
CHAPTER 9: HEALTH EXPENDITURE AND HEALTH INSURANCE

9.1 Health Expenditure

The survey attempted to find out how much people spend on health care services and how those health payments impacted on the households' financial situations.

9.2 Some Definitions

Out-of-pocket payments (OOP)

Out-of-pocket payments refer to payments made by households at the point of receiving health services. Typically these include doctor's consultation fees, purchases of medication, and hospital bills. Although spending on alternative and/or traditional medicines is included in out of pocket payments, expenditure on health-related transportation and special nutrition is excluded. It is also important to note that out of pocket payments are net of any insurance reimbursement.

Subsistence spending and poverty line

Subsistence spending and poverty line is the minimum requirement by a household to maintain a basic life in a society. In this report an estimated poverty was used as subsistence spending. The poverty line was set at the household food expenditure whose food share of total household spending is at the median of the country. However to allow for variation across households, the average food expenditures of households with food shares in total expenditure from the 45th to 55th percentile was used in preference to the expenditure of the single household at the 50th percentile. According to this poverty line, 6.9% of households were classified as poor i.e in these households the total household expenditure was less than the basic subsistence requirement defined earlier.

Capacity to pay (CTP)

Household capacity to pay is defined as household's non subsistence spending.

Catastrophic expenditure

Out of pocket health payments are viewed as catastrophic when a household must reduce its basic expenses over a period of time in order to cope with medical bills of one or more of its members. In this report an arbitrary threshold is used which is the out of pocket payments share of household 's capacity to pay or non-subsistence spending equal to or above 40%.

Impoverishment

A non-poor household is impoverished by health payments when it becomes poor after paying for health services.

9.3 Out of Pocket Payments

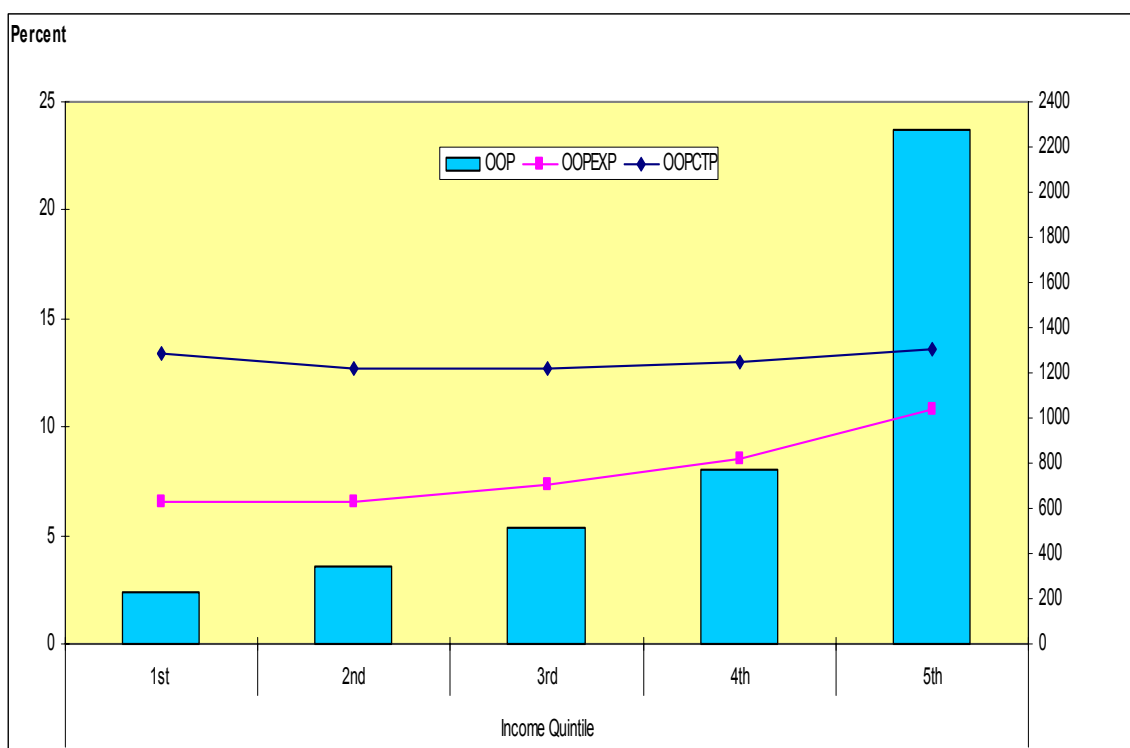
Table 9.1: Distribution of health payments across different population groups

