PARTNERSHIP TO FIGHT CHRONIC DISEASE

S·P·A·G Be Real

NEED FOR A MULTI-PAYER APPROACH TO ENSURE QUALITY HEALTH CARE FOR ALL

CONSULTATION PAPER

Jointly released by the Partnership to Fight Chronic Disease (PFCD) and Strategic Partners Group (S.P.A.G.)

October 2016

PARTNERSHIP TO FIGHT CHRONIC DISEASE

S·P·A·G Be Real

Need for Prioritization of Health Care Financing

India lacks a comprehensive system of health care financing which would pool financial risk and reduce the individual burden on patients. For most developing economies, a single public health care financing system is unlikely to effectively cover the entire population, given the significant fiscal resources required to run and sustain such programs.

The government needs to consider diverse financing and reimbursement options to meet the health care needs of all citizens, including the expansion of commercial health and employer insurance options, other innovative financing models, and public-private partnerships.

India, with 17.84% of the world's population, is at high risk due to the growing burden of NCDs. Every year, roughly 5.8 million Indians die from heart and lung diseases, stroke, cancer and diabetes. 1 in 4 Indians risks dying from an NCD before they reach the age of 70. Although India has one of the largest disease burdens in the world, it still continues to be a small spender on healthcare. While efforts have been undertaken to strengthen the health system with varying degrees of success, a large part of the population are still left to fend for themselves to meet their health care expenses.

Societal/Economic Impact:

- The WHO claimed that nearly 60 % of total health expenditure in India is being paid by the common man from his own pocket
- According to the WHO, 60 million of India's 1.25 billion people "are pushed into poverty" annually due to high out-of-pocket health expenditures
- About 47% and 31% of hospital admissions in rural and urban India were financed by loans and sale of assets, according to a Lancet report
- The WHO calculates diabetes, heart disease and stroke cost India US$237 billion in lost income from 2005 to the end of 2015
- The burden of NCDs would cost India US$6.2 trillion during the period 2012-2030, according to the United Nations and the WHO
- In a report by the World Economic Forum and the Harvard School of Public Health, it is estimated that India could lose US$4.8 trillion in lost economic output by 2030 due to NCDs

India has made significant strides in improving key health parameters. However, despite many successes, the public health system still faces severe human resource and infrastructure challenges. Basic and quality health care remains out for reach for large segments of the population and the cost of advanced health care is unaffordable to many. There also exist wide variations in health services amongst states, districts, urban and rural regions within the country. NCDs are costly in terms of both human suffering and economics as the disease requires lifelong medication. Having an efficient healthcare financing system is one of the key drivers as it will ensure that all people have access to needed health services – prevention, promotion, treatment and rehabilitation – without facing financial burden.

While there are several barriers to quality health care, optimum financing for services continues to remain an area of concern. The problem is two-fold:

- High out-of-pocket expenditure in India has a catastrophic impact on the household budget, reducing consumption of non-health goods and services, and thereby pushing many families into poverty, further limiting access to additional needed health care in the future
- Current government allocations towards health care are insufficient to fulfill the goal of universal health coverage, as well as for designing sustainable and contemporary health systems that can keep pace with technological, demographic and epidemiological shifts in the country

Overview of Health Financing in India

Financing health care in India has remained largely an inevitable responsibility of households --about 70 per cent total health care expenditures --even though provisioning of health care is the responsibility of governments, as stated in the Constitution. Both the Central and State governments have made a number of efforts to enhance the quantum of resources allocated to the heath sector.

In spite of declarations such as Alma Ata in 1989, Millennium Development Goals, commitments through National Health Policy 2002, National Rural Health Mission, recommendations by the Commission on Macroeconomics and Health as well as National Commission on Macroeconomics and Health, allocation by governments to health remain dismally low.

The total public expenditure on health (including spending by other ministries) in India was Rs.1,12,270 crores in 2013-14. Of this, nearly 65 per cent of expenditure was met out of states' own resources. The central grants to states accounted for about 5 per cent while another 10 per cent of central grants were in the form of off-budget grants. Health spending by other central ministries such as labour, railways, post, etc. on their labour force adds up to about 10 to 12 per cent. Revenues raised through health care services are mainly in the form of non-tax revenues such as fees, fines, etc. The revenue realized through these sources adds up to about 2 per cent of total public spending on health care.

