We need a leap in healthcare spending

India needs to focus on long-term investment, not only episodes of care

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The Central and State governments have introduced several innovations in the healthcare sector in recent times, in line with India's relentless pursuit of reforms. However, while the government's goal is to increase public health spending to 2.5% of GDP, health spending is only 1.15-1.5% of GDP. To reach its target, the government should increase funding for health by 20-25% every year for the next five years or more.

While the Interim Budget is responsive to the needs of farmers and the middle class, it does not adequately respond to the needs of the health sector. The total allocation to healthcare is ₹61,398 crore. While this is an increase of ₹7,000 crore from the previous Budget, there is no net increase since the total amount is 2.2% of the Budget, the same as the previous Budget. The increase roughly equates the ₹6,400 crore allocated for implementation of the Ayushman Bharat-Pradhan Mantri Jan Arogya Yojana (PMJAY).

Per capita spending on health

According to the National Health Profile of 2018, public per capita expenditure on health increased from ₹621 in 2009-10 to ₹1,112 in 2015-16. These are the latest official numbers available, although in 2018 the amount may have risen to about ₹1,500. This amounts to about $20, or about $100 when adjusted for purchasing power parity. Despite the doubling of per capita expenditure on health over six years, the figure is still abysmal.

To understand why, let's compare this with other countries. The U.S. spends $10,224 per capita on healthcare per year (2017 data). A comparison between two large democracies is telling: the U.S.'s health expenditure is 18% of GDP, while India's is still under 1.5%. In Budget terms, of the U.S. Federal Budget of $4.4 trillion, spending on Medicare and Medicaid amount to $1.04 trillion, which is 23.5% of the Budget. Federal Budget spending per capita on health in the U.S. is therefore $3,150 ($1.04 trillion/ 330 million, the population).

In India, allocation for healthcare is merely 2.2% of the Budget. Per capita spending on health in the Budget in India is ₹458 (₹61,398 crore/ 134 crore, which is the population). (Medicare and Medicaid come under 'mandatory spending' along with social security.) Adjusting for purchasing power parity, this is about $30 – one-hundredth of the U.S.

Admittedly, this runaway healthcare cost in the U.S. is not to be emulated, since comparable developed countries spend half as much per capita as the U.S. Yet, the $4,000-$5,000 per capita spending in other OECD countries is not comparable with India's dismal per capita health expenditure. The rate of growth in U.S. expenditure has slowed in the last decade, in line with other comparable nations.

The ₹6,400 crore allocation to Ayushman Bharat-PMJAY in the Interim Budget will help reduce out-of-pocket expenditure on health, which is at a massive 67%. This notwithstanding, per capita Budget expenditure on health in India is among the lowest in the world. This requires immediate attention.

Health and wellness centres

Last year, it was announced that nearly 1.5 lakh health and wellness centres would be set up under Ayushman Bharat. The mandate of these centres is preventive health, screening, and community-based management of basic health problems. The mandate should include health education and holistic wellness integrating modern medicine with traditional Indian medicine. Both communicable disease containment as well as non-communicable disease programmes should be included. An estimated ₹250 crore has been allocated for setting up health and wellness centres under the National Urban Health Mission. Under the National Rural Health Mission, ₹1,350 crore has been allocated for the same. The non-communicable diseases programme of the National Programme for Prevention and Control of Cancer, Diabetes, Cardiovascular Diseases and Stroke has been allocated ₹175 crore, from ₹275 crore. Allocation to the National Tobacco Control Programme and Drug De-addiction Programme is only ₹65 crore, a decrease of ₹2 crore. The allocation for each of the wellness centres is less than ₹1 lakh per year. This is a meagre amount.

History shows that where there is long-term commitment and resource allocation, rich return on investment is possible. For instance, AIIMS, New Delhi is the premier health institute in India with a brand value because of resource allocation over decades. AIIMS Delhi alone has been allocated nearly ₹3,600 crore in the Interim Budget, which is a 20% increase from last year. Similar allocation over the long term is needed in priority areas.