	Groups	Mean Household expenditure (EXP) in Rs	% Poor	% Impoverished	% Catastrophic	OOP % EXP	OOP % non-subsistence spending	Mean Out-of-pocket health payments (OOP) in Rs
<i>Catastrophic</i>	No	8424	6.7	1.1		5.1	8.7	458
	Yes	9510	8.6	18.2		35.9	57	4548
<i>Poor</i>	No	8961		2.8	8.8	8	13.2	877
	Yes	2610		0	11.2	6.1	12	146
<i>Insurance</i>	No	7869	7.5	2.9	9.2	8	13.4	756
	Yes	14526	1.2	0	7.2	7.5	10.5	1471
<i>Residence</i>	Urban	9303	4.4	1.7	8.6	7.9	12.6	912
	Rural	7891	8.9	3.3	9.3	7.9	13.5	757
<i>Income Quintile</i>	1st (poorest)	3685	34.5	10.3	10.6	6.5	13.4	231
	2 nd	5506	0	2	8	6.5	12.7	340
	3rd	7099	0	0.5	8.5	7.3	12.7	513
	4th	9151	0	0.1	8.2	8.5	13	772
	5th (richest)	17201	0	0.2	9.8	10.8	13.6	2280
	<i>All</i>	8522	6.9	2.6	9	7.9	13.1	826

OOP: Out of pocket

Table 9.1 shows that average household spending on health services was Rs826/month which represented 7.9% of total household monthly expenditure and 13.1% of household capacity to pay or non- subsistence spending.

Figure 9.1: Out of pocket health payment by income quintile



OOP health payments varied across income quintile groups. Household monthly OOP was Rs231 for the poorest quintile but in excess of Rs2000 for the richest. OOP health payments share of household expenditure (OOPEXP) was 6.5% in the poorest quintile and 10.8% in the richest.

OOP payments as a share of CTP (OOPCTP) was around 13% in all the quintiles (figure 9.1).

Figure 9.2:
OOP across different population groups

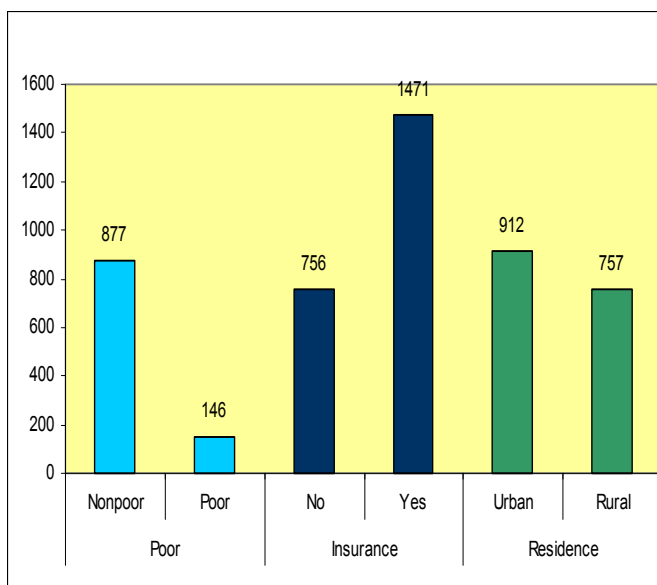
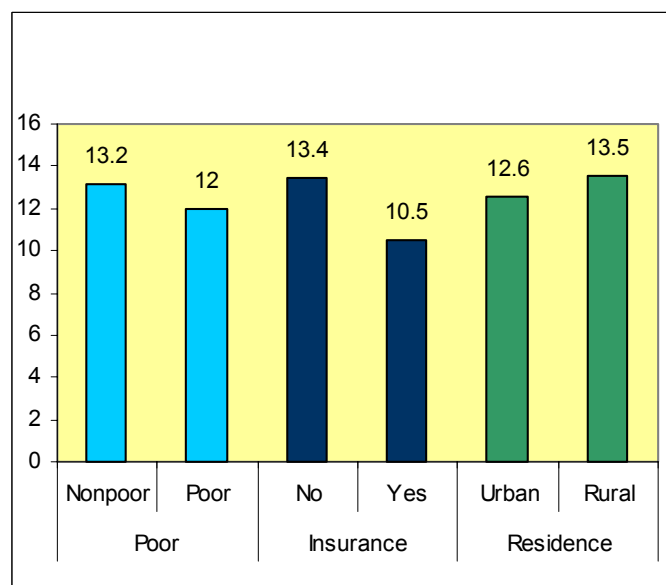


