

Chapter 5 - Healthcare takes centre stage, finally!

INTRODUCTION

- The recent **COVID-19 pandemic** has emphasised the importance of healthcare sector and its inter-linkages with other key sectors of the economy. The ongoing pandemic has showcased how a healthcare crisis can get transformed into an economic and social crisis.
- The health of a nation depends critically on its citizens having access to an **equitable, affordable and accountable** healthcare system. Health affects domestic economic growth directly through labour productivity and the economic burden of illnesses (WHO 2004).

CHALLENGES

- **Uncertainty/variability of demand:** The need for health care is driven often by factors that cannot be controlled or predicted. This is also coupled with the nature of demand, which is **inelastic** especially for emergency care.
- **Information asymmetry:** In healthcare markets, the patients rarely know the value of the information until after it is purchased and sometimes never at all. When little information is available on the quality of a product prior to purchase, and the quality of the product is uncertain, **quality deteriorates to the lowest level in an unregulated market**. This leads to loss of consumer faith and resultant under-investment in healthcare.
- **Hyperbolic tendencies:** People tend to indulge in risky behavior that may not be in their self-interest. Examples include smoking, eating unhealthy food, delay in seeking care, not wearing masks or keeping social distancing in the context of the pandemic. **Such individual behavior may create negative externalities for the entire healthcare system** through higher costs and poorer outcomes.
 - India has very low rate of screening for cancers among women in the age bracket of 15-49 years at 22 per cent for cervical cancer, 10 per cent for breast cancer and 12 per cent for oral cancer when compared to 62 per cent, 59 per cent and 16 per cent respectively in OECD Countries

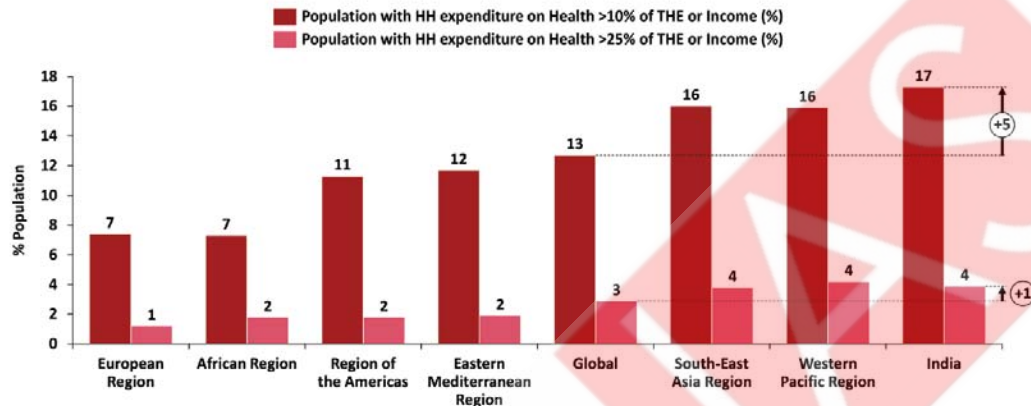
COVID-19 AND INDIA'S HEALTHCARE POLICY:

- **Better healthcare infrastructure is no insurance against communicable disease:** Positive correlations are observed between total number of cases and deaths with respect to health expenditure per capita implying better health infrastructure. So, better health infrastructure is no guarantee that a country would be able to deal better with devastating pandemics like Covid-19.
 - **As the next health crisis could possibly be drastically different from COVID-19**, the focus must be on building the healthcare system generally rather than a specific focus on communicable diseases.

ISSUES FACED BY INDIAN HEALTHCARE

- **Poor health outcomes:** India continues to underperform in comparison to other Low and Lower Middle Income countries. On quality and access of healthcare, India was ranked **145th** out of 180 countries (Global Burden of Disease Study 2016).
- **Poor health outcomes:** India still needs to improve significantly on metric such as IMR(32) and MMR(145). Countries such as China, Bangladesh, Bhutan, Cambodia, etc. have improved much more.

- **Low access and utilisation:** At 3-4 per cent, the hospitalisation rates in India are among the lowest in the world; the average for middle income countries is 8-9 per cent and 13-17 per cent for OECD countries.
- **High out-of-pocket health expenditures:** As shown in the figure below, India has one of the highest levels of OOPE in the world.



