Financing for Health Care in India

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Health Sector in India – Towards Privatisation

Prominent features of Health Sector

- Growth of the for profit sector and its relation to the decline of the public sector
- Introduction of market principles in the public sector viz. user fees, contracting out and insurance schemes with private sector participation
- Between 1980 and 2004, public facilities doubled whereas the private sector grew eight fold!

State of Public Health Systems

- Growth of infrastructure has lagged behind demand.
- Creation of new infrastructure has lagged well behind targets set in the Tenth Plan period.
- Achievement of targets is 76% in the case of sub-centres but just 13% and 37% in the case of PHCs and CHCs.
- Even where sub-centres, PHCs and CHCs exist, their conditions are often abysmally poor -- 50% of sub-centres, 24% of PHCs and 16% of CHCs function in rented or temporary premises

Public Expenditure on Health

- Government spending accounts for just 16% o0f total health care costs -- ***one of the lowest in the world***
- The Eleventh Five Year Plan document promises rise in public expenditure to 2% of GDP (from present 1%)
- To achieve that allocation on health has to increase by 20-30% every year

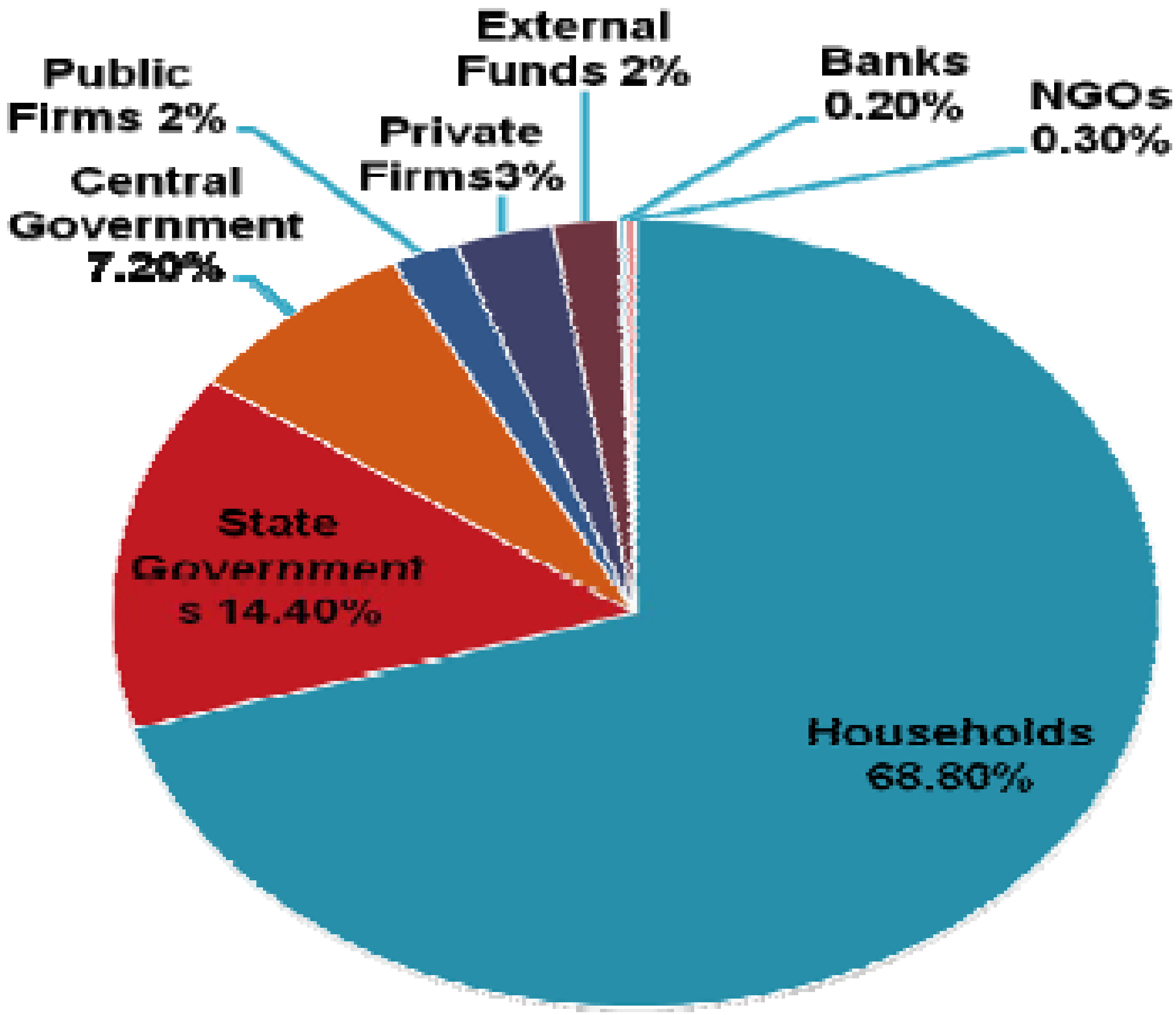
Public Health Expenditure

- Real increase has been 12.6% in 2007-8 and 11.2% in 2008-9.
- Barely above the annual growth of GDP,
- As a consequence total public expenditure on health has remained around 1% of GDP

Health Care Expenditure

- 60% of expenditure goes on primary care services, 85% (almost 50% of total spending) for primary curative care services
- Government expenditures account for 24% of inpatient treatment expenditures.
- Although fees in government hospitals are low, households still report sizable out-of-pocket expenditures on drugs and supplies for hospitalized patients
- Estimated that private health expenditure has grown at 12.5% per annum, since 1960-61
- The income elasticity is 1.47, which means that for each 1% increase in per capita income, the private expenditure on health increased by 1.47%

Chart 2: Sources of Financing on Health in India during 2001-02



Source: Report of the National Commission on Macroeconomics and Health (2004)

Source of Health Care

Source	Location (percent)		Income Quintile (percent)					Total
	Urban	Rural	Lowest	Second	Middle	Fourth	Highest	
Public sector	29.6	36.8	39.4	37.1	39.0	33.9	22.6	34.4
NGO or trust hospital	0.5	0.3	0.3	0.3	0.3	0.5	0.5	0.4
Private sector	69.5	62.5	59.9	62.2	60.4	65.3	76.4	64.8
Other source	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2

Table 9: Out Of Pocket Expenditure for Health Care			
Impact on Households	1993-94 (URP)*	1999-2000 (MRP)*	2004-05 (MRP)*
	All India		
Average per capita monthly OOP (Rs) at current prices	16.78	33.08	41.83
OOP of total household expenditure	5.12	5.78	5.87
Households reporting OOP	59.19	69.23	64.42
Households paying more than 10% as OOP**	11.92	10.84	15.37
	Rural		
Average per capita monthly OOP (Rs) at current prices	15.28	29.62	36.47
OOP of total household expenditure	5.3	6.21	6.3
Households reporting OOP	59.94	69.97	64.05
Households paying more than 10% as OOP**	12.69	11.7	15.82
	Urban		
Average per capita monthly OOP (Rs) at current prices	20.99	43.33	57.64
OOP of total household expenditure	4.6	4.76	5.22
Households reporting OOP	54.61	69.13	65.41
Households paying more than 10% as OOP**	10.78	8.7	14.17

Table 4: Per episode average cost of treatments for Outpatient and Inpatient (2004)
(figures in Indian Rupees)

	Outpatient			Inpatient		
Source	Rural	Urban	Combined	Rural	Urban	Combined
Medical expenditure						
Government*	210.76	222.76	214	3,399	3,893	3,543
Private	266.56	328.49	285.7	7,465	11,753	8,867
Total	254.09	308.21	270.37	5,783	8,822	6,732
Other expenditure						
Government	31.21	20.98	28.45	526.6	371.6	482.9
Private	25.99	19.48	23.98	587.4	711.5	626.5
Total	27.15	19.76	24.94	562.1	583.3	568.5
Total expenditure						
Government*	241.97	243.74	242.45	3,788	4,029	3,859
Private	292.55	347.97	309.68	7,932	12,285	9,352
Total	281.24	327.97	295.31	6,199	9,126	7,116

Table 5: Average cost per episode of Hospitalisation in Public and Private Sectors (Figures in Indian Rupees at 1986-87 prices)			
Source/Year	**Rural**	**Urban**	**Combined**
Government			
1986-87	585	580	585
1995-96	863	975	910
2004	1,108	1,063	1,066
Growth (%)	89	83	82
Private			
1986-87	1,055	1,687	1,147
1995-96	1,786	2,374	2,002
2004	2,320	3,240	2,583
Growth (%)	120	92	125

State of Public Sector encourages Growth of Private Sector

- State of the public health system forces people to access the unregulated private sector
- As a consequence in excess of 80% of medical care costs are borne by people through “out of pocket” expenses
- Survey shows that, in the case of ailments considered serious by respondents, ***40 percent cited financial reasons for not taking recourse to treatment***

Table 3: Percent Share of private to total Hospitalised episodes				
	Hospitalisation		Short Duration ailments	
	Rural	Urban	Rural	Urban
1986-87	39.97	39.56	74.29	72.79
1995-96	54.71	56.93	80.29	81.65
2004-05	58.39	61.76	77.72	80.83

Table 7: Average Medical Expenditure for treatment under different heads during stay at hospitals

(Figures in Indian Rs.)

			Rural		Urban		Total		
			Public	Private	Public	Private	Public	Private	Ratio pvt/pub
services	Doctor's fee	Hospital staff	40	927	59	1092	45	975	21.7
		Other specialist	27	311	22	475	26	358	13.8
	Diagnostic test		175	449	219	622	187	499	2.7
	Bed charges		30	640	39	791	32	684	21.4
	Attendant charges		13	70	22	74	15	71	4.7
	Physio-therapy		3	24	7	30	4	26	6.5
	Other services		21	60	25	55	22	59	2.7
goods	Medicines	From hospital	44	489	45	677	45	543	12.1
		From outside	941	1448	855	1490	918	1460	1.6
	Personal medical appliances		18	35	29	132	21	63	3.0
	Food etc.		138	235	111	177	131	218	1.7
	Blood, Oxygen etc		36	102	37	122	37	108	2.9
total			1486	4791	1469	5737	1481	5062	3.4

Table 8: Percentage Distribution of Untreated spells of ailments by reason						
Reason for No Treatment	Rural			Urban		
	2004	1995-96	1986-87	2004	1995-96	1986-87
No medical facility	12	9	3	1	1	0
Lack of faith	3	4	2	2	5	2
Long waiting	1	1	0	2	1	1
Financial	28	24	15	20	21	10
Ailment not serious	32	52	75	50	60	81
Others	24	10	5	25	12	6
All	100	100	100	100	100	100

Public Private Partnerships

- Endorsement by multilateral agencies of PPPs has influenced policy
- At the secondary level, PPPs are involved in contracting out of non-clinical services like laundry, diet, drug stores, diagnostics, ambulance
- Selective contracting out of services to the private sector is often a component of reform packages promoted by bilateral and multilateral agencies for low- and middle-income countries
- PPPs now also extend to contracting out clinical services

Health Insurance

- Penetration of health insurance is low: estimated 3-5% covered under any form of health insurance.
- Commercial insurance is <1% of total expenditure
- Existing schemes can be categorised as:
    - Voluntary health insurance schemes or private-for-profit schemes;
    - Employer-based schemes;
    - Insurance offered by NGOs / community based health insurance,
    - Mandatory health insurance schemes or government run schemes (namely ESIS, CGHS)

Rashtriya Swasthya Bima Yojana (National Health Insurance Scheme)

- Rashtriya Swasthya Bima Yojana (RSBY), launched in 2007-08, aims to transform the way public provision of health services have been designed - moving away from the model of direct provision of health services Govt.