Figure 9.3
Out of pocket health payments as a share of capacity to pay



Between the poor and non poor, the latter spent more on health services in absolute terms: Rs 877/month for non poor and Rs 146/month for poor (figure 9.2)

However, compared to their capacity to pay, the difference between the poor and non poor was not great: 12% for poor and 13.2% for non poor (figure 9.3).

Households with no member covered by health insurance spent Rs756/month compared to Rs1471/month by households with any member covered. However the non-insured households had a slightly higher percentage of out-of pocket payment as a share of their capacity to pay than insured households, 13.4% and 10.5% respectively.

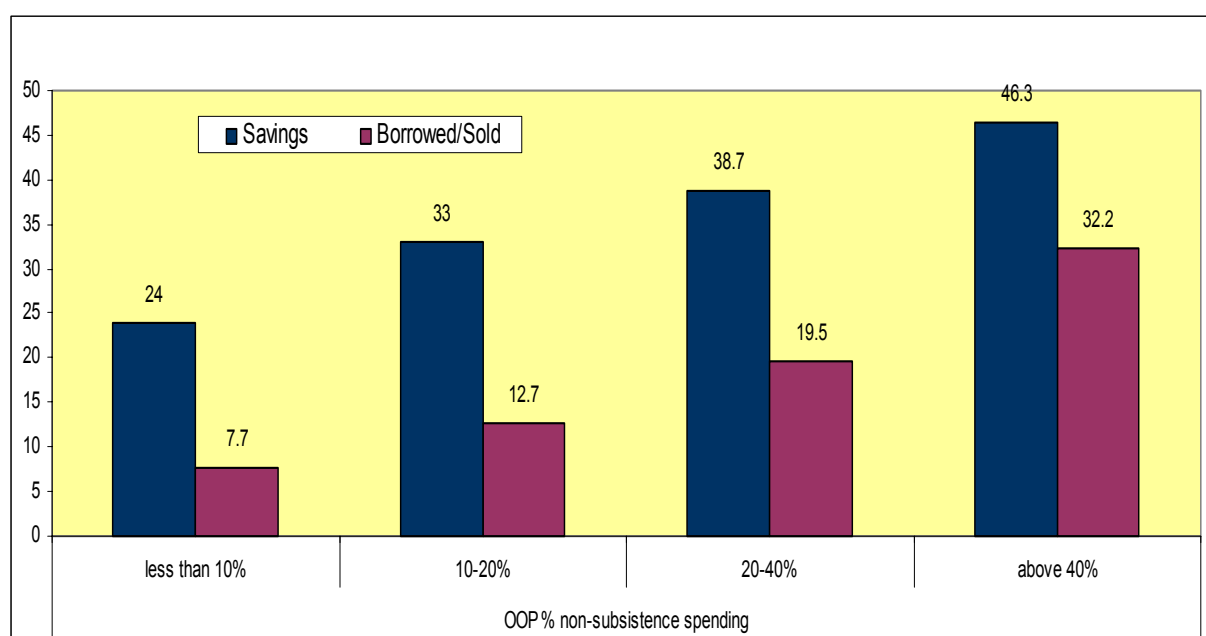
Households residing in rural areas spent less on health services (Rs757/month) as opposed to those of urban areas (Rs912/month). However with respect to their capacity to pay, rural households spent more (13.5%) than urban (12.6%).