- **Low budget allocations for healthcare:** As health is a state subject in India, spending on healthcare by states matters the most when examining government healthcare spending. **According to National Health Accounts, 2017, 66 per cent of spending on healthcare is done by the states.** India ranks 179th out of 189 countries in prioritization accorded to health in its government budgets (consolidated union & state government).
 - The state expenditure on healthcare is highly variable across states and is not fully explained by the income level of the state. Thus, the richer states are spending a lower proportion of their GSDP on healthcare.
- **Low human resources for health:** World Health Organization (WHO) identified an aggregate density of health workers to be 44.5 per 10,000 population. WHO also specified a lower range of 23 health workers per 10,000 population to achieve 80 per cent of births attended by skilled health professionals. Although aggregate human resources for health density in India is close to the lower threshold of 23, the **distribution of health workforce across states is lop-sided.**

UNREGULATED PRIVATE ENTERPRISE AND HIGH LEVEL OF MARKET FAILURE

- **Private sector dominates in total healthcare provision:** Around 74 per cent of outpatient care and 65 per cent of hospitalisation care is provided through the private sector in urban India.
- **A large proportion of deaths** in India manifests due to poor quality of healthcare than due to insufficient access.
- **Readmissions** typically impose a heavy burden on patients and their families and on health systems in general as a result of unnecessary care. In general, readmissions are costlier than original admissions.
- **The problem of asymmetric information in healthcare** is also reflected in the substantial variation in costs for treating the same disease between public and private sector.

TELEMEDICINE

- Impressive growth has been seen in the adoption of telemedicine in India since the outbreak of the COVID-19 pandemic.
- **eSanjeevani OPD** (a patient-to-doctor tele-consultation system) has recorded almost a million consultations since its launch in April 2020. Similarly, a 500 per cent increase in online consultations (varying from 200 to 700 per cent across different specialties) in just three months.

POLICY SUGGESTIONS

- The COVID-19 pandemic has emphasised the importance of healthcare, whereby a healthcare crisis transformed into an economic and social crisis. Considering the same and in striving to achieve the SDG target of Universal Healthcare Coverage, **India must take steps to improve healthcare accessibility and affordability** in the country.
- **The next health crisis may not possibly involve a communicable disease.** Therefore, India's healthcare policy must continue focusing on its long-term healthcare priorities. Simultaneously, to enable India to respond to pandemics, the health infrastructure must be agile.
 - For instance, every hospital may be equipped so that at least one ward in the hospital can be **quickly modified to respond to a national health emergency** while caring for the normal diseases in usual times. Research in building such health infrastructure can guide how to build such flexible wards.
- The ongoing COVID-19 pandemic has helped showcase the role of technology-enabled platforms as an alternate distribution channel for remote delivery of healthcare services. These technology platforms coupled with digitisation and the promise of **artificial intelligence at-scale**, have led to a drastic uptake in the utilisation of telemedicine for primary care and mental health.
- **The success of telemedicine** critically hinges on having decent level of health infrastructure and Internet connectivity nationwide. Both Central and the State governments need to invest in telemedicine on a mission mode to complement the government's digital health mission and thereby enable greater access to the masses.
- **From a financial perspective**, India has one of the highest levels of OOPE in the world, contributing directly to the high incidence of catastrophic expenditures and poverty. A negative correlation exists between the level of public spend and OOPE both across countries and states. Increase in public spending generate substantial "bang for the buck" in reducing the OOPE.
 - An increase in public spend from 1 per cent to 2.5-3 per cent of GDP – envisaged in the National Health Policy 2017 – can decrease the OOPE from 65 per cent to 30 per cent of overall healthcare spend.
- **As a bulk of the healthcare in India is provided by the private sector**, it is critical for policymakers to mitigate information asymmetry in healthcare, which creates market failures and thereby renders unregulated private healthcare sub-optimal.
 - Therefore, information utilities that help mitigate the information asymmetry can be very useful in enhancing overall welfare.
- **The National Health mission (NHM)** has played a critical role in mitigating inequity as the access of the poorest to pre-natal and post-natal care as well as institutional deliveries has increased significantly. Therefore, in conjunction to with **Ayushman Bharat**, the emphasis on NHM should continue.