



INTERNATIONAL JOURNAL OF ADVANCE RESEARCH, IDEAS AND INNOVATIONS IN TECHNOLOGY

ISSN: 2454-132X

Impact factor: 4.295

(Volume 4, Issue 4)

Available online at: www.ijariit.com

Public health expenditure: A case study of Madhya Pradesh

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ABSTRACT

Health plays an important role in the social scenario. Hence, it plays an important role in the social and economic development. The expenditure on the social sector is quite less than the expenditure on economic sector and due to this, the health sector which is an important component of the social sector has been affected. In order to develop the health sector, there is a need for restructuring this sector. The fund flows in the health sector very less from the central government and the state governments whereas maximum fund flows come from private sectors due to which the private health services are not that affordable. The health expenditure as a percentage of GDP is quite less which needs to be enhanced. The condition of the health sector in the state of Madhya Pradesh is also not up to the mark due to the lack of allocation of adequate funds.

Keywords— Social Sector, Health Expenditure, GDP, Fund Flows

1. INTRODUCTION

Health is one of the vital indicators reflecting the quality of life and therefore it has been rightly said, 'Health is wealth'. Though the preservation and promotion of health are one of the most basic human rights, India is still lagging behind in realizing this distant dream¹. Public health is concerned with the health of the community as a whole. Its key goal is to reduce the population's exposure to disease. It has been said that: "Health care is vital to all of us some of the time, but public health is vital to all of us all of the time"². An important factor in our inability to execute this right is the fact that public allocation of the funds has been abysmally low. Healthcare expenditure is very necessary social expenditure for any country. Like any other social expenditure health expenditure also requires a significant contribution from the government³. Whether it is a developed country or developing country the state's role in developing a good health infrastructure and assuring good health to everybody becomes very critical and important.⁴ The objective of our study is to highlight that the plan & the non plan outlays on public health expenditure⁵ is increasing but the out of pocket expenditures on the public health are not increasing which is one of the basic cause of poverty.

2. PUBLIC HEALTH EXPENDITURE COMPOSITION¹

Government spending on health care is less than one-third of the total public sector health expenditures. Government expenditures to improve health also include the government's investment in water and sanitation, nutrition programs, etc. However, for all practical purposes, only those elements of health expenditures are considered which are used to directly control and prevent diseases and to reduce fertility. These are classified under three major heads of the health budgets of the center and state governments: medical, public health and family welfare. The 'medical head' which has the most curative component of health care expenditure comprises expenditure on hospitals and dispensaries, insurance schemes, medical education and training and expenditure on another system of medicines. They account for 60 percent of health expenditures. On the other hand, expenditure on preventive care obtained by summing public health and family welfare component account for only 26 percent of expenditures. These include expenditure on prevention and control of diseases; prevention of food adulteration, drug control, and minimum needs program, urban and rural family planning services, and maternity and child health. Further 5 percent is spent on direction and administration and the remaining 9 percent is spent on other miscellaneous services (Reddy and Selvaraju 1994). As preventive services carry with them higher externalities and have relatively higher benefits for the poor as compared to the curative services, one can say that higher allocation to curative services may not benefit the poor as much as it may benefit the rich.

3. ALLOCATION OF PUBLIC RESOURCES¹

Government financing of health care includes a variety of health services such as curative care in government hospitals and clinics, public health services like disease control programs, ante natal care, development of medical education, family welfare programs to control fertility, and insurance scheme for low salaried corporate workers and central government employees.

Further, the government also spends on health services for employees of certain state-owned enterprises like defense, most of the public sector employees and employees of the autonomous bodies. Many of the nongovernmental organizations (NGOs) also depend on the government for financing most of their health activities. Role of Central and State Governments: Though the major finances for states come from the center, it is primarily the state’s responsibility to provide health care. Health expenditures on hospitals, primary health care facilities and insurance are almost entirely financed from the states’ budgets. Family planning, maternal and child health and immunization are almost entirely in the central government budget. The expenditures on public health programs and education and training are more evenly distributed between the center and the state budgets. The center provides two-thirds of the center provides two-thirds of the plan expenditure¹ and plays a major role in capital spending. Funds in states own budget are mainly non-plan and are committed expenditure used for operating costs of existing structure. To this extent, there is limited flexibility in expenditure pattern in states’ budgets and this leads to the problem of inefficiency in public health facilities. ² Policy documents like the Approach Paper to the Twelfth Five Year Plan (2012 to 2017), the High Level Expert Group for Universal Health Coverage (HLEG), the Programme Implementation Framework of the National Rural Health Mission (NRHM) and the Report of the National Commission on Macroeconomics and Health (NCMH) have all endorsed the need to raise the level of public spending on health in India from around one per cent to 2 to 3 per cent of GDP.⁶