9.4 Financial Sources for Health Payments

Table 9.2: Financial sources used by households for paying for health services

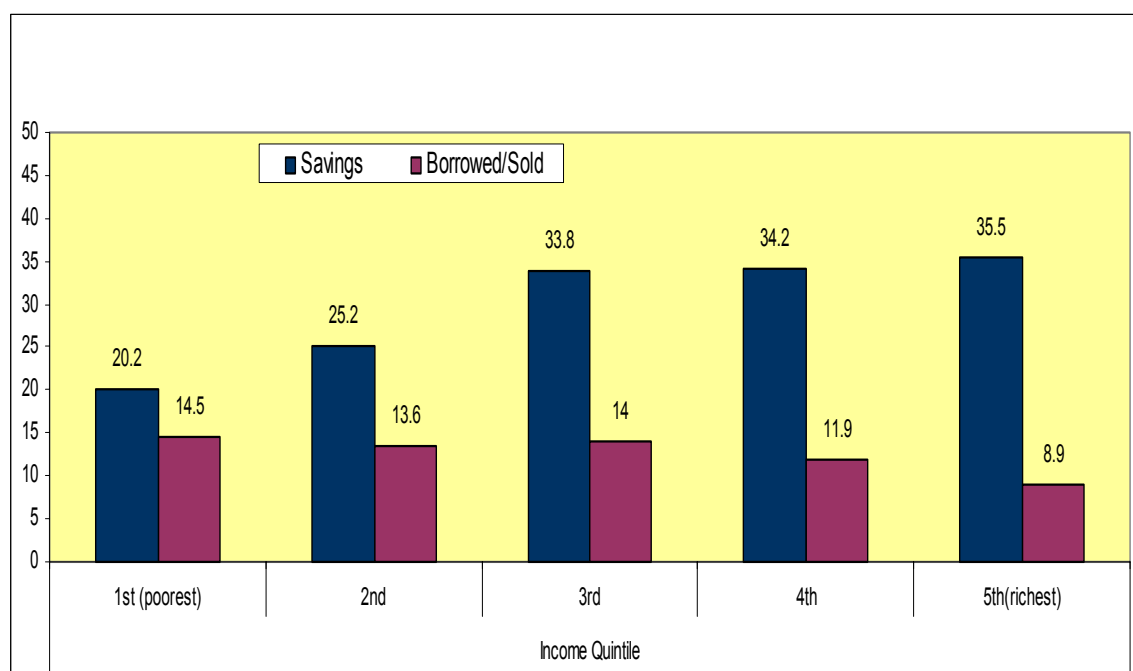
		Savings	Sold items	Borrow from relatives & friends	Borrow from others	Borrowed /Sold	Health insurance	Current income	Others (pensions etc)
<i>OOP % non-subsistence spending</i>	less than 10%	24	0.1	5.5	2.1	7.7	3.5	86.9	8.2
	10-20%	33	0.1	9.7	2.9	12.7	3.1	92	10.7
	20-40%	38.7	0.2	15.6	3.7	19.5	2.3	87.3	13.7
	above 40%	46.3	0.8	24.2	7.2	32.2	2.1	81	22.8
<i>Hopitalisation</i>	No	26.2	0.1	7.1	2	9.2	2.8	87.7	10.1
	Yes	43.6	0.6	18.3	6.4	25.3	4.7	86	13.3
<i>Insurance</i>	No	29.4	0.2	10.2	3.1	13.5	0	87.2	11.3
	Yes	33.6	0.2	2.5	2.1	4.8	30.2	88.9	5.4
<i>Residence</i>	Urban	33.1	0.1	9.7	2.4	12.2	4.4	88.6	10.7
	Rural	27.1	0.3	9.2	3.4	12.9	2.2	86.3	10.8
<i>Income Quintile</i>	1st (poorest)	20.2	0.1	11.5	2.9	14.5	0.2	79.8	15.1
	2nd	25.2	0.1	10.2	3.3	13.6	1.1	87.7	10.6
	3rd	33.8	0.3	10	3.7	14	0.8	88.7	10.8
	4th	34.2	0	8.9	3	11.9	3	90.8	9.6
	5th (richest)	35.5	0.4	6.6	1.9	8.9	10.8	89.8	7.6
	<i>All</i>	29.8	0.2	9.4	3	12.6	3.2	87.4	10.7

Figure 9.4: Financial sources for health payments by health spending levels



In order to pay for health services, households normally use their income and/or pensions. Some households had to use their savings or borrow money (table 9.2). The percentage of households relying on savings and borrowing went up with an increase in oop/cpt (figure 9.4).

