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DECODING THE HEALTH BUDGET 2017: A COMPARATIVE ANALYSIS OF THE ALLOCATIONS TOWARDS HEALTH SECTOR

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ABSTRACT

Health is an important factor affecting the economic development of a nation. India currently has a huge gap in its health infrastructure. This article is an attempt made to analyse the health budget of 2017 with that of previous budgets to see if there is any change in the budget allocations in 2017 for health sector that could transform it. An analysis of the budget allocation for health sector has been made with respect to total allocation, proportion of the allocation towards health as a percentage of GDP, NHRM, Jan Aushadi scheme, capital expenditures involved etc.

KEYWORDS: *Budget, Health, Jan Aushadi, NHRM*

INTRODUCTION

In 2016, India became the fastest growing large economy in the world dethroning China, with a growth rate of 7.6 % (IMF 2016). With a population of ~1.26 billion people, India is also undergoing demographic transition with a large section of its citizens in the working age (18-64) group. This is expected to give India a golden opportunity to reap benefits from this transition and to reap demographic dividend thus enabling the economy to sustain its fast growth. However the transitional phase also brings forth an umpteen number of challenges and if not tackled properly could result in a demographic disaster. In this scenario, health of the citizens forms an important factor in determining the direction of growth as well as its momentum by affecting productivity.

Though several steps have been taken in the past to improve the health sector, it has met with varying success. For e.g., though we have increased life expectancy to 66.3 (2012), reduced Maternal Mortality Rate (MMR) to 109 per 1 lakh live births (2015), reduced Infant Mortality Rate (IMR) to 43.8 (2012) etc., they are still high relative to world standards. As shown in Table 1, when compared with OECD, India's health indicators have a long way to go (OECD 2014).

Table 1: Comparison of India and OECD (Health indicators)

Health indicator	India	OECD
Avg. life expectancy (2012)	66.3	80.2
IMR	43.8 per 1000 live births	4 per 1000 live births
Low birth weight infants (< 2.5kg)	27.6 % (2011)	6.8 %

Source: OECD (2014): "OECD Health Statistics 2014: How does India compare?"

Apart from this, a breakup of the sources of health expenditures as per National Health Accounts (2004-05), reveals that household's expenditure account for the highest at 71.13 % (Planning commission 2009). Also, it is to be noted that the average hospitalisation costs in India as per NSSO (cross national survey) has increased both for rural (10.1 % CAGR) and urban (10.7 %) areas from 2004 to 2014 (Bhattacharya, P., & Jain, D. 2015). This is shown in table 2, which shows that rural hospitalisation costs more than doubling to 14,935 RS and urban hospitalisation costs increasing to 24,436 Rs in 2014 from 2004 levels.

Table 2: Comparison of average hospitalisation costs (2004 vs 2014)

	2004	2014
Rural	5,695 Rs	14,935 Rs
Urban	8,851 Rs	24,436 Rs

Source: Bhattacharya, P., & Jain, D. (2015), "The growing burden of healthcare costs"

Thus we can see that, the burden of common man has increased over the years and Lancet had previously pointed out that higher out of pocket spending and healthcare is pushing 39 million additional people into poverty every year (Balarajan, Selvaraj, and Subramanian 2011). It is in such a scenario that we need to analyse the budget 2017 with respect to health sector.

ANALYSIS OF BUDGET ALLOCATIONS TOWARDS HEALTH

It can be seen from the budget documents that, allocations for the health sector is made through 3 different ministries i.e.

1) Ministry of Health and Family Welfare (MoHFW)
2) Ministry of AYUSH
3) Ministry of Chemicals and Fertilizers – Department of Pharmaceuticals

The breakup of 2014 to 2017 budget allocations for health sector is shown in table 3.

Table 3: Budgetary allocation for health from 2014 to 2017.

