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Charting the Course: Trends in Public Health Expenditure across Indian States with a focus on Kerala's Steadfast Commitment.

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Abstract

The universal health coverage plays a crucial role in achieving the goals and sub-goals of the 3rd SDG goal of United Nations 2015. It measures the ability of countries to ensure that everyone receives the health care they need, when and where they need it, without facing financial hardship. It covers the full continuum of key services from health promotion to prevention, protection, treatment, rehabilitation and palliative care.

To achieve the Sustainable Development Goals (SDGs) and realize the vision of Universal Health Coverage (UHC), the Government of India has introduced various initiatives and schemes in the health sector. This paper explores the trends in public health expenditure (PHE) across Indian states from 2009-10 to 2022-23, highlighting Kerala's consistent dedication to healthcare financing. Public healthcare spending in India remains insufficient compared to many other countries.

Kerala, known for its robust healthcare system, demonstrates a consistent level of public health expenditure. While, most of this surge can be attributed to the states rather than the central government. The notable increases in Kerala's healthcare spending during the years of 2020-21 and 2021-22 highlight the state's proactive response to public health emergencies such as the Covid-19 pandemic, Nipah virus outbreaks, and severe flooding. Given the resource constraints, this achievement is commendable. But the scenario of out-of-pocket expenditure (OOP) in Kerala underscores the state's healthcare challenges despite significant public health investments, with many households burdened by substantial OOP

costs. This situation calls for policy interventions to enhance financial protection and expand public health coverage, reducing the fiscal strain on residents. Furthermore, the trend of diminishing central assistance necessitates increased state funding, highlighting the need for strategic investment and support from both state and central governments to ensure equitable healthcare access.

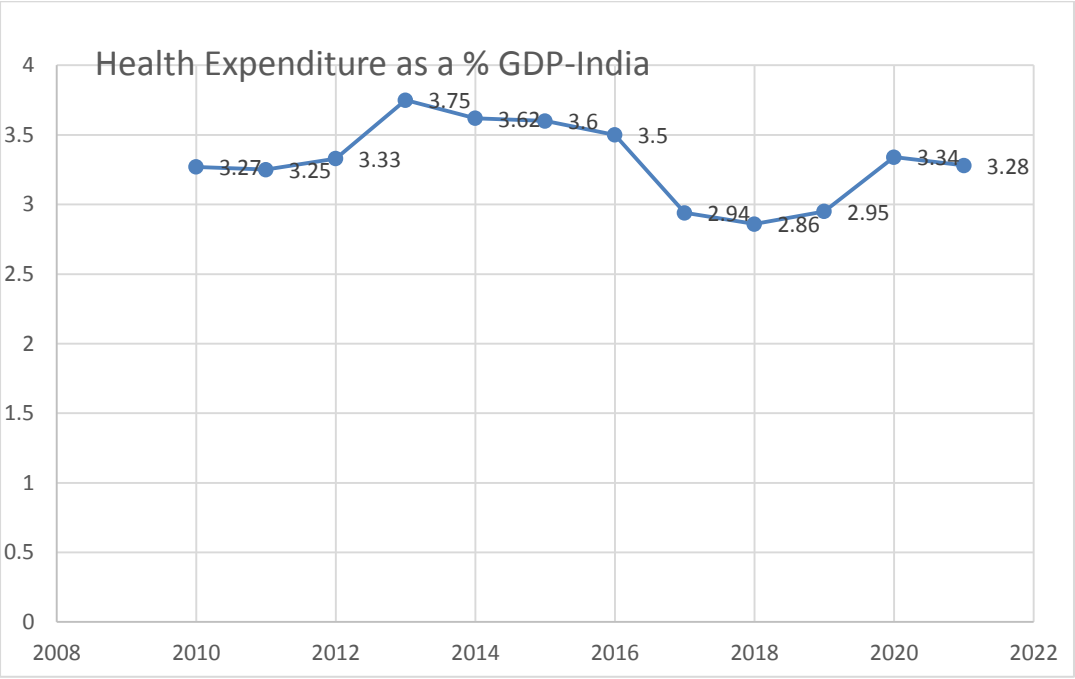
I. Evaluating Shifts in State Public Health Expenditure:

The world is moving at a rapid pace to make progress towards achieving the universal health coverage goal of SDG 3 by 2030. Progress towards this goal is monitored through two key indicators: the UHC service index and catastrophic health spending[1]. Where does India stand in its pursuit of healthcare goals? Currently, India ranks 63rd in the UHC Service Coverage Index among G-20 nations and faces one of the highest levels of catastrophic healthcare spending within this group.