Private out-of-pocket expenditures on health is dominant with about 70 per cent of all health care spending in the country. In addition to household spending, private health insurance, health care provision and reimbursements by firms and industries, NGOs and charitable account for about 6 per cent of all health care spending. Coverage under private insurance is very narrow and is concentrated mostly to major urban areas.

Roundtable Discussion

The PFCD organized a high-level roundtable discussion, titled "Need for a Multi-Payer Approach to Ensure Quality Health Care for All", on August 17th 2016 at Hotel Taj Mahal, New Delhi. Several prominent experts including health economists, academicians, insurance and public health specialists, patient group leaders and representatives from industry forums deliberated on the need to increase public health spending; and reduction of burgeoning out of pocket expenditure on health.

The roundtable had two panel discussions, with the first one focused on analysing mechanisms to increase public spending on health. The second panel deliberated on the need for a multi-payer approach and the role of the central government, states and commercial insurance providers in reducing out-of-pocket expenditure due to NCDs.

Panel Discussion 1: **Analyzing mechanisms to increase public spending on health**

Moderator: Dr Meenakshi Datta Ghosh, former Secretary Government of India, Ministry of Panchayati Raj & Special Secretary, MoHFW

Co-Moderator: V Selvaraju, Secretary, Indian Health Economics and Policy Association (IHEPA)

Objective: Drive possible solutions/directions to increase public spending on health

Issue: Despite significant economic growth, India's level of public spending on health remains one of the lowest in the world, and India's health achievements are low relative to the country's income. According to WHO's World Health Statistics 2015, India spent 1.16 per cent of public expenditure on health as a percentage of GDP, ranking 187th among 194 countries. In per capita terms, India ranked 157th, spending just $60 on average per person. India's per capita public expenditure on health was 55 per cent of Indonesia's, less than 20 per cent of China's, and 11 per cent of Mexico's and South Africa's per capita spending. Public spending on health in India has stagnated over the past two and a half decades, varying from 0.9 to 1.2 per cent of GDP from 1990 to 2015.

It is essential for the government to increase the budgetary allocation on health to 2.5-3 per cent of GDP and making it a priority sector among all others. The draft National Health Policy 2015 says that unless a country spends at least 5-6 per cent of its GDP on health and the major part of it is from government expenditure, basic health care needs are seldom met. Health care financing has three major components namely - purchasing, pooling and revenue collection, where the tax to GDP ratio needs to be increased from 15 per cent (in major economies it is around 40 per cent). Moreover, resources allocation needs to be more efficient. AYUSH, ASHA and ANM workers, whose potential have not been recognised, must be brought to forefront and included as mainstream health care providers with proper training in order to enable them to provide cost effective and easily accessible health services to all. States too have a proactive role to play in health care provisioning, as healthcare is a state competency and must be provided with greater flexibility, responsibility and accountability. There is also an urgent need to focus on building preventive and promotional health care services which will have a greater impact in the longer run.

Current government allocations towards healthcare are insufficient to fulfill the goal of universal health coverage, as well as for designing sustainable and contemporary health systems that can keep pace with technological, demographic and epidemiological shifts in the country.

Recommendations:

- *Reallocation of resources to improve efficiency in spending and to enhance outputs/outcomes.* About 10 to 15 per cent of budget allocated to the health sector remain unutilized and surrendered at the end of every fiscal year by some of the state governments. Reviewing the bottlenecks for underutilization of budgets is another area for augmenting resources.

- *Innovative financing, such as performance-based/results-based financing to maximize outputs/outcomes*. Currently few schemes such as Janani Suraksha Yojana (JSY) are functioning under similar principles as performance based financing. Elements of performance-based financing that are currently missing include separation of functions and independent monitoring mechanisms.

- *States need to take a proactive role and develop their own health care financing system based on their demography and needs in order to achieve universal health coverage*. A positive approach towards policy making is required in order to reduce out-of-pocket expenditure.

- *Progressive taxation can help expand the pool of available resources*. A 'sin tax' on tobacco and alcohol is one such option, or taxes on unhealthy foods with high fat, sugar, salt content.

- *Urgent need to prioritize the health sector*. Primary health care services should be provided free of cost to both poor and non-poor. This would act as a foundation for providing universal health coverage. This can be financed through additional levies on products like tobacco. These levies need to be earmarked specifically to achieve universal health care rather than pooling these funds with other income sources.

