Ease financial burden of healthcare

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Every government dreams and commits to provide affordable universal healthcare. National Health Policy 2017 also talks about it. But neither the dream has come true fully nor the commitment has been fulfilled completely as large section of population still lacks access to good quality and affordable healthcare. One factor that keeps coming in the way is finance.

Nearly 30 per cent illnesses in rural parts and 20 per cent in urban areas go untreated due to financial constraints. Hospital treatment cost has increased by 10.4 per cent CAGR from 1996 to 2014. WHO health statistics 2012 shows that 70 per cent of Indian population spends most of its available income on healthcare and 39 million Indians are pushed into poverty each year due to healthcare cost. Another WHO data shows that 86 per cent of total private health expenditure was paid out of pocket by individuals in 2013 while 47 per cent and 31 per cent of hospital admissions in rural and urban areas respectively were financed by loans or sale of assets. This is because public spending on health is just four per cent of total pharmaceutical spending in India, compared to China (40%), US (50%) and Europe (70%).

Global experience on healthcare expenditure shows that any country needs to spend at least 5-6 per cent of its GDP just to meet basic healthcare needs. In India, even more may be required to be spent, given the vast spread of the country, its inaccessible areas, huge population and large number of economically deprived people despite the country's high economic progress leading to fast development of people only from certain classes during the last few years. Instead, against the bare minimum 5-6 per cent spending recommended, India had been spending just 1.5 per cent of the GDP, and in the new policy plans to take it to 2.5 per cent by 2025.

Inadequate funds result in two types of pressures – lack of adequate and proper infrastructure and human resources. Both elements naturally have an adverse effect on the patient care. The new policy, though has not elaborated on it, has mentioned the private sector participation. Healthcare Federation of India (NATHEALTH) and PricewaterhouseCoopers Pvt Ltd (PwC) have come out with a joint report on innovative modes of funding.

The report suggests some important ways for the government to facilitate investment. They include setting up healthcare investment and improvement fund, financing through pension funds, tax-saving and tax-free bonds for financing healthcare infrastructure and bilateral investment treaties, which has potential for huge capital inflow. Market is conducive for such initiatives, as noted in the report by quoting examples of four key IPOs from healthcare sectors oversubscribing and transaction value of venture capital and private equity growing from $94 million in 2011 to $1,275 million in 2015 – a jump of over 13.5 time in five years.

Still, the innovative methods suggested in the report may require more study and discussion before implementation. Government will have to move cautiously. But one point suggested in the report should be immediately implemented considering the delay in the matter as it will benefit the salaried class. The medical reimbursement tax exemption limit was set at Rs 15,000 in 1999 and remained unchanged. The report suggests that as per the healthcare inflation it should be Rs 80,000 now. May not be Rs 80,000, but the government must urgently consider enhancing the limit that was set 18 years back.

Any policy merely remains a paper unless it translates into actions towards achieving the desired goals. For the new health policy to meet its goals, serious thinking and action on funding front is required as it will drive many activities suggested in the policy. Ways of innovative funding have been placed before the government. The government can seek more options from more sources. But, earlier the government discuss and consider them, better for the universal healthcare and the policy to be successful.