In India, health expenditure as a percentage of Gross Domestic Product (GDP) reflects the nation's commitment to ensuring robust healthcare infrastructure and services for its population. Over recent years, India's expenditure on healthcare has shown varied trends (Fig 1.1) influenced by economic fluctuations, public policy initiatives and healthcare reforms. The National Health Policy of 2017 aims for "the highest possible level of health and well-being for all ages," emphasizing preventive and promotive healthcare across all development policies and ensuring universal access to high-quality healthcare services without financial hardship.

[1] Proportion of population spending more than 10% of household income as out-of-pocket health care expenditure.

Figure 1.1 - Health Expenditure as a per centage of GDP (India) 2008-2022



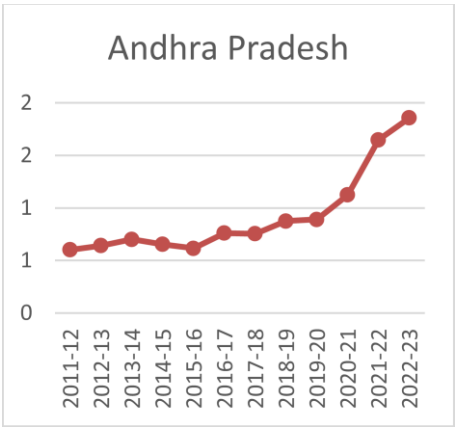
Source: Based on WHO, Author Compilation.

To achieve this, the Policy advocates for increasing government health expenditure from the current 1.2 percent (2023) to 2.5 percent of GDP by 2025. Similarly, the Fifteenth Finance Commission's report recommended a progressive increase in public health expenditure by both the Union and States to reach 2.5 percent of GDP by 2025.

The data on per capita public health expenditure from 2011-12 to 2022-23 across these Indian states reveals varied approaches and priorities in healthcare investment. The significant increases in certain years likely correspond to state-specific health initiatives, economic changes, or responses to public health crises such as the COVID-19 pandemic. Kerala shows a remarkable increase in public health expenditure over the years peaking at 4% in 2021-22 during pandemic. Kerala's consistent upward trend highlights its prioritization of public health and its efforts to ensure robust healthcare infrastructure and services. (Chart 1.1. to Chart 1.16).

Trends in States Per capita Public Health Expenditure from 2011-12 to 2022-23

Chart 1.1.



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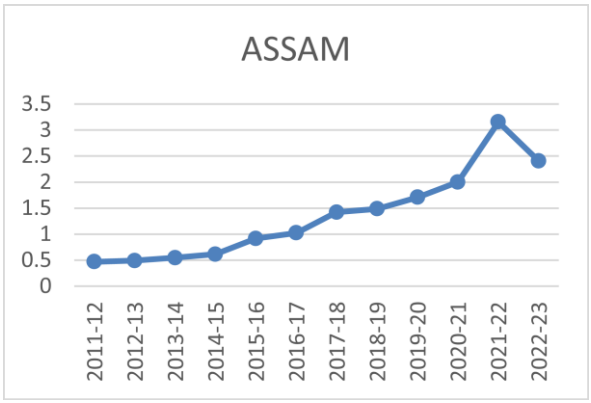

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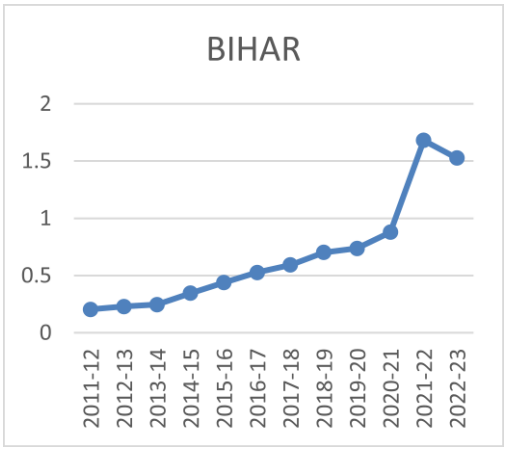

