

Health Economic: A Study on Health Care Status in India

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Abstract—A state of complete physical, mental and social well-being and not merely an absence of disease or infirmity are considered as a health. Economics deals with human relationships within the specific context of production, distribution & consumption including ownership of resources (health services). Health Economic is a branch of economic concerned with issues related to scarcity in the allocation of health & health care.

This study makes an attempt to understand the medical (health) care services that are growing in both quantity and quality with resource being devoted increasing day by day. It also study the national income and expenditure, aggregate demand and consumption, aggregate investment level in both private as well in government sector. It is important to have study on Health Economics because it covers different sectors such as;

- Allocation of resources between various health activities.
- Quality of resources used in health-care
- Organization of healthcare institutions.
- The efficiency with which the resources are allocated & used for health-care purpose.
- The effects of comprehensive health services on individual and society.

1. INTRODUCTION

Economics applies to the field of health or now called as health economics. It is a study seeking services delivered, its financing, the efficiency of allocation of resources and its use, and outcome of preventive, curative and rehabilitative health services.

Every society and the government promises to improve the health status of its population. Accordingly funds are allocated for the purpose to be utilized by various agencies including health care establishment. Despite of abundance of funds, a large proportion of such allocation is frittered away because of arbitrary and unscientific spending resulting in avoidable waste without achieving the desired health status. Developed country seems to be more concerned about economizing, whereas developing countries seem to be totally insensitive to this aspect. It could be due to ignorance of scientific method of allocating and using the resources or lack of accountability which permits wastage of scarce resources.

Therefore to understand health economics that is nothing but the science of efficient use of health resources, it would be required to understand the concept of cost. The structure of health budget, health services expenditure and its outcome can be sub divided into capital expenditure on physical facilities. Public expenditure on health in India in terms of percentage of GDP has not increased in the last few years and the share of the central government has been steadily declining over the year. However, there per capita public expenditure has gone up from Rs. 621 in 2009-2010 to Rs. 890 in 2012-2013. In 2012-2013 public expenditure on health was 1.08% of GDP. The figure has not changed since 2009-2010.

In India, it is estimated that the level of healthcare spends relative to GDP is just over 5%. This is extremely low, particularly when developed countries like UK, Germany, and USA are at 8%, 11% and 15% respectively. Comparing to developing countries like Brazil, China and Russia which are at 8%, 5% and 5% respectively. In India, less than 3% of the total healthcares spend is financed through health insurance (source: India Non-Life Insurance Industry Year Book 2012-2013). India's public spending on health as a percentage of GDP is one of the lowest among the SEARO countries. Commission had pointed out that 70% of the out of pocket expenditure on health in India.

This study is done on topics like determinants of health, demand for health and healthcare, supply of health services, health insurance, cost-effectiveness, cost-utility and cost-benefit analysis and efficiency and distributional aspects of health policy.

2. OBJECTIVES OF THE STUDY

- To study the demand and supply of health and healthcare services.
- To Study the efficiency and distribution aspects of health policies.

3. METHODOLOGY OF THE STUDY

Secondary research was conducted to review the present status of health and healthcare in India. The data was collected through secondary sources i.e. published articles, journals, reports and websites.

1. Determinants of Health

There can be many factors combining together to affect the health of individual and communities. The circumstance and environment determine the healthiness of people and the communities. The determinant of health includes the social and health environment, the physical environment and the person's individual characteristic and behavior. The health of an entire population is determined by aggregating data collected on individuals. The health of an individual is easier to define than the health of a population. Once the definition of optimum health for the individual is agreed upon, health status can be placed along a continuum from perfect health to death. No comparable scale exists for whole populations.

2. Demand and supply for health and healthcare

The healthcare sector in India will grow to \$158.2 billion in 2017 from \$78.6 billion in 2012, a report has said. "The healthcare sector is growing at a 15% CAGR and jumped from \$45 billion in 2008 to \$78.6 billion in 2012 and expected to touch \$158.2 billion by 2017," Equities Capital said in its report.