- Every BPL household will be covered against hospitalization cost of Rs.30,000 per annum

- The Union Government is committed to pay a premium of up to Rs.750 per family (the Central govt would bear 75 percent of the total premium); households need to pay Rs.30 annually to register.

Rashtriya Swasthya Bima Yojana
(National Health Insurance Scheme)

- 6.5 million Below Poverty Line (BPL) families in India -- to enroll all need to spend around Rs. 4,875 crore annually while current allocation is only Rs.308 crore in 2009-10 – enough to cover just 0.46 million
- Scheme does not cover outpatient treatment, thus living a major source of expenditure (more than 2/3rd of total health costs) out of its ambit
- Involves harnessing of Pvt. sector -- health insurance schemes based on private provision leads to huge cost escalation due to over consumption esp. in the context of weak regulation of private health sector
- According to a Govt. Committee around 40% of the population in India is BPL

Access to Medicines

- Estimated by different sources -- 50% to 80% not able to access all the medicines they need
- The World Medicine Report (2004) of WHO - India has largest number of people (649 million) without access to essential medicines
- Given India is the 4th largest producer of drugs in the world and exports medicines to over 200 countries, local production/availability not major constraints.
- Studies indicate that poorer populations spend a larger proportion of health care expenditure on medicines.
- World Bank Study: out-of-pocket medical costs alone may push 2.2% of the population below the poverty line in one year

Pattern of Out of Pocket Expenses on Medicine and Health Care

	Health Exp. (Rs.)		Exp. on Medicine (Rs.)		Medicine % Health	
Quintiles	Rural	Urban	Rural	Urban	Rural	Urban
First (Lowest)	7.72	11.71	6.68	9.91	86.47	84.60
Second	13.79	21.66	11.71	17.49	84.89	80.71
Third	19.61	29.73	16.46	22.72	83.94	76.44
Fourth	29.98	47.00	24.44	34.34	81.53	73.05
Fifth	77.47	105.67	55.46	65.90	71.59	62.36
Total	29.58	43.27	22.85	30.14	77.24	69.66

Access to Medicines .. contd..

- Estimated that total expenditure on medicines in India is in excess of Rs.300 billion per annum -- Rs.1,500 for every family in the country

- Factors that determine access to medicines include:
  - rational selection and use
  - affordable prices
  - sustainable financing
  - responsive health system
  - reliable supply system

- While affordability is only one dimension of access, it continues to be a critical factor in India's Health system

Special Features of Indian Pharmaceutical Market

- Most prominent: Very large proportion of drugs consumed in India are through retail sales (85%)
  Retail sales : US$ 6.2 billion
  Institutional sales: US$ 1.1 billion

- Pattern different from most markets, where a bulk of drug consumption is through supplies from large institutional mechanisms (hospitals, health insurance, etc., both in public and private sector).

- Given this, major issues related to drug prices are related to those that impact on retail prices

Dilution of Price Controls in Successive Policies

DPCO Year	Drugs under Price Control	% of Market in Price Controlled Category	Mark-up (profitability) allowed
1979	347	80-90%	40%, 50% and 100% in three categories termed “life saving”, “essential” and “non essential”
1987	142	60-70%	75% and 100% in two categories, subsequently one category with 100% mark up
1995	74	25-30%	100%
2002*	20-25**	10-20%	100% or more

Variation in Drug Prices: Generics, Brands, Top Selling

Drug	Generic Price	Top Selling Retail Brand	Company	Price	Under Price Control
Albendazole 400 mg Chew Tab	0.81	Zentel	GSK	14.15	N
Alprazolam 0.5 mg Tab	0.12	Alprax	Torrent	1.70	N
Amlodipine 5mg Tab	0.19	Amlodac	Zydus	1.40	N
Amoxicillin 250 mg Cap	0.89	Mox	Ranbaxy	3.96	N
Atenolol 50 mg Tab	0.20	Aten	Cadila	1.84	N
Betamethasone 0.5 mg Tab	0.18	Betnesol	GSK	0.41	Y
Carbamazepine 200 mg Tab	0.76	Tegritol	Novartis	1.71	Y
Cephalexin 500 mg Cap	3.09	Sporidex	Ranbaxy	12.05	N
Cetirizine 10 mg Tab	0.12	Cetrizet	Sun Pharma	3.00	N
Chloroquine phosphate [150 mg base] Tab	0.32	Lariago	Ipca	0.58	Y
Ciprofloxacin 500 mg Tab	1.03	Cifran	Ranbaxy	8.96	Y
Co-trimoxazole 480 mg Tab	0.38	Septran	GSK	0.60	Y
Diazepam 5 mg Tab	0.09	Calmpose	Ranbaxy	1.55	N
Diclofenac sodium 50 mg EC Tab	0.11	Voveran	Novartis	1.61	N
Domperidone 10 mg Tab	0.20	Domstal	Torrent	2.50	N
Enalapril maleate 5 mg Tab	0.33	Envas	Cadila	2.33	N
Erthromycin Sterate 500 mg Tab	3.72	Althrocin	Alembic	7.07	Y
Ethambutol 800 mg Tab	1.37	Combutol	Lupin	3.96	N
Fluconazole 150 mg Tab	4.71	Forcan	Cipla	32.00	N
Gentamicin sulfate 40 mg / mL Inj (2 ml)	2.60	Genticyn	Nicolas.P	6.72	Y
Glibenclamide 5 mg Tab	0.14	Daonil	Aventis	0.66	N
Ibuprofen 400 mg Tab	0.29	Brufen	Knoll	0.51	Y
Isoniazid 300 mg + Rifampicin 450mg Cap	3.16	R-Cinex	Lupin	5.70	Y
Isosorbide-5-mononitrate 20 mg Tab	0.19	Monotrate	Sun Pharma	2.85	N
Metformin 500 mg Tab	0.24	Glyciphage	Franco Indian	0.80	N
Nifedipine 10 mg Cap	0.10	Depin	Cadila	2.97	N
Nimesulide 100 mg Tab	0.13	Nimulid	Panacea	2.90	N
Norfloxacin 400 mg Tab	0.76	Norflox	Cipla	4.70	Y
Omeprazole 20 mg Cap	0.53	Ocid	Cadila	4.33	N
Paracetamol 500 mg Tab	0.12	Calpol	GSK	0.88	N
Prednisolone 10 mg Tab	0.85	Wysolone	Wyeth	1.35	N
Ranitidine 150 mg Tab	0.30	Zinetac	GSK	0.52	Y
Roxithromycin 150 mg Tab	1.25	Roxid	Alembic	6.50	N
Salbutamol 4 mg Tab	0.08	Asthalin	Cipla	0.52	Y
Tetracycline hydrochloride 250 mg Cap	0.46	Hostacycline	Aventis	0.67	Y
Tinidazole 500 mg Tab	0.50	Tiniba	Zydus	3.61	N

Ensuring Access to Medicines

- Present situation, where in excess of 80% of drugs consumed are paid for through out of pocket contribution by the consumer, is unacceptable
- Need to ensure is availability of a majority of drugs through the Public Sector
- There are no alternatives to instituting price controls -- market mechanisms do not help to stabilise drug prices
- Revival of Public Sector Units needs to be a priority
- Pooled Purchasing to minimise Costs in the Public Sector
- Need to weed out Irrational Drugs

- **Revival of Public Sector Units**
- **Pooled Purchasing to Minimise Costs in the Public Sector:**
- **Price Control on all Drugs in EDL: All Essential drugs should be under price control**
- **Independent mechanism of Data Collection**
- **Weed out Irrational Drugs**

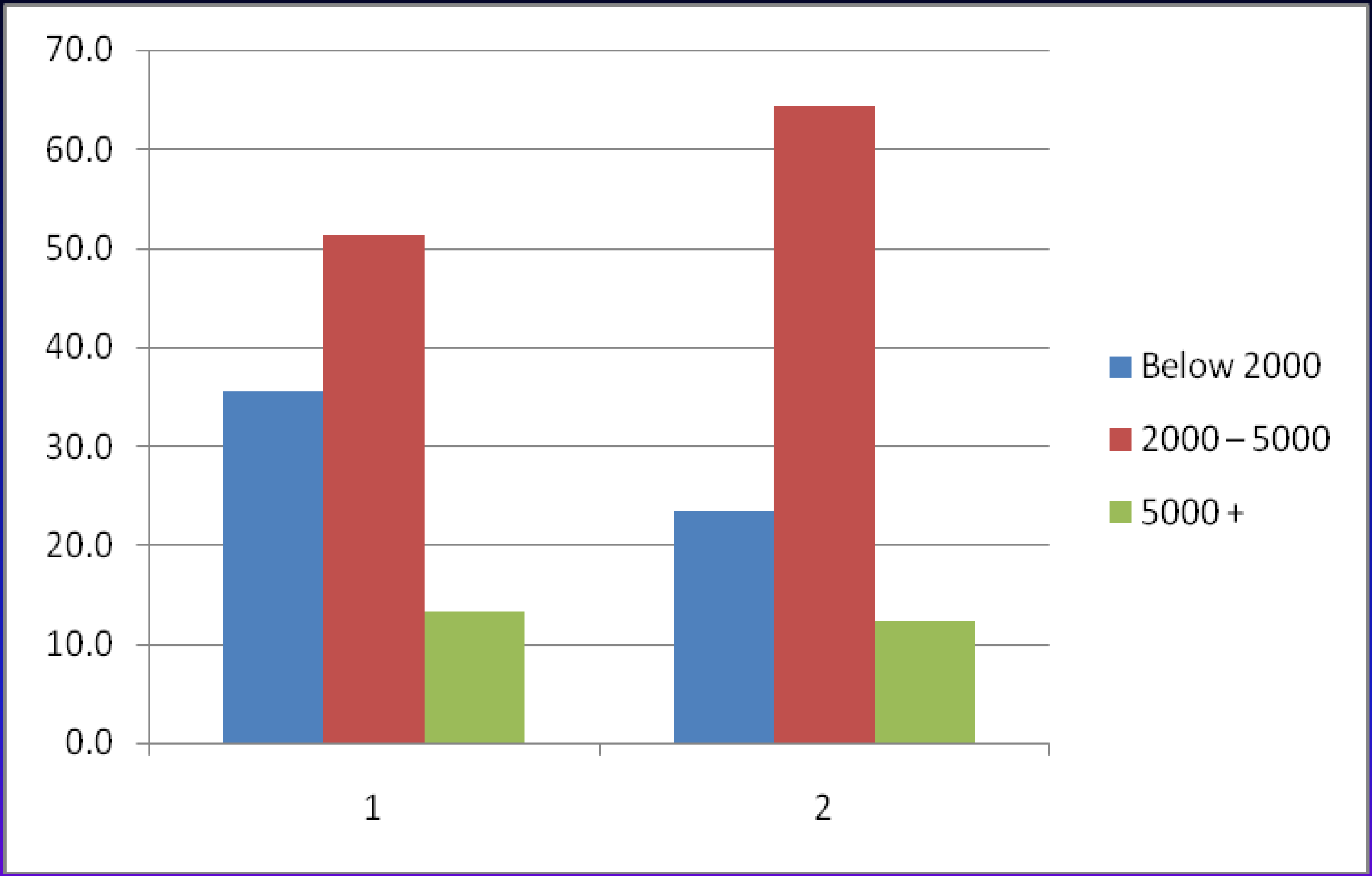
Primary Survey

- To Validate analysis of secondary literature and data
- To gain new insights

Sample Size:

