



Government Health Expenditure in India

KEYWORDS

Health Expenditure, Public Health Expenditure, Private Health Expenditure

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ABSTRACT India is the second most populous country of the world and has changing socio-economic patterns that have been drawing global attention in recent years. Despite several growth-oriented policies adopted by the government, the widening disparities are posing challenges for the health sector in the country.

One of the more obvious indicators of the inadequacy of public health spending in India is the very small amount of such spending relative to GDP. In developed countries government health spending accounts for around 5 percent of GDP or more. Even in Asian countries excluding India, the average is around 3 percent of GDP. This makes it quite remarkable that India, which is currently seen internationally as an economic powerhouse and one of the success stories of global economic growth in the past decade, has government health expenditure amounting to less than 1 percent of GDP. Government health expenditure as a percent of GDP shows a decline in government health spending over the period of 1999-2000 to 2004-05. As a percentage of the gross domestic product (GDP), expenditure decreased from 1.12 percent in 1999-2000 to 0.97 percent in 2004-05. However, it is quite clear that government health spending since April 2005 has increased significantly. Its share in GDP too increased from 0.97 percent in 1999-2000 to 1.10 percent in 2008-09.

1. Introduction:

Over the last several years in India there has been a dramatic change in the national government's approach to the health sector. The government mandates an increase in expenditure in health sector, with main focus is to increase total government health spending from its previous level of about 0.9 percent of gross domestic product (GDP) in 2005 to a targeted "2-3 percent of GDP" by 2012, the end of the Eleventh Five Year Plan. There has been increasing government health spending under National Rural Health Mission (NRHM) which was launched in April 12, 2005. Since India's level of government health spending is quite low in absolute terms as well as in comparison to some other developed as well as Asian countries, increasing government expenditure makes a sense. But India's government health financing structure is complex, so achieving this goal is not simply a matter of greater central government allocations. There are also very large variations in public spending on health across states in India.

2. International Experience of Health Expenditure

Health spending is highly unequal across the globe. In India while both health expenditure as percentage of GDP & public spending as a percentage of total health expenditure is low when compared to developed countries.

Table 1: Health Spending in Selected Countries

Country	Total Health Exp. As a % of GDP		Govt. Exp. On Health as % of Total Exp. on Health	
	2004	2005	2004	2005
USA	15.4	15.2	44.7	45.1
Germany	10.6	10.7	76.9	76.9
France	10.5	11.2	78.4	79.9

Table 2: Health Expenditure in India (Rs. in '000)

Sr.No.	Type of Exp.	2005-06	2006-07	2007-08	2008-09
1	Public Expenditure	344,461,722	406,788,591	486,852,110	586,813,788
2	Private Expenditure	1,150,005,214	1,278,405,733	1,426,902,392	1,573,935,382

Canada	9.8	9.7	69.8	70.3
UK	8.1	8.2	86.3	87.1
China	4.7	4.7	38.0	38.8
Brazil	8.8	7.9	54.1	44.1
India	5.0	5.0	17.3	19.0

Source: World Health Statistics (2007-08) WHO.

Government expenditure in developed countries is more than three fourth indicates huge role of government in spending on health. The per capita total health spending was estimated to be around US\$ 23 during 1997-2000 (World Bank 2003). As compared to the levels of spending by countries such as Sri Lanka (US\$31) and Thailand (US\$ 71), the spending in India is substantially low.

3. Patterns of Health Expenditure in India

The central government has taken various initiatives to improve the public health care system in India, The government launched the National Rural Health Mission (NRHM) in 2005 which aim to provide quality health care for all and increase the expenditure on health care from 0.9 percent of GDP to 2-3 percent of GDP by 2012. However, One of the more obvious indicators of the inadequacy of public health spending in India is the very small amount of such spending relative to GDP. In developed countries government health spending accounts for around 5 percent of GDP or more. Even in Asian countries excluding India, the average is around 3 percent of GDP. This makes it quite remarkable that India, which is currently seen internationally as an economic powerhouse and one of the success stories of global economic growth in the past decade, has government health expenditure amounting to less than 1 percent of GDP.

3	External Flow	21,448,597	22,402,612	26,538,964	37,015,853
4	Total Health Exp.	1,515,915,533	1,707,596,936	1,940,293,466	2,197,765,023
5	Health Exp. As share of GDP%	4.23	4.12	4.11	4.13
6	Public Exp. As share of GDP%	0.96	0.98	1.03	1.10

Source: Table No. 5 National Health Accounts Reports 2004-05 of MOHFW/GOI.
 Note: 2007-08 and 2008-09 are Revised Estimates and Budget Estimates.

Public health spending in India, is increase due to At the central level there is the launch of NRHM by the government of India in 2005 which is in line with the government of India commitment to increase public health spending with focus on Primary Health Care from the present 1 percent of GDP to 2-3 percent of GDP over next five years. (2007-2012).

