

HEALTHCARE EXPENDITURE: TRENDS AND INDICATORS IN INDIA

Devinder Singh

Assistant Professor in Economics at Indira Gandhi University, Meerpur- Rewari (Haryana), India;

ORCID: <https://orcid.org/0000-0002-1026-2122>

DOI: 10.46609/IJSSER.2021.v06i12.038 URL: <https://doi.org/10.46609/IJSSER.2021.v06i12.038>

Received: 8 Nov. 2021 / Accepted: 19 Dec. 2021 / Published: 30 Dec. 2021

ABSTRACT

The healthcare expenditure indicators measure a nation's overall healthcare financing situation. The health care expenditure reveals not only financing trends but also policy intervention adopted by a particular system. The healthcare expenditure indicators distinguished between public spending and private spending to make a clear picture of the healthcare spending pattern. This paper examines the pattern of health expenditure indicators in India from 2000-01 to 2006-07. This paper also attempts to reveal state wise position among health expenditure indicators in India. The secondary data from the World Bank and the National Health Profile has been employed for tabular calculation of indicator value. The results show that there is a declining trend in government healthcare expenditure as compared to total expenditure. The per capita expenditure on health care is minimal, but it has increased over the years. The study found that the states with lower state gross domestic production (GDPs) experienced higher expenditures than the state of Haryana.

Key Words: Healthcare, public fund, per capita expenditure, state government

I. Introduction

In India, the healthcare sector depends on multiple levels of resources for financial support. It combines resources from central, state, municipal corporations, non-government organisations, households and other sources such as the firm's contribution. The expenditure incurred by central, state and municipal corporations is known as public expenditure on healthcare. The government presents an annual budget every year under different heads. The budget included healthcare expenditures under medical, public health and family welfare. The expenditure on healthcare included expenditure on goods and services related to the healthcare sector, such as

investment in facilities, equipment and infrastructure (WHO, 2011). The central government transfers resources to the state government and local government.

Furthermore, the state government transfers money to the local government at the grassroots level for healthcare purposes, which is also termed as government health expenditure. The expenditure incurred by households from their own pocket is considered as out-of-pocket expenditure. The health expenditure indicators, such as total government health expenditure, total private health expenditure, total government health expenditure as a percentage of total government expenditure, and per-capita healthcare expenditure, are calculated to measure overall healthcare spending. These measures give us a clear picture of healthcare expenditure from different points of view. The government's total health expenditure as a percentage of GDP shows the priority of the government towards health expenditure in the overall GDP of the nation. The increase in total government health expenditure as a percentage of GDP shows an increase in overall government health expenditure (World Bank, 2010; Hooda and Kataria, 2022). The per capita healthcare spending is measured per person healthcare spending in the country. The increase in per capita healthcare spending is considered a good indicator of the overall health of the nation (WHO, 2011). This paper tries to examine the trends in healthcare expenditure from 2000-01 to 2016-17 and the status of healthcare expenditure indicators among the Indian states.

II. Literature review

There is extensive literature available related to healthcare expenditure patterns in India. There are various studies have been done splitting healthcare expenditure into public healthcare expenditure and private healthcare expenditure. There are also studies conducted to evaluate the pattern of both together.

(Mehta, 2008) studied the pattern of public and private expenditure in India. The study utilised secondary data from various sources such as NSSO rounds, etc. The author found that the pattern of household health expenditure in overall health expenditure was more than public health expenditure. It was seen that the developed states spend less on healthcare while less developed states spend more than developed states in India (Hooda 2019; Hooda and K. Bindiya 2017). (Bhadra et al.,2008; and Hooda, 2019) explored the factors affecting low public healthcare spending in India. The study pointed out that there is little scope for health in the Indian states. The combined health expenditure of states and central governments is much less compared to their GDP. The more developed states spend meagre on health compared to their GDP. The health sector has not been the government's main agenda from the start. Selvaraj et al. (2009) conducted a study on the reasons and causes of the increasing burden of household health expenditure. The author found out that household health expenditure is increasing due to

diminishing public healthcare service providers and growing private healthcare. There are manifold increases in the use of private outpatient care during the study period. It is concluded that public healthcare facilities which offer free-of-cost services are unable to catch the attention of patients.

