



Health Insurance, Out-of-pocket Expenses, Financial Protection, and Catastrophic Health Expenditures – The Case of INDIA

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Outline



- **Key health care financing and delivery parameters**
- **Implications of increasing OOPS**
- **Limitation on public spending – a look at the fiscal situation of the States**
- **Health care financing alternatives: what are the options?**



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Key Health Care Financing and Delivery Parameters



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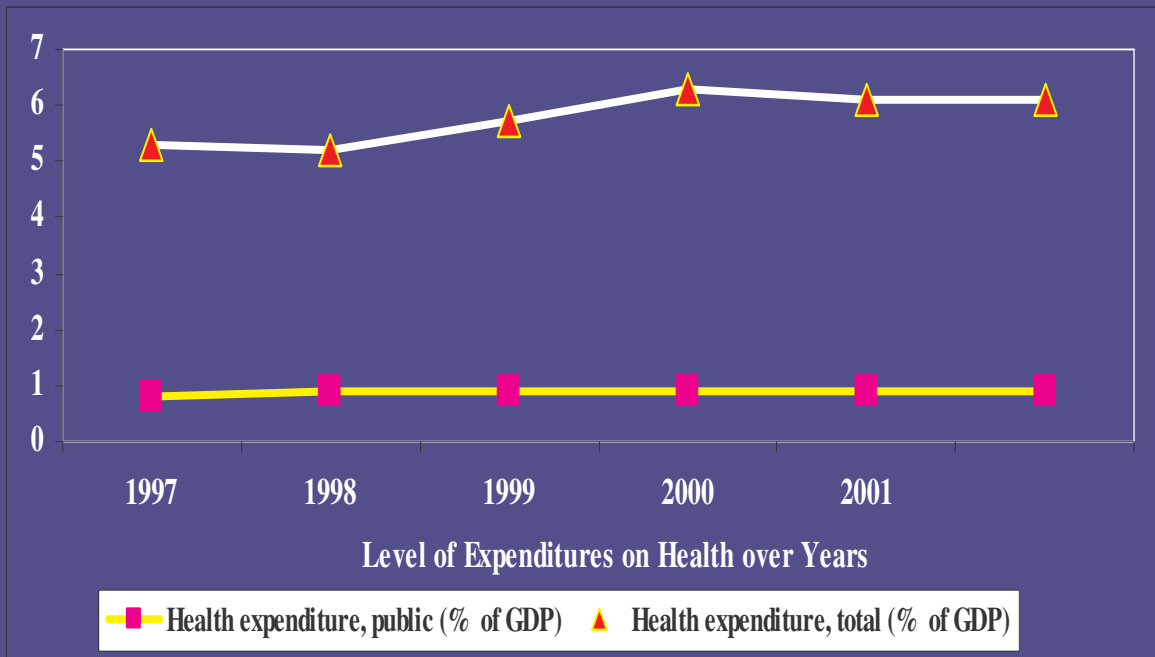
India's Health Care Financing

- **Total health expenditure is approx. 6% of GDP**
- **Sources of finance for health expenditure:**
 - ◆ 15 per cent is tax financed
 - ◆ 4 per cent is from social insurance for formal sector low income employees,
 - ◆ an estimated 1 per cent from private insurance, and
 - ◆ 80 per cent out of pocket expenses
- **Govt spending is about US\$5 per capita per annum, or 0.9% of GDP (among the lowest 6 spenders in the world, together with Burundi, Myanmar, Pakistan, Sudan, and Cambodia).**