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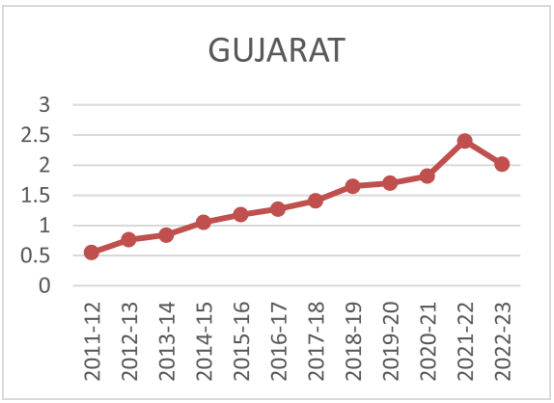

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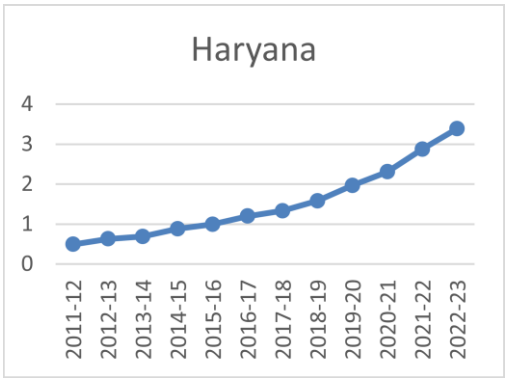

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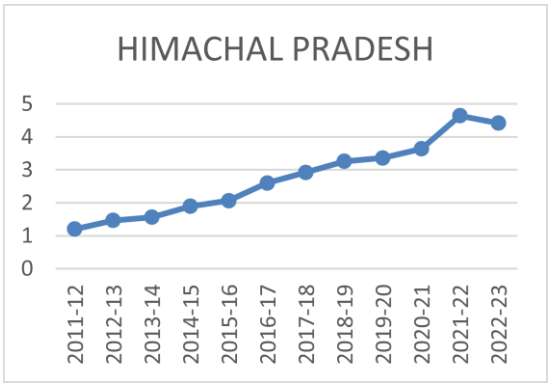

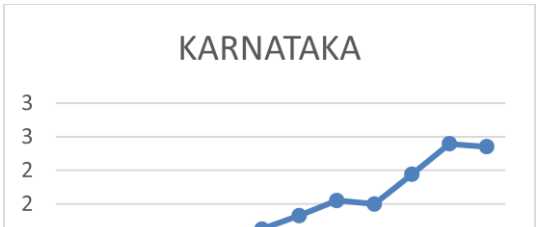

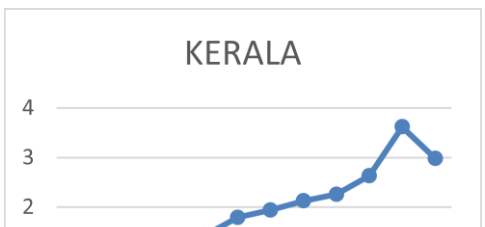

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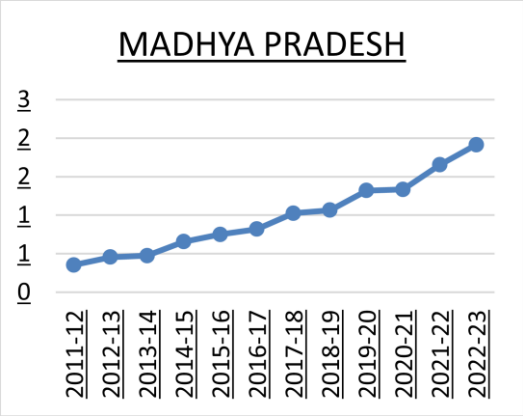