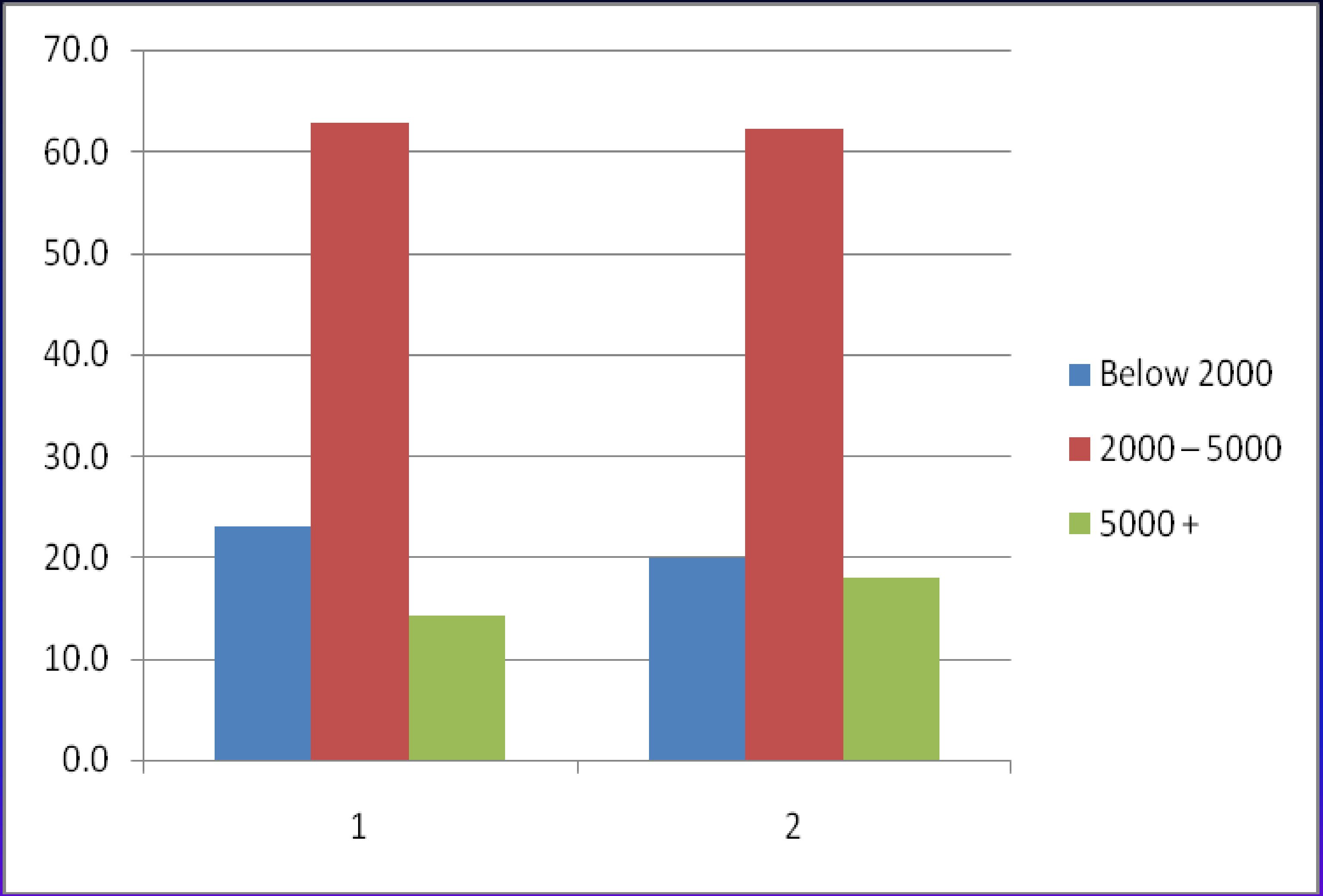
Primary	Secondary	Tertiary
Public (211)	Public (204)	Public (147)
Private (205)	Private (201)	Private (150)