Health care expenditure trend in India, 1997 - 2002



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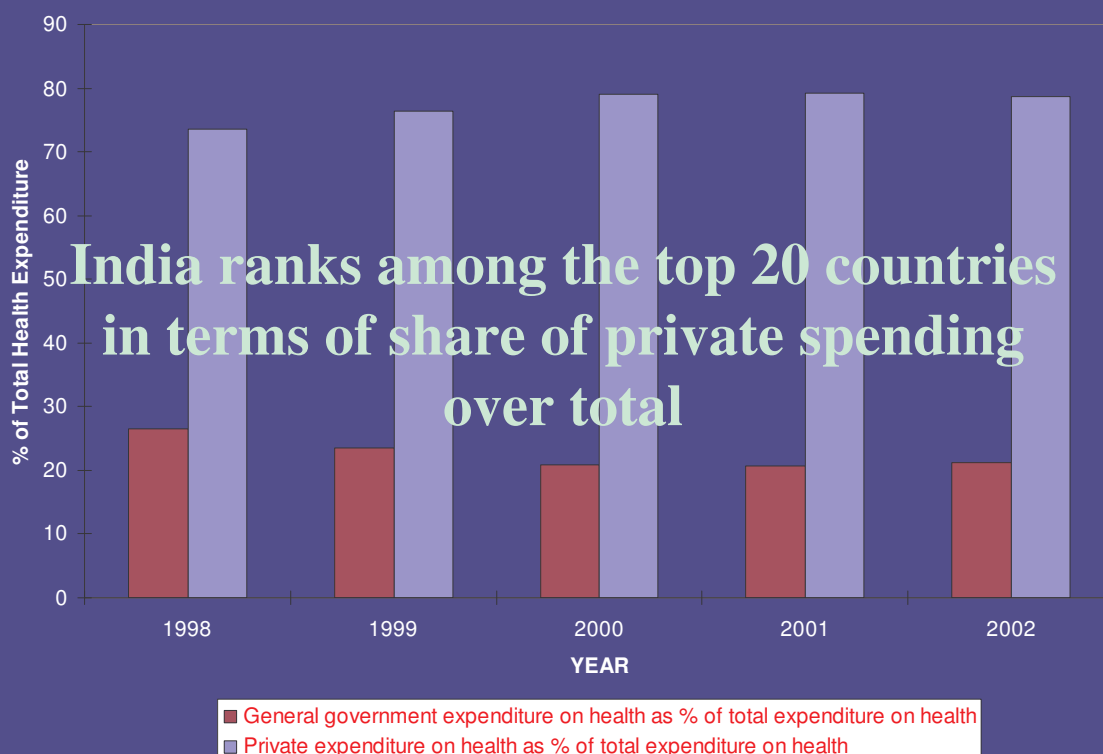
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Source: WHR, 2005

Public Vs. Private Health Expenditure in India



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Public Health Funding



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- The public funding for health care hasn't shown any perceptible increase as a share of the total for the last 25-odd years
- The health budget as a share of total budget has declined from a high of 6.37 percent in 1980 – 81 to 4.32 percent in 2002 – 03

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Health care delivery system in INDIA



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- **In 1947 the private health sector provided only 5-10% of total patient care**
- **Today it accounts for –**
 - ◆ 82% of outpatient visits,
 - ◆ 58% of inpatient expenditure, and
 - ◆ 40% of births in institutions

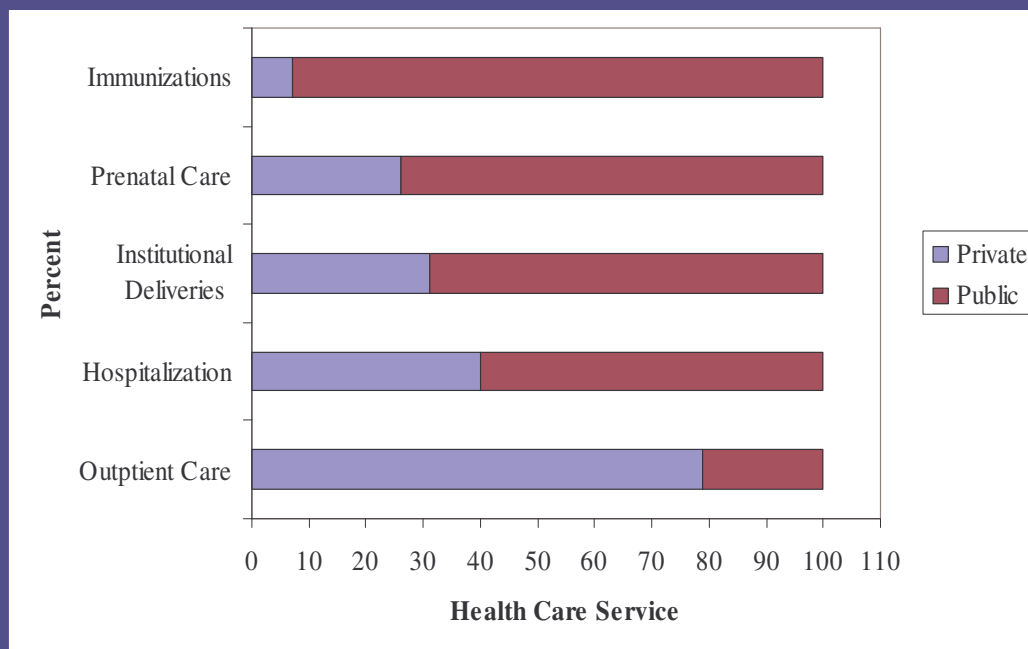
Source: *Government of India. Tenth five year plan 2002-07. New Delhi: Indian Planning Commission, 2002*

