

Catastrophic Health Expenditure and Poor in India: Health Insurance is the Answer?

T V Sekher

Introduction

The financial burden due to health care expenditure is a major issue facing India. The health care cost is increasing both for out-patient and in-patient care. Between 1986 and 2004, the average real expenditure per hospital admission increased three times in government and private hospitals in rural and urban areas (Shiva Kumar *et al*, 2011). Additionally, with the changing pattern of diseases mainly from communicable to non-communicable diseases (Mahal *et al*, 2010) and the increasing proportion of the older people, India requires but does not have an adequate social security system in place to tackle these issues. Health insurance is one of the possible solutions but there are issues such as levels of coverage by health insurance in rural and urban areas and who can afford to pay for health insurance.

Objectives of this paper:

i) To estimate the health care share of household budget for different socio-economic groups. ii) To find out the coping mechanism of the households to meet the health care costs. iii) To examine the impoverishment effects of catastrophic health expenditure on households. iv) To examine the health insurance scenario in India and the role of health insurance in meeting the economic burden arising out of health care payments.

Data and Methods:

We used the household data collected in WHO sponsored Study on Global AGEing and Adult Health (SAGE-India) undertaken by IIPS during 2007-08. This is a nationally representative sample survey covering 9,626 households (completed interviews) from six states of India - Assam, Karnataka, Maharashtra, Rajasthan, Uttar Pradesh and West Bengal. These six states in a way represent the geographical, economic, demographic variations in India. A sample size of 10,000 households at national level was targeted and the number was allocated to the six states according to their population size. The national level estimates were computed by pooling the data of all six states. SAGE used two-stage sampling in rural areas and three-stage sampling in urban areas. The primary sampling units (PSUs) in rural areas were villages, while in urban areas the PSUs were city wards. From each city ward, two census enumeration blocks (CEBs) were selected. The last level of selection was households. The households selected were distributed among rural and urban areas in proportion to their share of the state's population. The survey comprises of 2,494 (26.9%) of urban and 7,132 (73.2%) of rural households. The module gives weekly, monthly and yearly household consumption expenditure including food, non-food and health payments. For the purpose of analysis, all household expenditures have been converted

into monthly consumption expenditure. Each household has been enquired about the coping strategy adopted to meet the unforeseen health payments. In this paper, we have considered the monthly consumption expenditure as a direct measure of economic well being of households.

Findings:

The out-of-pocket (OOP) health expenditure and different dimensions of health expenditure across groups of sample households are presented in Table 1. Mean household expenditure was Rs. 6,671, out of which Rs. 852 was being incurred as OOP expenditure on health, which amounts to an average of 10% of the total household expenditure and 22% of the non-subsistence spending. Almost 24% of the households spend either equal to or more than their capacity to pay (non-subsistence spending) on health care services, consequently they have to forego their basic subsistence consumption. Almost one-third (31%) of the total households are living below the poverty line. According to this survey, 35% among the poor households incurred catastrophic health expenditure.

Impoverishment effect of catastrophic health expenditure is 8% among uninsured households with Rs. 823 monthly OOP health payments while it is only 1% for households with at least one member insured with monthly OOP health expenditure of Rs. 1240. Share of OOP health payments to the non-subsistence spending was 22% for the uninsured households and only 12% for the insured households with three and more insured members. According to this survey, only 21% of urban households were living below the poverty line compared to 34% in rural areas. Impoverishment effect due to catastrophic health payments is 8% in rural areas and 5% in urban areas. Economic status of the households measured in terms of wealth quintiles shows a positive association with the OOP health payments and negative association with the catastrophic health payments. Only 13% of households belonging to the highest wealth quintile incurred catastrophic health expenditure compared to 33 % of households from the lowest wealth quintile.

Health care payments are pushing many Indian households into poverty year after year. It was found that one-third of the poor households incurred catastrophic health expenditure. Impoverishment effect of catastrophic health payments is eight percent among uninsured households while it is only one percent for households with at least one insured member. Twenty six percent of sample households borrowed from family/friends and others and eight percent sold their assets to meet health care expenses (Table 2). Rural households are more likely to experience catastrophic health spending than their urban counterparts. Only six percent of Indian households are having health insurance policy with considerable rural- urban differentials. More importantly, only one percent among the poorest households has health coverage, indicating that most health insurance policies existing today can be affordable to economically better-off sections. Some community health insurance schemes targeting poor families in different states are showing encouraging trends. The governmental agencies need to play a more active role in facilitating and ensuring health insurance coverage for people, particularly the poor.

Table 1: Household consumption expenditure, poor households, health care payments and its effects by household characteristics, India, 2007