Income Distribution: Primary Level



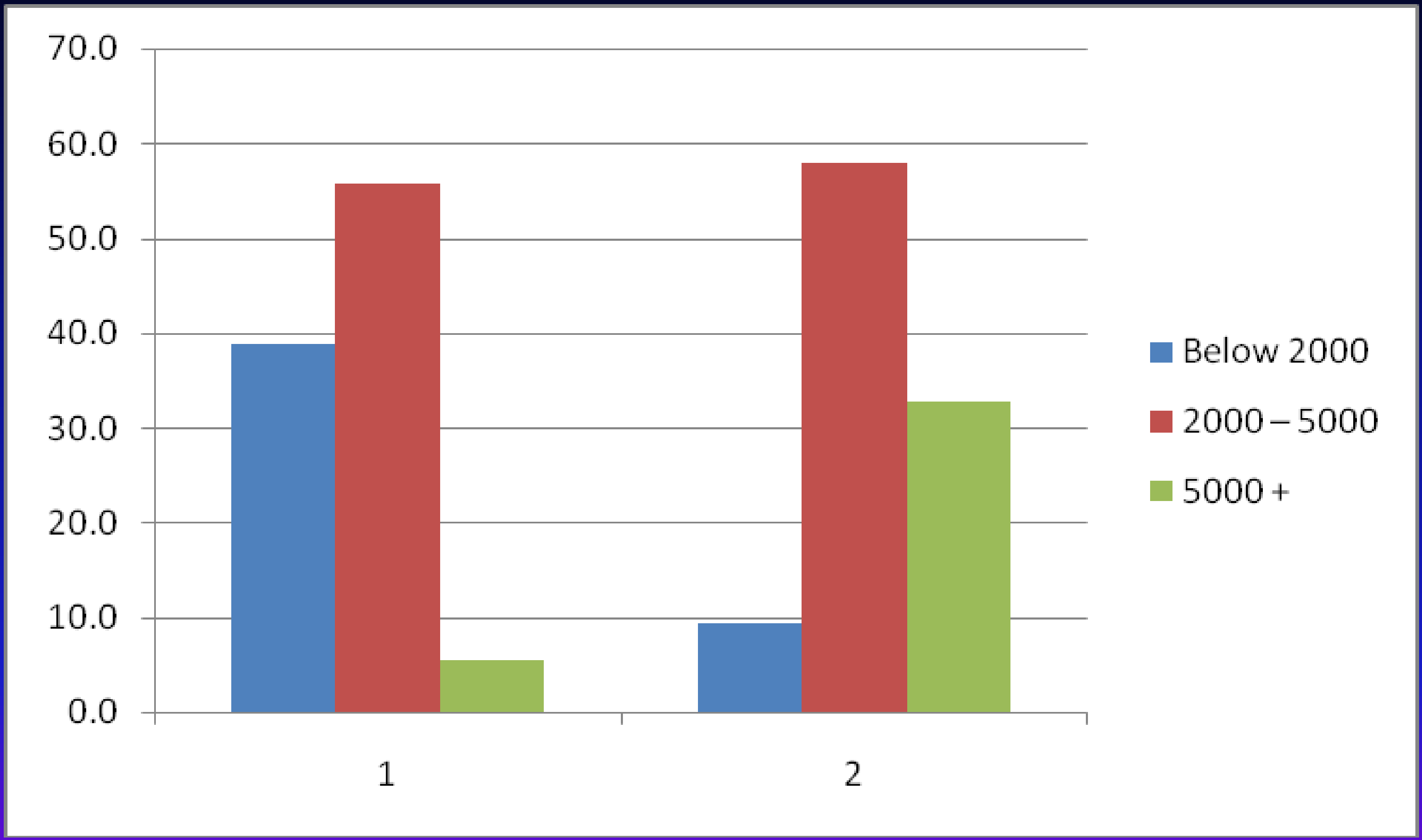
Public Private

Income Distribution: Secondary



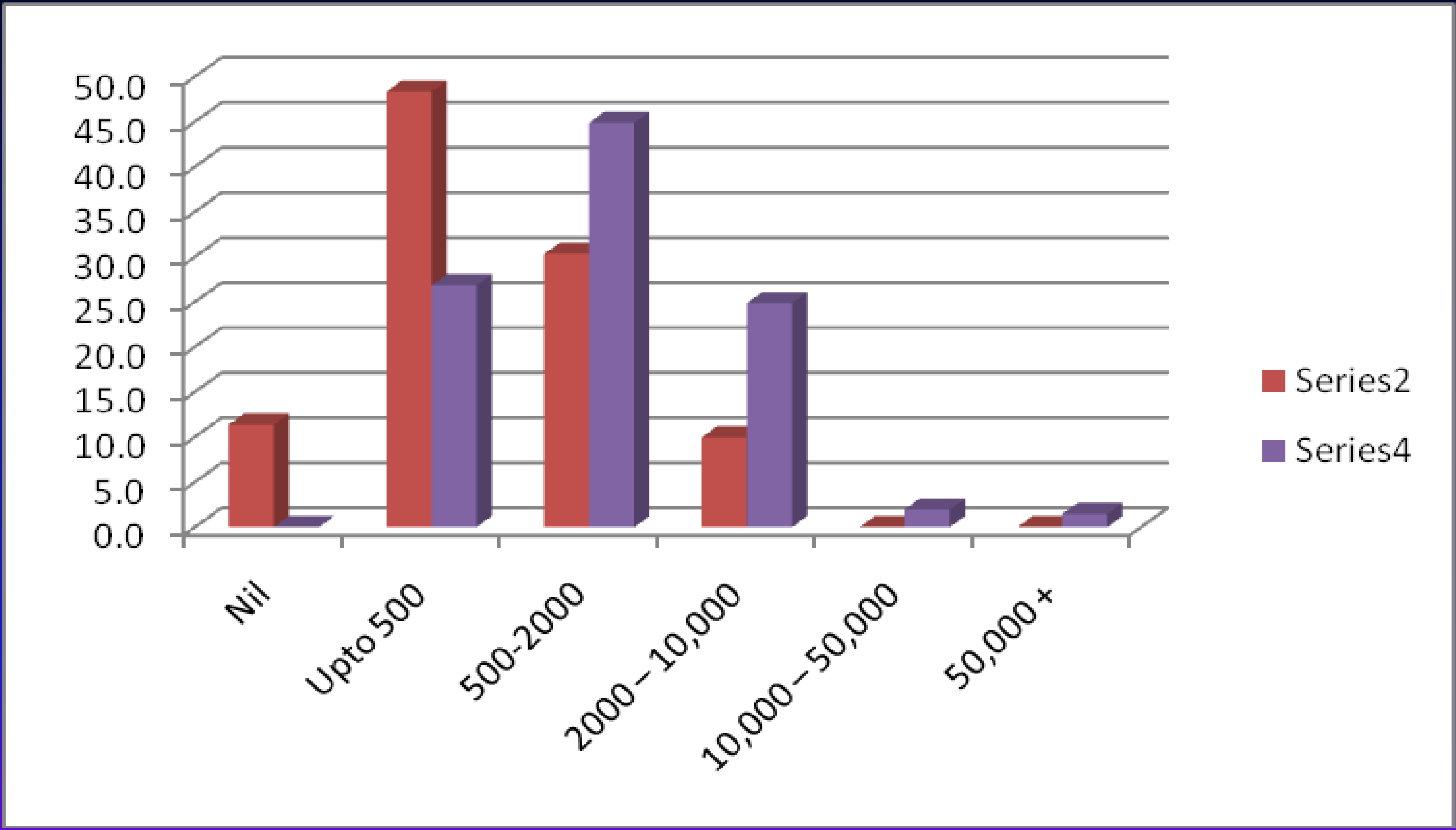
Public Private

Income Distribution: Tertiary



Public Private

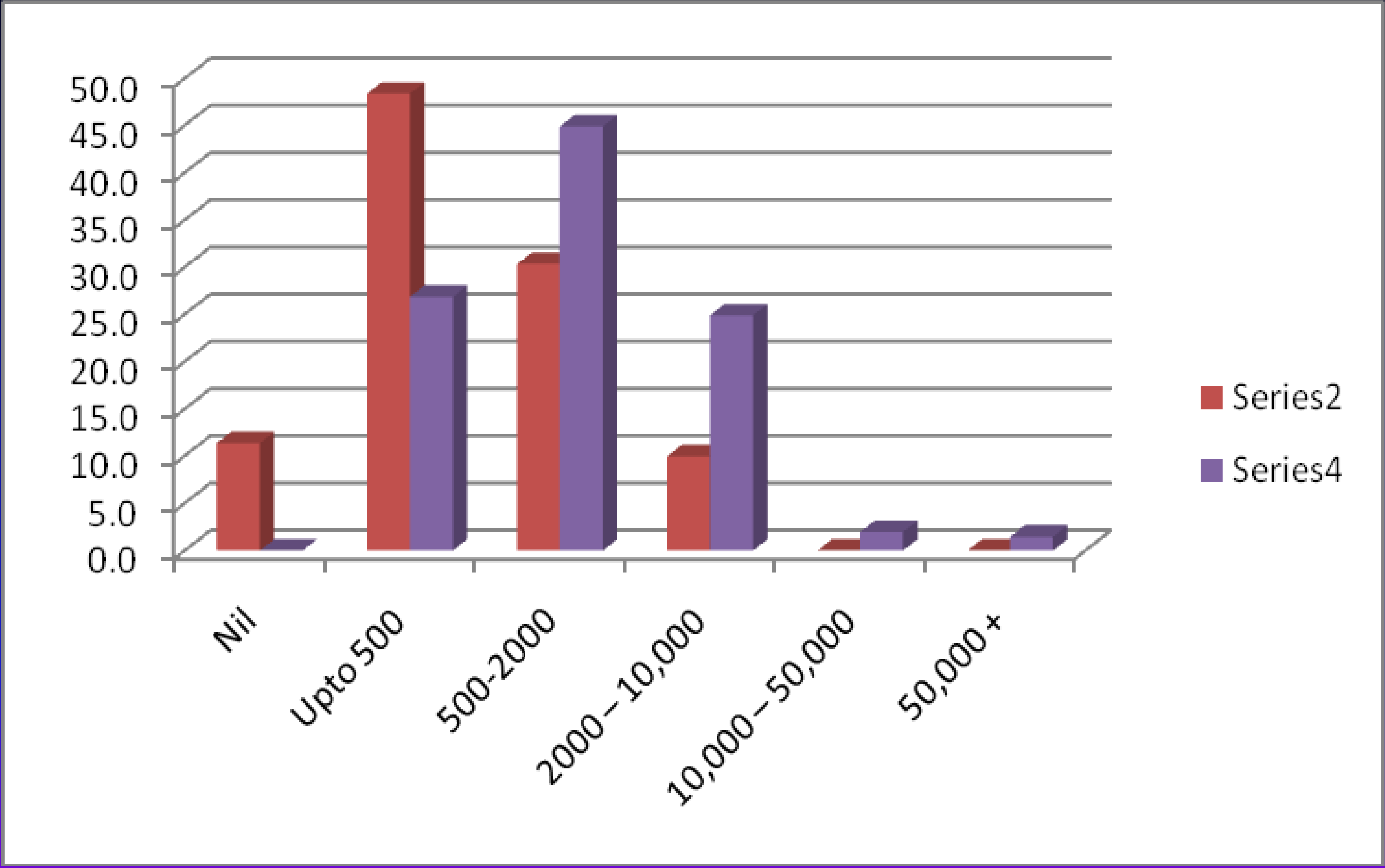
Expenditure: Primary



Series 2: Public

Series 4: Private