Ministry	Department	Amount* 2017-18	Amount* 2016-17 (R.E)	Amount* 2015-16	Amount* 2014-15
Ministry of health & family welfare	1. Department of health and family welfare	47352.51	38343.33	33121.42	30626.4
	2. Department of health research	1500	1344.80	992.80	910.8
Ministry of AYUSH		1428.65	1307.40	1075.30	616.80
Ministry of Chemicals and Fertilizers	Department of Pharmaceuticals	247.74	211.40	212.66	123.87
		50,528.9	41,206.9	35,402.2	32,277.9

*in crores

Source: India budget

As per the finance minister, the allocations for ministry of health for 2017-18 stands at 48,852.51 crores (as shown in table 3) which is 27.86 % higher than the allocation made in 2016-17, thus stressing on the importance of health sector to the government. However a detailed analysis of the budget doesn't paint such a rosy picture overall.

However a comparison of the last 5 years allocations made to the health sector reveals the following facts,

1. Ministry of health and family welfare (MoHFW) gets the lion's share of the budgetary allocations with 96.68 % of the total allocations followed by AYUSH ministry and Dept. of Pharmaceuticals (ministry of chemicals and fertilizers). This share for each ministry remained almost constant from 2014 to 2017.
2. While in absolute terms, there seems to a substantial increase in the allocation to the ministry of health and family welfare (27.86 %).

   But after adjusting for inflation (2011-12 prices), the increase is only moderate.

   However, in the case of AYUSH ministry and Dept. of Pharmaceuticals (ministry of chemicals and fertilizers) the allocations increased only by 9.27 % and 17.2 % in 2017, which after adjusting to inflation, the increase is paltry.
3. The allocations to the health ministry when calculated as a percentage of the GDP has remained almost constant (~0.26 - 0.27) from 2012 to 2016 as seen from table 4. In 2017-18, it can be seen that a slight increase has been observed. This is shown by the table 4 below,

Table 4: Budgetary allocation for health sector as a percentage of GDP from 2012 to 2017

Year	Budget allocation under MoHFW as a % of GDP
2012-13	0.28
2013-14	0.27
2014-15	0.26
2015-16	0.26
2016-17 (R.E)	0.27
2017-18	0.30

Source: CBGA (2017): "Union Budget Analysis Tool"

4. The total public health expenditure (centre+states) in India (2014) stands at 1.4 % of GDP which is low when compared to other nations(World Bank 2017) (e.g. US spends 8.3 % when compared to India's 1.4 %) as shown in the table 5,

Table 5: Comparison of public health expenditure of India vs other countries

2014	
Country	**Public health expenditure (centre+states) as a % of GDP**
India	1.4
US	8.3
UK	7.6
China	3.1

Source: World Bank (2017): "Health expenditure, public (% of GDP)"

As per WHO (WHO 2015), India ranks at 187 out of 194 nations, when ranked on the basis of amount of public health care spending as a percentage of GDP. This shows the relative importance other countries places to public health care spending. Since the allocations made to the health sector for 2017-18 increased only moderately after adjusting to inflationary changes (as a percentage of GDP), it is only realistic to expect that we would still remain at the bottom of the rankings.

5. The allocations under National Health Mission (NHM) forms the biggest part under the budget share for ministry of health. However, it is observed that its share has reduced from 60.02 % (2015-16) of the total (ministry of health and family welfare) to 56.31 % (2017-18). The reduction is more pronounced in the case of National Rural Health Mission (NRHM) whose budgeted allocation as a percentage of the total (ministry of health) reduced from 55 % (2015-16) to 44.74 % (2017-18). This has happened at a time when there exists huge gaps in the health care at the rural sector.
6. The allocations for Jan Aushadhi Scheme under Department of Pharmaceuticals (Ministry of Chemicals & Fertilizers) increased by 49.9 % in 2017 to 74.62 crores from 49.62 crores (2016).

   The Jan Aushadi scheme was started to ensure availability of quality medicines at affordable prices to the poor. This is essential as we have seen before that the healthcare charges have almost tripled and a large part of this expenditure is out of pocket spending by household. In such a scenario the enhanced budgetary allocations for this scheme is expected to provide some relief to the poor.
7. The allocations made under the revenue and capital accounts of the health ministry (Dept. of health & family welfare) from 2015-16 to 2017-18 are shown in table 6.