III. Trends of health expenditure indicators

The expenditure incurred by the government on the healthcare sector over a period of time reveals policy priority towards the healthcare sector in the country. The Government incurred expenditures either through supply-side intervention or demand-side intervention and a combination of both policy interventions, such as in our country (Hooda, 2012). The increase or decrease in government or private spending on healthcare is reflected through healthcare expenditure indicators. Table 1 reveals an overall pattern in health expenditure indicators from 2000-01 to 2016-17 in India.

Table 1: Trends in Healthcare Expenditure Indicators in India

Year	Govt. healthcare expenditure (% of GDP)	Govt. health expenditure (% of total govt. expenditure)	Govt. healthcare Exp. (% of current healthcare expenditure)	Private Healthcare Exp. (% of current health expenditure)	Other health care Exp. (% of current health expenditure)	Total Health Exp. (% of GDP)	Total per capita healthcare exp. (current in \$)
2000-01	.83	3.29	20.68	76.64	2.68	4.03	18.56
2001-02	.80	3.18	18.88	78.79	2.33	4.26	19.86
2002-03	.77	2.87	18.16	79.38	2.45	4.24	20.30
2003-04	.75	2.75	18.72	79.76	1.52	4.01	22.07
2004-05	.71	2.81	17.98	79.78	2.23	3.96	25.14
2005-06	.76	3.03	20.13	78.34	1.53	3.79	27.75
2006-07	.75	2.95	20.51	78.06	1.44	3.63	29.65
2007-08	.74	2.96	20.90	77.59	1.51	3.52	35.96
2008-09	.80	2.97	22.63	75.50	1.87	3.51	37.99
2009-10	.89	3.19	25.61	73.37	1.02	3.49	38.41
2010-11	.86	3.17	26.21	72.82	.97	3.27	45.25
2011-12	.94	3.49	28.87	70.26	.87	3.25	48.72
2012-13	.93	3.52	27.99	71.07	.94	3.33	49.05

2013-14	.87	3.10	23.07	76.66	.27	3.75	56.22
2014-15	.86	3.03	23.66	75.59	.75	3.62	57.15
2015-16	.92	3.14	25.64	73.65	.71	3.60	58.97
2016-17	.93	3.14	25.43	73.55	1.02	3.66	62.72

Source: World Bank (2019)

The total healthcare expenditure as a percentage of GDP shows declining trends throughout the period. The patterns show the declining ratio of health expenditure to GDP from 4.03 to 3.66 per cent during 2000-01 to 2006-07, respectively. There is a period of the highest GDP growth rate in India, but health expenditure does not increase in the same proportions. The government health care expenditure percentage of GDP shows a meagre increase of .10 per cent during the study period. India is one of the countries which spend a very low percentage of GDP on government health expenditure (World Bank, 2019). India is one of the countries where private healthcare is highest worldwide. The trends reveal that there is a decrease in private health expenditure from 76.64 to 73.55 per cent during 2000-01 to 2016-17. The contribution of household expenditure to private health expenditure is the highest. Household spends from their pocket to receive healthcare services due to multiple factors, such as insufficient government spending on supply-side and demand-side funding mechanisms, excessively growing private healthcare providers, etc. (Hooda, 2013). The government health expenditure as a percentage of current health expenditure shows an increasing pattern. There is also an increase in per capita health expenditure during this period.

