Proposal to Cap Hospitals Profits

What is the issue?

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- The Delhi government has recently released a proposal to cap hospital's profit on drugs and devices.
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- This will lead to major concerns in provision of healthcare.
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What is the decision of the Delhi government?

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- Many cases were charged by the patients against the private hospitals for billing exorbitant prices.
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- To address this, an expert committee was formed to reduce the out of pocket expenditure of patients and improve overall access to healthcare.
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- National Pharmaceutical Pricing Authority (NPPA) also reported that private hospitals' profit-margins on various medicines and other consumables were between 350% - 1,740%.
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- Therefore, to reduce the health burden of patients, the Delhi government released this proposal to cap 50% of private hospitals profits.
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What are the concerns with this proposal?

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- The reports and recommendations have failed to include the high capital and operational expenditure of private hospitals when calculating their profits.
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- Land costs of private hospitals were not considered which are comparatively higher than the government hospitals as they are present in all major cities and in easily accessible locations.
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- The net profit margins reported by the private medical institutions themselves are nowhere near the numbers reported by NPPA.
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- Therefore to maintain their current profit levels, private hospitals could end up increasing the cost on rooms and surgeries.
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- There is already a huge shortage of hospitals and doctors in Delhi where only 2.7 beds are available for 1000 people, the WHO recommended beds being min 5.
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- Therefore, capping hospitals will do more harm than good to the public and hence it has to be let go for better healthcare measures.
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Source: Financial Express

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