



## Stopping the slide of health care in India

### Dismal Picture:

1. India's health care is 70% private and 30% public in a country where 80 % of people do not have any protection for health and the out-of-pocket expense is as high as 62%.
2. With public spending at 1.13% of GDP and a huge shortage of health-care workers particularly nurses and midwives, policy moves and plans appear inefficient and inadequate.
3. The novel coronavirus pandemic has revealed the mismatch between the overwhelming presence of the not so well-to-do and private health care with its revenue modelling that borders more on greed and rent gouging.

### Problems of public-funded private provided health care Model

1. Whenever the market leaves out the majority or has an incentive to cream off, the public sector would have to step in for the allocation and production of health services. The fact is 85% of the population cannot afford the high cost, corporate private health care.
2. Even with avowedly 12 crore cardholders under Ayushman Bharat, only 1.27 crore people have taken advantage of the scheme. Private sector health care is driven by return on capital. What makes insurance and private health care an egregious combination is that the insurance backup incentivises hospitals to expand the bill but the patients do not get attended to in their best interests.
3. The agents of the government, on the other hand, have an incentive for driving down the price of procedures; as a result, hospitals selectively offer some services and procedures (while denying some). But the ceiling level of the insurance gets claimed in the interest of the hospital.
4. When the government adjudicates the claim without having the capacity to do so under a trust model, the system will unravel sooner rather than later.
5. Under Obamacare, in the United States, where professionals with expertise in health-care cost carried out the scrutiny of unnecessary procedures and interventions, problems were encountered often despite inherent superiority in the match up.



6. Social insurance has solved the pooling equilibrium problem when the majority has an affordability problem.
7. While the issue of asymmetric information gets ironed out, the inefficient behaviour which is associated with moral hazard still remains. The doctor and patient are not constrained by the ability to pay and while the marginal private cost is zero, the social cost can be high.
8. Consumption is high for those health-care services which are often inefficient because of supplier-induced demand created and provided by doctors and hospitals which have superior knowledge, compared to patients.
9. They encourage patients to demand tests and interventions, though the improved quality of care and outcomes are uncertain.

### **Health economics and Fiscal implications**

1. This pervasive demand inducement has an impact in terms of increases in health expenditure. This results in an upward bias in insurance premium which in turn creates a fiscal externality in the long term.
2. In health economics, where competitive equilibrium often does not exist, the behaviour of a private corporate hospital is skewed in favour of profitability.
3. In any case, insurance of secondary and tertiary care pushes out long-term investment by the state and people and leads to the continued neglect of primary health care.
4. Finally, a social insurance scheme of such type with our demographic profile only prospers at the cost of neglecting public hospitals. It is deeply erroneous and problematic.
5. India's health problem has an 80:20 rule; 20% of people can afford modern health care, 40% cannot afford it at all and the other 40%, the so-called non-poor, pay with difficulty.
6. Nearly 70 million of the non-poor slide into poverty on a year-to-year basis. Because of the problem of access, affordability, absence of quality manpower and the rent-seeking behaviour of staff.
7. But they routinely prescribe antibiotics and steroids for quick relief. The country could be sitting on a dormant volcano of antibiotic and steroid immunity.



## Way Forward:

1. There are three options here. Ramp up the number of doctors with counterpart obligation to serve in rural areas.
2. Second is to revive the Licentiate Medical Practitioner as we had before Independence in the rural areas. This requires starting it de novo with the attendant resistance.
3. The third one is to empower graduates of BSc (Nursing) to be nursing practitioners — as prevalent in many countries. In any case, nurses have been able to deal with a large number of cases independently in government facilities in understaffed primary health centres (PHCs) where the doctor is either mostly absent or available for a few hours. From the gender perspective too, this is preferable from the angle of maternal and child health
4. Primary health care should receive three times more allocation in the budget and doctor and paramedic strength should be doubled merely on the basis of population increase.
5. If necessary, doctors can be given incentives in terms of extra salary and postgraduate seat preference, but in parallel, given penalties for absenteeism for rural posting.
6. The ratio of 0.6 nurses per doctor while the World Health Organization specification is three nurses per doctor. In States such as Uttar Pradesh, Bihar and other north Indian states where the percentage of nurses is abysmally low, the health outcome is understandably the poorest.
7. PHCs should be well-staffed and well-provisioned through a reasonable fee which will cover at least part of the cost. Once the services become predictable, people will return to these health facilities.

## Laying the foundation for faster growth

### Recession

In Q1, the economy declined by 23.9%; it declined by 7.5% in Q2, when the relaxations were eased.



## Way Forward:

1. Thus, it is imperative that the Indian economy grows at a minimum of 8% in 2021-22. This of course would require a substantial pick up in government expenditure.
2. The attitude to trade must also change. Closing borders may appear to be a good short-term policy to promote growth. But actually, it kills growth all around. A strong surge in our exports will greatly facilitate growth, i.e. 2021-22.
3. However, much of Indian's growth must rest on domestic factors. Growth must not only be consumption-driven but also investment-driven. It is the latter which is a developing economy can sustain growth over a long period.

## Fiscal initiatives

Government expenditures play a key role in a situation such as the one we are facing. The stimulus policies involving higher government expenditures were expected to arrest the contractionary momentum. On certain assumptions, we had earlier projected that the fiscal deficit of the Centre in 2020-21 would be 8% of GDP. With the slower momentum in government expenditures, perhaps the fiscal deficit of the Centre maybe only 6% of GDP in 2020-21.

## Growth and investment

Even as we combat the effects of COVID-19, we must lay the foundation for faster economic growth. A sad fact is that over the past decade, the investment rate has been falling. In 2018-19, the rate fell to 32.2% of GDP from 38.9% in 2011-12. Some of the recent measures including corporate tax rate changes may help in augmenting investment. A strong effort must be made to improve the investment climate. The National Infrastructure Pipeline is a good initiative. But the government must come forward to invest more on its own. We must also remind ourselves that the climate for investment is also influenced by non-economic factors of which social cohesion is most important.

## Reforms and Timing

Reforms are important in the context of rapid development. Recent controversies over reforms have shown that timing, sequencing and consensus-building are



equally important. Labour reforms, for example, are best introduced when the economy is on the upswing.

## 5 Trillion Economy and Jobs

Many have cherished the idea of India reaching the status of a \$5 trillion economy by 2025. But increasingly the idea is becoming a more distant goal. The Indian economy in 2019 was at around \$2.7 trillion. To achieve the level of \$5 trillion, we need to grow continuously at 9% for six years from now. That is the challenge before the economy. Jobs and employment will come from growth. They are not independent of growth.

## Smouldering unrest

On Saturday, global personal technology major Apple placed all fresh production orders on hold for its Taiwanese supplier Wistron. Violence broke out at the unit on December 12 after several workers raised slogans protesting against non-payment of their dues, a protest that escalated. Apple's own probe has found glaring lapses in Wistron's treatment of its staffers.

### Concerns:

1. If anything, enforcement of labour laws for employees' benefit will make India an even more attractive and contrasting alternative to China where labour exploitation is rife.
2. With global firms under pressure to exhibit higher standards in environmental, social and corporate governance, India also needs to up its game on enforcing compliance with the laws of the land and treating labour-employer disputes in an even-handed manner.
3. With the country on the cusp of a new labour law regime being marketed as a business-friendly regimen, misgivings about their provisions or unresponsive systems for employees' grievances can only foment more such unrest.
4. It may be a good time for the government to rekindle a tripartite dialogue mechanism with trade unions and employers like the erstwhile Indian Labour Conference, not held since 2015.