Prevention and its link to GDP

NITI Aayog has proposed higher taxes on tobacco, alcohol and unhealthy food in order to revamp the public and preventive health system. This has not found its way into the Interim Budget. A focused approach in adding tax on tobacco and alcohol, to fund non-communicable disease prevention strategies at health and wellness centres, should be considered. Cancer screening and prevention are not covered. There is no resource allocation for preventive oncology, diabetes and hypertension. Prevention of chronic kidney disease, which affects 15-17% of the population, is not appropriately addressed. The progressive nature of asymptomatic chronic kidney disease leads to enormous social and economic burden for the community at large, in terms of burgeoning dialysis and transplant costs which will only see an exponential rise in the next decade and will not be sustainable unless we reduce chronic kidney disease incidence and prevalence through screening and prevention.

Due to lack of focus in preventive oncology in India, over 70% of cancers are diagnosed in stages III or IV. The reverse is true in developed countries. Consequently, the cure rate is low, the death rate is high, and treatment of advanced cancer costs three-four times more than treatment of early cancer. The standard health insurance policies cover cancer but only part of the treatment cost. As a consequence, either out-of-pocket expenditure goes up or patients drop out of treatment.

Increase of GDP alone does not guarantee health, since there is no direct correlation between GDP and health outcomes. However, improvement in health does relate positively to GDP, since a healthy workforce contributes to productivity. We don't mean to say that funding must be redirected from current allocations to preventive care. The 1,354 packages for various procedures in PMJAY must be linked to quality. For various diseases, allocation should be realigned for disease management over a defined time period, not merely for episodes of care. Further, the health sector must be made a priority area, like defence. Since a major innovation in universal healthcare is being rolled out, it must be matched with a quantum leap in funding. Only if we invest more for the health of the nation will there be a similar rise in GDP.

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At the cost of quality

The decision to provide financial rewards for publication in science journals and patents is fraught with problems

R. PRASAD

On January 30, a little more than four years after the last hike, the Ministry of Science and Technology increased the fellowship stipend for PhD students by nearly 25%. The government says the hike will be reviewed periodically. Since the increase is far less than the 80% hike that research fellows have been demanding for the last six months, they have decided to continue with their protests. The government is also planning to provide "financial and academic incentives to enhance and recognise the performance of research fellows", for which an Inter-Ministerial Empowered Committee has been set up. Excerpts of the Committee's recommendations, tweeted by the Department of Science and Technology on February 2, provide a glimpse of the financial rewards to be given for publication and patents. While the modalities are yet to be worked out, offering financial rewards for publication is a bad idea.

Cause for concern

Giving rewards based on papers published in journals, and determining the incentive based on whether the paper is published in an international or Indian journal, is fraught with problems. In China, for example, researchers were given about $44,000 in 2016 for a single paper published in prestigious journals such as *Nature* and *Science*. The impact factor (a proxy for the relative importance of a journal) of journals was used to calculate the prize money for publication. This led to an unprecedented increase in unethical research practices and frauds committed by Chinese researchers. This could also happen in India, which already has an ignominious record in this area and has no nodal body to address scientific frauds and unethical practices.

In India, a one-time financial reward of ₹50,000 and ₹20,000 has been recommended for a paper published in an international and Indian journal, respectively. This is a "hare-brained scheme," says P. Balaram, former director of the Indian Institute of Science and former editor of *Current Science*. "Whoever has come up with this is ignorant of the history of scientific publishing. They will destroy research (with this scheme)." It is worth remembering that though the University Grants Commission's intent to introduce Academic Performance Indicators was good, APIs were largely responsible for the spike in predatory journals published from India. There is little guarantee that the reward system based on publication will not lead to further erosion in the quality of science research in India.

In addition, giving greater rewards for publication in international journals makes no sense as international journals are not uniformly superior in quality to Indian ones. While *Nature, Science, Cell* and *The Lancet* are prestigious, there are many journals which are of poor quality. Similarly, some Indian journals are better than international ones despite having a low impact factor.

