Out-of-Pocket Expenditure (OOPE) on Healthcare

Mains: *GSII – Health| Governance*

Why in News?

Latest NHA data shows OOPE declined from 64.2% to 42.7% (2013–24), while government health expenditure nearly tripled to ₹4.14 lakh crore.

What is Out-of-Pocket Expenditure (OOPE)?

- **OOPE** – It refers to direct payments made by individuals or households for healthcare services that are not covered by insurance or other financial protection mechanisms.
- **It includes** –
  - Consultation fees, medicines and diagnostic tests.
  - Hospitalisation and treatment expenses.
  - Patient transportation and assistive devices.
  - Informal payments associated with healthcare services.
  - Medicines constitute the largest component of household OOPE.

What are the Reasons for Declining OOPE?

- **Increased Government Health Expenditure** – Government health expenditure rose from ₹1.30 lakh crore (2013–14) to ₹4.14 lakh crore (2023–24).
  - Per capita expenditure increased from ₹1,042 to ₹2,959.
  - Central Government's share in total health expenditure increased by 14.9 percentage points.
- **Expansion of Health Insurance** – Schemes such as Ayushman Bharat-PM-JAY, State insurance schemes and social health insurance provide financial protection.
  - Cashless hospitalisation reduces direct household spending.
- **Affordable Healthcare Initiatives** –
  - **Ayushman Arogya Mandirs** – Provide primary healthcare services.
  - **Free Drugs and Diagnostics** – Reduce medicine and testing costs.
  - **National Dialysis Programme** – Provides affordable dialysis.
  - **Janaushadhi Pariyojana** – Supplies affordable generic medicines.
  - **AMRIT Pharmacies** – Provide medicines at lower prices.
- **Increased Social Security Expenditure** – Social security expenditure on healthcare rose by 5 percentage points to 11% in 2023–24.
  - Private health expenditure's share increased from 3.4% to 10.2%.

Is the Decline in OOPE Sufficient?

- **High Household Financial Burden** – OOPE remains at 42.7%, nearly double the global average of 18–20%.
    - The WHO recommends reducing OOPE to around 15–20% of total health expenditure.
    - A large section of the middle class remains without adequate health insurance, exposing households to financial distress during medical emergencies.
- **Inadequate Public Health Spending** – Government health expenditure remains below 2% of GDP, despite the national aspiration to increase it.
    - This is considerably lower than the WHO-recommended benchmark of approximately 5% of GDP.
- **Weak Primary Healthcare Infrastructure** – Insufficient investment in primary healthcare increases dependence on expensive secondary and tertiary healthcare facilities.
    - Government expenditure on primary healthcare stood at ₹1.53 lakh crore.
- **Unequal Access to Healthcare – Rural populations and econ**omically weaker sections face barriers in accessing quality healthcare.
    - High medicine and diagnostic costs continue to increase household expenditure.

What is the Way Forward?

- **Increase Public Health Spending** – Gradually raise government health expenditure towards the national target of 2.5% of GDP.
- **Strengthen Primary Healthcare** – Expand Ayushman Arogya Mandirs, preventive healthcare and early disease detection.
- **Universal Health Coverage** – Expand affordable insurance coverage, particularly for vulnerable households and the uninsured middle class.
- **Reduce Medicine Costs** – Strengthen generic medicine distribution, Janaushadhi outlets and essential drug availability.
- **Improve Public Healthcare Infrastructure** – Invest in hospitals, diagnostic facilities, medical personnel and rural healthcare services.
- **Strengthen Financial Protection** – Expand cashless treatment and improve insurance coverage for outpatient care and medicines.

What lies ahead?

- India's declining OOPE reflects progress towards affordable and accessible healthcare.
- However, its persistently high share highlights the need for greater public investment, stronger primary healthcare and universal financial protection to achieve Universal Health Coverage (UHC) and SDG 3 – Good Health and Well-being.

Reference

[The Hindu| Out-of-pocket expenditure on health shows decadal decline]



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