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Public and Private Sector shares of delivery of selected health care services for people Below Poverty Line (BPL) in India



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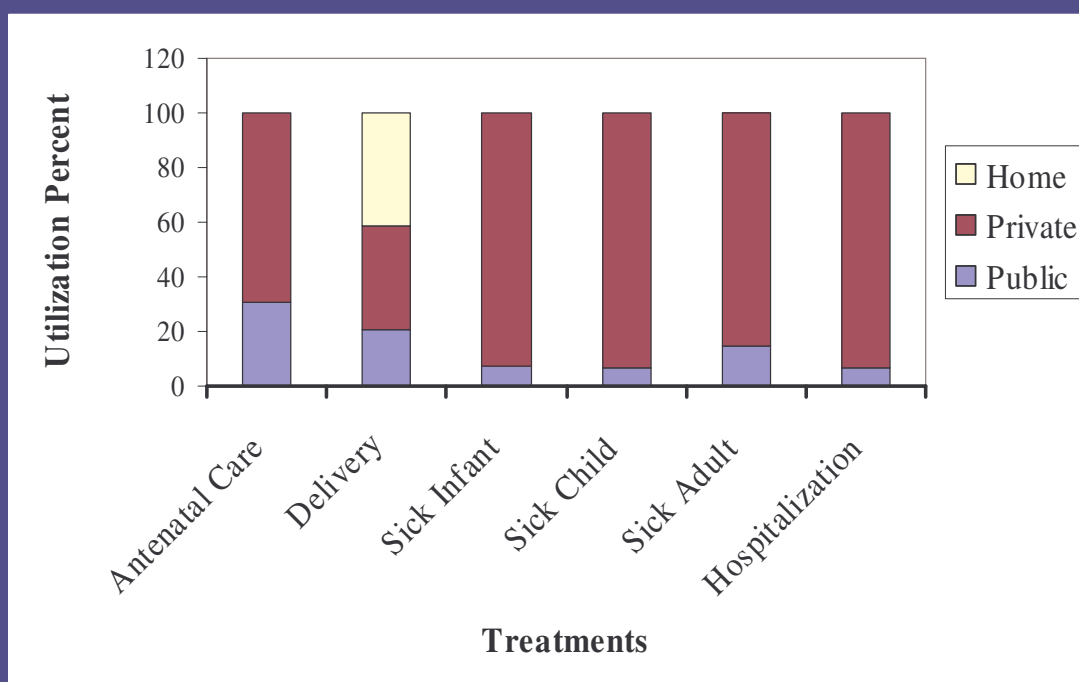


Source: Mahal, Ajay., Yazbeck, A.S., Peters, D.H., and Ramana, G.N.V (2001) "The Poor and Health Service Use in India" Background Papers, The World Bank, Washington DC

Health seeking behavior by the POOREST 20 percent in rural Andhra Pradesh



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Source: Peter Heywood (2003), "Seeking and financing health care in Andhra Pradesh", Policy Note, The World Bank

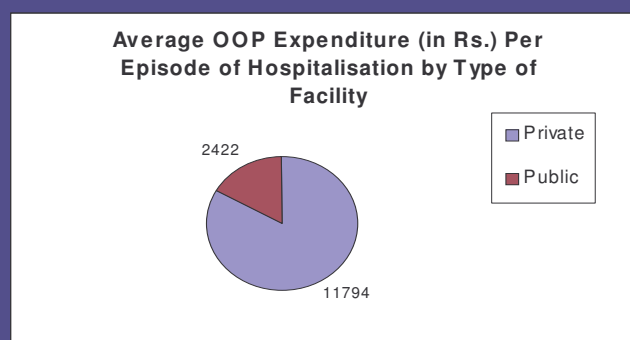


Implications of increasing OOPS

OOP Health Expenses

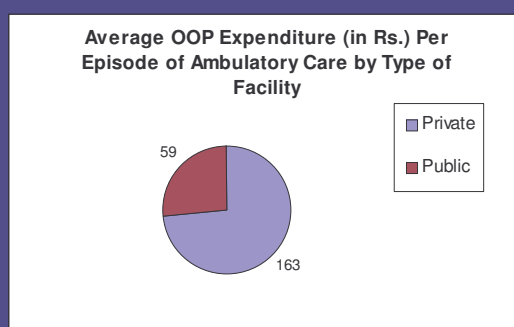


- All services, private or public, are not generally given for free.
 - ◆ In Karnataka, average IP treatment **costs Rs. 2,422 in public facilities, and Rs. 11,794 in private facilities.**