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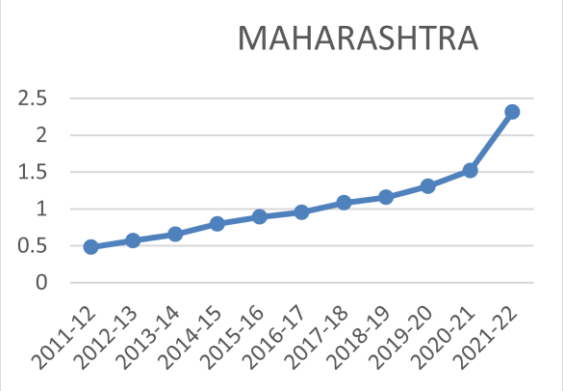

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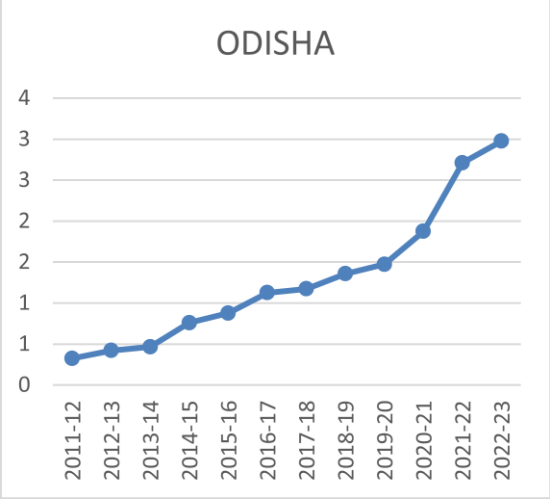

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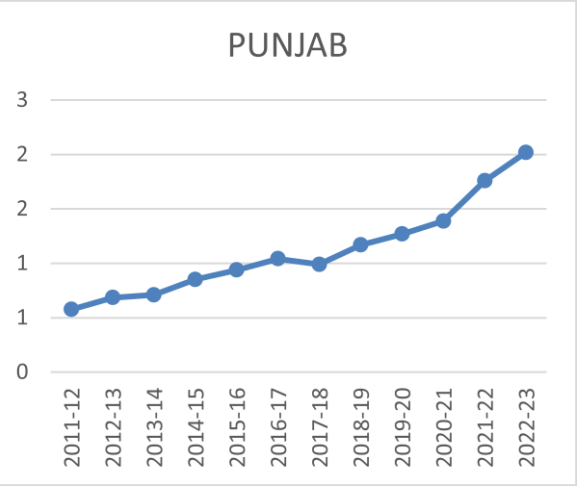

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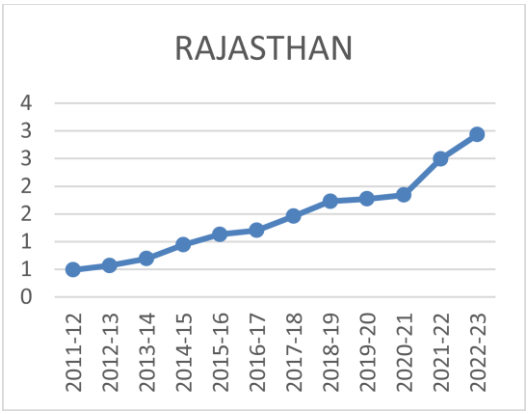

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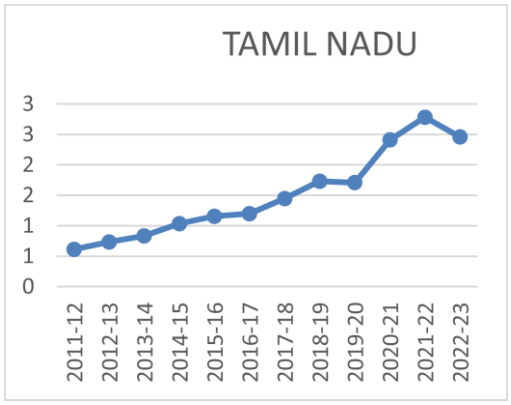

