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Declining Trends in Public Health Expenditure in Maharashtra

Ravi Duggal*

This analysis of the trends in public health expenditure in Maharashtra shows that the State has to become more proactive in raising resources being allocated to the health sector. The level of public health spending is very low in the state, both as a ratio within the state budget and as a proportion to the SDP.

Co-ordinator, CEHAT, Mumbai. Email: raviduggal@vsnl.com

Health expenditure, for the present analysis includes expenditure borne by ministries of health and family welfare and therefore, excludes water supply and sanitation. It thus includes curative care i.e., hospitals and dispensaries, primary health care, preventive and promotive programmes such as control of diseases, family planning, and immunisation, medical education and teaching hospitals, Employee State Insurance Scheme (ESIS), Food and Drug Administration etc.

The share of health expenditure in the government budget has decelerated sharply over the years, more so after the structural adjustment policies in 1991, which curtailed the government spending to reduce its fiscal deficit. This will have an adverse impact on long-term growth and may lead to further human deprivation, especially given the fact that user-charges are being introduced and/or increased in public health facilities.

Table 1: Public Expenditure (in Rs. million) on Healthcare in Maharashtra (Minsitry of Health and Family Welfare; revenue +capital)

	1980-81	1985-86	1990-91	1995-96	1998-99	2000-01	2001-02 RE	2002-03 BE
Total Public Health Expenditure	1307	2767	4976	9061	11855	16343	16548	18126
Per capita (Rs.)	39.94	63.73	63.04	105.95	131.07	171.13	170.59	184.96
Percent to revenue expenditure(1)	6.53	5.97	5.68	5.18	4.51	4.26	4.31	4.37
Percent of NSDP	0.9	1.0	0.8	0.7	0.6	0.6	0.6	0.6

Source: Finance and Revenue Accounts, Govt. of Maharashtra, upto 2000-01; 2001-02 and 2002-03 from Civil Budget. Population and income data used from Statistical Abstract of India upto 2000-01 and extrapolated for 2001-02 and 2002-03.

(1) Only revenue expenditure included in this computation. If we add capital then the proportion would drop drastically, for instance in 2000-01 including capital would bring down health expenditure ratio to 3.9 per cent

RE = Revised estimate; BE = Budget Estimate

Maharashtra, despite its achievement in overall economic development, has failed to give the required significance to health and health care, given the fact that health expenditure as a percentage of NSDP at current prices has declined from the levels of 1.0 per cent in the 80s to 0.6 per cent in 1998 – 99 and has stagnated at that level, and

as a proportion to total government spending from over 6 per cent in the 80's to 4.3 per cent in 2002-03. Revenue expenditure on health as a share of total government expenditure shows a declining trend reflecting the inadequate commitment of the state towards increasing health care demands of the population. This is despite the fact that health is a state subject. Excessive attention is given to curative care in urban areas at the cost of neglecting such healthcare needs of rural population. Expenditure on hospitals and dispensaries as well as Medical Education, Training and Research has shown a slight increase since 1985-86.

Expenditure by Programme and Line Items

Expenditure on National Disease Control programme also shows a declining trend. This is partly due to the structural adjustment policies. The impact of this was a decrease in central financial transfers to the states. Since then, there has been an increase in non-plan expenditure (mainly on account of salaries) and a decline in plan expenditure. Further desegregation of expenditure on National Disease programme shows that spending on Malaria, Leprosy, TB and Blindness control programme accounts for nearly ninety percent of the total disease programme expenditure. Among the four, the share of Malaria (50 per cent to 70 per cent) and Leprosy (15 per cent to 30 per cent) is very high. In 1998-99 the share of Malaria touched a whopping 71 per cent because of the flow of funds from World Bank Assisted Malaria Control project. It is also revealed that over the years there is a rapid increase in the share of salary component and a decline in the share of non-salary component.

Expenditure on family welfare programme has been increasing steadily and in 1995-96 stood at 14.8 per cent of the total government expenditure. Spending on maternal and child health (MCH) during the same period showed the same upward trend. This is when Child Survival and Safe Motherhood (CSSM) programme was introduced to reduce maternal and child mortality. The emphasis on family welfare is on rural welfare services, but here too the bulk of expenditure is on salaries.

It is clear from the above analysis that the state has reduced the share of the health sector, reflected in the declining share of health expenditure in the total budget. Increasing proportion of health expenditure on salaries, leaving very little for non-salary components such as materials and supplies, maintenance, diet, travel etc. has created allocative inefficiencies that have drastically affected the performance of various programmes. This has implications on utilisation of public health services, and data from national surveys clearly reveal a declining share of public services in healthcare. And this also means increased burden in out-of pocket expenditures for health care. Between the two NSSO rounds out-of pocket costs have increased three-fold for inpatient care and by about 50 per cent for outpatient care. The increases are even higher for those using private health care. And rural users are spending significantly larger amounts on both inpatient and outpatient services, but this gap has reduced over the two NSSO surveys perhaps reflecting the decline of public services in urban areas also and/or the increase in user fees in public health facilities.

