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Rs 4.51 Lakh Crore Health Push: How State Budgets Are Powering India's Next Healthcare Leap

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In recent years, state health budgets have transformed from simple financial documents into strategic instruments for improving healthcare outcomes. Governments are increasingly prioritising preventive care, investing in digital health initiatives, and expanding access to services in rural and underserved regions. Given that India's overall health expenditure remains relatively low compared to many other countries in the region, states are playing a more proactive role in strengthening healthcare delivery and ensuring better access for their populations. This analysis explores how state budgets are driving meaningful changes in the healthcare landscape, reflecting a positive and evolving trend over time.



India, now the world's most populous country, hosts one of the largest and fastest-growing economies globally. With 28 states and 8 Union Territories, each sub-national government presents its own budget following the Union Budget announced on February 1 every year. These state budgets play a critical role in shaping sectoral priorities, particularly healthcare.

Health is primarily a state subject, placing the responsibility of healthcare financing, infrastructure development, and service delivery largely on state governments. As a result, individual states allocate substantial portions of their annual budgets toward healthcare, reflecting their unique demographic needs, disease burdens, and policy priorities. This decentralised approach leads to significant variation in health spending, outcomes, and innovation across states, making state budgets a key lens through which India's healthcare landscape can be understood.

Major focussed states

States such as Uttar Pradesh, Maharashtra, Rajasthan, Tamil Nadu, and Karnataka have made significant contributions to strengthening their healthcare sectors by allocating substantial funds in their respective state budgets. Among them, Uttar Pradesh has the highest allocation at Rs 37,956 crore, largely driven by its large population and corresponding healthcare needs. Maharashtra follows with an allocation of Rs 33,653 crore, with spending distributed across both urban and rural health infrastructure. Notably, Rajasthan stands out in terms of the highest percentage share of its total budget devoted to health.

In contrast, states like Kerala, Tamil Nadu, Rajasthan, and Chhattisgarh demonstrate a strong policy focus on healthcare by allocating a higher proportion of their overall budgets to the health sector, indicating a sustained emphasis on public health outcomes rather than just absolute spending levels.

The Union Budget 2026–27 marks a significant milestone in its ongoing efforts to strengthen India's healthcare system, with a substantial enhancement in the allocation for the Ministry of Health & Family Welfare to Rs 1,06,530.42 crore. The state governments too allocated substantial amounts to the health sector during this year. Of the total state's budgets amounting to over Rs 72.77 lakh crore the healthcare sector received over Rs 3.45 lakh crore during 2026-27 about over 4 per cent of the total state budgets. With this the overall healthcare as a sector got Rs 4.51 lakh crore receiving over 3 per cent of budget allocation from both central and state governments.

Budget utilisation efficiency

State-focused health budgets in India are undergoing a decisive shift from line-item accounting to strategic levers for systemic transformation.

Says **Dr Ruchi Sogarwal, Country Head, Policy & Government Affairs, India, DanaHER**, "Today, they are emerging as true engines of transformation, shaping not just how funds are allocated, but how healthcare systems are designed and delivered. India's overall health spending is on an upward trajectory, reflecting stronger policy intent. Yet, with most states still allocating only 5–7 per cent of their budgets to health, there remains significant headroom to deepen prioritisation and investments.

From an industry perspective, this transition is significant. Investments in primary care, early and accurate diagnostics, laboratory systems and digital health are essential for timely clinical decision-making and efficient care pathways."

Sogarwal goes on to say, "Equally important is improving budget utilisation efficiency through timely fund flows, quality-driven procurement and performance-linked delivery. In large, high-burden states such as Uttar Pradesh, persistently high out-of-pocket expenditure of ~47 per cent underscores the need to strengthen financial protection and equitable access. Going forward, aligning state budgets with quality standards, innovation, and scalable partnerships will be key to translating higher allocations into measurable and equitable health outcomes."

Vineet Aggarwal, Group COO, Paras Health says, "States are increasingly investing in block-level infrastructure and integrated public health labs, bringing services closer to communities. This reduces dependence on urban hospitals and enables earlier detection of diseases, before they progress into serious conditions. At the same time, budgets are supporting initiatives like the Ayushman Bharat Digital Mission, helping build digital systems that make patient care more connected and efficient. Importantly, this investment goes beyond technology—it also focuses on training healthcare workers and building capacity to ensure these systems deliver real impact."

The impact

Sudhakar Kancharla, Founder, Mr. Yoda, a diagnostics major, mentions that the Rs 1,06,530 crore Union health budget for 2026 is largely central spending, but a significant share flows to states through schemes like the National Health Mission, PM Ayushman Bharat Health Infrastructure Mission, and Ayushman Bharat Pradhan Mantri Jan Arogya Yojana, making states the real drivers of healthcare delivery on the ground.

Kancharla further adds, "I believe budgets alone don't change outcomes. What really matters is how these investments translate into earlier detection, better access to diagnostics, and simpler decision-making for families and doctors. For me, the real shift will happen when a person does not have to travel far or wait too long just to understand what is happening with their health. That is where state-focused budgets can quietly create the biggest impact."