	Mean household monthly consumption expenditure (Rupees)	Percent poor	Impoverishment due to OOP health payments	Percent incurring catastrophic health expenditure	Mean OOP monthly health payments (Rupees)	Mean OOP health payment as proportion to household expenditure	Mean OOP health payment as proportion of household's non-subsistence expenditure
Age of the household head							
18-35	5,103	38.9	8.5	25.4	671	9.0	23.6
36-50	5,989	30.4	6.5	20.4	758	8.9	18.9
51-65	7,387	27.8	7.0	25.3	932	9.9	22.2
66+	7,787	29.8	8.2	27.4	1,059	10.7	24.4
Education of main income earner of the household							
Illiterate	4,533	44.6	10.0	32.0	626	10.9	26.8
Less than primary and primary school completed	5,157	36.5	8.4	23.6	673	9.6	21.3
Secondary school completed	6,504	27.6	7.2	23.6	974	10.6	21.4
High school completed	8,213	19.6	4.8	19.3	1,019	10.0	18.7
College and above	12,739	7.9	1.7	13.0	1,350	9.3	14.4
Fifty plus members							
No 50+ member	5,595	21.3	7.2	33.2	715	9.1	19.8
One 50+ member	5,924	24.3	6.7	34.0	693	10.0	21.9
Two 50+ members	8,346	26.8	7.7	25.5	1,148	11.6	23.4
Three or more 50+ members	11,663	19.3	8.0	16.8	1,306	10.5	19.6
Catastrophic health expenditure							
No	6,968	29.7	1.9	--	369	4.4	9.7
Yes	5,724	34.6	24.1	--	2,370	28.6	59.7
Place of residence							
Urban	8,447	21.3	4.5	16.5	894	8.6	16.7
Rural	6,020	34.4	8.2	26.5	829	10.8	23.3
Health insurance of household members							
No insurance	6,349	32.3	7.5	24.5	823	10.2	22.0
1 person insured	10,380	7.6	0.9	14.8	1,240	10.3	16.1
2 persons insured	11,424	12.6	6.4	17.4	983	10.0	16.6
3 or more persons insured	13,484	6.4	1.5	10.6	1,301	7.9	12.4
Household size							
Single Member	2,810	51.4	4.6	28.3	147	8.6	22.0
2-5 Members	5,460	30.6	6.5	21.3	633	9.4	19.8
6-10 Members	7,054	32.0	7.9	26.9	914	11.0	23.7
11+ Members	12,080	21.5	9.0	23.6	2,011	11.0	21.8
Wealth quintiles							
Poorest	2,817	61.8	10.4	33.4	417	10.4	27.6
Poor	4,340	39.4	8.8	27.4	585	10.5	24.0
Middle	6,833	23.3	8.2	23.5	687	10.1	21.1
Rich	7,141	14.4	6.3	18.9	1,131	10.2	18.6
Richest	13,536	4.2	1.6	13.1	1,497	9.6	14.7
India (Pooled)	6,671	30.8	7.2	23.9	852	10.2	21.6

source: IIPS (2011). Study on global AGEing and adult health (SAGE-India)

Table 2: Sources of health care financing by household characteristics, India, 2007

	Current Income	Savings	Insurance	Selling of household assets	Borrow from family/friends	Borrow from others	Other sources
Age of the household head							
18-35	73.9	25.7	0.7	6.5	25.6	5.1	8.3
36-50	75.0	23.0	1.5	7.1	18.9	6.6	9.2
51-65	73.2	28.1	1.4	8.8	18.6	6.3	9.7
66+	71.9	28.2	1.7	8.7	17.4	5.5	12.1
Education of main income earner of the household							
Illiterate	67.7	23.7	0.6	9.2	25.4	5.5	12.1
Less than primary and primary school completed	72.5	23.6	1.2	8.1	19.0	6.8	10.5
Secondary school completed	75.1	26.2	1.1	7.6	17.5	6.0	9.5
High school completed	76.2	28.4	1.3	8.7	17.6	5.0	8.1
College and above	86.0	29.4	3.9	4.8	10.5	7.8	7.0
Fifty plus members							
No 50+ member	72.2	24.3	1.5	7.2	21.5	5.9	9.0
One 50+ member	74.2	24.2	0.9	7.1	18.5	5.1	9.8
Two 50+ members	74.3	28.4	1.7	9.3	19.2	7.5	10.5
Three or more 50+ members	74.1	37.8	2.9	8.6	16.8	6.7	10.5
Catastrophic health expenditure							
No	77.0	23.6	1.4	6.2	13.7	5.7	9.3
Yes	65.4	31.5	1.4	11.8	33.7	7.2	11.0
Place of residence							
Urban	85.3	20.8	2.2	5.7	17.6	5.6	6.3
Rural	69.3	27.8	1.1	8.6	20.3	6.3	11.0
Health insurance of household members							
No insurance	72.9	25.6	0.6	7.7	19.8	5.7	9.5
1 person insured	83.1	29.5	10.4	8.0	17.4	9.5	13.5
2 persons insured	76.0	35.0	10.1	16.3	22.4	12.9	16.4
3 or more persons insured	85.5	28.6	14.3	6.0	13.8	12.7	10.4
Household size							
Single Member	56.9	16.2	1.1	1.3	32.7	3.8	14.1
2-5 Members	73.7	23.4	1.5	7.6	19.2	5.7	10.0
6-10 Members	73.8	27.3	1.3	7.9	19.8	6.3	9.4
11+ Members	74.8	34.8	1.3	9.8	18.6	7.9	9.5
Wealth quintiles							
Poorest	69.2	20.9	0.2	8.7	25.0	3.4	9.0
Poor	70.3	26.3	0.3	6.2	22.7	4.8	10.0
Middle	70.2	23.7	1.3	9.5	20.8	7.6	10.9
Rich	75.0	24.9	2.6	10.0	19.8	7.9	11.9
Richest	82.5	33.4	2.8	5.7	9.5	7.8	7.5
India (Pooled)	73.6	25.9	1.4	7.8	19.6	6.1	9.8

Note: Row sum will not be equal to 100, because some households may be financing health care costs from more than one sources.

source: IIPS (2011). Study on global AGEing and adult health (SAGE-India)