IV. Health expenditure indicators among Indian States

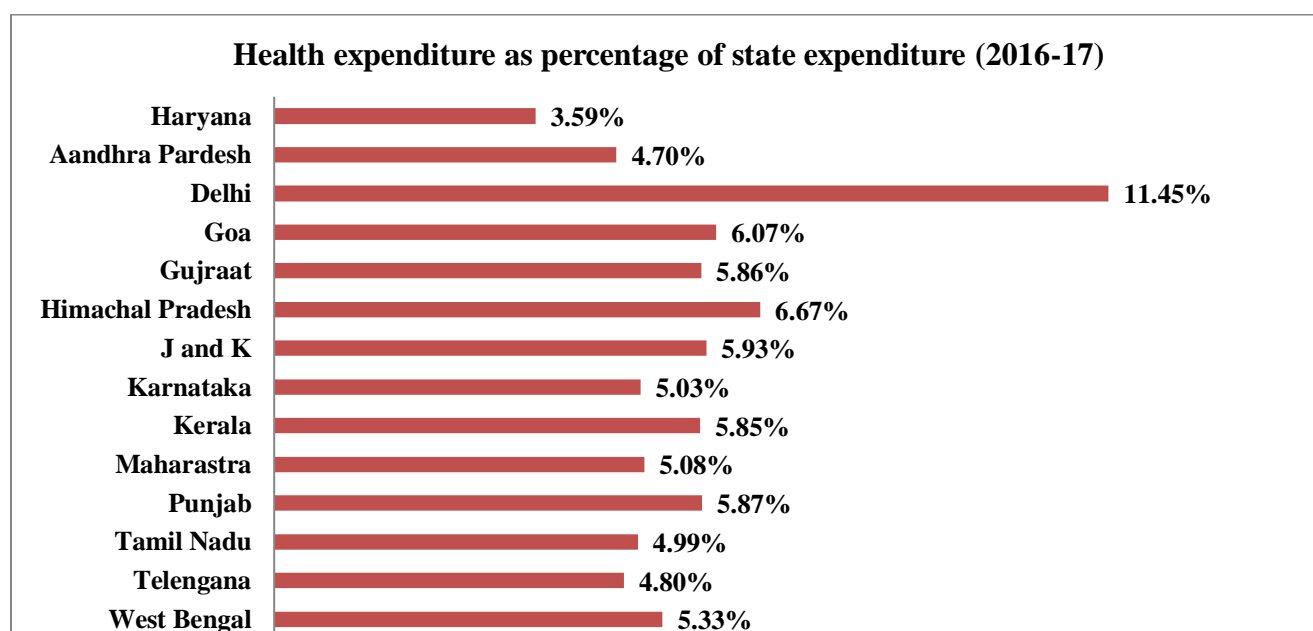
In the above section, trends in healthcare expenditure indicators from 2000-01 to 2016-17 have been analysed. In this section, contributory factors or health expenditure-related indicators have been analyzed across the selected states in India. These states were selected because they perform very well compared to BIMARU states in human development and other social index. Public health expenditure is one of the main determinants of health outcomes. Several studies reveal that there is a decline in the social sector expenditure and public health expenditure in general. Most of the Indian state's expenditure on public health is deficient. It's mainly state-level initiatives; the state could enhance the level of human development, which was attained in the earlier stages. Those states with a higher allocation to the social sector, particularly public health, have performed well in the health indicators and health outcomes. There is a higher degree of association between public health expenditure and health outcomes. A percentage of state GDP goes to the public health sector, and the better would be the health development index (WHO, 2010).

Table 2: Health expenditure-related indicators among selected Indian states, 2016-17

States	Total state exp. on health (In Rs.)	Total State Exp.	Health Exp. (% of state expenditure)	Population (in crores)	GSDP at Current Prices	Per capita Health Exp.	Health Expenditure % of GSDP
West Bengal	7239	135929	5.33%	9.31	NA	778	-
Telangana	4626	96297	4.80%	3.50	567588	1322	0.82%
Tamil Nadu	8543	171349	4.99%	6.92	1161963	1235	0.74%
Punjab	3400	57963	5.87%	2.90	391543	1173	0.87%
Maharashtra	12066	237327	5.08%	11.94	2001223	1011	0.60%
Kerala	5207	88980	5.85%	3.56	557947	1463	0.93%
Karnataka	6980	138715	5.03%	6.21	1012804	1124	0.69%
J and K	2925	49294	5.93%	1.24	119093	2359	2.46%
Himachal Pradesh	1894	28373	6.67%	0.71	112852	2667	1.68%
Gujrat	7432	126821	5.86%	6.25	1025188	1189	0.72%
Goa	729	12010	6.07%	0.20	54275	3643	1.34%
Delhi	4183	36520	11.45%	2.10	548081	1992	0.76%
Andhra Pradesh	5013	10638	4.70%	4.95	609934	1013	0.82%
Haryana	3055	85037	3.59%	2.73	485184	1119	0.63%