Table 1: Five years plan outlays (Pattern of Central Allocation Total for the Country & Union MOHFW) (Rs. in Crore) ⁷

Period	Total Outlays	Health	Family Welfare	AYUSH	Total
First Plan	1960	65.2 (3.3)	0.1 (0.1)	-	65.3 (3.4)
Second Plan	4672	140.8 (3.0)	5.0 (0.1)	-	145.8 (3.1)
Third Plan	8576.5	225.9 (2.6)	24.9 (0.3)	-	250.8 (2.9)
Fourth Plan	15778.8	335.5 (2.1)	278.0 (1.8)	-	613.5 (3.9)
Fifth Plan	39426.2	760.8 (1.9)	491.8 (1.2)	-	1252.6 (3.1)
Sixth Plan	109291.7	2025.2 (1.8)	1387.0 (1.3)	-	3412.2 (3.1)
Seventh Plan	218729.6	3688.6 (1.7)	3120.8 (1.4)	-	6809.4 (3.1)
Eighth Plan	434100.0	7494.2(1.7)	6500 (1.5)	108.0 (0.02)	14102.2 (3.2)
Ninth Plan	859200.0	19818.4(2.31)	15202.2 (1.76)	266.35 (0.03)	35204.95 (4.09)
Tenth Plan	1484131.3	31020.3(2.09)	27125.0 (1.83)	775.0 (0.05)	58920.3 (3.97)
Eleventh Plan	2156571.0	136147.00 (6.31)		3988.0 (0.18)	140135.0 (6.05)

Notes: * Dept. ISM&H (now AYUSH) was created during 8th Plan** Dept. of Health & Family Welfare merged from 2005 and Rs. 136,147 crore include Rs. 4496.08 crores for newly created Health Research Dept. created during 2008-09, Source: Planning Commission of India.⁷

Taking into consideration table 1 we can state that in the first five-year plan 3.3 % of total outlays was on health and 0.1% was on family welfare.

Total Plan outlays play an important role in the five-year plans that is why the total plan outlays have been escalating by the government over the years.

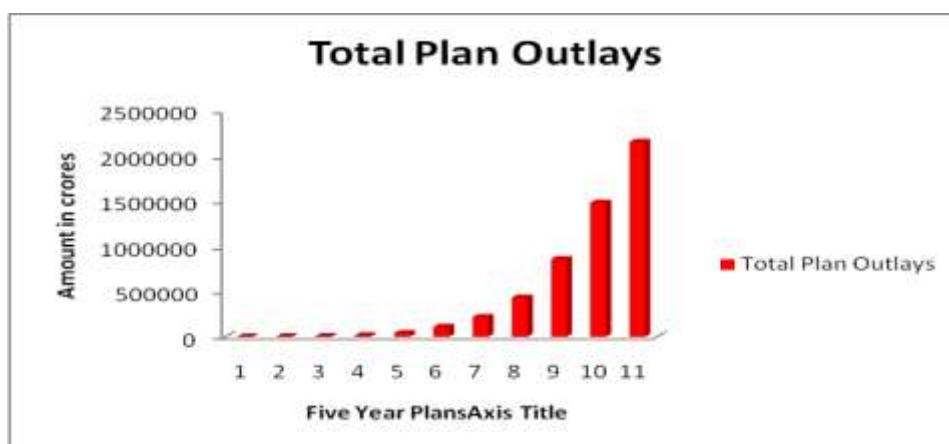


Fig. 1: Graph showing total plan outlays

Source: Planning Commission

Total Plan outlays in the health sector have been continuously increasing till the 11th Five Year Plan. Hence in all the FYPs government has taken tremendous steps to increase the total plan outlays on public health.

Table 2: Fund flow for health sector by source 2004-05 (latest)⁸

Source of Fund	Expenditure (Rs in'000)	Percentage
Public Fund		
Central Government	90667581	6.78
State Government	160171666	11.97
Local Bodies	12292886	0.92
Total	263132133	19.67
Private Fund		
Households	951538903	71.13
Social Insurance Funds	15073973	1.13
Firms	76643295	5.73
NGOs	879761	0.07
Total	1044135932	78.06
External Flows		
Central Government	20884614	1.56
State Government	3272854	0.24
NGOs	6337673	0.47
Total	30495141	2.27
Grand Total	1337763206	100.00

Source: National Health Accounts Report 2004-05

From the table 2, we can infer that 71.13 % of the fund flows for the health expenditure are coming from the households followed by the state governments which is spending about 11.97 %.