- Similarly, OPD treatment costs are Rs. 59 in public facilities and Rs. 163 in private facilities



Sources and Uses of Money for HEALTH CARE - Andhra Pradesh (INDIA)



	Transportation		Doctors fee		Medication		Investigations		Total expenditure	Self Finance
	Absolute	% of Total	Absolute	% of Total	Absolute	% of Total	Absolute	% of Total		
Ambulatory Care	659.00	14.6%	559.00	12.4%	2,368.00	52.6%	932.00	20.7%	4,499.00	1,512.00
Hospitalization	2,457.33	1.5%	9,314.67	5.8%	9,062.83	5.7%	138,966.17	87.0%	159,801.00	11,089.83

External Funding (meaning other than household source)

1. Ambulatory Care = 64 percent
2. Hospitalization = 93 percent

Medical Costs and Poverty



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World Bank Report in 2001 *“Raising the sights: better health systems for India's poor”*

- ◆ 40% of all patients admitted to hospital borrow money and/or sell assets
- ◆ 25% of farmers are driven below the poverty line by the costs of their medical care

Similarly, recent studies from the State of Karnataka (India) show that

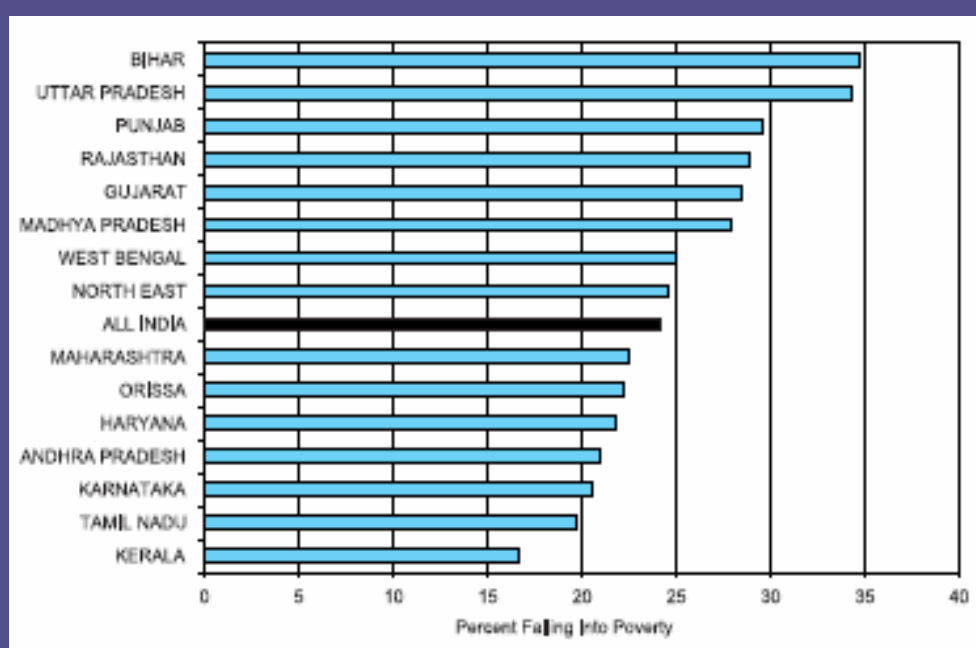
- ◆ rural households spent nearly 10 to 26 per cent of their total household income in 1993-94 and 2002 – 03 on health care, and
- ◆ nearly 23 percent cited financial reasons for not availing treatment from government institutions (up from 15 percent in 1986-87).