Source: Authors, Calculation Using National Health Profile data, 2019.

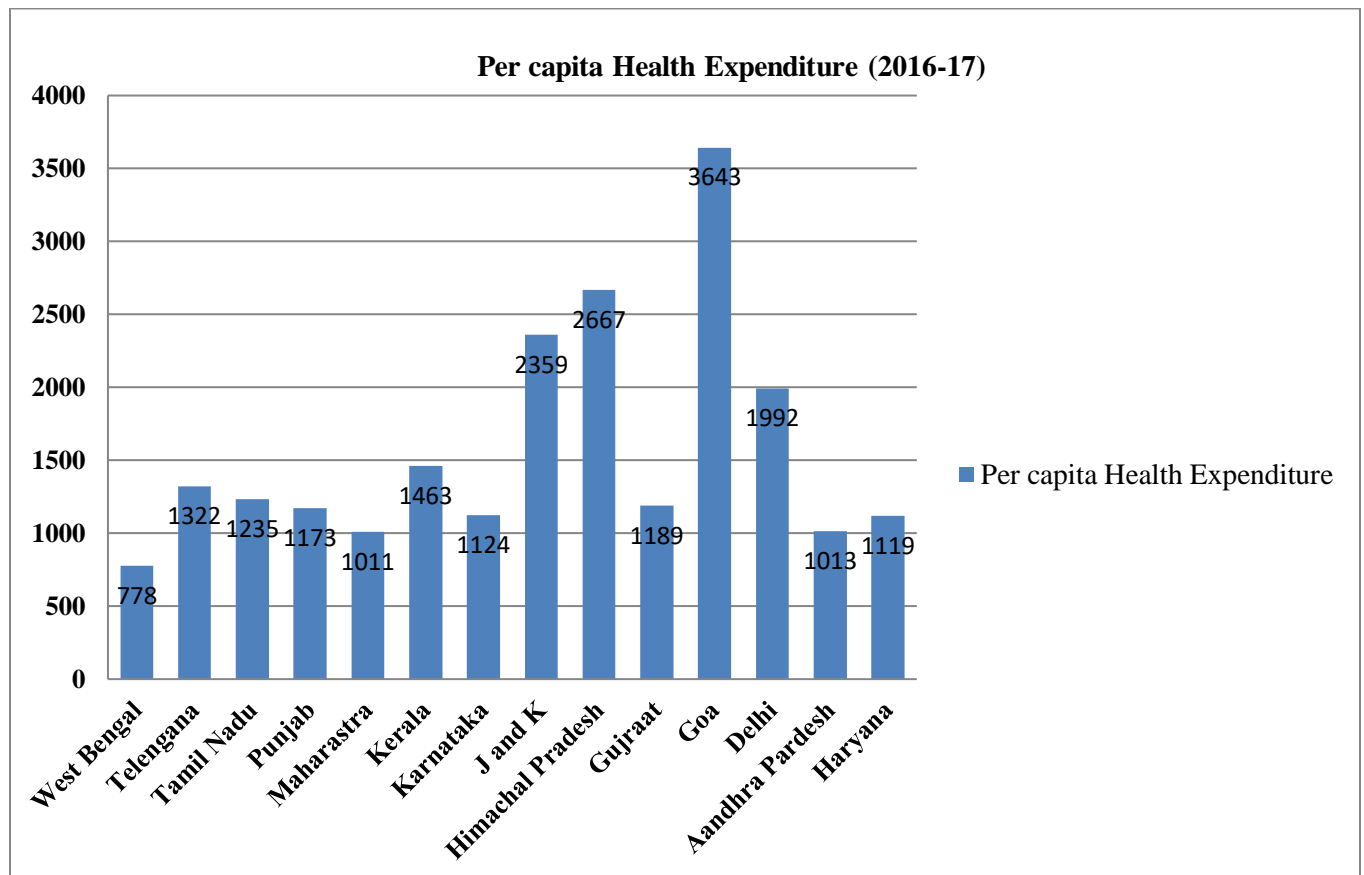
Figure 1: Selected states' health expenditure (Percentages of states total expenditure)



