# On the Health Scheme in Budget 2018-19*

**Subrata Mukherjee**[1]

**Subhanil Chowdhury**[2]

The health scheme announced by the Finance Minister in this year's budget has generated a lot of debate. The government has committed to "providing coverage up to  5 lakh per family per year for secondary and tertiary care hospitalization" for 10 crore poor families (50 crore people). The Government has allotted only  2000 crore in 2018-19 to finance this scheme. Subsequently, various government functionaries have come up with a figure of  10,000-12,000 crore as cost of the scheme. We want to take the debate beyond the money required and point towards some other issues which have not been discussed adequately.

Firstly, the government's target group under this scheme seems to be the bottom 40% (50 crore) of the population. A good starting point would be to look at the insurance coverage that this section already has. An analysis of the National Sample Survey (NSS) 71st round (2014) unit record data for "Social Consumption in India: Health" shows that only 11.3% of the bottom 40% (10.5% covered by government insurance) population have any insurance coverage as opposed to 17.9% for the top 60% (14.3% covered by government insurance). In other words, just to bring the entire 40% of the population within health insurance is a huge task, with fiscal implications. This is evident from the fact that starting in 2008, so far RSBY has been able to bring only 66% of target BPL population under its coverage (as per latest official data for 15 states). In 2017-18, the government allocated only Rs 1000 crore for RSBY, covering roughly 10% of the bottom 40% of the population. We estimate, on the basis of NSS data, the total cost of medical expenditure (including the reimbursements) for hospitalisations incurred by the bottom 40% was Rs 14286.82 crore in 2014, while the average cost of hospitalisation being only Rs 8081 in the same year. Thus with a Rs 5 lakh coverage, if we assume that most of the hospitalisation cost will be reimbursed, then the premium that needs to be paid would be much higher than the government's estimate.

The real problem however is in terms of the rate of hospitalisation and reimbursement of expenses that insurance companies pay. This is shown in Table 1.

**Table 1**

| Health expenditure support | Bottom 40% population | | | Whole Population | | |
|---|---|---|---|---|---|---|
| | Population coverage (%) | Hospitalisation cases per 1000 population | Reimbursement as % of medical cost of hospitalisation | Population coverage (%) | Hospitalisation cases per 1000 population | Reimbursement as % of medical cost of hospitalisation |
| **Govt. Funded Insurance (RSBY etc)** | 10.5 | 46 | 4.5 | 12.8 | 62 | 11.9 |
| **Employer supported insurance** | 0.6 | 44 | 4.4 | 1.2 | 62 | 46.6 |
| **Household arranged insurance** | 0.1 | 43 | 63.4 | 1.2 | 56 | 55.5 |
| **Others** | 0.1 | 93 | 19.3 | 0.1 | 147 | 42.9 |
| **Not Covered** | 88.7 | 37 | NA | 84.7 | 46 | NA |

Source: National Sample Survey 71st round unit record data (2014)

At least three observations are crucial in Table 1. Firstly, the rate of hospitalisation for those who are covered under some kind of health expenditure support is higher than those who do not have any cover, both for the bottom 40% as well as the entire population. Thus, if the new health scheme indeed brings more people under insurance, then rate of hospitalisation will show significant improvement. Therefore, over and above the money needed for insurance premium, sufficient medical infrastructure needs to be created for the scheme to work, for which not much allocation has been made in the budget. In the absence of such allocation, private health care demand will rise, which might lead to increase in the cost of private health care.

Secondly, the reimbursement as a percentage of medical cost of hospitalisation in the government schemes is abysmally low, particularly for the bottom 40% of the population. Only 4.5% of total hospitalisation expenses are reimbursed to the bottom 40% and 11.9% for the entire population. This raises serious questions about the efficacy of the government schemes. Even with a meagre □30000 coverage (RSBY), the proportion of hospitalisation cost reimbursed is so low. There is no guarantee that simply increasing the coverage will improve this.

Thirdly, it is observed that the proportion of hospitalisation cost reimbursed is much higher for insurance schemes directly bought by the households than the government ones. Thus in case of insurance being paid by the government, insurance companies

are mostly unwilling to pay the reimbursement, as compared to when the household pays. This might be a result of low premiums paid by the government or a general apathy towards honouring the insurer's commitment when the payers are not the actual patients but the government.

Not only is the percentage of hospitalisation cost reimbursed low for the health insurance schemes, most of them only cover hospitalized treatment. The cost of non-hospitalised outpatient visit is generally not covered by majority of the health insurance schemes. For health insurance schemes, what essentially happens is that government pays the premium to insurers who in turn pay the hospitalisation expenses. Given the condition of government medical care in India, a significant proportion (more than 50%) of the population go to private facilities. Thus, health insurance creates a larger market for the private players in the health sector. A sudden expansion of the government funded insurance market may aggravate the problem of hospital induced demand for medical care in the form of unnecessary hospital stay, diagnostic tests and surgeries unless supply side conditions are improved and the whole health sector is brought under strict regulation. The budget declaration is quite silent on these complementary steps.

The moot point is actually an old one. If it is serious about providing health care to even bottom 40% of the population, not only should the government increase its current budgetary allocation substantially but also strengthen the health infrastructure at all levels including a strong regulatory mechanism. Neither the union budget nor the National Health Policy 2017 shows any clear and convincing direction towards that path.

[1] **Associate Professor, Institute of Development Studies Kolkata**

[2] **Assistant Professor, Institute of Development Studies Kolkata**

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