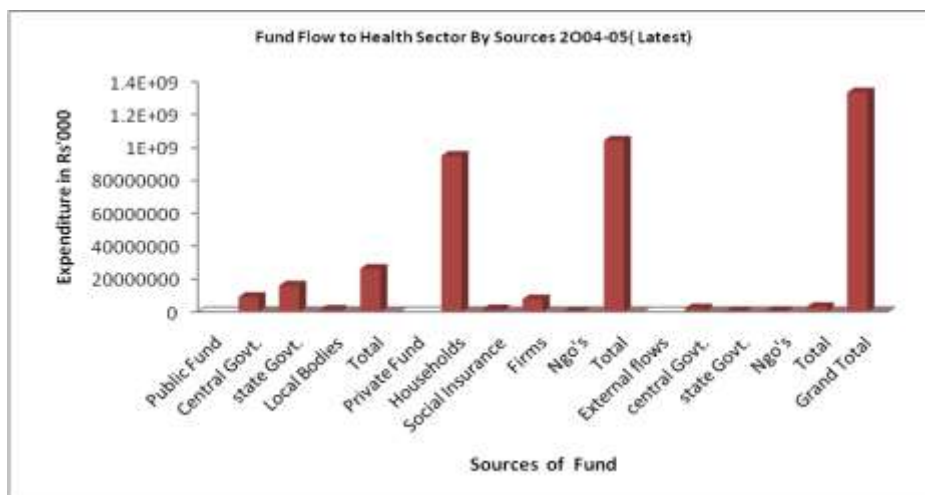


Fig. 3: Graph showing fund flow to health sector by source 2004-05

Source: National Health Accounts Report 2004-05

The above graph states the sources of fund to the health sector, amongst the public fund Central Government is spending a huge amount in the health sector whereas amongst the private fund households are spending maximum on the health sector. Hence, it's the out of pocket expenditure which is adding on to the health expenditure in India.

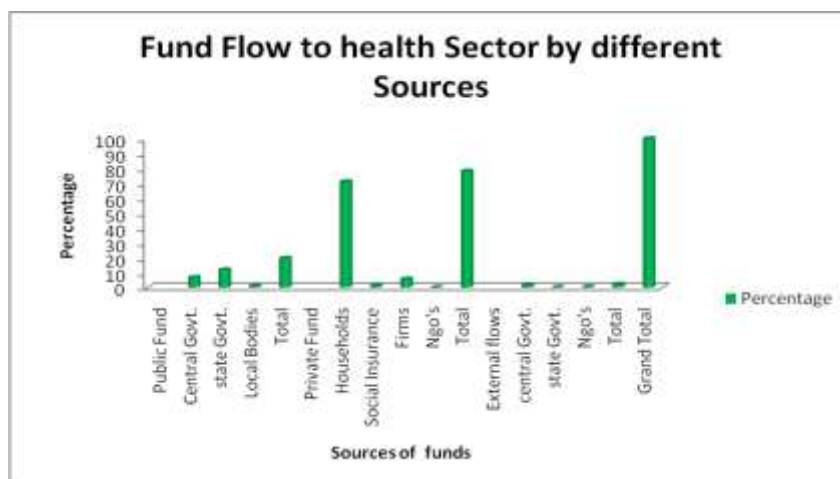


Fig. 4: Graph showing fund flow to health sector by different sources

Source: National Health Accounts Report 2004-05

The percentage of the Household expenditures on Public health is maximum it is about 71.13% which is just stating the out of pocket expenditures on health has increased over the years. Total health expenditure is the sum of public and private health expenditure. It covers the provision of health services (preventive and curative), family planning activities, nutrition activities, and emergency aid designated for health but does not include the provision of water and sanitation (WHO 2010). Total healthcare expenditure in India was 4.2% of GDP in 2010 which is more than its neighboring countries such as Pakistan and Sri Lanka, but far less than the European Union (EU) Member States expenditure on healthcare which typically accounts for about 9 % of GDP, has increased from about 7 % in 1980. Despite poor health indicators, spending on health care in India is well below what is required. The low levels of spending will have an adverse impact on the creation of a preventative health infrastructure.²

4. PUBLIC HEALTH EXPENDITURE IN MADHYA PRADESH

The Government of Madhya Pradesh has been on the forefront to promote health facilities among its people.