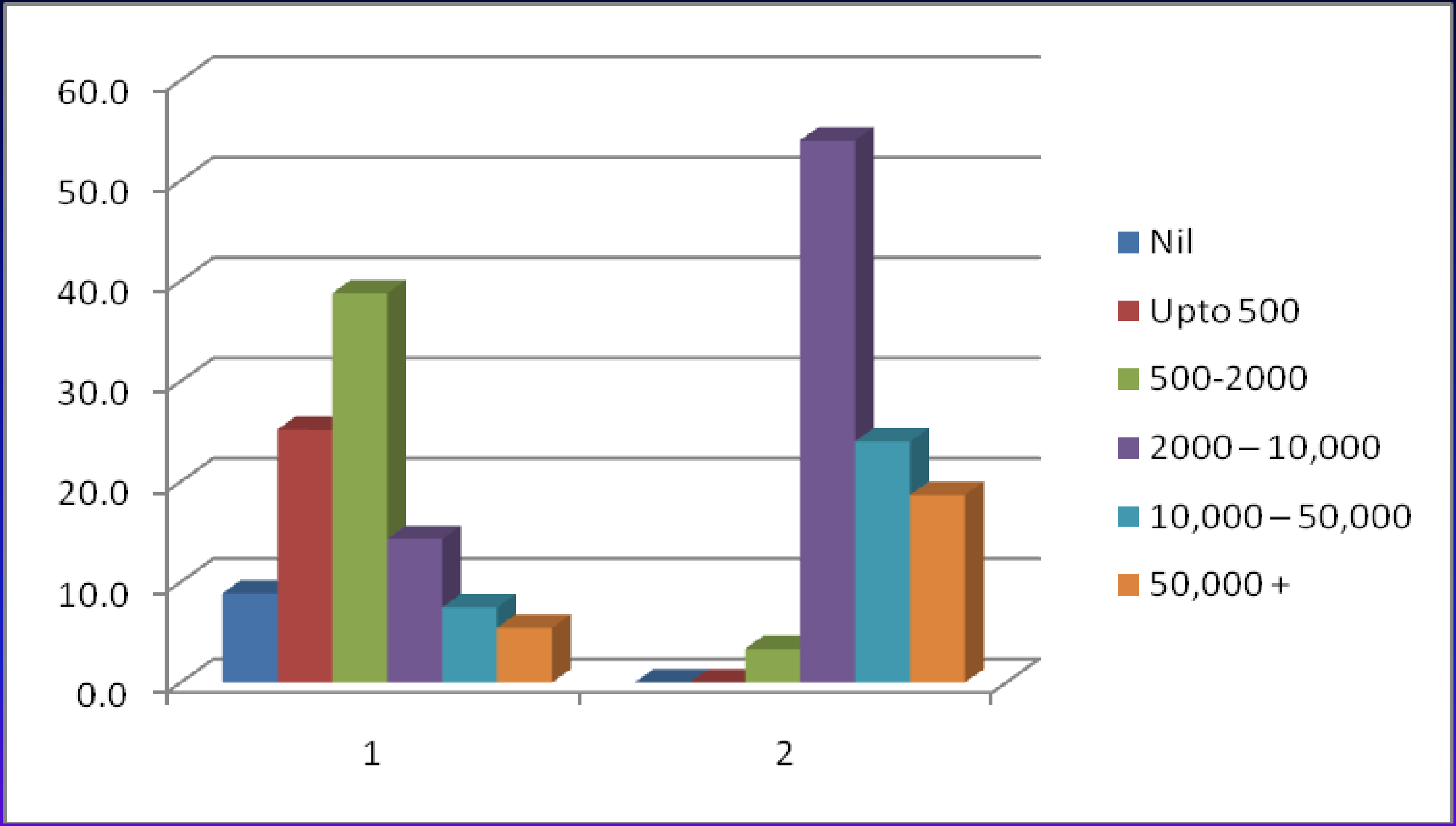
Expenditure: Secondary



Series 2. Public

Series 4. Private

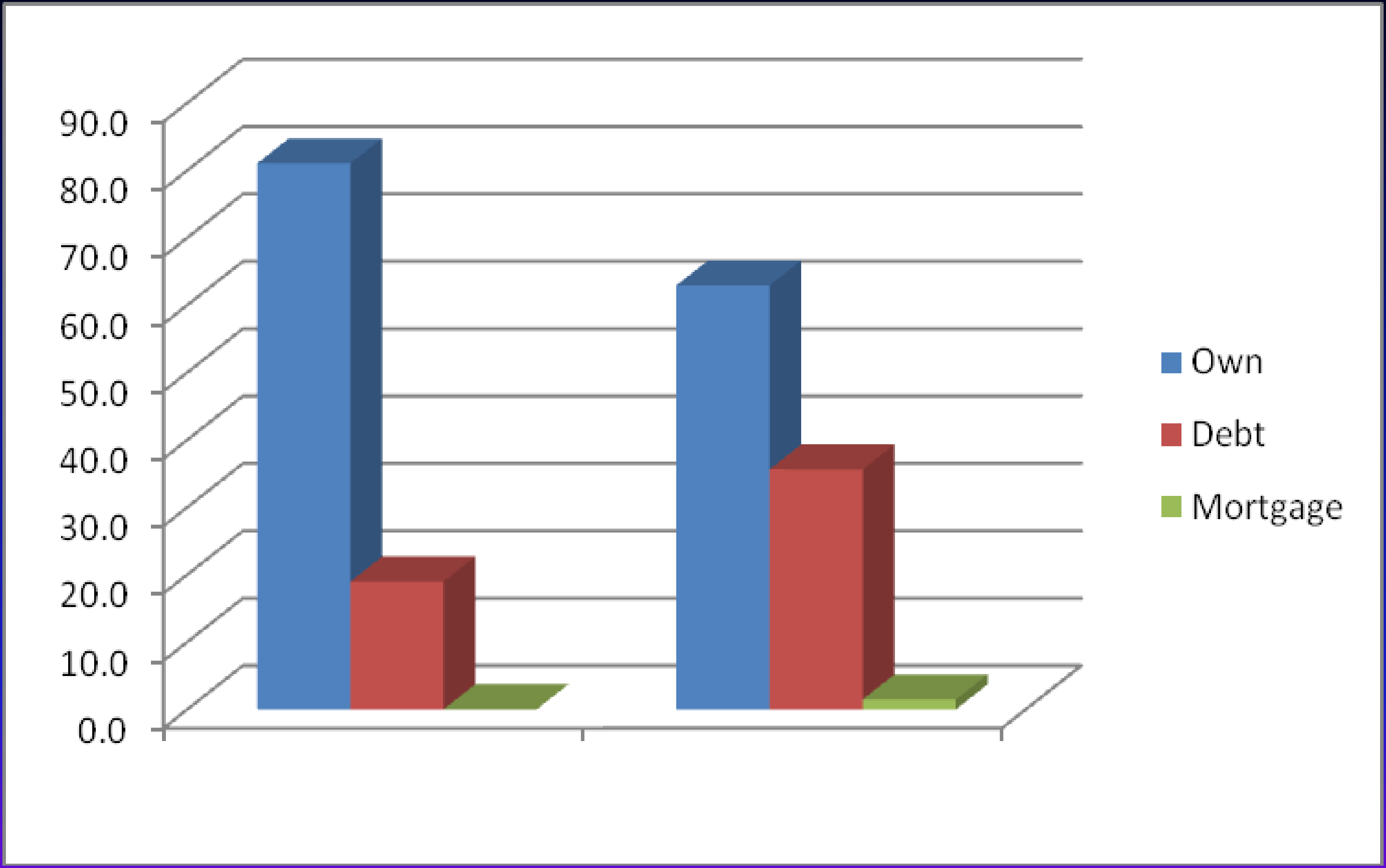
Expenditure: Tertiary



Series 2: Public

Series 4: Private

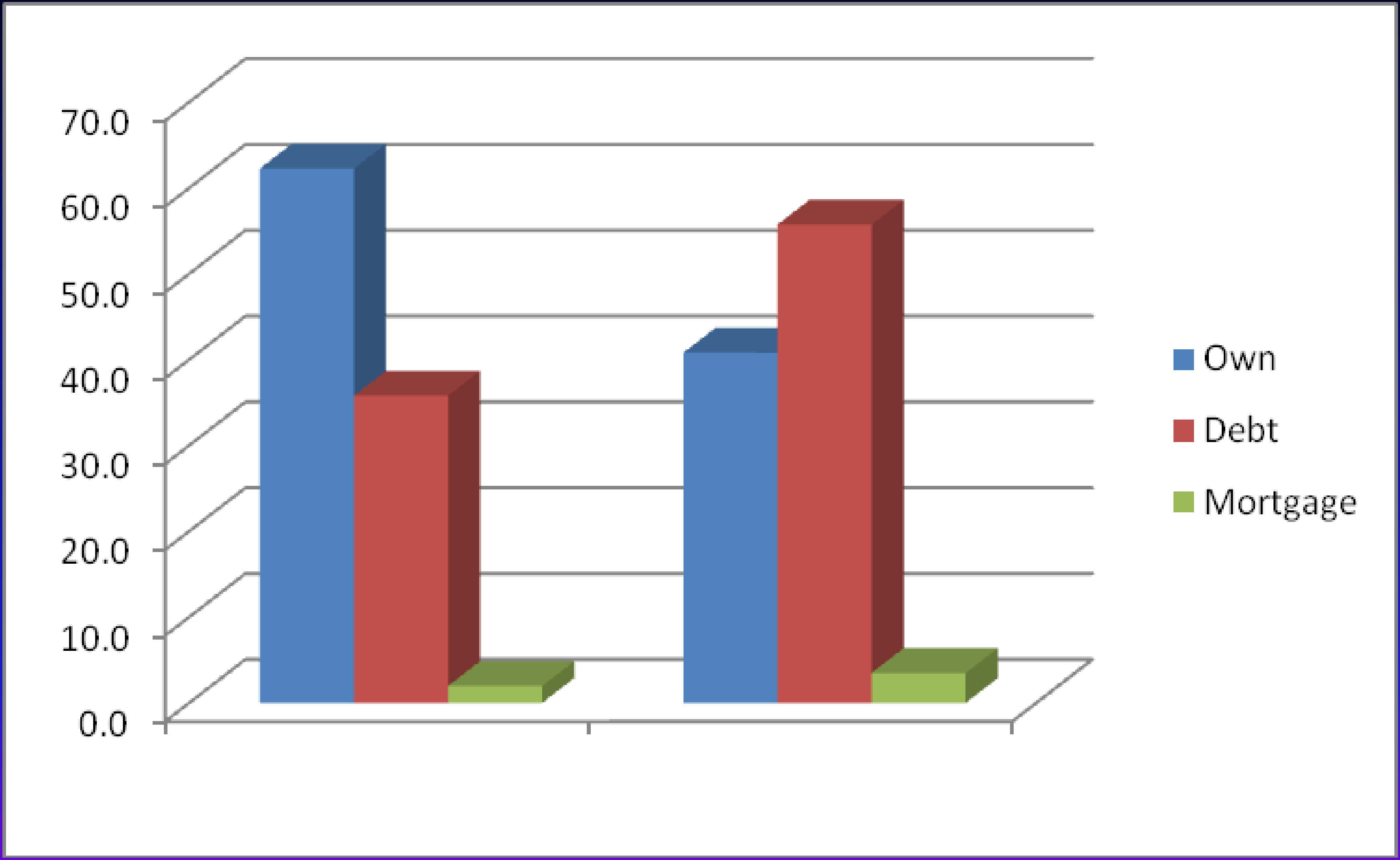
Source of Funds: Primary



Public

Private

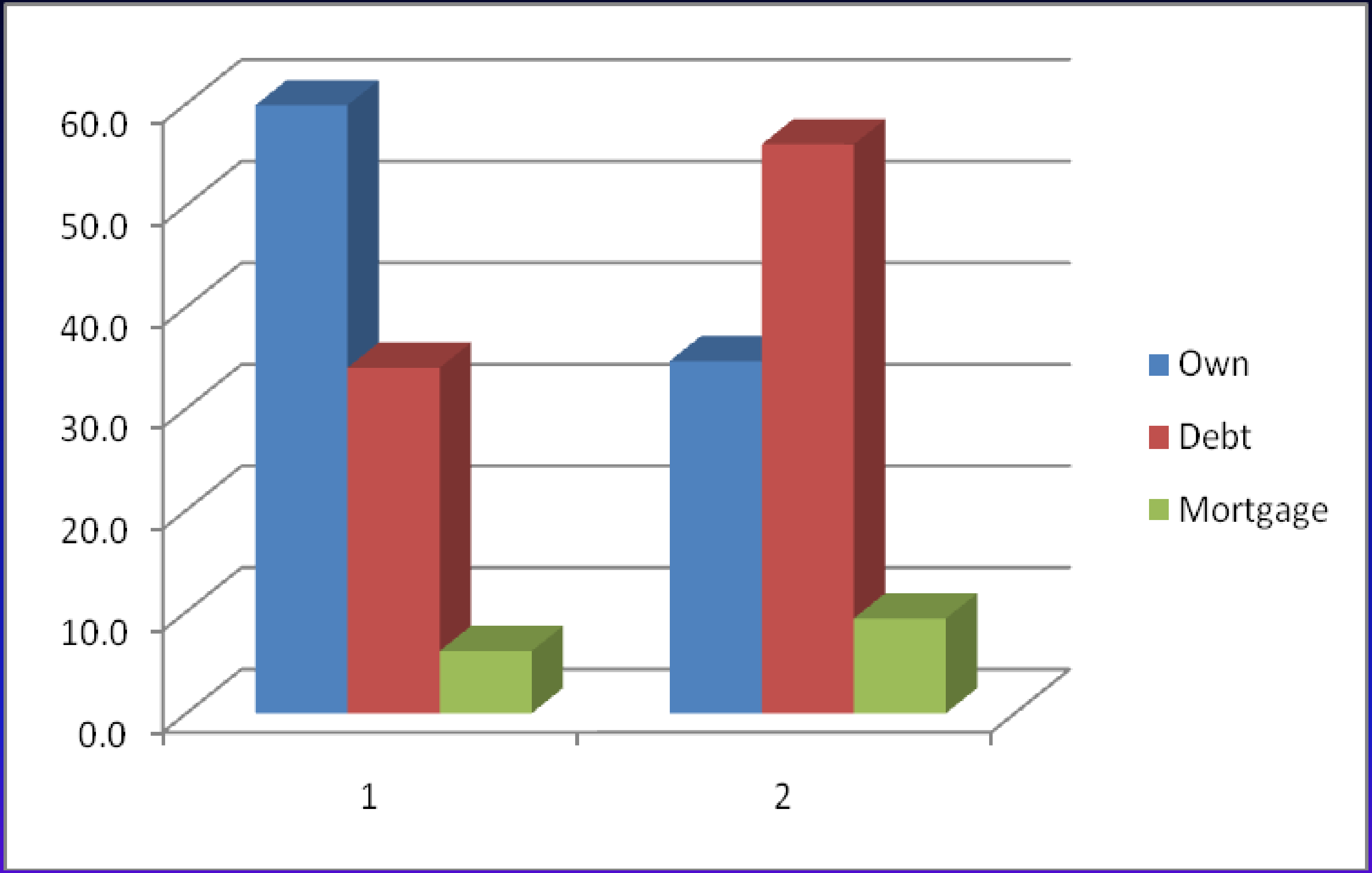
Source of funds: Secondary