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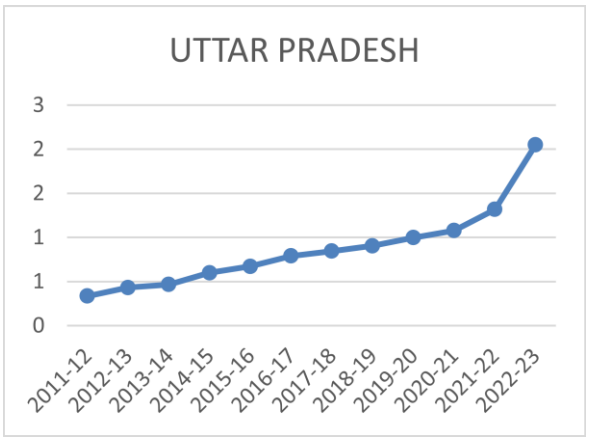

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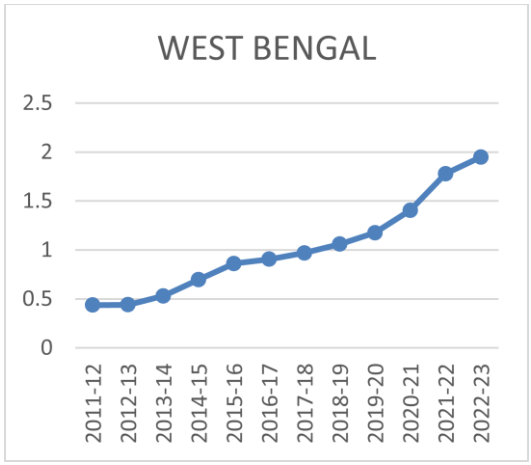


Source: Based on CAG reports. Author calculation.

The fiscal crisis which Kerala confronts today is a major factor that can affect the sustainability of the human development attainments and efforts of the state. (M. A. Oommen, Reforms and the Kerala Model, EPW 2008). Even now, this fact remains valid and relevant. These challenges are exacerbated by a declining trend in the share of Central Sector Schemes (CSS) to Public Health Expenditure (PHE).

II. Understanding Catastrophic Health Spending:

Financial protection through health insurance schemes is crucial as it shields individuals from the economic burden of unexpected healthcare costs, ensuring access to necessary medical services without financial hardship. It is measured as the share of the population living in households where out-of-pocket (OOP) health spending exceeds 10% or 25% of the household budget. (WHO). The global proportion of the population with catastrophic out of pocket health spending at 10% thresholds (SDG indicator 3.8.2) continuously increased from 9.6% in 2000 to 12.7% in 2015 at the beginning of the SDG era and reached 13.5% in 2019, representing over 1 billion people. The largest shares were reported in the Western Pacific Region (19.8%) and South-East Asia Region (16.1%); the lowest shares were reported in the Region of the Americas (7.8%) and the European Region (7.9%) (World Bank).

To know the efficacy in the spending of money on the health schemes, there is a need to scrutinize the out-of-pocket expenditure of the people. However, the scenario of out-of-pocket expenditure (OOP) in Kerala provides a nuanced understanding of the state's healthcare dynamics. Based on the data published in National Health Accounts 2016-17, it was found that household out-of-pocket expenditure constituted about 58.7% in Kerala which is backed up by another survey data by NSSO in the year 2004. By analysing the data, it was inferred that about 12% of the rural as well as 8% of the urban households fell into below poverty line category due to the health care expenses (Peter Berman and Rajeev Ahuja). Despite substantial public health expenditure, many residents still face significant OOP costs which can be a burden for households. This situation highlights a critical area for policy intervention, aiming to reduce OOP expenses through better financial protection mechanisms and more comprehensive public health coverage. The overall trend of decreasing relative contributions from central assistance and transfers also emphasizes the increasing fiscal responsibility on state governments to fund their public health initiatives. Balancing public health expenditure and reducing OOP costs is essential to ensure equitable healthcare access and outcomes across the country emphasizing the need for continued support and strategic investment in the health sector at both state and central levels.