Figure 9.5: Financial sources for health payments by asset quintile



Across asset quintile groups, the middle and richer groups relied more on savings and less on borrowing money/sale of properties in order to pay for health services (figure 9.5).

Table 9.3 : Structure of out-of-pocket health payments

	Groups	Inpatient	Outpatient	Traditional	Drugs	Other
<i>Catastrophic</i>	No	2.2	19.2	1.8	59	17.8
	Yes	38.7	14.2	0.7	24.3	22.1
<i>Poor</i>	No	20.5	16.7	1.3	41.4	20.1
	Yes	1.9	16.8	0.9	77.2	3.1
<i>Insurance</i>	No	19.1	16.3	1.4	43.6	19.6
	Yes	26	18.6	0.8	33.3	21.4
<i>Residence</i>	Urban	21.5	16.4	1.1	42.9	18.2
	Rural	19.2	17	1.4	40.8	21.6
<i>Income Quintile</i>	1st (poorest)	4	21.6	0.7	66	7.8
	2nd	4	19.2	2.3	64.6	9.9
	3rd	3.5	20.9	2.1	56.7	16.8
	4th	2.3	21	2	50.8	23.8
	5th(richest)	34.3	13.4	0.7	29.5	22
	<i>All</i>	20.3	16.7	1.3	41.8	19.9

If we consider the total OOP health payment, 20.3% was used for inpatient care, 16.7% for outpatient care, 41.8% for drugs, 1.3% for traditional care and the remainder for other services(dental care, lab tests etc) (table 9.3 and figure 9.6).