Source: National Health Profile, 2019

The above figure 1 shows the health expenditure percentage of state expenditure for selected states in India. The Union territory Delhi contributed the highest share (11.45 per cent) in health expenditure from total state expenditure in 2016-17. The Haryana state contributes the lowest healthcare expenditure from total state expenditure among the selected states in India.

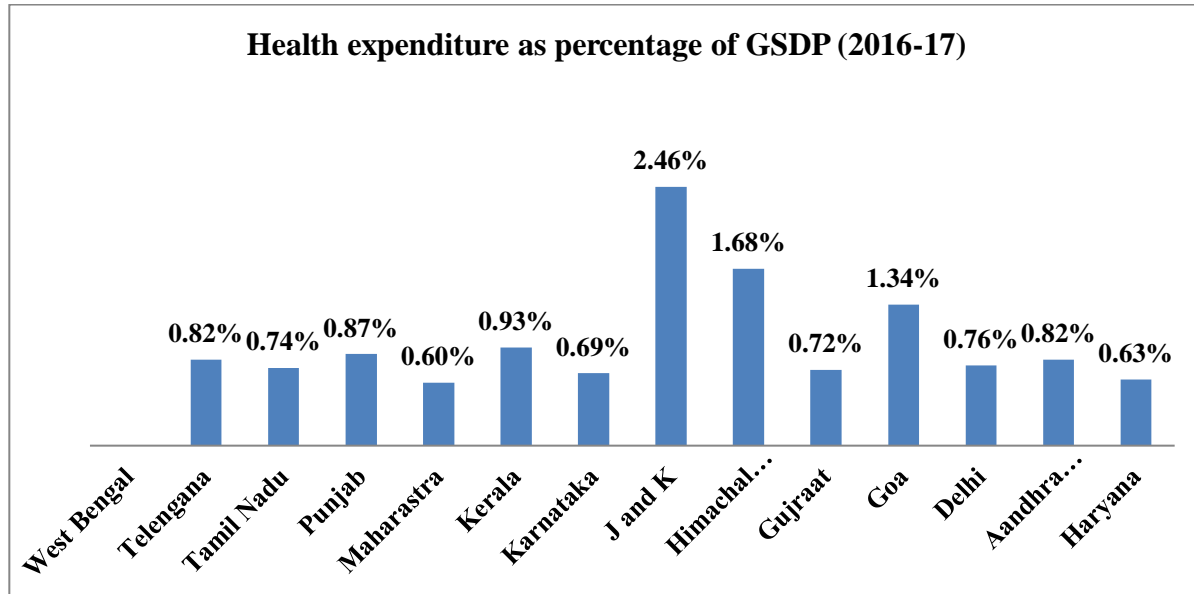
Figure 2: Per capita health expenditure of selected states (INR in Crores)



Source: Nation Health Profile, 2019

Figure 2 shows per capita health expenditure among selected states in India. The healthcare spending per capita is very low among the selected states. The states like Goa, Jammu Kashmir, and Himachal Pradesh performed better than others. The possible reason for such progress would be the low population intensity in these states (NHP, 2019). States like Haryana, Karnataka, Maharashtra, and West Bengal have low per capita health expenditures. The high GDP growth and low per capita healthcare expenditure emerge in the states of Haryana and Maharashtra. These states perform very well in the GPD growth rate but, in terms of healthcare expenditure, lagged behind other states.