Table 1.1. Indicators on Healthcare Utilization and Out of Pocket Expenditures (OOPE), 2014 (current prices)[2]				
Indicators	**Kerala**		**All India**	
Utilization Indicators	**Rural**	**Urban**	**Rural**	**Urban**
Proportion (per thousand) of ailing persons	310	306	89	118
% of non-hospitalized cases using public facility	35	29	25	20
% of non-hospitalized cases using private facility	62	65	64	73
% of non-hospitalized cases using Informal care (friends/relatives/	3	6	11	7
Proportion (per thousand) of hospitalized persons	117	99	44	49
% of hospitalized cases using public facility	35	33	42	32
% of hospitalized cases using private facility	65	67	58	68
Out of Pocket Expenditures on Healthcare (OOPE) Hospitalization Expenditure (excluding child birth) (In Rs.)				
OOPE per hospitalized case (Rs)-All	17303	13995	14473	21985
OOPE per hospitalized case (Rs)-Public	2871	2674	5369	7189
OOPE per hospitalized case (Rs)-Private	24978	19640	21034	28958
Child Birth Expenditure (as inpatient) (In Rs.)				
OOPE per child birth-(Rs)All	13624	14873	5518	11033
OOPE per child birth (Rs)– Public	1651	1510	1572	2094
OOPE per child birth (Rs)– Private	19147	20903	14727	19107
Non-hospitalized expenditure (In Rs.)				
OOPE per non-hospitalized ailing person (Rs) in last 15 days – Public	140	172	404	395
OOPE per non-hospitalized ailing person (Rs) in last 15 days – Private	425	426	649	778
OOPE on antenatal care (ANC) per pregnant woman (Rs)-Public	2856	3343	1388	1859
OOPE on ANC per pregnant woman (Rs)-Private	6744	5708	4791	5727
% of diagnostics expenditure as a proportion of outpatient medical expenditure	13%	10%	11%	12%
% of drugs expenditure as a proportion of outpatient medical expenditure	74%	75%	73%	68%
% of drugs expenditure as a proportion of outpatient medical expenditure-Public	72%	91%	76%	67%
*OOPE is net of reimbursements				
Source: Healthcare Financing Division National Health Systems Resource Centre Ministry of Health and Family Welfare, Government of India.				

[2] Household Healthcare utilization and Out of Pocket Expenditure (OOPE) in in this fact sheet are produced by National Health Systems Resource Centre from a state wise analysis of the data collected in the Health and Morbidity Survey 2014, Health and Morbidity Survey 2004 and Consumer Expenditure Survey 2011 by the National Sample Survey Office (NSSO), Ministry of Statistics and program Implementation (MoSPI).

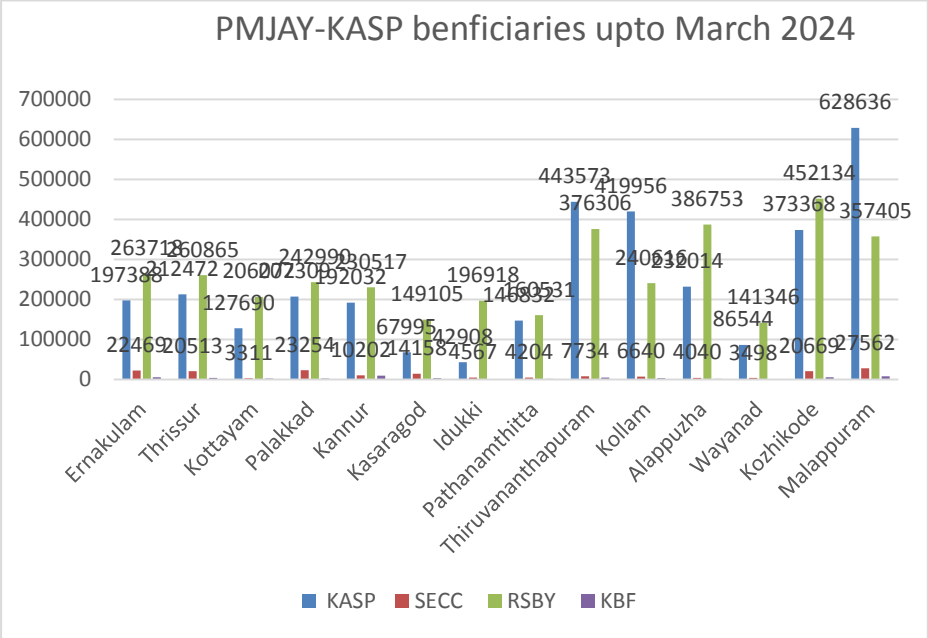
From the above table (1.1), we can see that there is a wide variation in out-of-pocket expenses both within categories (public, private) and across different types of care. This disparity between public and private healthcare costs highlights the financial burden on individuals who opt for private healthcare services. Here comes the role of insurance sector. The main objective of any insurance scheme is to minimise the out-of-pocket expenditure. Health insurance schemes are vital in mitigating catastrophic health spending and offering individuals financial protection against high medical costs.