States' approach to budgets

State health budgets are increasingly evolving from mere financial allocation documents into strategic instruments that actively shape healthcare delivery. The shift lies in how states are approaching expenditure—moving beyond a traditional focus on infrastructure creation to prioritizing systemic reforms, strengthening primary healthcare, and expanding access to essential services.

Dr Sandip Shah, Joint Managing Director, Neuberg Diagnostics opines that the budgets are ever more often connected with tangible results, such as detection of diseases at an early stage, enhanced monitoring of infectious diseases, and programmes of screening for non-communicable diseases. In short, by incorporating innovation, prevention and accessibility into financial planning, state health budgets are revolutionising healthcare. Since diagnostics are becoming more easily accessible and technology-driven, budgets are enabling states to establish sturdy, data-oriented health systems that provide timely, fair, and patient-focused care.

Rethinking healthcare

States are no longer just expanding outlays, they are rethinking how healthcare is planned, delivered, and accessed, with sharper focus on outcomes, efficiency, and last-mile reach.

As **Himanshu Baid, Managing Director, Poly Medicure** points out, "The transformation is evident in the growing emphasis on strengthening tertiary care infrastructure while simultaneously investing in preventive healthcare. However, there remains a strong case for increasing overall healthcare budgets to match the scale and complexity of India's needs. Alongside this, a more streamlined and centralised regulatory framework, with single-window approvals, will be crucial to accelerate innovation and ensure faster access to quality healthcare solutions, especially as India aligns with global standards."

Evolving strategic policy tools

Over the years, there has been a noticeable shift in how state governments are approaching healthcare budgeting. Traditionally, state health budgets were largely viewed as instruments of allocation, focused on expanding infrastructure or supporting individual schemes. They are now evolving into strategic policy tools that can strengthen delivery models and improve healthcare outcomes at a state level.

Talking on the same lines, **Ramesh Kumar, Chief Operating Officer, Aster DM Healthcare** cited examples of Kerala's 2026–27 budget that has been earmarked around Rs 2,500 crore for the health sector, while continuing to prioritise community-centric healthcare through programmes such as the Aardram Mission and the expansion of Family Health Centres. Similarly, he also cited example of Karnataka's recently announced state budget allocated approximately Rs 17,473 crore to the health and family welfare sector, with targeted investments aimed at strengthening maternal and neonatal care programmes, expanding digital health records, and filling over 2,500 healthcare positions.

Kumar goes on to mention, “Such initiatives reflect a broader shift toward outcome-oriented healthcare planning. Increasingly, state budgets are being used to strengthen primary care networks, integrate digital health systems, and improve referral pathways between public and private providers. Ultimately, the significance of these budgets will be measured not merely by the scale of allocations, but by how effectively they catalyse innovation and strengthen healthcare delivery across India.”

Strategic tools for systemic reform

State health budgets in India are getting dynamic and evolving from static expenditure plans into strategic tools for systemic reform. Increasingly, states are using budgetary levers not just to expand spending, but to reshape healthcare delivery, access, and governance. This shift is evident in outcome-based allocations, where funding is tied to measurable improvements in primary care, maternal health, and disease surveillance.

Says **Tanya Kukade, Member, Nishith Desai Associates**, “States are directing funds towards holistic care, Health and Wellness Centres, digital health infrastructure, and integrated data systems to enable real-time decision-making. Budgets are also being used to catalyse private sector participation through public-private partnerships, innovation pilots, and targeted funding mechanisms in diagnostics and telemedicine. This transformation is creating a more complex and opportunity-rich landscape. There is also a growing demand for support in structuring PPPs, navigating procurement and compliance frameworks, and addressing data protection and digital health regulations. Companies are focusing on structuring outcome-linked financing models and innovative contracting structures to ensure enforceability and appropriate risk allocation. Overall, state health budgets are becoming key instruments of accountability, innovation, and long-term system strengthening, while simultaneously reshaping the legal and regulatory contours of India's healthcare sector.”

Gaps remain

India is the world's fifth-largest economy, yet the central health budget remains modest at around 2 per cent of GDP, compared with 17.6 per cent in the US. However, it is encouraging to see a clear shift from scheme-based funding to the systemic strengthening of public health systems.

Dr Padma Venkat, Dean, School of Health Sciences and Technology, UPES mentions, “While budget allocations for training and capacity-building of personnel are increasing, gaps remain in both the quality and availability of the workforce needed to respond to health challenges, further complicated by climate change, natural disasters and significant lifestyle shifts. Most importantly, there is a need for young leaders and innovators to contribute to the transformation of India's public health landscape.”

The focus

Health is a state subject and different states come out with various plans to progress healthcare in the respective states. Allocations vary differently for various states with every passing year a trend is being seen where state administrations have taken steps to promote healthcare. State governments take the lead in planning, allocating, and spending money on healthcare based on their own needs and priorities. The state health budgets are not just mere on how much is spent but how effectively it improves health outcomes.

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