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Percent of Hospitalized Indians “Falling Into Poverty” from Medical Costs 1995–96



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Source: World Bank (2001), *“Raising the Sights: Better Health Systems for India’s Poor Overview”*, by Health, Nutrition, Population Sector Unit – INDIA

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In synthesis:



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- **Low and declining levels of public spending on health;**
- **Extremely high level of OOPS**



This leads to limited financial protection, resulting, when catastrophic illnesses strike, in a choice between poverty or death for a large segment of the population

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The way forward:



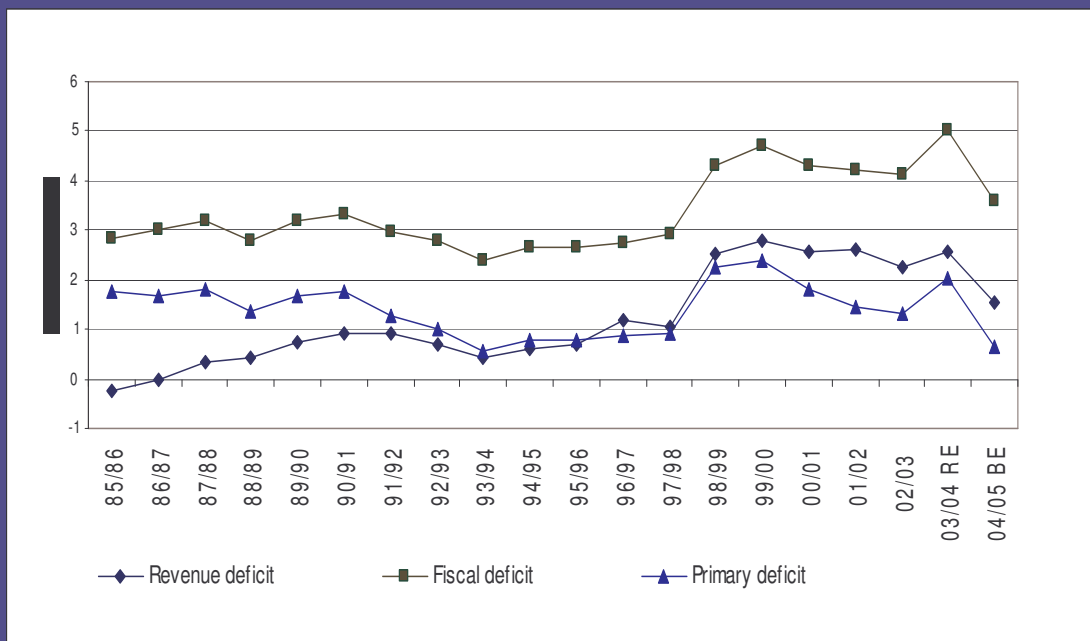
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Limitations on potential growth of public spending, because of the precarious fiscal situation of the States: government health expenditure as a percent of total health expenditure is not expected to be more than 1/4 of total in the next decade, even in the most optimistic scenario

.....alongside persistent deficits



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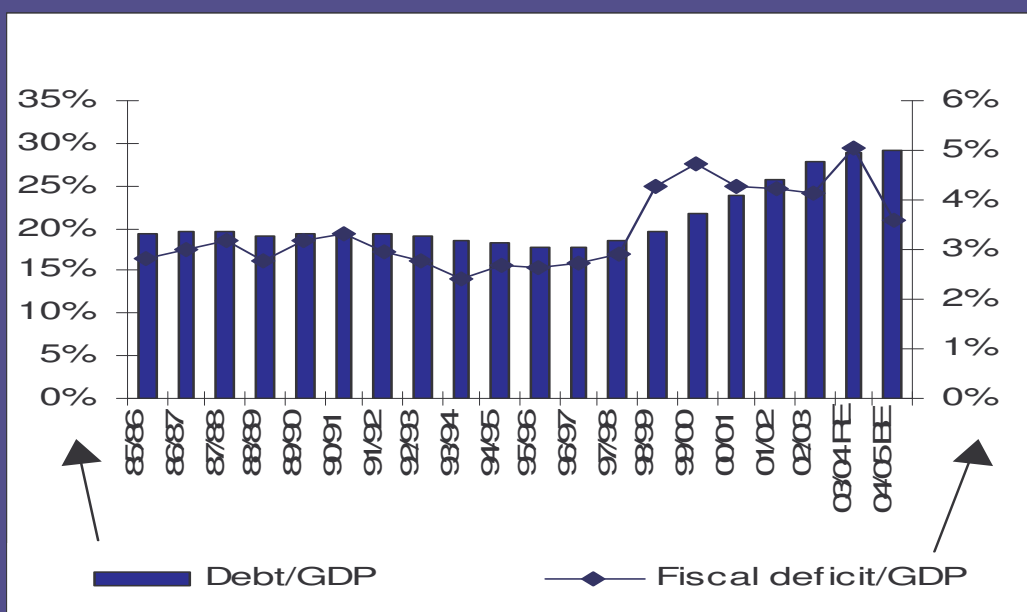