Table 2: Maharashtra Government Expenditure on Health

Amount in Rupees Million	1980-81	1985-86	1988-89	1992-93	1995-96	1998-99
Total Health Expenditure (Per cent of NSDP)	1306.98 0.9	2766.47 1.0	4000.79 1.0	6356.23 0.8	9061.10 0.7	11854.90 0.6
Capital Expenditure on Health	54.93	71.78	220.95	198.06	162.87	255.65
Revenue Expenditure on Health	1252.05	2694.69	3779.84	6158.17	8898.23	11599.25
per cent of Total Govt. Revenue Expenditure	6.53	5.97	5.78	5.33	5.18	4.5
Per Capita Expenditure on Health (In Rupees)	19.94	38.95	50.71	75.63	102.26	128.24
Expenditure on National Disease programme (NDP)	192.0	431.95	582.27	726.98	1011.08	1435.68
per cent of Total Revenue Expenditure on Health	15.33	16.03	15.4	11.81	11.36	12.38
Per Capita Expenditure on NDP (In Rupees)	3.08	6.24	7.81	8.93	11.62	15.87
Expenditure on Hospitals & Dispensaries (H&D)	355.0	673.52	950.43	1638.31	2447.46	3390.11
per cent of Total Revenue Expenditure on Health	28.35	24.99	25.14	26.60	27.50	29.23
Per Capita Expenditure on H&D (In Rupees)	5.7	9.74	12.75	20.12	28.13	37.48
Expenditure on Medical Training Education & Research	105.0	169.15	244.46	477.77	635.72	1255.89
per cent of Total Revenue Expenditure on Health	8.39	6.28	6.47	7.76	7.14	10.83
Expenditure on Family Welfare	128.0	469.23	493.34	826.31	1315.34	948.16
per cent of Total Revenue Expenditure on Health	10.22	17.41	13.05	13.42	14.78	8.17
Expenditure on Maternal & child Health	4.0	14.05	42.38	130.45	381.02	157.16
per cent of Total Revenue Expenditure on Health	0.32	0.52	1.12	2.12	4.28	1.35
Expenditure on Health Administration	178.0	467.24	556.19	1154.55	1621.96	2566.37
per cent of Total Revenue Expenditure on Health	14.22	17.34	14.71	18.75	18.23	22.13

Sources: 1. Data for years 80-81 & 85-86 -Comptroller & Auditor General of India, GOI, " Combined Finance & Revenue Accounts" respective years. 2. Data for years 85-86 Onwards- Govt. of Maharashtra, Finance and Revenue Accounts, various years.

Table 3: Expenditure on National Disease programme and Public health

Year	Expenditure on Disease programme (Rs. Millions)	Expenditure on Public Health (Rs. Millions)	per cent of Disease programme to P.H.
1988 – 1989	582.27	1498.08	38.87
1989 – 1990	547.86	1704.83	32.14
1990 – 1991	622.48	1888.85	32.96
1991 – 1992	630.14	2161.38	29.15
1992 – 1993	572.60	2489.81	22.91
1993 – 1994	787.59	2649.94	29.72
1994 – 1995	1056.07	3175.20	33.26
1995 – 1996	1011.08	3600.15	28.08
1996 – 1997	1218.85	4169.46	29.23
1997 – 1998	1154.26	4583.52	25.18
1998 – 1999	1435.68	4806.33	29.87

Source: Finance Accounts, Govt. of Maharashtra, respective years

Table 4: Expenditure on selected diseases programme (as percentage to expenditure on Disease programmes)

Year	Malaria	T.B	Leprosy	Blindness	Total (in Rs. Millions)
1986-87	54.65	9.20	18.03	.65	520.67
1988-89	55.58	6.77	19.12	.77	582.23
1990-91	59.84	10.00	20.91	.71	622.47
1991-92	60.36	6.75	22.01	.63	630.16
1992-93	57.14	7.43	24.63	.65	727.40
1995-96	46.71	10.90	18.97	.69	1164.76
1996-97	53.03	18.43	18.52	.00	1230.69
1997-98	58.40	5.68	26.44	.73	1154.41
1998-99	71.11	4.47	15.44	.69	1435.68

Source: Performance Budgets, Govt. of Maharashtra, respective years

Table 5: Percentage distribution of medical expenditure in public health care sector by selected line items, in Maharashtra, 2000-2001.