Panel Discussion 2: **Determining the role of central government, state governments and commercial insurance providers in reducing out-of-pocket expenditure due to NCDs**

Moderator: Dr Indrani Gupta, Professor and Head, Health Policy Research Unit, Institute of Economic Growth

Co-Moderator: Dr Dale Huntington, Senior Director, Johnson & Johnson

Objective: Defining specific opportunities for a multi-payer approach

Issue: Indian patients face one of the highest shares of out-of-pocket health expenditures in the world. A large number of patients seek care from private health care providers as evident from the health and morbidity surveys of the National Sample Survey. More than 70 per cent of out-patient care and more than 55 per cent of in-patient care are provided by the private sector in India. A recent National Sample Survey reveals that demand for services from private providers are increasing for in-patient treatment services in spite of fast growing treatment costs in private facilities.

Healthcare payments are one of the key contributors for impoverishment of households. Because of its frequency of use, particularly in the case of NCDs, non-hospitalised care impoverishes more households than hospitalised care. Further, purchase of medicines for non-hospital care accounts for the dominant share of a household's total medical expenditure (72 per cent in rural and 68 per cent in urban areas). A health insurance scheme typically provides financial protection against medical expenses for hospitalised care only.

In addition to household spending, private health insurance, health care provision and reimbursements by employers, NGOs and charitable account for about 6% of all health care spending. Coverage under private insurance is very narrow and is limited mostly to major urban areas.

While there are several health insurance schemes operating in India, hardly any are able to meet the basic principle of risk pooling, cross subsidization or comprehensive services package. Therefore, there is a need to consider diverse financing and reimbursement options to meet the health care needs of all citizens, including the expansion of commercial health insurance options, other innovative financing models, and public-private partnerships.

Public health care is largely financed through general tax revenues of governments. There have been attempts to levy sin taxes, a tobacco tax, health cess, etc. to mobilise resources for health. India Health Report-2002 also recommended levy of addition tax on tobacco products to generate a sizable revenue pool for health. Though there are health cess and tobacco taxes levied from time to time, these have not been earmarked or pooled into a health kitty.

Recommendations:

- *Develop an India specific model of health care financing with an essential health package for inclusion under Universal Health Coverage*. This model, to be developed under a multi-payer system, should take references from international best practices – with the aim to extend coverage to all.

- *Comprehensive and diverse system of health care financing that pools financial risk and shares the cost burden*. A developing economy like India cannot afford to rely on a single public health care financing system to cover the entire population, especially in view of rising health care costs and the limited access to private insurance policies and other options to fund health care.

- *A balanced mix of public-private partnership in health insurance coverage is the most viable option to deal with the challenges of health care financing in emerging economies*. Analysis of a range of funding and co-payment options around the world revealed that similar payment approaches can work successfully in countries with very different financing mechanisms.

- *Appropriate regulatory and government policies in order to finance outpatient coverage, and prescription medicines*. Existing healthcare insurance policies are majorly focused on in-patient care and hospitalization, generally the most expensive aspect of healthcare. There is a need to focus on financing for outpatient procedures, which can reduce the overall cost in the system by reducing hospital visits, as well as prescription drugs, which currently make up a large component of the out-of-pocket expenditure by patients.

PARTNERSHIP TO FIGHT CHRONIC DISEASE

S·P·A·G Be Real

Annexure

List of Participants

- **Meenakshi Datta Ghosh**
  Former Secretary Government of India, Ministry of Panchayati Raj; and Special Secretary,
  Ministry of Health and Family Welfare, Government of India

- **Dr. Damodar Bachani**
  Deputy Commissioner (NCD), Ministry of Health & Family Welfare, Government of India

- **Dr Indrani Gupta**
  Professor and Head, Health Policy Research Unit, Institute of Economic Growth

- **Dr Jorge Coarasa**
  Senior Economist, The World Bank

- **Priyanka Saksena**
  Technical Officer, World Health Organization

- **Dr Neeta Rao**
  Senior Research and Evaluation Advisor – Health, USAID

- **V Selvaraju**
  Secretary, Indian Health Economics and Policy Association

- **Dr Achin Chakraborty**
  Director and Professor, Institute of Development Studies Kolkata

- **Dr Ashoke Bhattacharjya**
  Executive Director - Global Policy Analysis, Johnson & Johnson

