

# Up, Up and Away!

## Rising Healthcare Costs In India



The 1 Billion+ population of India might have reached an era of 'free' internet, but there is something of greater importance that needs to become affordable: **Healthcare**. Indians are struggling with healthcare costs, so much so that its rise is pushing **5.5 crore Indians below the poverty line**<sup>1</sup>.

Finding the reason for the rising healthcare costs is like disentangling a complex web. Evaluating the overall healthcare cost is a puzzle that the government<sup>2</sup>, healthcare providers<sup>3</sup> and insurers<sup>4</sup> are trying to solve. It is predicted that India, as well as China, may record **10.5% medical inflation** in 2019.<sup>5</sup> One of the culprits is the increase in disease burden in the country. The dual disease burden in India, i.e. rise in communicable diseases along with a growth in non-communicable or lifestyle diseases accounted for half of all deaths in 2015, which is an increase from 42% in 2001-03.<sup>6</sup>

### India's Public Health Spending - Still Abysmal

India's per capita expenditure on health remains among the lowest in the world. India still spends **only around 1.5% of its budget on health**.<sup>7</sup> In comparison, the health expenditure of the United States of America is 18% of their GDP\*<sup>7</sup>. From the U.S federal budget of \$4.4 trillion, spending on Medicare and Medicaid amounts to \$1.04 trillion, which is 23.5% of their Budget.<sup>7</sup> At a policy level, India still has a long way to go to answer the healthcare cost crisis.

From 2017 Data

### Significant Cost Components<sup>4</sup>

1<sup>st</sup>

Hospital, surgery room, inpatient room and inpatient equipment rental expenses

2<sup>nd</sup>

Inpatient and Outpatient Physician Fees

3<sup>rd</sup>

Fees for outpatient and inpatient medicines

Based on a 2018 Survey, as ranked by Insurers.

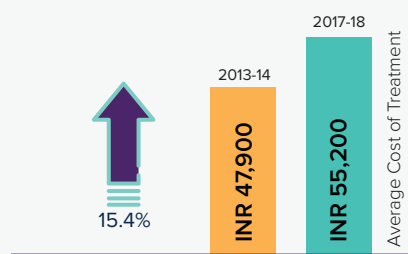
# The Financial Hit: Cost Of Healthcare

When illness strikes, it not only takes a physical and mental toll on a person but also a financial one.

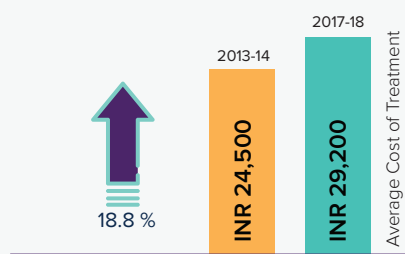
## Trends In Cost Of Treatment

Comparing data from 2013-14 and 2017-18, here is the average cost of treatment for top ailments.<sup>8</sup>

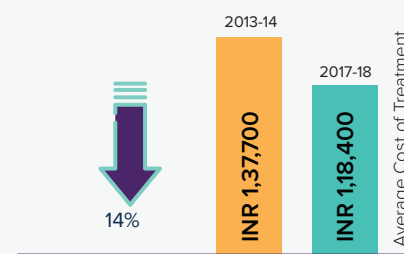
### Gastrointestinal Diseases:



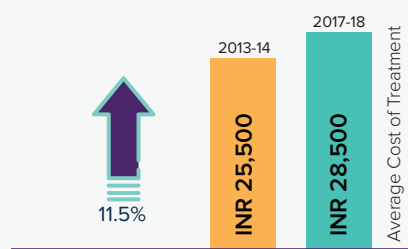
### Infectious Diseases:



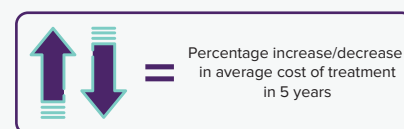
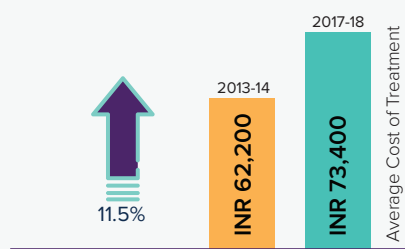
### Cardiac Disorders\*:



### Cataract:



### Injuries, Fractures, Dislocations:



\*NPPA revision in stent pricing

## Cancer: The Cost Of A Complex Ailment

The cost of treating cancer is hard to pinpoint, as it depends on the stage of cancer and treatment provided. A study shows that poor families in India spend over INR 50,000 on Cancer treatment, even when consultation, surgery and key medicines are provided for free.<sup>9</sup>



**2** out of **5** cancer patients in India borrow money and sell assets to cover the cost of hospitalization.<sup>10</sup>

As of **2019**, maximum retail price of **390** non-scheduled cancer medicines have been reduced by up to **87%** by the government.<sup>11</sup>