Expenses on item.	District hospital	Women's hospital	Cottage/ other hospitals	Dispensaries
Medicine	19.56	14.52	9.53	4.87
Diet	1.66	2.62	1.13	NA
Linen	1.21	0.97	1.30	NA
Salaries, TA etc	70.29	77.36	77.42	76.40
Other	8.49	5.51	11.92	18.73
Total expenses	100.00	100.00	100.00	100.00

Source: Government of Maharashtra, Performance budget 2001-2002

Table 6: Expenditure on Malaria Control programmeme by line items (in percentage)

Year	Salaries	Travel	Drugs	Others	Total (in Rs. Millions)
1988 – 1989	61.08	3.58	2.14	33.2	323.65
1992 – 1993	84.09	.00	15.91	.00	415.62
1995 – 1996	80.89	2.11	7.51	9.49	544.01
1998 – 1999	87.28	1.16	7.72	3.84	1005.21

Source: Performance Budgets, Govt. of Maharashtra, respective years

Table 7: Expenditure on Leprosy Control programmeme by line items (in percentages), Maharashtra

Year	Salaries	Travel	Drugs	Diet	Others	Total (in Rs. Millions)
1988 – 1989	72.29	9.21	4.83	0.31	13.36	111.32
1992 – 1993	NA	NA	NA	NA	NA	179.20
1995 – 1996	53.80	3.49	3.76	.06	38.89	220.96
1998 – 1999	76.52	7.03	3.63	0.59	12.23	221.68

Source: Performance Budgets, Govt. of Maharashtra , respective years

Table 8: Expenditure on National Tuberculosis Control programmeme by line items (in percentages), Maharashtra

Year	Salaries	Travel	Drugs	Diet	Others	Total (in Rs. Millions)
1988 – 1989	51.43	2.71	34.24	3.29	8.33	90.55
1992 – 1993	NA	NA	NA	NA	NA	128.79
1998 – 1999	66.57	2.80	22.37	2.42	5.84	209.59

Source: Performance Budgets, Govt. of Maharashtra , respective years; Note: N.A: Break-up not available

Table 9: Percent Expenditures across Line items under Family Welfare programme

Rural Family Welfare Services	Salaries	Travel expenses	Material & Supplies	Others	Total (in Rs. Millions)
1988 – 89	66.08	4.38	-	29.54	149.13
1998 – 99	91.16	0.59	-	8.25	290.41

Source: Performance Budgets, Family Welfare Department, Government of Maharashtra, various years

Table 10: Average out of pocket medical expenditure on treatment of an ailment in outpatient care and inpatient care units, Maharashtra 1986-87 and 1995-96 (*figures in Rupees)*

Source of Treatment	1986-87 [1]		1995-96 [2]		1986-87 [1]		1995-96 [2]	
	Urban	Rural	Urban	Rural	Urban	Rural	Urban	Rural
	Inpatient Care				Outpatient care			
Public	439	400	1529	1439	52	84	73	91
Others	901	1928	3836	5345	99	153	161	175
All	842	1498	3089	3997	87	132	140	163

Source: [1] NSSO 1992 - 42nd Round; [2] NSSO 1998 - 52nd Round.

Rural - Urban Differentials: An illustration

Maharashtra 2000-01 Health Expenditures (Rs. Million)

Type of Expd.	Rural	Urban	Total
Medical care	259.55	7457.24	7716.79
Public Health	4514.34	1947.33	6461.67
Fam. Planning	677.57	61.70	739.27
MCH	136.91	58.68	195.59
Other FW	672.34	167.77	840.11
Capital	84.41	305.04	389.45

Rural-urban desegregation of expenditures is not done completely in the accounts. While some expenditures are directly available as rural and urban like rural allopathy and urban allopathy, rural FP and urban FP, capital expenses, etc., others have to be estimated on basis of judgment and experience as to where the expenditure is incurred. Since this requires extensive knowledge of how the state's healthcare system operates it is difficult to estimate for the entire country. Hence we have done this exercise for Maharashtra state alone.

In 2000-2001 Maharashtra government spent Rs.15,953.43 million on healthcare under the revenue account and Rs.389.45 million on the capital account. Capital expenditure was only 2.4 per cent of total expenditure on health. This shows that new investments are not being made adequately to upgrade and expand the public health system. Further the total health expenditure (Rs.16.34 billion) is a mere 0.58 per cent of GSDP and 4.2 per cent of total government expenditure. The revenue expenditure on health is only Rs. 165 per capita, which is much less than the national average of Rs.220 per capita for the same year. Further the rural-urban gap in percapita spending is more than twice. Urban areas get Rs.236.29 per capita and rural areas get only Rs.112.34 per capita. Rural areas get less than 40 per cent of the budget as against the 60 per cent population that lives in villages. This is a clear indication of neglect of rural areas by the state in healthcare investment and expenditures. Also the curative – preventive dichotomy across urban and rural areas comes out very clearly in public spending patterns.

