



INNOVATIVE MODELS OF HEALTHCARE FINANCING FOR A HEALTHIER INDIA

CONSULTATION PAPER

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Context

According to the World Health Organisation (WHO), non-communicable diseases (NCDs) are the biggest global killers accounting for 38 million deaths every year, with a whopping 28 million in low and middle-income countries alone. In India, nearly 5.8 million people die from heart and lung diseases, stroke, cancer and diabetes. In other words, 1 in 4 Indians risks dying from an NCD before they reach the age of 70¹. NCDs have emerged as the leading cause of death in India – ahead of injuries as well as communicable, maternal, prenatal, and nutritional conditions. Further, NCDs account for about 40 per cent of all hospital stays and roughly 35 per cent of all recorded outpatient visits². NCDs not only affect health, but also productivity and economic growth. The probability of death during the most productive years (ages 30-70) from one of the four main NCDs is a staggering 26 per cent³.

Heart and vascular diseases, common cancers, chronic lung disease, diabetes, mental illness and injuries are the major NCDs prevalent in India, causing mainly due to alcohol and tobacco use, unhealthy diet, physical inactivity and psychosocial stress. It is important to change the ongoing scenario as India has too much at stake.

Need for Healthcare Financing

NCDs add to India's already substantial health burden from infectious diseases and injuries. NCDs are costly in terms of both human suffering and economics. According to WHO World Health Statistics 2012, 39 million Indians are pushed to poverty because of ill health every year⁴. The report also claimed that nearly 60 per cent of total health expenditure in India was paid by the common man from his own pocket in 2009. Also, about 47 per cent and 31 per cent of hospital admissions in rural and urban India were financed by loans and sale of assets. Therefore, it is important to increase accessibility if one is looking to transform India's healthcare sector.

India lacks a comprehensive system of health care financing which would pool financial risk through insurance and help to share the cost burdens. For most developing economies, no one public health insurance solution, such as a single national insurance program, can effectively cover the entire population given the significant fiscal resources required to run such programs.

Past public insurance initiatives of the Government of India have seen policy premiums priced as low as Rs1 per day and Rs5 or Rs10 per month. While such schemes have been welcomed, they have nonetheless faced key implementation barriers, such as lack of qualified healthcare service providers and a lack of proper understanding of the concept of health insurance.

The private sector can help to relieve the pressure on the public system. Private coverage can also substitute or supplement public cover age depending on income and other factors. More choices of

Challenges

- Less than 15 per cent of India's population presently has any kind of health-care cover, be it community insurance, employers' expenditure, social insurance etc
- Only around 2.2 per cent of the population is covered under private health insurance, of which rural health insurance penetration is less than 10 per cent
- At the current rate of growth, only 50 per cent of India's population would have health insurance coverage by 2033
- According to the World Bank, 85.9 per cent of the total private expenditure on health was out-of-pocket in 2013
- 45 per cent of the population travel more than 100 kms to access a higher level of care
- Some 700 million Indians in villages and non-urban areas don't have access to healthcare facilities because around 80 per cent of the specialists and medical facilities are located in urban areas

¹ <http://www.who.int/features/2015/ncd-india/en/>

² <http://www.thehindu.com/opinion/columns/india-faces-new-health-threat/article7061849.ece>

³ <http://www.thehindu.com/opinion/columns/india-faces-new-health-threat/article7061849.ece>

⁴ http://apps.who.int/iris/bitstream/10665/44844/1/9789241564441_eng.pdf?ua=1



private health insurance can also expand the choice of hospitals and coverage of services beyond basic services to include medicines and outpatient care. In India, a segmented approach utilizing both public and private health insurance is the most likely answer to the challenges of risk pooling and healthcare financing.

Global evidence on health spending shows 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 healthcare needs are seldom met. The government spending on healthcare in India is only 1.86 per cent of GDP, which is about 4 per cent of total government expenditure, and less than 30 per cent of total health spending.

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.

Roundtable Discussion on Healthcare Financing

The Partnership to Fight Chronic Disease (PFCD) organized four high-level panel discussions titled “*Facing Our Future: Countering Non-Communicable Diseases in India through Investments in Innovation*” in New Delhi, Mumbai, Chennai and Ahmedabad respectively in 2014. The discussions served as the platform to highlight the growing burden of NCDs along with the role of different stakeholders in fighting this epidemic. These discussions brought together over 40 prominent experts and opinion leaders from all related fields including policy, medical, academic, research, pharmaceutical, medical technology and patient groups.

Based on the four multi-stakeholder discussions, three key tracks emerged:

- Surveillance and Policy
- Strengthening of Healthcare Systems
- Healthcare Financing

The PFCD recently held a focused discussion on Healthcare Financing titled “*Innovative Models of Healthcare Financing for a Healthier India*”, with participation from state and national-level policy makers, insurance specialists, economists, medical fraternity, academicians and others. The primary objective of the focused discussion was to understand gaps and challenges in regard to healthcare financing, apart from discussing other aspects and the way forward.