Public

Private

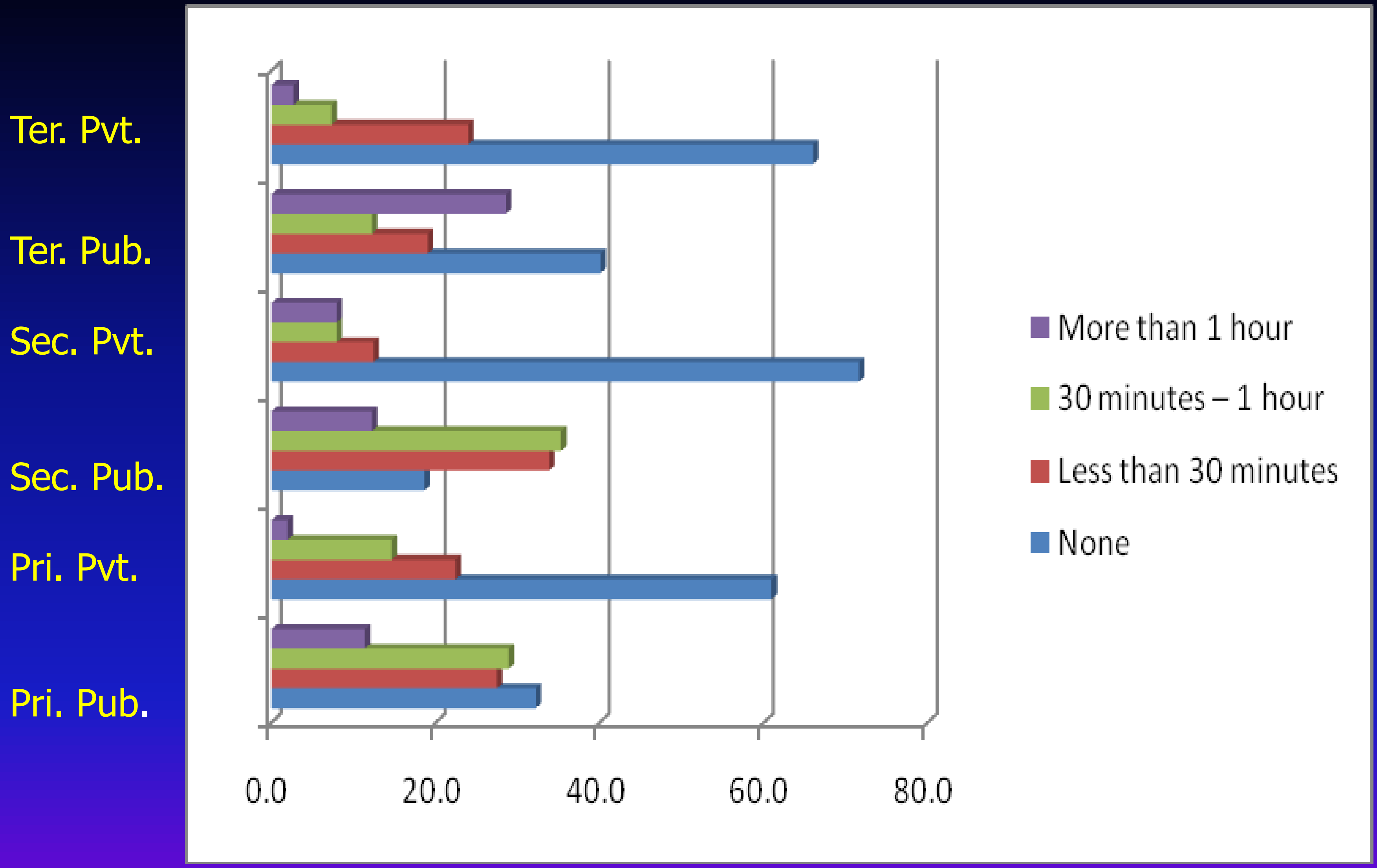
Source of Funds: Tertiary



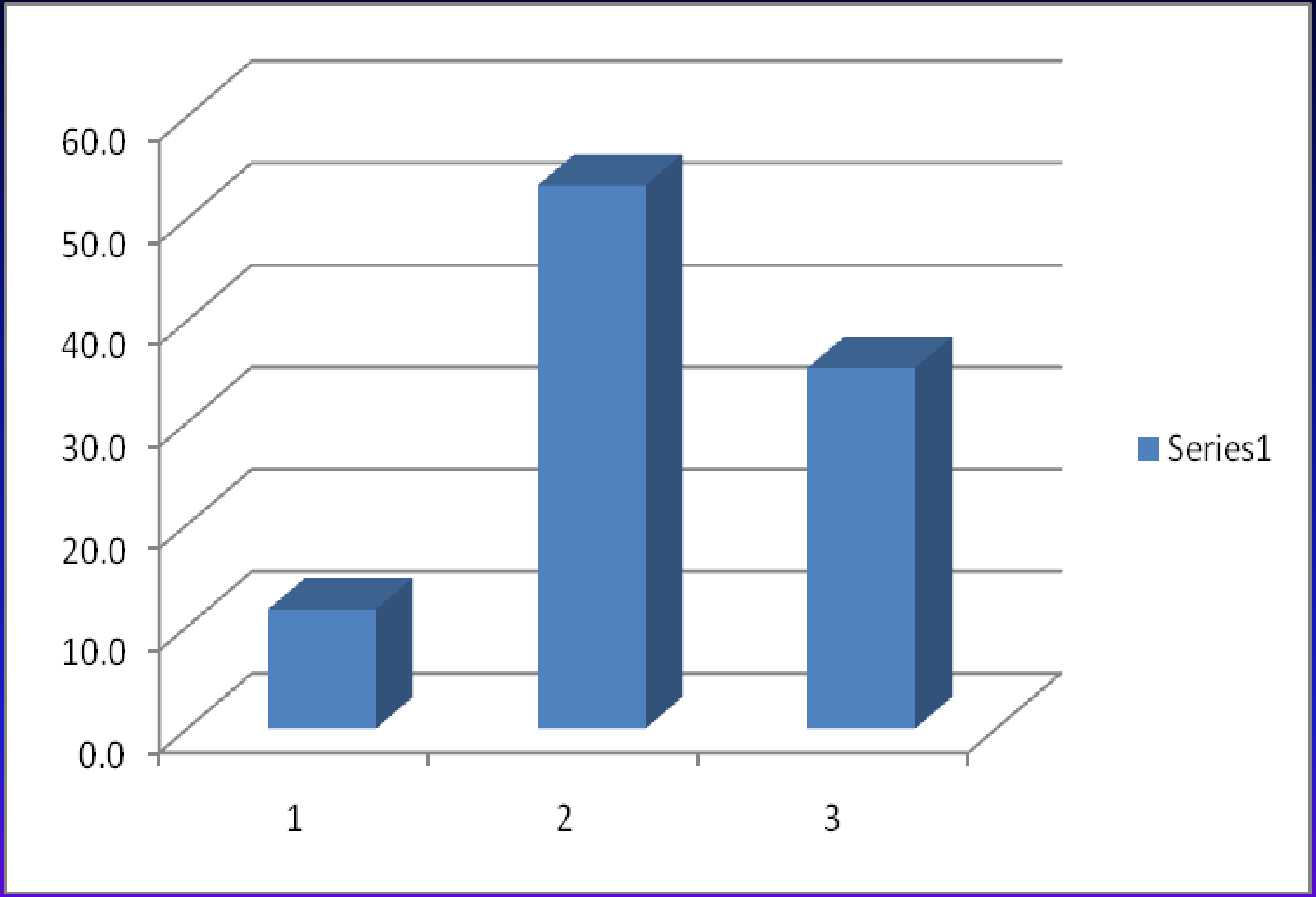
Public

Private

Waiting time: All facilities

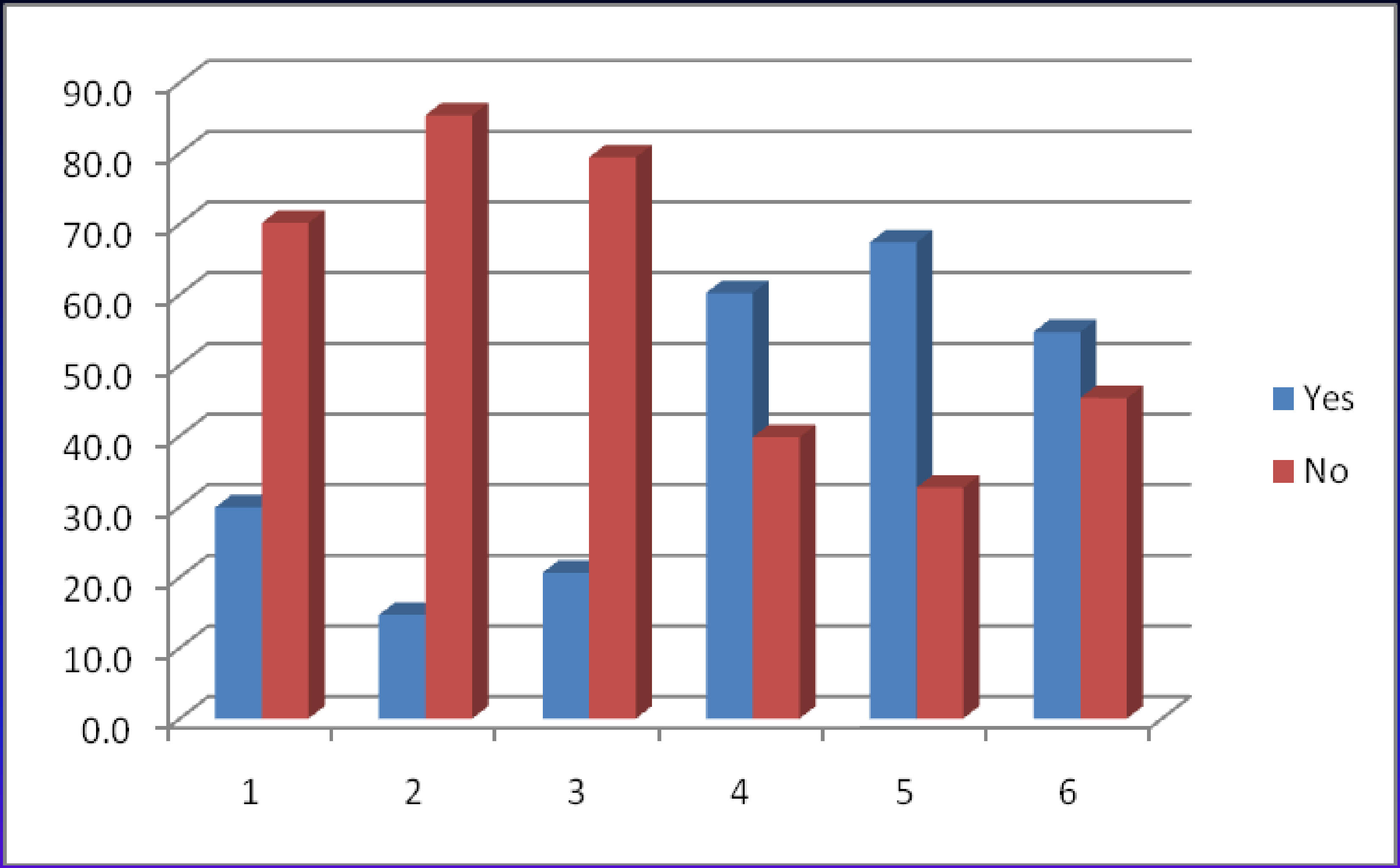


If Told of Costs: Private Sector



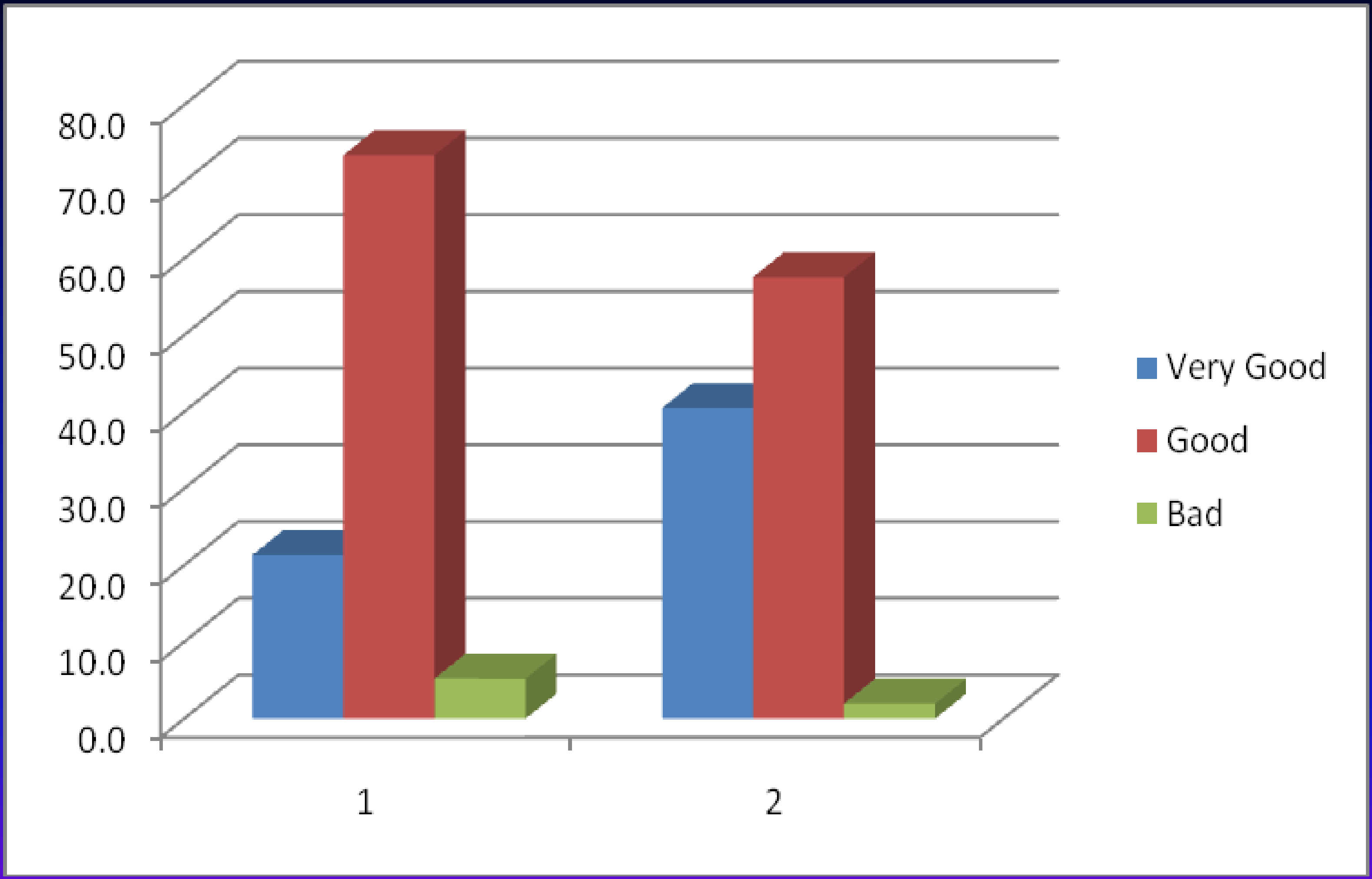
Primary Secondary Tertiary