Suggestions for changes in the Health Budget

Given the above facts and analysis it is evident that the State has to become more proactive in raising resources being allocated to the health sector. The level of public health spending is very low in the state, both as a ratio within the state budget and as a proportion to the SDP. The National Health Policy 2002 recommends that public health expenditure should be 75 per cent of all health expenditure and 2 per cent of GDP by the year 2010. In 1995-96, the year of the NSSO 52nd Round, out-of-pocket expenditure was 2 per cent of SDP as against 0.7 per cent for government health expenditure in the same year. Since then out-of pocket expenditure has nearly doubled

as a percent of SDP and public expenditure has shrunk to 0.6 per cent of SDP. If we have to follow the NHP proposals then the trend has to be drastically reversed.

Since there is no control as yet on the private health sector not much can be done on that front unless strong regulations, include pricing mechanisms are put in place. This means the public health system to meet goals of the NHP will have to respond with unprecedented increases in the allocations to the health sector. For instance if real SDP grows by 5 per cent per annum, public health expenditure will have to grow at 16.7 per cent per annum in real terms in next 8 years to reach a level of 2 per cent of SDP for public health expenditure. This would mean very substantial jump in allocations given the fact that in real terms there is stagnation if not a decline in the last few years.

As an immediate step (and within existing resources) the state government can resort to certain measures that will make the use of current resources more efficient:

- Allocation of resources on a percapita basis to each unit of health service. For instance, the PHC should get Rs. 185 per capita (as per latest budget data), that is Rs.55 lakhs per year as against about Rs.20 lakhs presently. A jump of 2.75 times in resources available at this level. Similarly rural hospitals, district hospitals etc.. should be allocated resources using this method. The losers here will be the urban health systems, but they have additional resources through municipal funds. This will help reduce geographical inequities in public health spending.
- Introduce compulsory public health service for medical and nursing graduates passing out of public medical and nursing schools for atleast three years, and unless they do this they should not be allowed to undertake post-graduate studies. This will raise availability of medical humanpower in the public health system substantially.
- Strengthen and rationalise use of paramedics to provide curative services, both in rural and urban areas. This will substantially enhance availability of ambulatory curative care in the public system
- Strengthen primary medical care in PHCs and urban dispensaries so that hospitals are not used for routine illnesses, and consequently introduce a strict referral system for use of higher levels of care. This will rationalise and economise on use of limited resources

To raise further resources the state govt. could do the following:

- Introduce a health tax on lines of profession tax so that those who are in regular employment can contribute to the health budget directly and this will also create accountability pressures from the vocal organised sector for effective and efficient services because those paying such a direct tax are more likely to demand appropriate returns for it. Alternatively 6.75 per cent of wages which are charged for ESIS could be universalised for all salaried/ regular wage employees and the ESIS system should be merged with general health services. This way around one-third additional resources could be raised for the public health sector
- Atleast half of the self-employed like entrepreneurs, traders, vendors, farmers etc.. could make similar contributions for healthcare.

- ❖ Health cess could be charged as part of house taxes from owners, from owners of vehicles, on health degrading products like alcohol, cigarettes, paan masalas etc..

The above are just few examples. There are many other innovative ways of raising resources from people who have capacity to pay. User charges should be done away with as it is an iniquitous way of making payments. Whenever the state is in a position to raise such resources the target of not only 2 per cent of SDP but close to 3 per cent of SDP would be possible.

Ravi Duggal
raviduggal@vsnl.com
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MAHARASHTRA MoHFW EXPENDITURE (Rs. Crore)

YEAR	**Medical** **1**	**Public health** **2**	**Family Welfare** **3**	**Medical Education** **4**	**Capital** **5**	**Total (revenue + capital)**
	Revenue Expenditure					
2000-2001 BE	369.56	551.66	210.46	353.23	45.00	1529.91
1999-2000 RE	345.36	559.57	151.98	401.47	2.80	1461.18
1998-1999	264.62	468.17	94.82	296.75	1.20	1125.56
1997-1998	233.67	431.64	119.65	262.43	5.31	1022.7
1996-1997 RE	223.84	373.70	127.30	289.35	6.18	1020.37
1995-1996	183.96	323.02	131.53	220.58	0.59	859.68
1990-1991	65.96	176.71	64.47	160.89	0.03	468.06

Source: Civil Budget Estimates, Government of Maharashtra various years

1 Hospitals/ Dispenseries/ESIS in urban areas and cottage hospitals
2 Public Health- Disease control programmemes, rural public health admin, PHCs, CHCs etc
3 Family Planning and Immunisation RCH/MCH.
4 Medical Education, training ,research including teaching hospitals and FDA.
5 Medical, Public Health, Family Welfare and Medical Education combined

BE: Budget estimates
RE: Revised Estimates