care, only 12% of health spending is out-of-pocket.

Will the insurance scheme change the picture for India, considering that it will entail a further

withdrawal of public provisioning in health? The experience of RSBY shows evidence to the contrary — there has been an increase in hospitalisation in private hospitals and, as a result, the expenditure not covered under the scheme has risen. Moreover, most insurance schemes do not cover out-patient visit costs, which are significantly higher for chronic illnesses. If there is public provisioning of such services, the burden of spending would not have fallen on the patients.

Further, insurance-based government schemes have an inbuilt inflationary bias. For one, they induce more hospitalisation, which, without a commensurate increase in supply, increases the price of health care, which further increases the insurance premium, and, hence the burden on the government. This rise could be controlled by a simultaneous increase in public medical services but going by the current commitments of the government, the funding allocated is a minuscule 80,000 per health centre.

Two, insurance companies can cross-finance the losses arising out of private coverage through these guaranteed lump-sum premium commitments from the government, leading to an increased pressure on the exchequer.

Third, the insurance industry, like any other private enterprise, is driven by profits. Participating in these government-mandated schemes can only be profitable for companies if the disbursements made by them are less than the premium they receive. In effect, the premium payment by the government will set an upper limit to public health-care expenditure. There would hence be a gradual withdrawal of the state from health provisioning because of the pressure from both the private health-care providers and the medical insurance companies. The government would thereby, lose control over setting the costs.

What is the solution then? Experience tells us that there is no short-cut to universal health coverage. Countries like Thailand and Mexico have achieved it through significant provisioning to public health infrastructure. In Thailand, all sub-districts have health centres, serving 3,000-5,000 people, and all districts have a district hospital, serving 30,000-50,000 people.

To conclude, the Ayushman Bharat scheme fails to deliver on the promise it makes to the more than 50 crore Indians not having any health coverage. With mounting medical costs and an insurance coverage that is ephemeral, these citizens will be left high and dry. One or two success stories here and there won't take away from the gross inadequacies of the scheme.

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Last week Ram Kadam, a BJP MLA from Maharashtra, told the men in an audience that if they were interested in women who didn't reciprocate the feeling,

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