Figure 9.6: Structure of out-of-pocket health payments

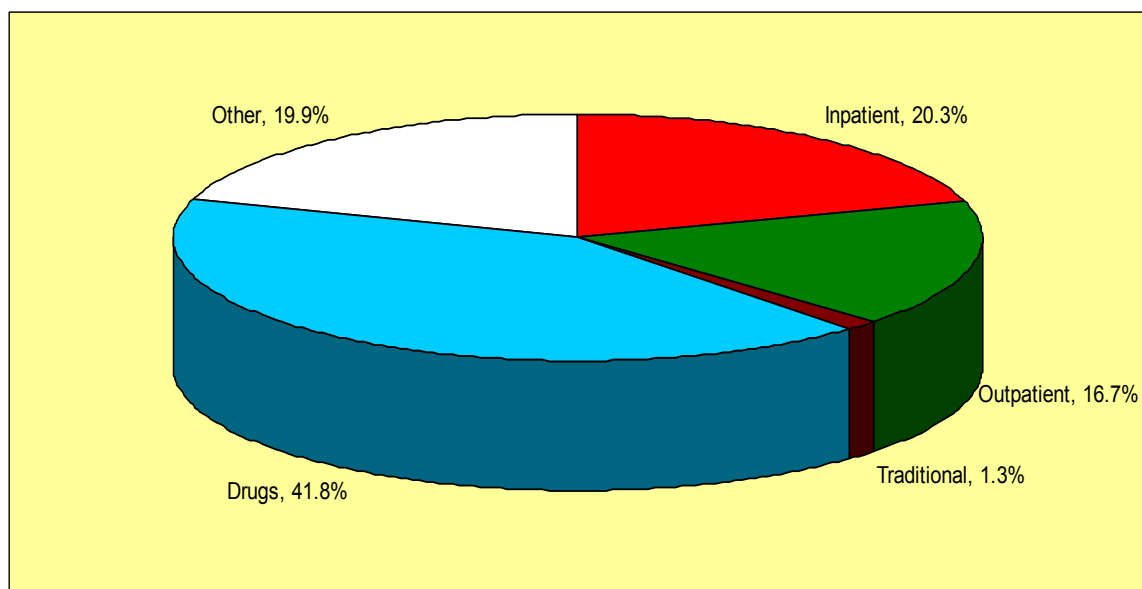
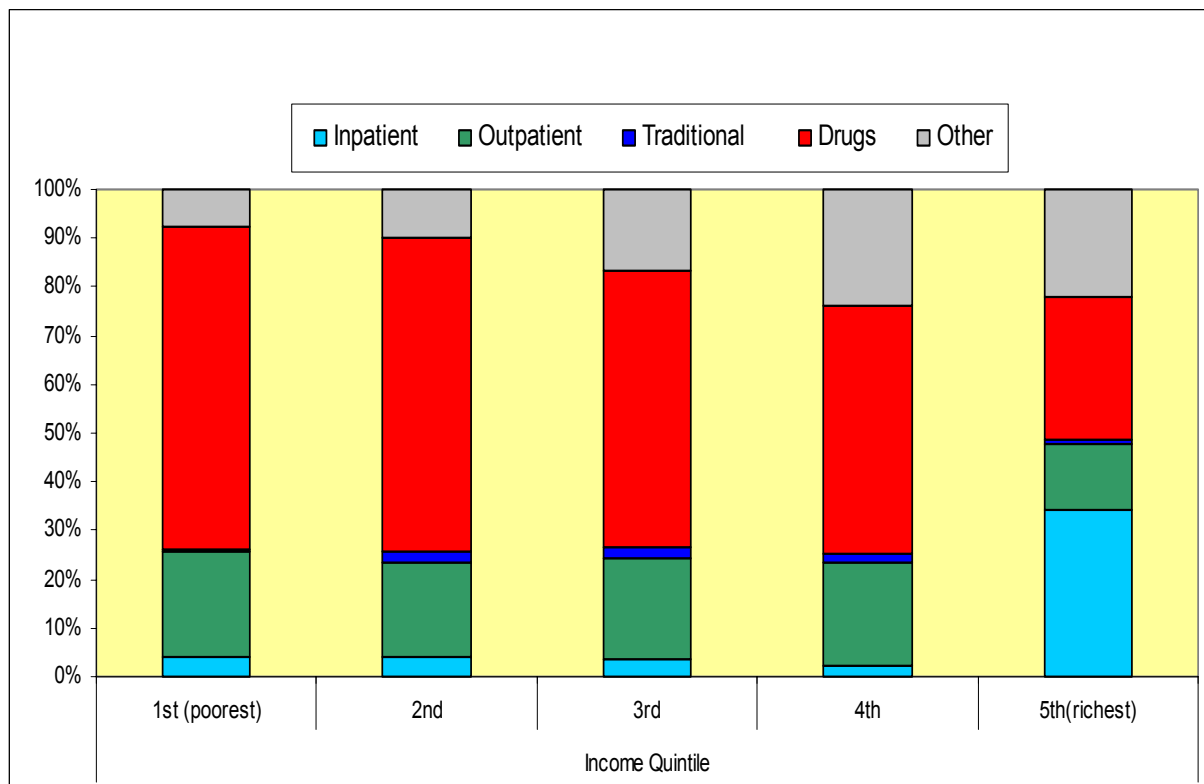
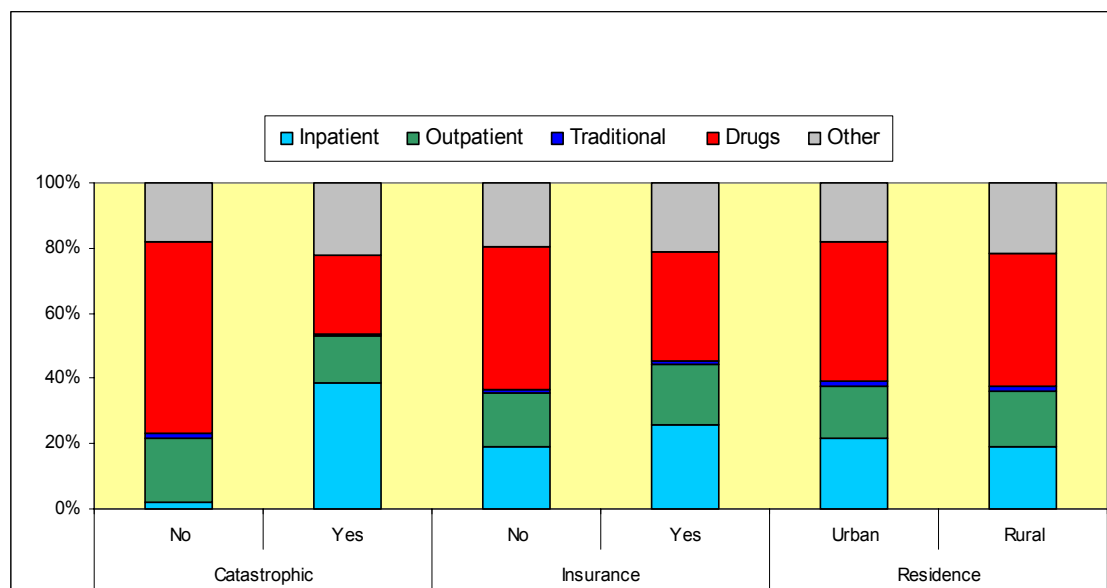