## Cost of IVF

The number of infertility cases is rising in India: the current count is 27.5 million couples. Out of these, the maximum turn to In Vitro Fertilization (IVF). However, the cost of IVF procedures in India is expensive, varying from **INR 1 lakh to INR 2.5 lakh**.<sup>12</sup>

## Increase in employer-sponsored healthcare costs

In 2018, insurers predicted that increased instances of non-communicable diseases will lead to a rise in employer-sponsored healthcare costs over the next 3 years. These diseases include heart diseases, cancers, stroke, chronic respiratory diseases, diabetes, Alzheimer's disease, mental illness and kidney diseases.<sup>4</sup>

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## Rural India Healthcare Costs

The Primary Health Centers in rural India have a plethora of challenges like high out-of-pocket expenditure, a combination of communicable and non-communicable diseases, exclusion from access to healthcare due to social and geographical marginalization, low utilisation shortage of manpower, to name a few.

Most expensive cities for treatment in Rural India In 2014 <sup>14</sup>	
Values in INR	
City	Avg. Expenditure Per Hospitalization
Goa	32,503
Delhi	32,211
Punjab	29,779
Maharashtra	22,486
Himachal Pradesh	22,004
Telangana	21,683
Haryana	20,945
Uttar Pradesh	20,594
Kerala	19,385
Chandigarh	18,327

Most expensive cities for treatment in Urban India In 2014 <sup>14</sup>	
Values in INR	
City	Avg. Expenditure Per Hospitalization
Assam	52,368
Chandigarh	37,243
Delhi	37,049
Haryana	35,217
Andhra Pradesh	33,671
Uttar Pradesh	33,402
Punjab	31,978
Himachal Pradesh	31,160
Maharashtra	31,028
Bihar	28,058

### Sad State of Affairs

Nearly **40%** of healthcare costs for poor families in rural Karnataka are borne by loans.<sup>13</sup>

### Money Matters

Secondary-level healthcare services through a public sector district hospital in north India costs upto **₹11.44 crore**. annually<sup>15</sup>



## Healthcare Sector Pricing: TWO SIDES OF A COIN

There is a bone of contention on the way pricing is decided for healthcare in urban areas. Here are two contrasting views on the issue.

### VIEW:

#### Patients Are Being Overcharged:

Increasingly, we see a hospital being alleged of overbilling patients. Some patients take up to social media to talk about their plight.

Former Union health secretary has the following view<sup>16</sup> on pricing in Indian hospitals: “India’s health sector operates in highly competitive to oligopolistic market conditions. In the same hospital, earnings range from fees for services to reimbursements from multiple insurers. In such a situation, prices for the same service may vary. Variance also depends on the mode of payment. Pricing is, thus, non-transparent and often arbitrary. It can also be driven by the nature of the hospital’s financing—its’ own funds, bank loans, donations, venture capital funding, or stock markets.”

### COUNTERVIEW:

#### Hospitals are compelled to charge as per various parameters:

A first-of-its-kind analysis<sup>17</sup>, by private hospitals, on the real cost of delivering healthcare in India has found that about 50% of the total operational expenditure in private hospitals is spent on the salaries of the medical staff including doctors. The analysis suggests that maintaining a bed in a super-speciality hospital takes upto INR 25,000 each day.

## Planning for the Rising Cost of Healthcare

Healthcare costs don't seem to be dipping any time soon. Upto 70% of Indians are paying for health expenditures out-of-pocket<sup>18</sup>. Health insurance can be a shield that protects against rising healthcare costs.

### Fast Facts

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**Critical Illness Insurance:** The steep costs of critical illnesses are usually more than what general health insurance can cover. That is why a distinct cover called Critical illness Insurance has come into the picture. Depending on the plan, a Critical Illness Insurance can cover heart diseases, certain types of cancer, etc. Like all insurance policies, critical illness policies are also subject to a host of stipulations.

**Health Insurance with Outpatient Benefits:** At the beginning of this paper, we have established that Outpatient fees costs have become a significant component of healthcare costs. Many insurers have now started providing outpatient coverage as well. This may include doctor consultations, lab tests, dental cover, health checks and more, varying from cover to cover.

**Government Initiatives:** Healthcare costs need to be curbed at a national level. Currently, the Pradhan Mantri Jan Arogya Yojana (PMJAY) is touted to make a huge impact in terms of providing health insurance to the nation. As the world's biggest healthcare insurance programme, PMJAY aims to provide free health cover of INR 5,00,000 a year for ailments to 100 million poor families. Another notable initiative by the Delhi Government is the launch of Aam Aadmi Mohalla Clinics. These clinics are providing affordable access to healthcare in the city.

There are many probable reasons for the rising cost of healthcare including lack of investment in healthcare at a policy level, rural and urban divide, high out-of-pocket expenditure and more. If left unchecked, the piling of hospital bills could crush families with its financial burden. There is no relief from the monetary issues of healthcare, whether you live in an urban setup or a rural one. In this abysmal situation, turning to health insurance can surely be a source of respite.

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