Table 6: Allocations under revenue and capitals heads in allocation for health sector from 2015 to 2017

Sections	2017-18	2016-17	2015-16 (A.E)
Revenue	47,016.73	39,528.93	34,483.72
Capital	3512	1677.96	918.47
Total	50,528.9	41,206.89	35,402.19
(Capital/Total)*100	6.95 %	4.07 %	2.59 %

Thus we can see that the estimated capital expenditures as a proportion of the total allocations made under the health sector (Ministry of health & family welfare + Ministry of AYUSH + Ministry of chemicals & fertilizers (Dept. of pharmaceuticals)) as following a rising trend i.e. they increased from 2.59 % to 6.95 % as shown in table 6. Though much higher allocation should be devoted to capital expenditures, this successive increases over the last few budgets have been a welcome step. Capital expenditure is essential as it means creation of additional capacity which is very essential for the health sector in India due to the poor state of health infrastructure, this is because, as seen from the table 7, for example the number of hospital beds at 0.9/1000 and others are very low when compared to world standards.

Table 7: State of health infrastructure in India

Number of hospital beds per 1000 population[1]	0.9
Number of physicians per 1000 population[2]	0.7
Number of nurses, midwives per 1000 population[3]	1.7

Source: [1] World Bank (2017): "Hospital beds (per 1000 people)"
[2] World Bank (2017): "Physicians (per 1000 people)"
[3] World Bank (2017): "Nurses and midwives (per 1000 people)"

NEED FOR ADDITIONAL BUDGETARY SUPPORT FOR HEALTH SECTOR

Various studies have pointed out the benefits of better health towards the overall development of the nation. These include,

a. Healthier individuals live longer, thus encouraged to invest more in education, finally resulting in higher overall skilled wage later in life apart from reducing the burden of health (Finlay 2007)
For e.g. micronutrient deficiency (iron, zinc etc.) results in lower school achievements due to impaired cognitive development. Studies have shown that iron deficiency in Bangladesh results in income forgone of about 7.9 % of GDP (Bloom, Canning 2008).

b. Improvements in health has a positive impact on the labour productivity as well as per capita income (Bloom, Canning 2005).
This is through improved physical and mental capacity and reducing the chances to be absent following illness thus increasing the hourly wages.

c. Improved health improves the individual's savings and hence raise the overall savings of the nation as a whole (Bloom, Canning 2008).

Savings ↑ → Investment ↑ → Capital ↑ → Nation grows

d. Improves chances for higher FDI as foreign investors avoid disease prone areas.

e. A study at John Hopkins School of public health, pointed out the higher returns to investment of childhood immunization (Ozawa *et al* 2016).
E.g. 1 dollar investment in immunization vaccine at childhood results in return of 16 times the cost.

HOW MUCH SHOULD INDIA SPEND ON HEALTH?

Table 8 shows the recommended levels of health expenditure (centre+state) by various reports/committees etc. (Hooda 2013).

Table 8: Targeted public allocation on health as a percentage of GDP

Recommended by	Targeted public allocation (centre+states) on health as a percentage of GDP
2nd National Health Policy (2002)	2 % by 2010
National Rural Health Mission (2005)	2 – 3 % by 2012
Universal Health Coverage Report (2012)	2.5 % by end of 12th 5 year plan. 3 % by 2022

Source: Hooda, S. (2013), "Changing pattern of public expenditure on health in India: Issues and Challenges"

CONCLUSION

Thus we can see from table 8, that every committee /report has recommended atleast 2-3 % budgetary allocation for the health sector from 1.4 % (2014). The budget 2017-18 seems to have made a small step in the right direction by increasing the allocation to ministry of health by 27 % compared to 12.9 % increase in 2016. However as we have seen before, even this increased allocation when calculated as a proportion of GDP is still low. Moreover the budget was not very vocal on the issues like Universal Health Coverage, UN – Sustainable Development Goals (SDG) , both requiring much heavier allocation than the current levels.

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