With the growing population, country's per capita healthcare expenditure has increased at a CAGR of 10.3% from \$43.1 in 2008 to \$57.9 in 2011 and growing forward this figure is expected to rise to \$88.7 by 2015. The country's healthcare system is developing rapidly and it continues to expand its coverage, services and spending in both the public as well as private sectors. (Source: The Economic Times)

If we talk about the demand and supply of healthcare facilities, human resources is the major factor required to satisfy the need of the health services. As per the data published by the government, the total demand of female health assistant in tribal areas is 23,887 which are sanctioned to 23,182. It shows a shortfall of 9,036 female assistants. Similarly, for male assistant in tribal area, the required position is 23,887 whereas the sanctioned position is 22,964. There is a shortfall of 9,935 male assistant. Report also mentions that there is shortfall of 2,866 doctors in tribal areas. If term of available infrastructure in all the states and union territories, there is shortfall of 20% of sub-centre, primary health centre shows the shortfall of 24% and in community health centre there is a shortfall of 20% (Source: www.data.gov.in)

The above data shows the scope of new investment required in the healthcare industry. Both government and private organizations are required to invest more for minimizing this gap between demand and supply. This will also put significant impact on the cost of health services currently available.

3. Health insurance

As per the estimate prepared by Insurance Regulatory and Development Authority (IRDA), only 21.62 crore people, or 17 per cent of the total population was covered by health insurance at the end of March 2014. The estimate is sharply lower than that of the World Bank.

Health spending is the major reason for causing poverty in India. It has been found that from 2007 to 2012, government sponsored schemes contributed to a significant increase in the population covered by the health insurance. It is also estimated that half of the population could be covered by the end of this year. Estimated 70 per cent expenses of the health are incurred as out of the pocket expense which leads towards poverty.

Official data reveals that 15.53 per cent population is covered under government sponsored insurance, about 3.37 per cent are non government group covered and 2.73 per cent have individual coverage.

India rank third in the WHO latest list of countries highest Out-of-Pocket-Expenses on healthcare in the south-east Asia region. Health expenditure of Nepal stands to 49 per cent and Sri Lanka expense stand to 44 percent as compared to 60 per cent of India. Other country in this region is spending less on out-of-pocket expense as compared to India. Government should make efforts in making health insurance compulsory in India. This will help in raising the standard of living of the people and save their hard earn living which is like to be spent in availing healthcare services.

4. Cost-Effectiveness, Cost-Utility and Cost-Benefit Analysis

Total of public health expenditure of all the states and union territories has doubled between financial year 2008-09 and 2014-15. As a percentage of gross domestic products, expenditure in financial year 2014-15 remained at 1.2 per cent. The outcome budget for 2015-16 for the department of health and family welfare as approved by the Government of India for National Health Mission (NHM) is 18328.46 crore. For non-NHM health programme, 11324.54 crore has been allotted. The overall outcome budget allotment is 29635 crore for both NHM and Non-NHM programmes.

The outcome of the budget spent on the NHM programme can be evaluated by comparing the achievement of the country in comparison to the goal of National Health Mission of India of the Millennium Development Goals. Government reports says that India might achieve Maternal Mortality Ratio (MMR) considering the improvement in MMR in 1990 which was 590 to 140 in 2015 (goal 5 of MDG). Infant Mortality Ratio (IMR) to be achieved by 2015 is 39/1000. The IMR of India in 1990 was 560 per one lakh birth. As per the Sample Registration Survey (SRS), India was at IMR of 52/1000 in 2013. It seems difficult for India to achieve its target by the end of 2015. Whether it is a target set by United Nations Millennium Development Goal or it's a goal of National Health Mission,

the cost-benefit or the outcome of the invested budget will be justified once we achieve them.

4. CONCLUSION

Competitions in the market benefit the society by reducing the price of services and improving the efficiency of resource allocation. Top priority of the Government should be formulation and implementation of such policies that will enhance the healthcare situation in the country. The above discussion was first to give an insight into the working of market and its regulation by the government for larger benefit of the society. Lack of health insurance is still making large population poor every year. Government should take into consideration this aspect for making it compulsory to every citizen. Talking about the demand and supply of the health service, we still need to fill a huge gap in terms of various essential resources. Human resources need to be properly allocated and infrastructure development is essential for providing service. Overall, Government needs to allocate more funds to the public spending from the gross domestic product.

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