Source: "State Fiscal Reforms in India: Progress and Prospects", A World Bank Report (2005)

Resulting in higher debt accumulation



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and slow BUT secular deterioration in State's fiscal performance

Source: "State Fiscal Reforms in India: Progress and Prospects", A World Bank Report (2005)

Results of a simulation on “Share of Household and Government in Total Health Expenditure under Different Scenarios” projected until 2015



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Year	Scenario-I : GHExp at 90s Growth and Hh Hexp at 90s GDP Growth		Scenario-II : GHExp at 23yrs Growth and Hh Hexp at 23yrs GDP Growth	
	Government	Households	Government	Households
2001-02	20.95	79.05	21.03	78.97
2002-03	20.13	79.87	20.22	79.78
2003-04	20.03	79.97	20.13	79.87
2004-05	19.94	80.06	20.03	79.97
2005-06	19.85	80.15	19.94	80.06
2006-07	19.76	80.24	19.85	80.15
2007-08	19.66	80.34	19.76	80.24
2008-09	19.57	80.43	19.67	80.33
2009-10	19.48	80.52	19.57	80.43
2010-11	19.38	80.62	19.48	80.52
2011-12	19.29	80.71	19.39	80.61
2012-13	18.87	81.13	18.97	81.03
2013-14	18.46	81.54	18.56	81.44
2014-15	18.05	81.95	18.15	81.85

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Conclusion:

Because of limited “fiscal” space, and limited option to raise taxes, private spending will continue to be the prevailing source of funding for health care services in India for the foreseeable future”



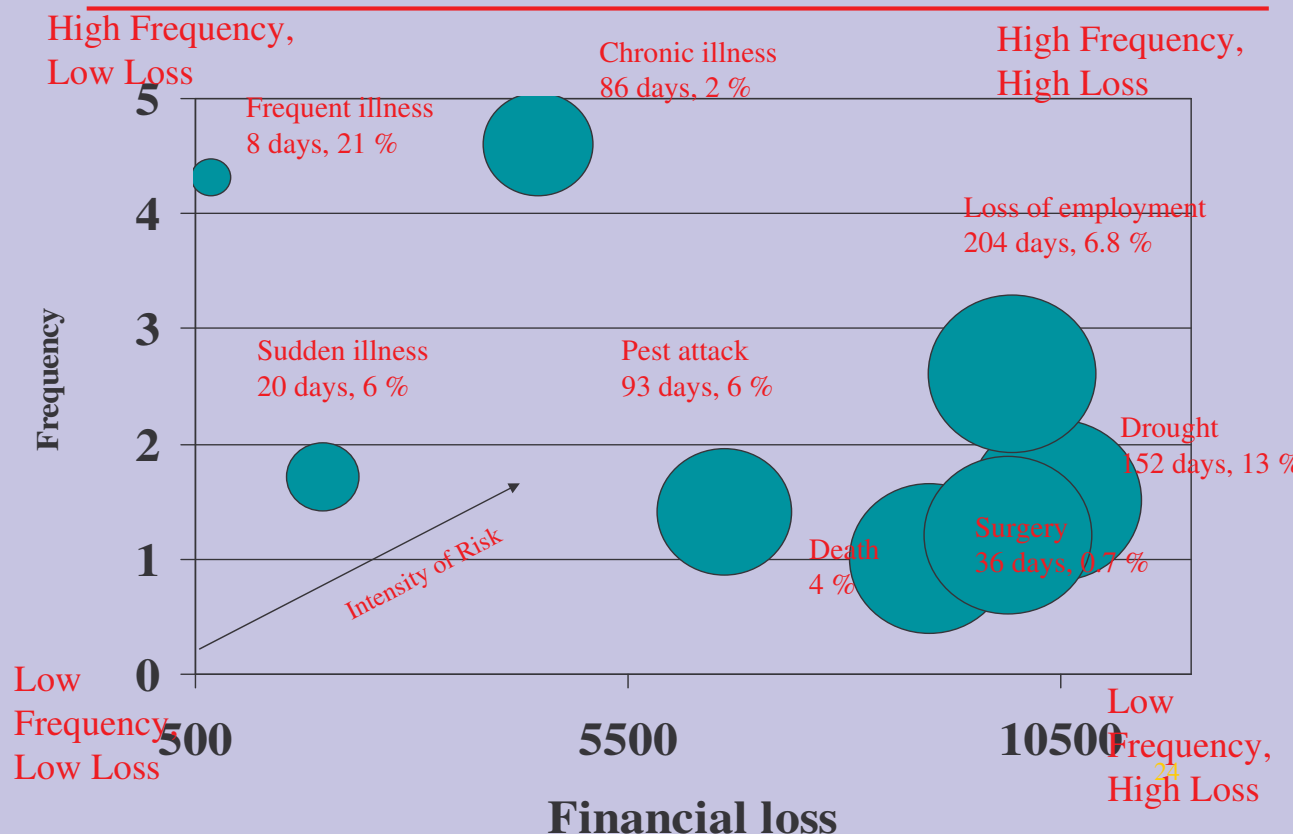
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Private (health care) financing alternatives: what are the options?