Figure 3: Selected states health expenditure percentages of GSDP



Source: Nation Health Profile, 2019

The whole analysis of the paper concludes that Haryana has allocated INR 3055 crores for the public health sector IN 2016-17. It accounts for 3.59 per cent of the state’s total expenditure. It stands lowest among the Empowered Action Groups States in the country. The total Haryana state population was 2.73 crore in 2016-17. The per capita expenditure in the states stands at 1119 rupees. This amount is very meagre, considering the state’s economic position in the country. It only stands at 0.63 per cent of state gross domestic products. In the above analysis, we can see that the states with lower state GDPs incur higher expenditures than Haryana.

V. Conclusion

The health expenditure indicator reveals an accurate picture of public health spending in India. The government health expenditure to the total health expenditure shows declining trends. Most advanced states spend very small amounts of funds on the healthcare sector. Most resources are used for only salaries and wages purposes, which causes a shortfall in other resources. There is a dire need to increase substantial amounts of spending other than salary and wages to improve health outcomes. The growth in GDP should lead to an increase in healthcare spending across the states in India, but this could not be possible in India. The growth in GDP does not lead to increase in health spending in the country. There is a substantial increase in health spending across the central and state levels to reap health outcome benefits for the masses. These benefits

must reach the population. Substantial government interventions need to be ensured for the proper and smooth functioning of the healthcare sector.

References

1. Bhadra K.K., Bhadra J (2012). Public Expenditure on Health across States in India: An evaluation of selected issues and evidences, *IJRFM*, 2, (6).
2. Dey, D. K., & Mishra, V. (2014). Determinants of choice of healthcare services utilisation: Empirical evidence from India, *Indian Journal of Community Health*, 26 (6), 356–363.
3. Hooda, D. S. and Pooja Kataria (2022). *SN Social Science*, Springer Nature Switzerland 2:175 (2022), 1-17
4. Hooda, D.S. (2019). Public Healthcare Spending in Haryana: Trends and Growth. *International Journal of Scientific and Technology Research*, 8 (11).
5. Hooda, D.S and Bindiya Kumari (2017). Health Care Spending in Haryana: Trends and Growth. *Kautilya Haryana Economic Journal*, 7 (1): 29-36.
6. Hooda. D.S (2021). Gender Inequality in India: Status and Determinants. *International Journal of Social Science and Economic Research*, 6 (3): 1054-1070.
7. Kumar. S (2013). Changing pattern of public expenditure on health in India- Issue and challenge, working paper (01), ISID, New Delhi.
8. National Health Profile (2019), Retrieved from <http://www.cbhidghs.nic.in/showfile.php?lid=1147>
9. Santhanalakshmi and Malathi (2017). A study on public expenditure on health sector in India, *International Journal of Innovative Science and Research Technology*, 2 (5), 2456 – 2165,
10. Selvaraj Sakthivel & Anup K. Karan (2009). Deepening Health Insecurity in India, Evidence from National Sample Surveys since 1980s, *Economic and Political Weekly*, 44, (40), 55-60.
11. Selvaraju and Annigeri (2001). Trends in public spending on health in India, Background Paper for Commission on Macroeconomics and Health (India Study).

12. Mehta B.S. (2008). Pattern of Health Care Expenditure in India, *The Indian Economic Journal*, Vol. 55 (4), January-March 2008.
13. World Bank (2016). Health expenditure, total (percentage of GDP). Retrieved from <http://data.worldbank.org/indicator/SH.XPD.TOTL.ZS>
14. WHO (2010). *Monitoring the building blocks of health systems: a handbook of indicators and their measurement strategies*, Geneva, Switzerland: World Health Organization.
15. World Bank (2004). *India: Private Health Services for the Poor, Draft Policy*, Retrieved from <http://www.sasnet.lu.se/EASASpapers/11IsmailRadwan.pdf>.
16. World Bank (2019). Retrieved from <https://data.worldbank.org/indicator/SH.XPD.CHEX.GD.ZS>.