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# Ambitious health care benefits: Winning votes while protecting public health

By Dr. Jacob Puliyel - on February 7, 2018

***The recently announced enhanced benefits under the NHPS without allocating any money for it is an excellent move in ensuring that private sector is not preferred over public sector.***

Data from the 70th round of theNational Sample Survey on 'Household Indebtedness' shows that nearly one in three rural households and over one in five urban households are in debt. Paying out-of-pocket for medicines, investigations and medical services are among f the commonest reasons for indebtedness. According to Ajit K Dalal, Professor of Psychology at the University of Allahabad, 60 per cent of the bottom 25 per cent of the population had to sell their assets or take loans for hospitalisation in private health care institutions. Up to 6 per cent of the population is pushed below the poverty line each year due to out of pocket expenditure on medical care.

The Union Budget 2018 promises to put an end to such indebtedness. The National Health Protection Scheme (NHPS) pledges to provide health insurance cover of ₹5 lakh per annum for each family. The scheme will cover 100 million vulnerable families, with approximately 500 million beneficiaries (40 per cent of the total population).

"My government has now decided to take heath protection to a more aspirational level," the Finance Minister declared in Parliament. When the Union Budget speaks of aspirations without mentioning budgetary allocations, it arouses a sense of pathos; that of having yearnings in the absence of the wherewithal to see them fulfilled. In 2016, the Government made a similar aspirational declaration ofhealth coverage up to ₹1 lakh per family. The NHPS did not quite take off at that time and the government told Parliament on December 15, 2017 that the "contours of the scheme are yet to be finalised." This year, the benefits have been raised from ₹1 lakh to

₹5 lakh, but the final outcome may not be different.Actually, this may be a good thing.

### *The plan of NITI Aayog*

This is not to say that the NITI Aayog has not considered these matters before it was presented to Parliament. It seems it has been under consideration of the Aayog for a year now – perhaps ever since last year's announcement. The premium they envisage paying is ₹ 1082/family which amounts to a total ₹ 120,000 million per year. States would be allowed to decide if they want to use an insurance-based scheme like the Rashtriya Swasthya Bima Yojana (RSBY) now called *Rashtriya Swasthya Suraksha Yojana* (RSSY), or a trust-based model like the Central Government Health Scheme (CGHS) where families can avail of cashless services from a pool of empanelled private or public providers.

The premium the NITI Aayog has calculated is likely to be an optimistic underestimation given that the government pays a premium of around ₹ 750for the RSBY which offers a cover of ₹ 30,000. If the cover has to be increased from ₹ 30,000 to ₹ 500,000 the premium is likely to be much higher than ₹ 1082.

***"As more health care resources are spent paying private health care bills, public health care centres are likely to be starved of cash needed to improve services"***

The total cost to government will be higher with the insurance route – except perhaps in the early years were insurance companies may try to undercut one another to get the business. According to the Council of Affordable Health Insurance, companies selling health insurance spend less than 70 per cent of collected premiums on direct health benefits – a fraction insurers call their "medical-loss ratio".This suggests that a trust-scheme like the CGHS can bring down costs by at least 30 per cent. However, the CGHS like schemes are known to be inefficient and many private hospitals have opted out of the scheme because of delays in payments.

The NITI Aayog has suggested that the NHPS scheme will have public and private sectors competing for patients. "Money will go where the patients go and patients will go where there is good service," seems to be the mantra.

### *Why is it not healthy?*

Here lies the nub of the controversy:Is it a level playing field?Is this a good thing to pit the public sector against the private sector? As more health care resources are spent paying private health care bills, public health care centres are likely to be starved of cashneeded to improve services. Rapidly,

these facilities will get attenuated and disappear.

There is ample evidence this will happen. Only 25 per cent of the empanelled facilities in Rajasthan are in the private sector, while 100 per cent of the claims to the RSBY were from private sector in the state. In Kerala, on the other hand where the condition of public sector hospitals is much better, , the utilization of these facilities was below 30 per cent. The money paid for private hospital care is better utilised on improving public health care facilities.

Since its launch in 2008–09, ₹ 37,000 crores tax money has been allocated for RSBY to reimburse medical care expenses. No clear effects on catastrophic health expenditures or medical impoverishment were seen although it reduced out-of-pocket inpatient expenditures.A study of the Aarogyasri health insurance scheme rolled out in Andra Pradesh in 2007 has been shown that such schemes do not benefit scheduled caste and scheduled tribe households as much as the rest of the population.Only about 15 per cent of poor families in the country have been registered so far.The 5-star hotel like ambience of corporate hospitals could be aspirational for a Dalit villager who is denied use of the village well,to get drinking water. That cannot be a reason for government abdicating its responsibility of providing functional public health facilities. That should not be the excuse forusing tax monies to subsidise private hospitals.

The scheme to pay for private care is fraught with moral hazard.Over-consumption ensues – unnecessary procedures are prescribed. According to Amit Sengupta of the Jan Swasthya Abhiyan, this could take the form of a huge rise in totally unnecessary hysterectomy operations. The cost of health care will inevitably increase for the uninsured, as a result of private parties gaming the system. A 6-year old who died after being admitted to a private hospital for 15 days was billed for 660 syringes and 2,700 gloves. Aninvestigation into the matter showed how the hospitals marked up the price of syringes by 1208 per cent and gloves by 661 per cent.

### *Reaping benefits while avoiding the American pitfalls*

If we take this route, we will be following the lead of the US which relies on insurance and private health care providers. They have the most expensive health care system among developed countries and yet the worst health outcomes.

So, it would seem Arun Jaitey's announcement of the enhanced benefits under the NHPS without allocating any money for it, is an excellent scheme – it can win votes, yet it won't destroy the public health care system in the country by favouring private health care. One hopes the NITI Aayog will spend the ₹ 120,000 million saved per year, on improving the public health

system whereby it can compete with private health care.

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