Table 3: Public Expenditure on health & NSDP of Madhya Pradesh

Year	Public Expenditure on health	NSDP
1990-91	28160	1110700
1991-92	31560	1030600
1992-93	34634	116200
1993-94	41674	1224000
1994-95	46312	3452900
1995-96	39773	3660100
1996-97	48205	3905700
1997-98	51789	4110100
1998-99	74322	4381500
1999-2000	76385	4841500
2000-2001	74920	6675000
2001-2002	59930	7152500
2002-2003	67545	6779500
2003-2004	71346	7240000
2004-2005	78322	7787400
2005-2006	89152	10497500
2006-2007	103235	11454500
2007-2008	108889	11995800
2008-2009	133142	13512400
2009-2010	146168	14842700

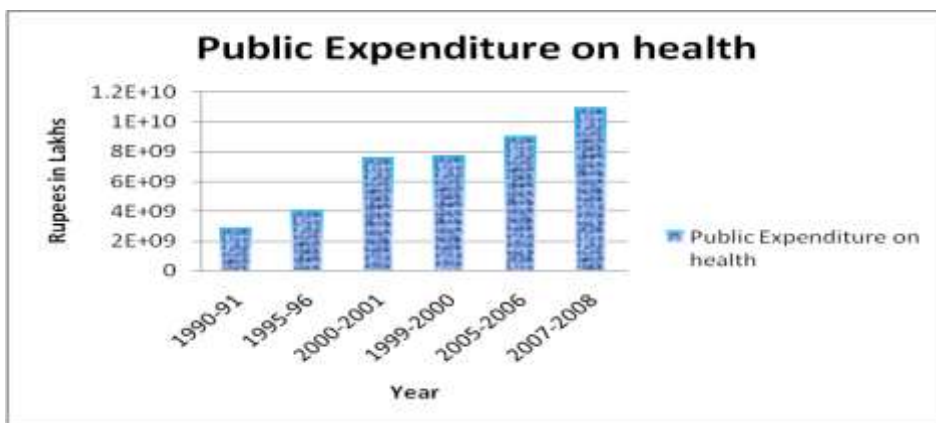


Fig. 5: Graph showing public expenditure on health

From the above graph we can state that since 1990-91 onwards public health expenditure on health is increasing, as a result, there is mild improvement in the health conditions of our country but as compared to the Public health expenditure of developed nations like UK & USA, India has to work a lot to improve the condition of Public health Expenditure.

Table 4: Plan & Non-Plan break up of Public Health Expenditure of Madhya Pradesh (Rs in 000)

Year	Plan		Non-Plan	
	MP	All States	MP	All States
2009-10 (Actual)	4788647 (2.74)	174443344	12091177 (4.23)	285769179
2010-11 (Actual)	6531340 (3.44)	189434728	15321305 (4.44)	344758500
2011-12 (RE)	10918745 (4.11)	265306947	18456597 (4.55)	405529464
2012-13 (BE)	14260534 (4.24)	336164575	22175872 (4.86)	455487955

Source: Compiled by National health Accounts Cell, Mohfw

The plan & the non –plan expenditures of Madhya Pradesh have increased which high lights that the government is taking steps to develop the health sector of the state.

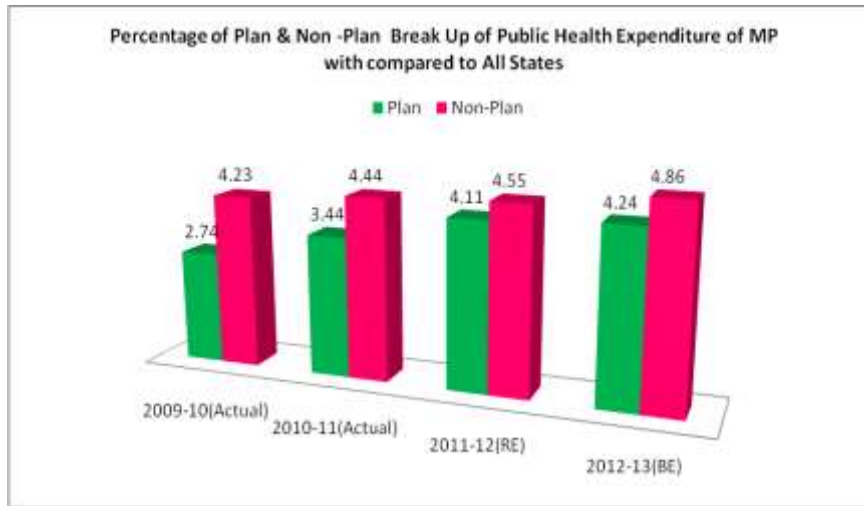


Fig. 6: Graph showing percentage of plan and non-plan break up of Public Health Expenditure of MP with compared to all states

From the above table, we can put forth that the percentage of the non-plan public health expenditures are more in MP as compared to the plan expenditures.

5. CONCLUSION

The health sector is an important sector in the Indian economy. In India, the percentage of public health expenditure in the GDP is quite less as compared to the developed nations. So is the condition of MP too, here the out of pocket expenditures on health are high, households are spending the maximum amount and the state government is spending less as a result of which people are inclined to avail private medical facilities which are gradually pushing them into debt trap & poverty but the government of MP has understood the consequences of it & has started taking steps to improve the picture of the health sector. There is a dire need to improve the health facilities of Public health institutions as without their full support we can think of bringing about a healthy India.

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