If Explained About Illness: All Groups



1. Primary Public
2. Primary Pvt.
3. Secondary - Public
4. Secondary Pvt.
5. Secondary Pvt.
6. Tertiary Pvt.

Behaviour of Personnel: Primary



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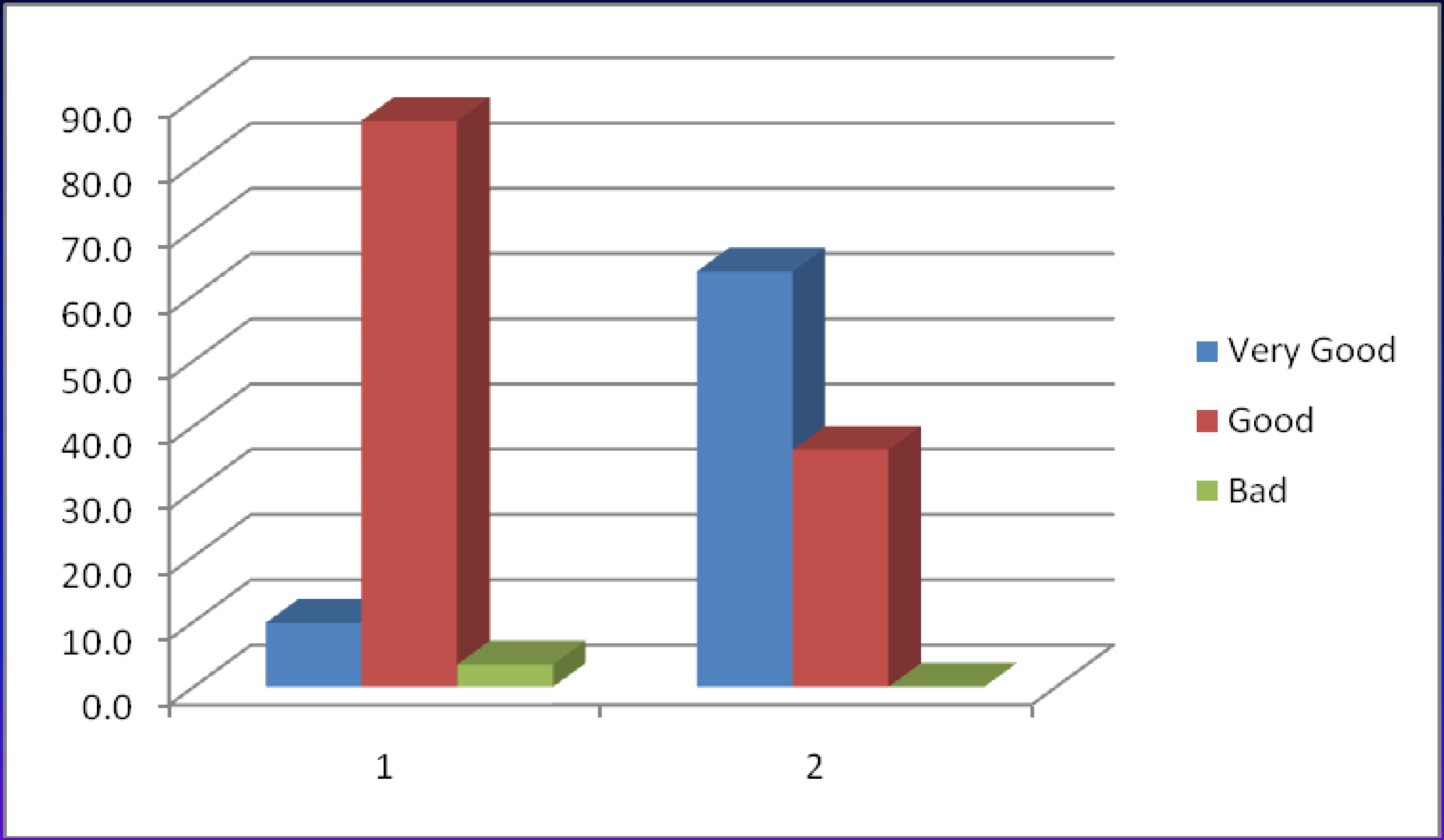
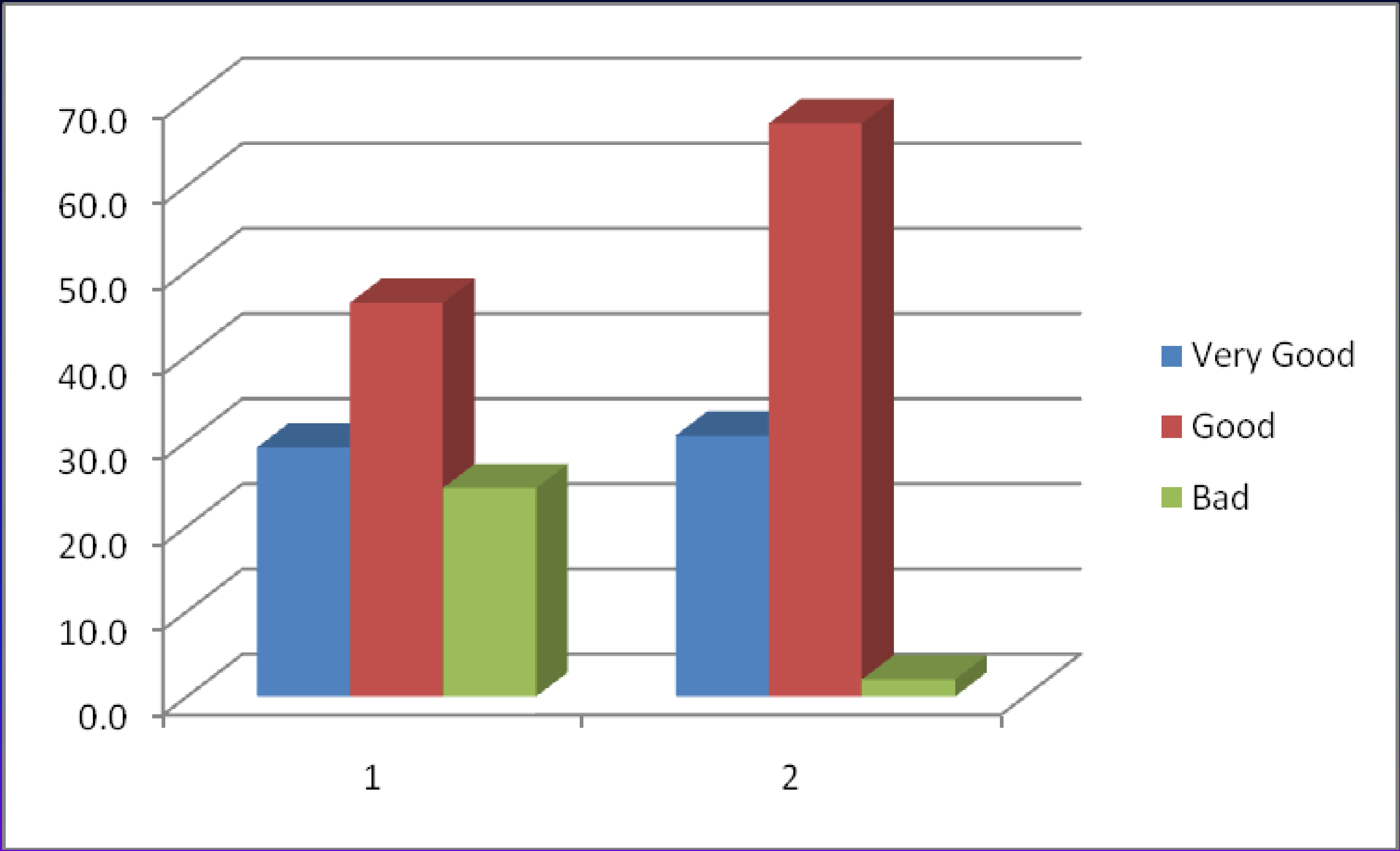
Behaviour of Personnel: Secondary