Characteristics of Risk – Poor's Perspective



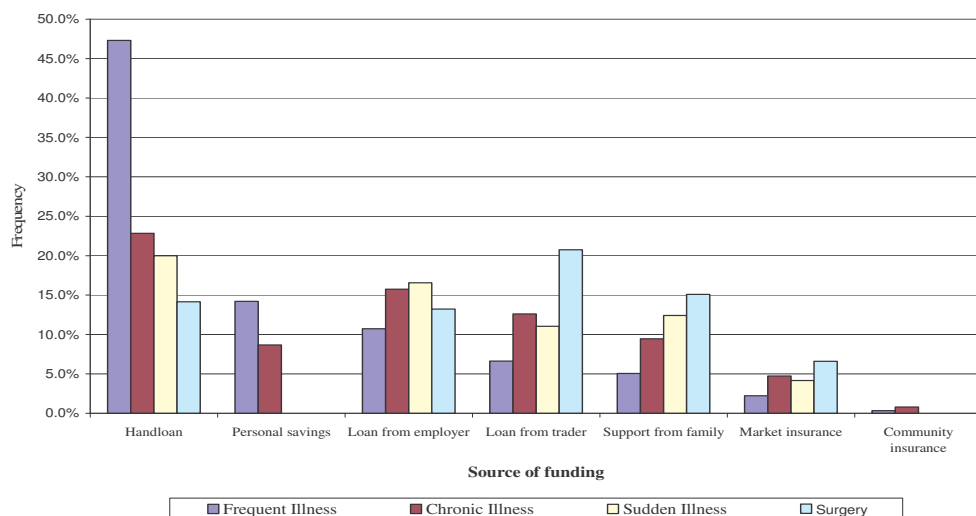
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Financial coping mechanism of the Poor, Andhra Pradesh (INDIA)



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What did the market or government offer in the form of “Pre-funding” or “Insurance” options to manage health risks?



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- **Employee State Insurance Scheme (ESIS) – Social insurance program for salaried employees**
- **Mediclaim – a Private Voluntary Health Insurance Product**
- **Universal Health Insurance Scheme – a Government of India subsidized program for people below poverty line**
- **Yeshasvini or Farmers Cooperative Health Insurance Scheme**

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Commonality of the schemes



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- **Primarily covers HOSPITALIZATION, whereas Yeshasvini is limited to SURGICAL interventions.**
- **The PVHI products are**
 - ◆ restrictive, meaning does not cover for pre-existing diseases and/or has exclusions making the product IRRELEVANT for the insurees
 - ◆ based on (more than 60 percent in the case of Mediclaim and almost 100 percent in the case of UHIS) REIMBURSEMENT of claims
- **Coverage of THE POOR, even in the case of UHIS, is weak and/or excluded.**

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The Disease Burden of the Poor in INDIA



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	DALY'S		Deaths	
Total	268 953	%	9 337	%
Communicable diseases, maternal and perinatal conditions and nutritional deficiencies	135 263	50.29	3 944	42.24
Infectious and parasitic diseases	67 619	25.14	2 121	22.71
Tuberculosis	7 577	2.82	421	4.51
Diarrhoeal diseases	22 005	8.18	711	7.62
Childhood diseases (pertussis, polio, diphtheria, measles, tetanus)	14 463	5.38	429	4.60
Other infectious diseases	6 325	2.35	209	2.24
Respiratory infections	25 556	9.50	987	10.57
Acute lower respiratory infections	24 806	9.22	969	10.37
Maternal conditions	7 891	2.93	125	1.34
Sepsis	1 338	0.50	20	0.21
Abortion	1 704	0.63	19	0.20
Perinatal conditions	23 316	8.67	612	6.55
Nutritional deficiencies	10 881	4.05	100	1.07
Anaemia	6 302	2.34	26	0.28
Non-communicable conditions	88 657	32.96	4 470	47.88
Injuries	45 032	16.74	923	9.88