III. Kerala's Healthcare Transformation: Consolidating Coverage with KASP-PMJAY

To meet UHC goals and to reduce OOPE, Govt of India launched a flagship scheme named Ayushman Bharat in 2018 with two components: Health and Wellness Centres (HWCs), Pradhan Mantri Jan Arogya Yojana (PM-JAY). PM-JAY is the world's largest health insurance scheme that intends to minimise the OOPE. It aims at providing a health cover of Rs. 5 lakhs per family per year for secondary and tertiary care hospitalization to over 10.74 crores poor and vulnerable families (approx. 50 crore beneficiaries) that form the bottom 40% of the Indian population. The households included are based on the deprivation and occupational criteria of Socio-Economic Caste Census 2011 (SECC 2011). PM-JAY is fully funded by the Government and cost of implementation is shared between the Central and State Governments. States can choose the implementation model and can implement the scheme through Trust, Insurance company or Mixed model. States can also cover a greater number of families than those defined as per SECC data. However, State will need to ensure that all beneficiaries eligible as per SECC data are covered. For these additional families, full cost will need to be borne by the States.State of Kerala signed an agreement with NHA on 2018 and constituted State Health Agency (SHA) for implementing the scheme in the State as Karunya Arogya Suraksha Padhathi (KASP).

Kerala converged all the Government sponsored health care schemes RSBY, Comprehensive Health Insurance Scheme-CHIS, Senior Citizen Health Insurance Scheme-SCHIS and Karunya Benevolent Fund-KBF along with Ayushman Bharat – Pradhan Mantri Jan Arogya Yojana (PMJAY) and formulated Karunya Arogya Suraksha Padhathi (KASP).

Figure 1.3 KASP-ABPMJAY Beneficiary enrolment status 2024-Kerala



Source: SHA, Kerala.

Enrolment rate under PFHI has increased in Kerala over the years. The scheme ensures free treatment up to ₹5 lakh per year for families. It benefits 41.99 lakh poor and vulnerable families. Implemented through the State Health Agency, the scheme has an annual premium of ₹1050 per family. Out of this, only 23.97 lakh families receive central assistance of ₹631.20. The state covers the remaining amount for these families. For the additional 18.02 lakh families, the state bears the entire premium cost. The scheme provides membership without considering the number of family members or age limits. Assistance can be given to all individuals in a family or just one individual. There are no priority criteria. No fees are charged for obtaining membership. The service is entirely free of cost. Currently, the scheme's services are available across Kerala in 197 government hospitals, 4 central government hospitals, and 364 private hospitals. Treatment is provided without charging money from any of the selected institutions, regardless of whether they are government or private hospitals. The scheme covers medicines, related materials, tests, doctor's fees, operation theatre charges, ICU charges, and implant charges.

The scheme includes 1667 packages across 25 specialties. Additionally, free treatment is available from 89 packages provided by the government. For treatments not included in the specified packages, unspecified packages can be used. Treatment costs incurred up to three

days before hospital admission and medicines required for 15 days post-discharge (as per the doctor's instructions) are provided under the scheme.

For families not covered under the Karunya Arogya Suraksha Padhathi (KASP) with an annual income below ₹3 lakh, the Karunya Benevolent Fund (KBF) scheme offers one-time free treatment up to ₹2 lakh. For kidney-related ailments, free treatment up to ₹3 lakh is available. All hospitals providing KASP treatment also offer KBF benefits. So far, ₹226.79 crore has been distributed for 2,76,589 bills from 39,854 families under the scheme.

Despite the Center's significant emphasis on these schemes, a larger portion of the spending burden falls on the states.

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