"If average or below average papers are submitted to Indian journals, the overall quality of the journals will be low compared with international titles," says Professor Balaram. By giving 60% lower stipend to students publishing in Indian journals, the government will unwittingly be widening the gap between Indian and international journals, which will be self-destructive in the long run.

Also, "Indian science suffers from deep-rooted, structural problems – fellowships get delayed and project funding is not released on time," says Gautam Menon, a computational biologist at the Institute of Mathematical Sciences, Chennai. He argues that "the government should reward good research with generous funding and fewer constraints." With hundreds of papers being published each year, it is debatable whether the government will be able to provide incentives given that research labs have reportedly been facing a fund crunch of late.

Reward for patents

The proposal to provide students an incentive of ₹1,00,000 on obtaining a patent (Indian or international) is a bigger recipe for disaster. While obtaining a patent is not difficult, it costs ₹10,000-₹30,000 to file a patent in India. Drafting the patent costs an additional ₹50,000 and there is also an annual renewal fee. Also, not all patents translate into products. The Science Ministry has not learnt from the mistakes of the Council of Scientific and Industrial Research (CSIR). In late 2016, the CSIR instructed its 38 labs to stop indiscriminate filing of Indian and foreign patents. Then CSIR Director-General Girish Sahni had said that a "majority of patents are 'biodata' patents" and had been "filed for the sake of filing without any techno-commercial and legal evaluation". In such a scenario, a financial incentive for patent-filing will only exacerbate the problem.

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SINGLE FILE

A worrying approach

Will Ayushman Bharat hurt the spirit of cooperative federalism?

SUJATHA RAO

AP

With West Bengal, Telangana, Delhi and Odisha not joining Ayushman Bharat, the question arises whether the scheme is hurting the idea of cooperative federalism. The Seventh Schedule of the Constitution makes States responsible for hospital services. The States have their own schemes to provide financial risk protection to those seeking medical relief. Based on the ongoing centrally sponsored scheme, the Rashtriya Swasthya Bima Yojana, the Central government launched an improved version in 2018 called the National Health Protection Scheme (NHPS) for a sum assured of ₹5 lakh per family per year.

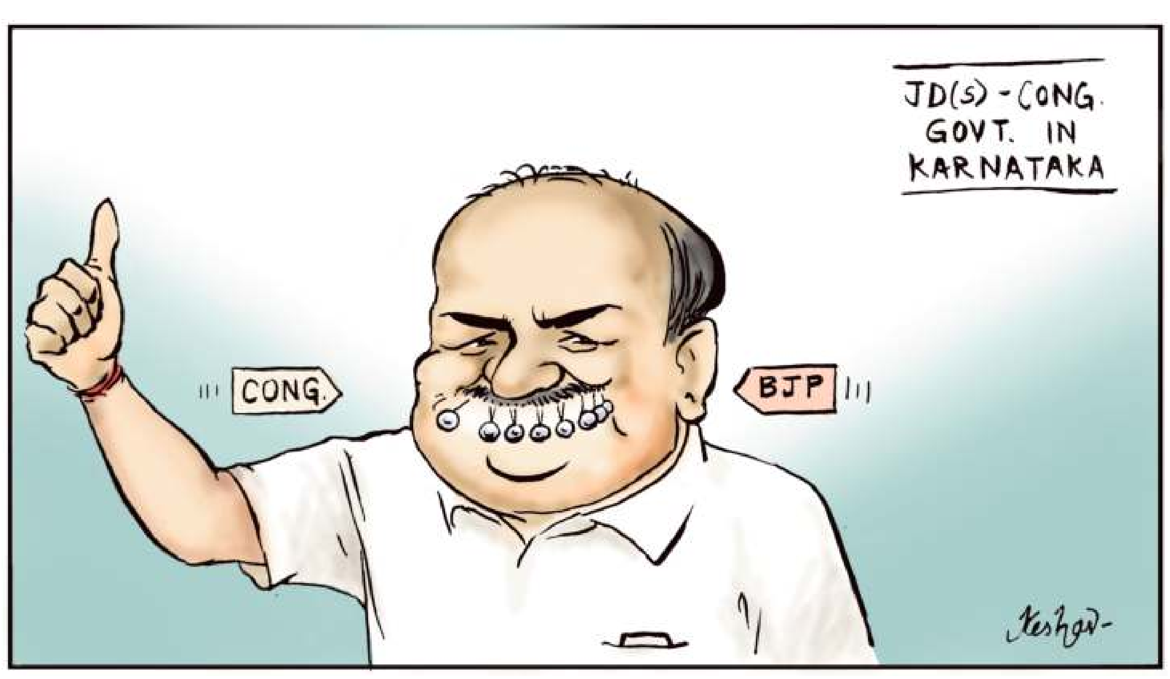
The insistence to prefix Ayushman Bharat to existing State names and the despatch of a personalised letter to 7.5 crore families with only the Prime Minister's photograph were seen as attempts to attribute the entire credit to the current administration, though State governments are equal partners – funding 40% of the scheme, bearing the responsibility of its implementation and covering double the number of beneficiaries.