Source: WHO 1998

Hospitalization incidence of the Poor in Andhra Pradesh (INDIA)



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Description	July - Aug'05	September'05	October'05	Avg Cost (in Rs)
	% of Total	% of Total	% of Total	
Cardiology	0.9%	3.7%	1.5%	3417.21
Dental Surgery	0.4%	0.0%	0.0%	3605.00
Dermatology	0.0%	0.8%	0.0%	7742.00
E N T (Oto Rhino Laryngiology)	3.9%	3.7%	3.5%	4485.56
General Medicine	25.5%	21.4%	16.2%	3150.31
General Surgery	21.2%	29.6%	30.3%	5946.67
Gynecology	5.6%	2.5%	2.0%	4886.30
Obstetrics	17.3%	16.9%	25.3%	5446.73
Ophthalmology	1.7%	2.5%	2.5%	1666.93
Orthopaedics	4.3%	4.1%	3.0%	3906.00
Paediatrics	15.6%	13.6%	13.6%	1903.75
Pulmonology	3.5%	1.2%	2.0%	2802.67
TOTAL	100.0%	100.0%	100.0%	4290.44

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Need for



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- **Radical approach as –**
 - ◆ traditional insurers have failed in developing products which covers for health risk faced by the Poor
 - ◆ also, traditional insurers have generally ignored the low-income market due to high transaction costs and low returns
- **And Risk Management Strategy**
 - ◆ in the form of a savings cum insurance package
 - ◆ conceptually addressing the complementary needs of poor households for
 - ◆ income / consumption smoothing needs via savings and credit primarily to meet the demand for routine healthcare and uninsurable health risks
 - ◆ insurance instrument against catastrophic illness.

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Combination product



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■ Health risk fund

- ◆ a savings and loan product
- ◆ primarily to finance high frequency and low severity events and non-insurable risks
- ◆ allow members to borrow as little as Rs 100 to as high as Rs 5,000 for both inpatient and outpatient care
- ◆ build a “concept” of savings for HEALTH
- ◆ **IMMEDIATE OUTCOME** – to shift people BORROWING from MONEY LENDERS (at 3 – 5 percent per month) to CHEAPER SOURCE of financing (at 6 – 9 percent per annum).

■ Health insurance

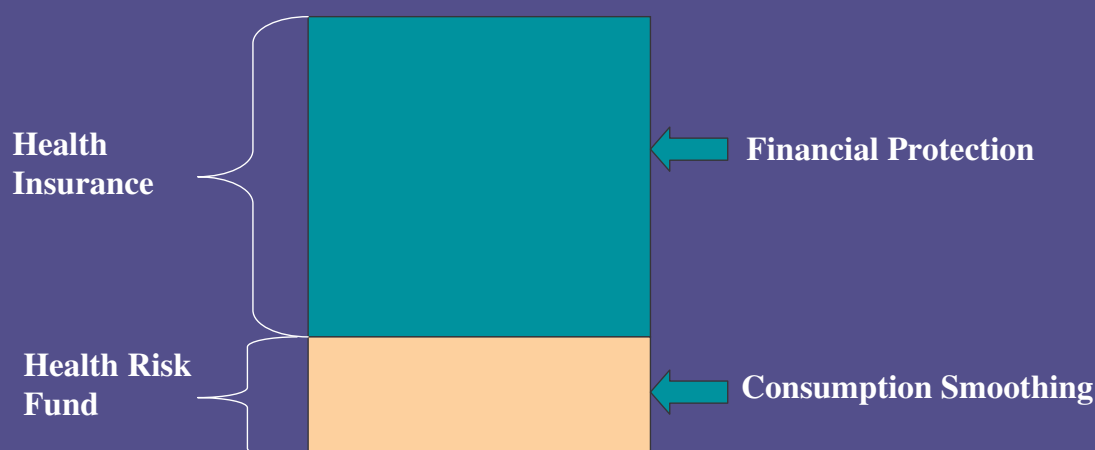
- ◆ insurance product for low frequency and high severity events

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Product Design



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Thank you

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