- **Dr Dale Huntington**
  Senior Director - Health Care Systems Emerging Markets, Johnson & Johnson

- **Dr Anand Krishnan**
  Head, Centre for Community Medicine, AIIMS

- **Roopali Goyanka**
  Associate Professor, Department of Economics, Indraprastha College for Women, University of Delhi

- **Dr. Mukta Lonkar**
  AVP Business Excellence & Enrollment (Operations), Health Insurance TPA of India

- **Kanchana TK**
  Director General, OPPI

- **Dr Rahul Reddy**
  Senior Consultant (Health Care Financing), NHSRC

- **Ali Mehdi**
  Senior Consultant (Social Sector and Development), ICRIER

- **Amit Mookim**
  Country Principal South Asia, IMS Consulting Group

- **Dr Laxmikant Palo**
  Regional Director - South East Asia, Project Hope

- **Ms Cheena Malhotra**
  Country Program Manager – India, Project Hope

- **Arif Fahim**
  Manager - Therapy Development & Reimbursement, St. Jude Medical

- **Dr Ratna Devi**
  Chief Executive Officer, DakshamA Health and Education

- **Dr Bejon Mishra**
  Founder, Partnership for Safe Medicines and the Patient Safety & Access Initiative of India Foundation

- **Piyush Gupta**
  Principal Executive Officer, Cancer Aid Society

- **Neha Tripathi**
  Director, Cancer Aid Society

- **Manish Jain**
  CEO, Yes2treatment Private Ltd

PARTNERSHIP TO FIGHT CHRONIC DISEASE

S·P·A·G Be Real

Appendix

Healthcare Financing Roundtable 2015

The Partnership to Fight Chronic Disease (PFCD) convened its first roundtable on health care financing titled "*Innovative Models of Health Care Financing for a Healthier India*" in April 2015. The discussion saw participation from several prominent state and national-level policy makers, insurance and pharmaceutical specialists, economists, public health experts, medical fraternity, academicians and others. The primary objective of the discussion was to understand gaps and challenges in regard to health care financing in India and look at the possible solutions to address the growing burden of out-o- pocket expenditure on health.

Areas of discussion:

Implementation of Universal Health Coverage (UHC) – The continuously increasing rate of death, disability and illness from NCDs in India clearly indicates that there are many gaps in our health system, making it unable to effectively address the epidemic. Achieving UHC is the most promising path toward closing the NCD services gap. Strong implementation of this plan will place India on the same path to progress that around 50 countries around the world have achieved in health outcomes.

Multi-payer, multi-model insurance coverage approach – Keeping in mind a huge disparity in terms of income, employment and geography in India, a multi-payer multi-model approach would be best suited since a one-size-fits-all model won't work well in health insurance. The needs of different population segments can be covered under this approach.

Government needs to increase healthcare spending – The government spending on healthcare in India is only 1.86 per cent of GDP, while it is about 4 per cent when combined with private spending. However, 10 years ago it was 4.4 per cent. The spending is declining just at the time when we actually need more investments in dealing with the issue. This scenario needs to be changed as global evidence on health spending shows that unless a country spends at least 5-6 per cent of its GDP on health, basic healthcare needs are hard to meet.

Experts who participated:

- Dr Damodar Bachani, Deputy Commissioner (NCD), MoHFW
- Dr Bahubali Nagaonkar, Assistant Director, Rajiv Gandhi Jeevandayee Arogya Yojana, Maharashtra
- Dr Kailash Shelke, Chief Underwriter, Max Bupa Health Insurance
- Dr Nitin K Gupta, Assistant Vice-President, Claims operations at Apollo Munich Health Insurance
- Amit Jaiswal, Deputy Director Alternate Sales and Health, PNB MetLife India Insurance
- Shubhankar Rudra, President, National Insurance Company Officers' Association
- Dr Suneela Garg, Director Professor Community Medicine, Maulana Azad Medical College
- Dr Usha Shrivastava, Head, National Diabetes Obesity and Cholesterol Foundation

Disease-specific insurance schemes – Health insurance policies always have a scope for improvement and one such step towards advancement is the idea of bringing disease-specific health insurance policies for individuals suffering from chronic diseases. These policies become all more important as the chronic diseases require life-long care, medication and support services. This would enable patients to take cover for their specific disease under the scheme apart from the basic insurance offering.