Figure 9.7: Structure of health payments by asset quintile



As shown in figure 9.7, structure of payments varied across asset quintile groups. The out of pocket payments amongst the two poorer income groups were more on drugs (above 60%). Inpatient share was highest amongst the richest (34.3%).

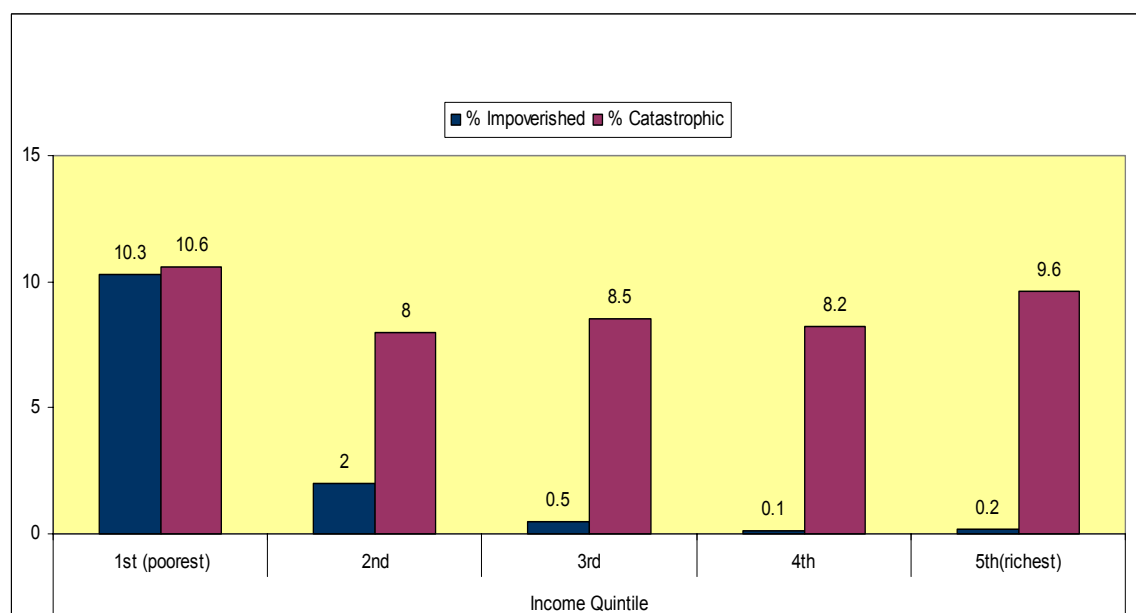
Figure 9.8: Structure of health payments across different population groups



Inpatient service share was 32.6% of out of pocket payments amongst households with catastrophic expenditure while the figure was 2.2 % amongst households without catastrophic expenditure (figure 9.8).