Given that the Central government transfers funds to States through the Finance Commission, Central Sector Schemes and the Centrally Sponsored Schemes, it is expected of the National Health Agency (NHA) to build an institutional architecture, standardise procedures, costs and access all data for effective monitoring. This is important as it is accountable to Parliament and the Comptroller and Auditor General for the proper utilisation of allocated funds. But such standardisation can stifle innovation and entail costly structures that may not accommodate local conditions, preferences, and cost-effective solutions. Instead, when funds are provided, subject to achieving certain goals, States have scope to innovate, model the design to fit their context, resource base, epidemiological status, level of development, take total ownership and be accountable for outcomes.

The NHA's approach does not appear to be built on consensus. Its model consists of outsourcing the vital functions of pricing services, pre-authorisations, scrutiny of bills, grievance redressal, and fraud detection to private companies and third-party administrators. This may increase administrative costs from the current 6% to 30%, as seen in the Medicare scheme of the U.S.

Besides, the policy of providing fiscal incentives to the private sector to establish hospitals in deficit areas without insulating government-owned facilities or the small and marginal hospitals that together provide 95% of hospital care will tighten the grip of corporates on secondary and tertiary markets. This will result in cost escalations – more so because of the rapid consolidation and aggregation of tertiary hospitals by foreign financial conglomerates and private equity funding agencies, impacting prices, access to tertiary care and the very sustainability of the NHPS.

The writer is a former Union Secretary at the Ministry of Health, Government of India, and author of 'Do We Care? India's Health System'



FAQ

Pension for informal sector workers

The government has allocated only ₹500 crore for the scheme

T.C.A. SHARAD RAGHAVAN

What is the scheme?

A major announcement in the Interim Budget 2019-20 was the creation of the Pradhan Mantri Shram Yogi Mandhan, a pension scheme for informal workers. Under this scheme, subscribers will receive an assured monthly pension of ₹3,000 per month from the age of 60 onwards. Towards this, they will have to contribute ₹55 a month (if they join at the age of 18 years), or ₹100 a month (if they join at the age of 29 years). The government will match these contributions. The government has reportedly set a cap on the age of joining at 40 years, but this is yet to be officially confirmed by the Labour Ministry.

Whom does it include?

In his Budget speech, Finance Minister Piyush Goyal said half of India's GDP comes from the work done by 42 crore workers in the unorganised sector, such as street vendors, rickshaw pullers, construction workers, rag pickers, agricultural workers, beedi workers, those engaged in the handloom and leather industries, and domestic workers. He said the government must provide these workers with a "comprehensive social security coverage" in their old age. The Shram Yogi Mandhan scheme is aimed at achieving that, and therefore includes all informal sector workers with an income of less than ₹15,000 per month. According to the government, this works out to 10 crore people.

