People Power

Is National Health Insurance Viable in India?

The UPA government's National Common Minimum Programme advocates a national health insurance scheme to help poor tide over the economic crises resulting from costs of illhealth. Is such insurance a viable option? This requires detailed examination, and a serious national debate. Several states are toying with such an idea of health insurance in recent months. Any hasty decisions without careful evaluation of costs and benefits will land the nation in a potentially no-win situation.

Let us look at the key features of our health crisis. First, public health expenditure in India is among the lowest in the world as a share of GDP, at less than 1%. What is more, as a proportion of the total health expenditure, it accounts for under 20%, making India a member a small group of nations in extreme distress – like Cambodia, Burma and Afghanistan. Private health expenditure accounts for 80% of the total health care costs.

Second, most of the private expenditure is out of pocket (nearly 97%), as there is neither health insurance coverage to the bulk of the people, nor a viable risk pooling mechanism. As a result, the economic consequences of illhealth to most families are devastating. Surveys show that a single episode of hospitalization costs a family about 60% of the annual income on an average. This high average out-of-pocket expenditure applies to all cases of hospitalization – whether in a public hospital or private facility. This is because even in public hospitals, costs are incurred for transport, accommodation and board for the patient and attendants, bribes, and often investigations in private facilities and purchase of drugs unavailable in government hospitals. As a result, 40-60% of hospitalized patients borrow heavily at high interests, and upto 25-30% people fall below poverty line on account of healthcare costs.

The mounting cost of hospital care, increasing out-of-pocket expenditure, and its catastrophic impart on personal and family finances do demand an innovative and flexible risk-pooling mechanism to provide a security net for the poor. But a traditional private insurance scheme has several problems in our conditions.

Advancing technology has skyrocketed hospital costs. With increased private investments in expensive equipment and facilities, there is ever increasing temptation to subject every patient to a plethora of largely unnecessary and costly investigations. Many hospitals are billing huge amounts for heroic interventions even in cases of terminal illness! A national health insurance will merely transfer these costs to the public exchequer, without commensurate improvement in health-care.

Experience of many health insurance projects run by civil society initiatives and non-profit foundations indicates that the average actuarial costs even for a modest health insurance coverage will be about Rs. 300 per capita per annum. A national scheme involves coverage of about 300 million poor people with full government subsidy, and

another 400 million lower middle-class people with 50% subsidy. The cost to the exchequer will be around Rs. 15,000 crore per annum for any credible national insurance programme, even with modest and limited risk coverage. When the current public health expenditure is only Rs. 25,000 crores, a 60% escalation only for health insurance is unrealistic and unsustainable. Such shift in expenditure will actually result in subsidizing private hospitals and drive investment into curative medicine.

What is worse, such diversion of expenditure will further diminish resources for preventive and pubic health. Most of the disease burden is a consequence of failure of primary care. The need of the hour is clearly to strengthen preventive and public health systems in order to give best value for the money spent, reduce disease burden and promote the health status of the community. Excessive reliance on health insurance as a means of health-care delivery is neither prudent, nor cost-effective. Health insurance will only address the symptoms of failure of pubic health, without reducing the disease burden. This failure of preventive health will only escalate costs of curative medicine, in the fond hope that more hospitals will ensure better health!

Many advanced countries witnessed spiraling health-care costs on account of accent on hospital care and insurance-based medicine. Insurance usually involves adverse selection of beneficiaries, as those who are likely to benefit from hospital care are more likely to join it. There is also the moral hazard problem of two kinds – poor hospital care once the population is enrolled in the risk-pooling mechanism, and over consumption of medical services by the richer and better-informed sections. As a result, in OECD countries, health-care costs are growing much faster than GDP. The total health-care costs in rich countries are estimated at an astronomical $3 trillion. Let us not repeat the mistakes of other countries.

Disease spectrum is indeed changing slowly even in India with enhanced prosperity, better preventive care and longer life-spans. India should therefore move towards risk-pooling options to reduce the burden of hospital costs on individual patients. But we need to hasten slowly. Our first priority should be improvement of public health delivery system. That is where the least investment yields the best returns. Meanwhile, the government can encourage the innovative schemes taken up by credible institutions like SEWA in Ahmedabad or Tribhuvandas Foundation in Gujarat. Subsidies to such schemes are necessary, and a national health insurance can be contemplated in the coming decades based on a review of their experiences. Premature steps towards national insurance will only strengthen private sector hospital care and subsidize it at the cost of public sector, which is already floundering.

Instead, India needs to devise risk-pooling schemes primarily involving public sector institutions. In a scheme where money follows the patient and public hospitals are rewarded on the basis of services delivered, the incentives will be dramatically altered, and service will improve. Such risk-pooling will strengthen public sector while providing relief for the poor.

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