9.5 Catastrophic Expenditure and Impoverishment

Figure 9.9: Percentage of HH's with catastrophic expenditure and impoverishment



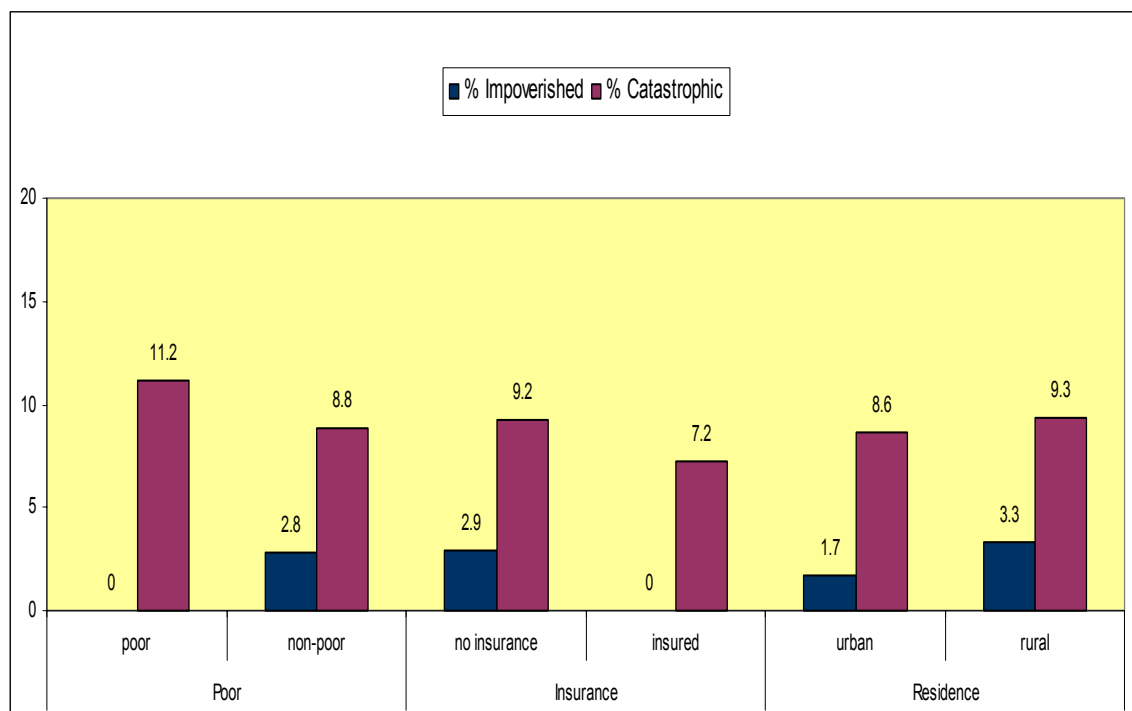
The consequences of the household health system payments are highlighted by two main indicators:

- (i) the percentage of households with catastrophic payments (% cat): 9% of households exceeded 40% of their capacities to pay.
- (ii) The change in the number of households falling below the poverty line (i.e. additional poverty caused). The % impoverishment obtained from the survey data is 2.6%.

Catastrophic expenditure occurred in all socio-economic groups together with impoverishment. However impoverishment was greatest in the lowest income quintile group (figure 9.9).

9.6 Socio-economic Indicators associated with Catastrophic Expenditure

Figure 9.10: Percentage of HH's with catastrophic expenditure and impoverishment



The socio-economic characteristics of households that might influence catastrophic payments were explored. Figure 9.10 shows that the percentage of households with catastrophic expenditure was higher among the poor than the non-poor. Insured households had a slightly lower proportion of catastrophic expenditure than insured. Households residing in rural areas were more likely to face catastrophic expenditure and impoverishment than those in urban areas.

9.7 Health Insurance Coverage

Health insurance makes a big difference for people in terms of

- their access to health services
- the financial burden of paying for health services.

It protects households from catastrophic health expenditure.

The survey collected information on who in the household is covered by health insurance and what kind of health insurance they have. Table 9.4 gives the details:

Table 9.4: Health Insurance Coverage

Total No. of household members	Insured		Mandatory		Voluntary		Insured as independent	
	No	%	No	%	No	%	No	%
14854	863	5.8	253	1.7	637	4.3	364	2.4

5.8% had an insurance coverage. Among those insured, 29.3% were covered by a mandatory insurance plan (because of their employment etc) and 73.8% by a voluntary health insurance scheme.