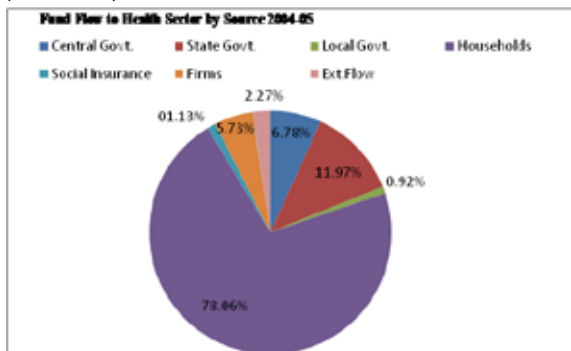


Figure 5 : Fund Flow to Health Sector by Source

The NHA (2004-05) shows that as a source of financing to the health sector in India, Central, State and Local governments together spend 19.67 percent spending on health. Local government's resources for health care through transfers from state governments and their own resources.

Table 4: Fund Flow to Health Sector by Sources 2004-05 (Latest)

Sources of Fund	Expenditure (Rs. in '000)	Percentage
Public Fund		
Central Government	90,667,581	6.78
State Government	160,171,666	11.97
Local Bodies	12292,886	0.92
Total	263132133	19.67
Private Fund		
Households	951538903	71.13
Social Insurance Fund	15073973	1.13
Firms	76643295	5.73
NGO's	879761	0.07
Total	1044135932	78.06
External Flows		
Central Government	20884614	1.56
State Government	3272854	0.24
NGO'S	6337673	0.47
Total	30495141	2.27
Grand Total	1337763206	100.00

Source: Table No. 1.2 of National Health Accounts Report 2004-05

By source central government accounted for Rs. 90,667 million (6.78%) while state government contributed Rs. 1,60,171 (12%), under private expenditure households contribute a significant portion at 71.13 percent of the total health expenditure with social insurance fund 1.13 percent and firms at 5.73 percent. The total expenditure external flow during 2004-05 has been Rs. 30.495 million with a major portion having been routed through central government. Total health expenditure from all the sources was Rs. 1,337,763 million during 2004-05 contributing 4.25% of GDP of the total health expenditure the share of private sector was maximum with 78.05 %, public sector at 19.67 % and external flow contributed 2.28%.

According to Union Budget 2010-11, the plan allocation for Ministry of Health & Family Welfare has increase from US\$4.2 billion in 2009-10 TO US\$ 4.8 billion in 2010-11. In order to achieve the goal set by government of spending 2-3 percent of GDP by 2012, the government allocation (Five Year Plan Outlays) is almost double from 3.97 percent to 6.05 percent on health sector in Eleventh Five Year Plan (2007-2012). (Table 5). The NRHM has introduced a number of new strategies to improve the impact of spending along with providing a vehicle for increased spending.

Table 5: Five Years Plan Outlays (Pattern of Central Allocation Total for the Country & Union MOHFW) (Rs. in Crore)

Period	Total Plan Outlays	Health Sector			Total
		Health	Family Welfare	AYUSH*	
First Plan (1951-56)	1960.0	65.2 (3.3)	0.1 (0.1)	-----	65.3 (3.4)
Second Plan (1965-61)	4672.0	140.8 (3.0)	5.0 (0.1)	-----	145.8 (3.1)
Third Plan (1961-66)	8576.5	225.9 (2.6)	24.9 (0.3)	-----	250.8 (2.9)
Fourth Plan (1969-74)	15778.8	335.5 (2.1)	278.0 (1.8)	-----	613.5 (3.9)
Fifth Plan (1974-79)	39426.2	760.8 (1.9)	491.8 (1.2)	-----	1252.6 (3.1)
Sixth Plan (1980-85)	109291.7	2025.2 (1.8)	1387.0 (1.3)	-----	3412.2 (3.1)
Seventh Plan (1985-90)	218729.6	3688.6 (1.7)	3120.8 (1.4)	-----	6809.4 (3.1)
Eighth Plan (1992-97)	434100.0	7494.2 (1.7)	6500.0 (1.5)	108.0 (0.02)	14102.2 (3.2)
Ninth Plan (1997-02)	859200.0	19818.4 (2.31)	15202.2 (1.76)	266.35 (0.03)	35204.95 (4.09)

Tenth Plan (2002-07)	1484131.3	31020.3 (2.09)	27125.0 (1.83)	775.0 (0.05)	58920.3 (3.97)
Eleventh Plan (2007-12)	2156571.0	136147.0** (6.31)		3988.0 (0.18)	140135.0 (6.05)

Notes:

* Dept. ISM&H (now AYUSH) was created during 8th Plan

** Dept. of Health & Family Welfare merged from 2005 and Rs. 136,147 crore include Rs. 4496.08 crores for newly created Health Research Dept. created during 2008-09

Source: Planning Commission of India.

4. Conclusion:

Though there is significantly increased in plan allocations by the central government in the Eleventh Five Year Plan under the NRHM. However, these increases will not sufficient to attain the stated goal of 2-3 percent of public health spending of GDP by 2007-12. In order to achieving this goal, it suggests that large and sustainable increases in government health spending will require more focus on the states own spending as well as improving the capacities of states and districts to use resources for health effectively. Further, the conceptualization and planning of all programmes in our country are centralized instead of decentralized using locally relevant strategies. However, Decentralization can only be done after developing the requisite financial capability and laying down rules and procedures for accounting system.

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