Key observations, recommendations and intervention areas emerged during the discussion are:

Implementation of Universal Health Coverage (UHC) - The continuously increasing rate of death, disability and illness from NCDs in India clearly indicates that there are lots of gaps in our health system, making it incompetent to address the epidemic. The UHC can be seen as the only realistic path that can prove beneficial in 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 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 the approach.

Government needs to increase healthcare spending - India presently spends only about 4 per cent of its GDP on healthcare, while 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.

Who is going to pay for what and how much - The out-of-pocket expenses needs to be targeted immediately. According to a report by the World Bank, 85.9 per cent of the total private expenditure in India on health was out-of-pocket in 2013. These expenses lead to poverty, resulting in increased economic burden. Therefore, it is important that such financing schemes are developed where government and health insurance companies contribute in the healthcare expenditure of a common man, be it preventive care, out-patient care, hospitalization and post-hospitalization support. These schemes should clearly define what percentage and kinds of expenses will be paid by insurance schemes, ultimately resulting in reducing the financial burden on patients.

Scale-up innovative healthcare financing schemes - The government has initiated several healthcare financing schemes in the past both at the national and state level which have low premiums and high-value services. These schemes, including Rashtriya Swasthya Bima Yojna and Janani Suraksha Yojana, have seen success at certain level but cannot be scaled up due to key implementation barriers. Therefore, it is important that such schemes should be implemented effectively and provided both at urban and rural level so that majority of population can be covered.

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 regular ones.

Outpatient coverage - The current healthcare insurance policies are majorly focused on in-patient care and hospitalization, generally the most expensive aspect of healthcare. The coverage is provided to patients who are hospitalized and undergoing medical treatment. However, the recommended approach is to include preventive check-ups and out-patient services in the insurance policies so that more people are encouraged to undergo screening and diagnosis, thereby reducing the chances of hospitalization.

People in unorganized sectors needs to be included for coverage - The National Commission for Enterprises in the Unorganized Sector has reported that nearly 52 per cent of unorganized workers in India are engaged in agriculture and allied sector and they constitute more than 90 per cent of the labour workforce. These people also contribute 50 per cent to the country's GDP. Therefore, it becomes utmost important to target people in the unorganized sectors and develop healthcare policies that addresses the plight of this poverty-stricken and downtrodden class of India.

Adopt patient-centric approach - India's diverse population has limited purchasing power overall. Penetrating this for broader healthcare coverage requires innovative insurance products at multiple price points. But innovation in the current Indian health insurance market needs to evolve considerably, with health insurers building their portfolios with multi-level, differentiated long-term products. Public and private sector players have already shown the way by introducing innovative insurance products with premiums as low as Re1 per day and Rs10 per month, catering to community as well as individual insurance needs. Such low-priced products can play a significant role in ensuring higher healthcare access and better health for all sections of Indian society.

Switch from patient cure to preventive care - Patient cure policies should be revised to include preventive care policies. Preventive healthcare could ultimately lower the cost of health services for those with chronic disease and subsequently reduce the cost of insurance operations, including a reduction in claims. Ignoring preventive care only means that the chances of disease progression and complications requiring hospitalization are inevitably higher.

Use CSR to strengthen healthcare system - According to a recently released report by the World Economic Forum and the Harvard School of Public Health, India stands to lose \$4.58 trillion due to non-communicable diseases and mental disorders by 2030. Addressing this health burden should be the central agenda. The Corporate Social Responsibility (CSR) is one such component that can be used to strengthen awareness and education as well as develop models to encourage prevention and early care.

Affordable access to essential medicines - Access to essential drugs is a major challenge in India, especially for NCDs patients whose conditions are typically managed through the use of basic medicines. It therefore becomes important to improve the availability and affordability of essential medicines in the market as it would help avoid hospitalizations and out-of-pocket expenses.

Way Forward

NCDs have huge socio-economic implications. They disproportionately affect the poor, leading to loss of household income from unhealthy behaviours, poor physical capacity and loss of wages. Due to long-term treatment costs and high out-of-pocket expenses, NCDs can result in catastrophic health expenditures and impoverishment.

To address issues related to NCDs, the PFCD is working towards drafting a National Blueprint, involving multiple stakeholders including policy makers, intended towards developing policies and programmes to reduce the burden of NCDs within the regional socioeconomic, cultural, political and health system contexts.

PFCD has identified three tracks basis the five high-impact regional consultations in New Delhi, Mumbai, Chennai and Ahmedabad since the beginning of 2014:

- Surveillance & Policy
- Strengthening of Healthcare Systems
- Healthcare Financing

The objective of the National Blueprint is to present a result-oriented action plan to effectively facilitate state governments and healthcare implementers with best practices and preventive measures to adopt innovative programmes for prevention and control of the growing burden of NCDs in India. Through a collective and effective implementation of the recommendations made under the over-arching three key tracks between 2016 and 2020, the country can achieve the goals set by the World Health Organization for 2025 for the prevention and control of NCDs.



ANNEXURE

List of Participants

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