Finance Ministry officials have suggested that the pension payouts could be made directly in the workers' accounts, which would be Aadhaar-linked.

What will the government spend?

So far, the government has allocated just ₹500 crore for the scheme, but this is likely to be increased in the full Budget that will be presented in July. An analysis of the Interim Budget documents shows that the allocation for the Pradhan Mantri Shram Yogi Mandhan could possibly come at the expense of an existing pension scheme – the National Social Assistance Programme (NSAP) – announced last year to benefit more than three crore poor senior citizens, disabled people, and widows.

The NSAP had originally been allocated ₹9,975 crore in the 2018-19 Budget, which was reduced to ₹9,200 crore in the Interim Budget 2019-20, which is a drop of ₹775 crore.

Will the scheme work?

Social sector workers have pointed out that creating a voluntary contributory pension scheme for informal sector workers is not likely to work as their salaries are low. The argument is that they already pay large amounts as indirect taxes.

Further, for a salaried worker, the pension contribution can be cut from the salary. A daily wage earner or migrant labourer will, however, have to regularly deposit her income each month, which is an uncertain proposition.

What lies ahead?

The government is silent on what happens to the scheme if an informal sector worker misses a contribution. Does the worker become disqualified from the scheme? If so, what happens to the amount already contributed? Will the government refund the worker that amount, or will that amount be forfeited? Another matter to be considered is what happens to a worker who transitions to the formal workforce. Answers are awaited on all these questions.

FROM The Hindu. ARCHIVES

FIFTY YEARS AGO FEBRUARY 7, 1969

130 million tonne food target for Fourth Plan

The Planning Commission has accepted a food production target of 130 to 132 million tonnes by the end of the Fourth Plan. This target has been projected on the basis of a 100-million tonne potential this year. The production targets suggested for the major cash crops along with their estimated base-level production this year are: Oilseeds 10.90 million tonnes (8.90), sugarcane (gur) 15 million tonnes (12.50), cotton 8 million bales (6), jute 7.40 million bales (6.20), and tobacco 445 million kg. (345). While an annual growth rate of five per cent has been postulated for agriculture as a whole, the growth rate for foodgrains works out to 5.7 per cent. This is proposed to be achieved by continuing the intensive agricultural strategy.

A HUNDRED YEARS AGO FEBRUARY 7, 1919

Sir R. Tagore. Visit to Coimbatore.

Sir Rabindranath Tagore and Mr. C.F. Andrews arrived [in Coimbatore] by mail train from Ootacamund yesterday [February 5]. At the railway station a large gathering of Indian gentlemen of all shades of opinion and of standing assembled and accorded a fitting welcome. Rao Bahadur A.T. Tiruvengadasami Mudaliar, a much respected leader, as President, and Mr. K.S. Vaithianatha Aiyar, M.A., the Principal of the College and Secretary to the Reception Committee, received the world famous poet. Those prominent on the platform were Messrs. Sambanda Mudaliar, Municipal Chairman, C.S. Ratnasabapathy Mudaliar, non-official President, Taluk Board, Kolandavelu Pillay, leader of the local Brahmo Samajam, Kirk Theosophical Education Trust, Miss Noble, Superintendent, Maranagaundens Free Girls School, Puniacoti Mudaliar, founder, Sri Sarada Free Girls' School, Rao Saheb Ramaswami Sivan, Secretary, National Indian Association, Rai Bahadur M. Rangachariar, Mr. K.V. Srinivasiar and others.

CONCEPTUAL

Liquidity premium

FINANCE

Also known as the illiquidity premium, this refers to the additional return that an investor can earn from any investment that cannot be immediately liquidated for cash in the market. Risk-averse investors generally try to avoid investing in highly illiquid assets like real estate due to the time it takes to sell these assets. This causes successful investors in illiquid assets to earn a much higher return than other investors who prefer to invest only in highly liquid assets. By the same logic, since most investors would be willing to invest in highly liquid assets, the returns from such investments generally turn out to be lower than the returns from illiquid investments.

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