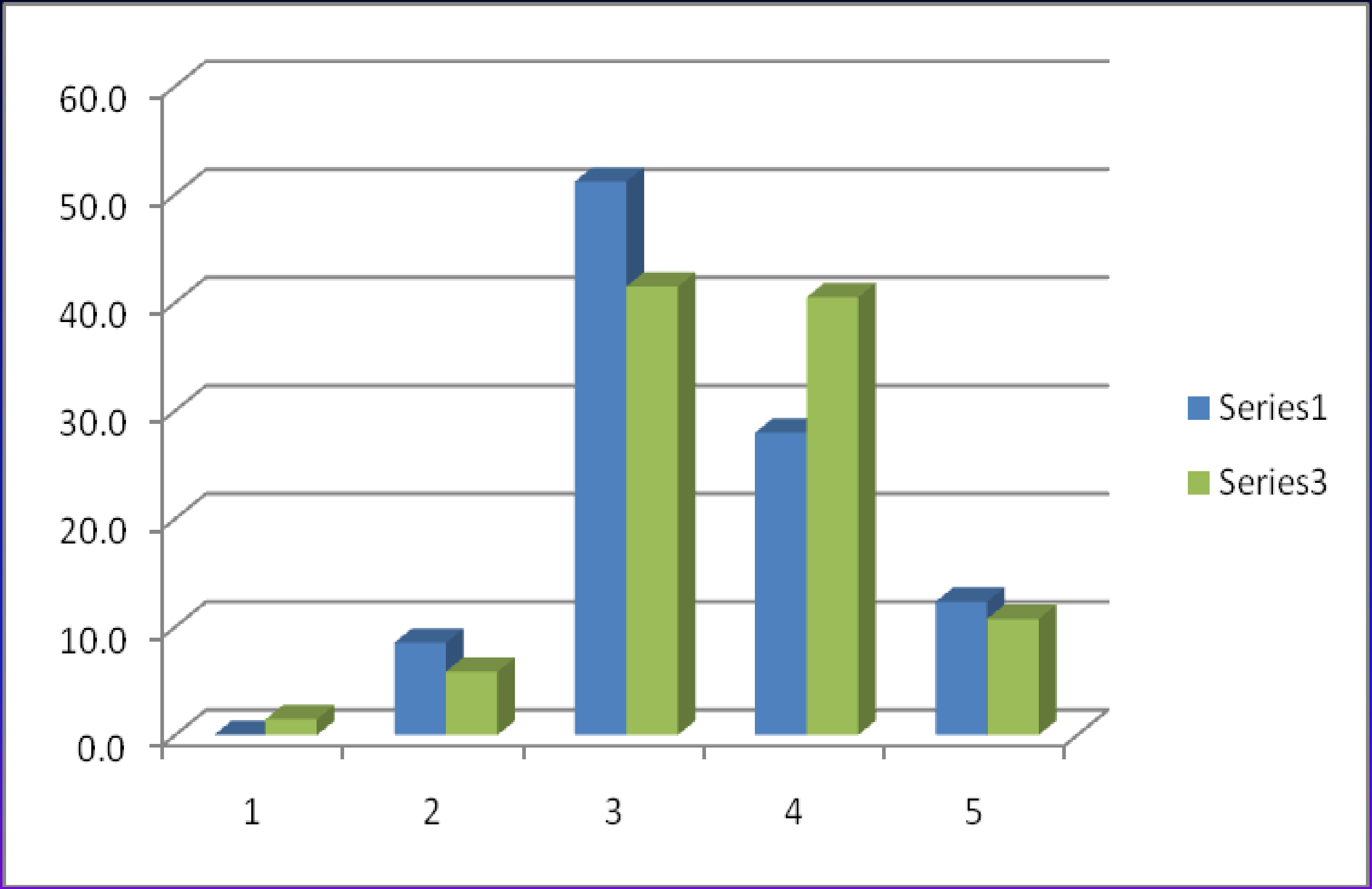
Public　　Private

Behaviour of Personnel: Tertiary



Public Private

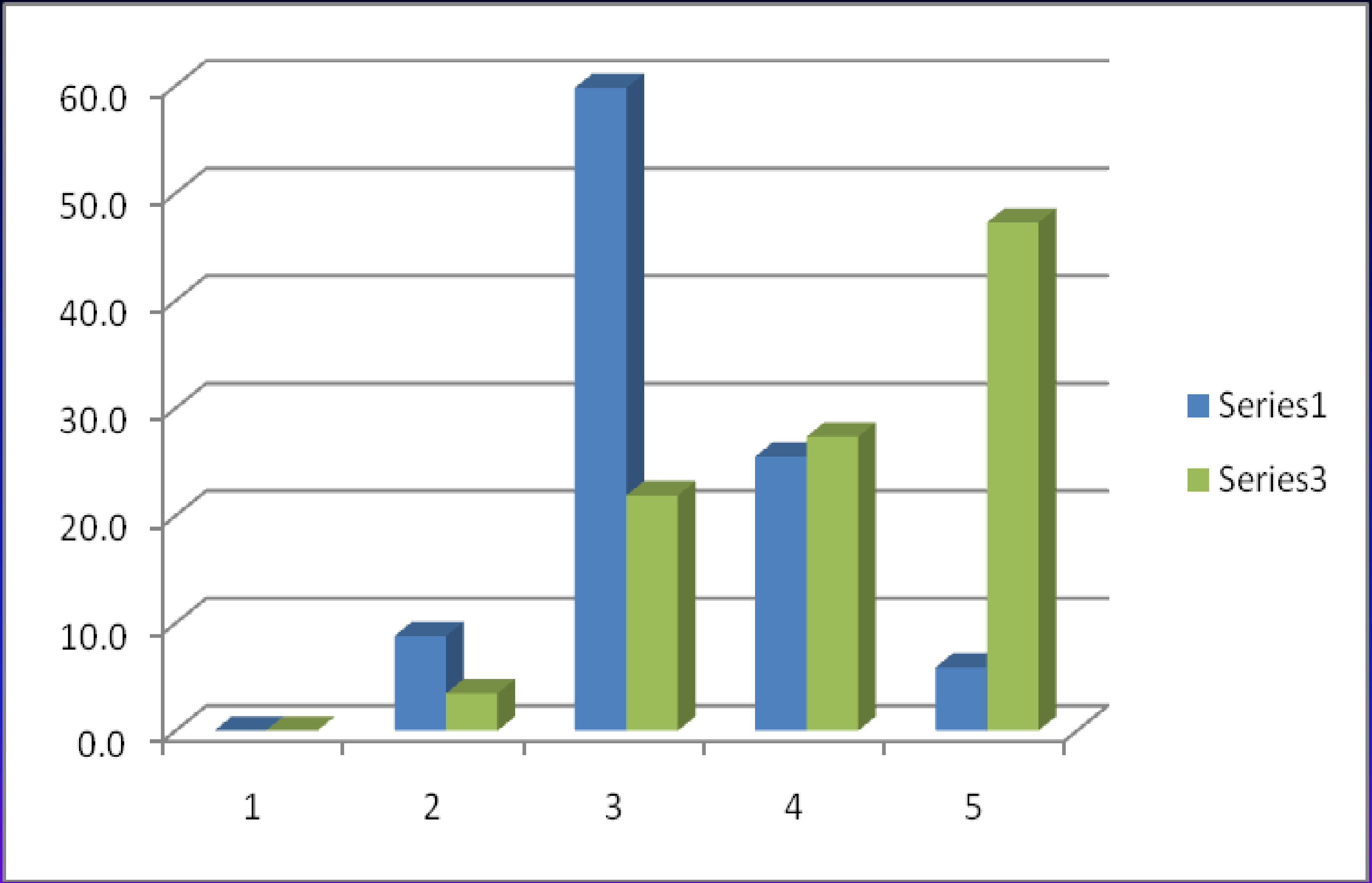
Level of Satisfaction: Primary



Series 1: Public

Series 3: Private

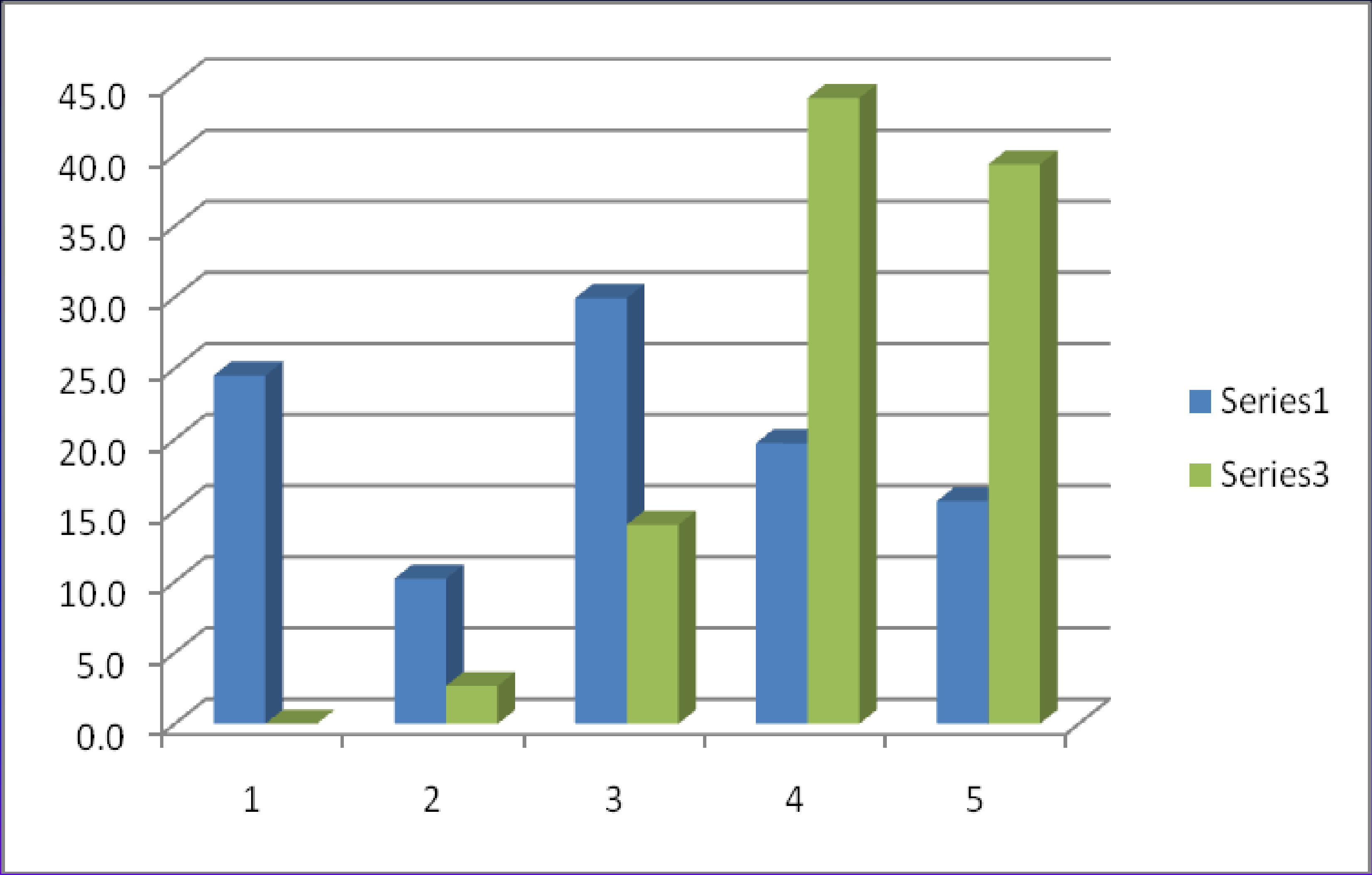
Level of Satisfaction: Secondary



Series 1: Public

Series 3: Private

Level of Satisfaction: Tertiary



Series 1: Public

Series 3: Private

Thank You!