

Health Sector Allocation in India's Budget (2021–2022): A Trick or Treat?

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Abstract

The Finance Minister of India Nirmala Sitharaman announced the Budget in February 2021, giving health and well-being as a top priority for the government, with an impressive increase of 137% over the previous year's health sector budget. The need to strengthen primary, secondary and tertiary public healthcare systems was a clear message from the budget statement. The authors analyse the current budget in the context of chronic underinvestment in health and question whether this allocation will make any meaningful impact on the public health infrastructure as the impressive headline allocation appears to be more of a trick than a treat to the health sector.

Keywords

Health budget, health sector allocation, public health infrastructure, government health expenditure, India

Nirmala Sitharaman, the Finance Minister of India, announced the Budget on 1 February 2021, against the backdrops of raging COVID pandemic, border dispute with China and the farmer's protests (Government of India Budget, 2021). Her budget rests on six pillars, with health and well-being being the first pillar. The health sector appeared to be a major winner in the budget. A massive outlay of US\$ 31,030 million¹ was allocated to this sector with an impressive increase of 137% over the previous year's budget.

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However, the current allocation should be viewed in the context of India's chronic underinvestment in health and its lagging health indicators. In spite of various centre-sponsored programmes and health insurance schemes, the government health expenditure has varied from 1.2% to 1.6% of the gross domestic product (GDP) in recent years. Although last year the government health expenditure was 1.8% of GDP, this is extremely low when compared to other countries in the world, such as Sri Lanka, China, Thailand, the United Kingdom and the USA. Even the target envisaged by the National Health Policy (Ministry of Health and Family Welfare, 2017) is to achieve a spending of 2.5% of its GDP on healthcare by 2025!

India is less favourable than other countries in the region in terms of health outcomes and other indicators. According to the UN World Development Report 2020, India ranks a dismal 131 on the Human Development Index (United Nations Development Programme, 2020) with a score of 0.645. India has a higher infant mortality rate (under 5) than Bangladesh and Nepal; its bed population and doctor population ratios are also worse than those other countries in the region, including China, Sri Lanka, Thailand and Nepal. Out-of-pocket expenditure as a share of health spending is over 65% in India when compared to other countries such as China (32%), Sri Lanka (38%), Thailand (11%) and Nepal (60%) (OECD/WHO, 2018).

This is also reflected in the shortfall of human resource and other public health infrastructure. Public sector healthcare delivery in India includes the network of primary health centres (PHCs), community health centres (CHCs), district-level secondary care hospitals and tertiary-level care institutions. Because of chronic underinvestment in the health sector, it is not surprising that there is a huge shortage of CHCs, PHCs and subcentres (SCs) in India. With a bed population ratio of 0.7 per 1,000 population (OECD/WHO, 2018), India ranks low when compared to other countries in terms of bed availability. In addition, with a doctor-to-population ratio of 0.8 per 1,000 population, there is a shortfall of 81.5% of specialists in CHCs across India (Government of India, 2019).

This has resulted in an extremely weak public healthcare system, which is, to a large extent, is ineffective, inefficient, inequitable and unresponsive to the needs of the population, thereby providing the low quality of services. It is, therefore, not surprising that India has a booming private sector, and it is among a few countries to financing healthcare through significant out-of-pocket payments, which are known to be regressive. This worrying fact of high out-of-pocket payments was also acknowledged by the Finance Minister Nirmala Sitharaman during her budget speech in February 2021.

The COVID-19 pandemic brought the weak public health infrastructure to the forefront, which was unable to cope with the onslaught of COVID-19. India found itself ill-equipped to deal with the crisis, as the majority of the burden fell on the public sector which was already weakened by decades of underinvestment. On the other hand, the private sector, instead of aligning with public health objectives in defeating the pandemic and supporting the overburdened public sector, initially exhibited its exploitative nature with profit motive as its main objective. In the absence of public sector hospital beds and ventilators, owing to full occupancy, the number of families had no other recourse but to seek healthcare in the weakly

regulated private sector, which offered services at exorbitant prices, resulting in catastrophic health expenditures for households. This pandemic reminded policymakers the need of revitalising and strengthening the neglected public healthcare systems. Therefore, it was not surprising to note the need to strengthen primary, secondary and tertiary public healthcare systems in the budget statement.

Therefore, there was an expectation that this budget would break the past trend and make a significant increase in allocation to the health sector. On the face of it, the budget allocation of US\$ 31,030 million to the health sector looks very impressive at a 137% increase from the last year. However, on closer inspection, it can be observed that the health budget allocation also includes allocation to other departments such as drinking water and sanitation and nutrition components. In addition, for the first time this year, health budget allocations also include grants earmarked to states for health, water and sanitation. Clubbing such funds that the Ministry of Health has no flexibility in its use and are earmarked to be transferred to states appears to inflate the health sectors' budget allocation.

The allocation also includes US\$ 4,850 million earmarked for COVID vaccination. It may also be noted that a new programme 'Prime Minister's Atmanirbhar Swasth Bharat Yojana 2021' to the tune of US\$ 8,898 million was also announced by the Finance Minister (Government of India Budget, 2021). However, this significant chunk of health allocation is to be released over the next six years, and it is unfortunate that no allocation has been made towards this programme in the current budget. Hence, if these outlays from the health sector are discounted, the impressive 137% increase headline figure appears to be misleading as in reality the health sector has been allocated significantly less budget. It may be noted that if we compare the current year's Department of Health allocation with that of the year 2020–2021, then there is an increase of only 10%. In fact, the current year's allocation ends up lower than the revised estimate of US\$ 10,934 million from the last year. Hence, it is unlikely that this allocation will make any meaningful impact on the public health infrastructure.

In addition, with the growing impetus for promoting and engaging with the private sector in the delivery of healthcare, the numbers of new programmes and initiatives have been introduced in recent years, with heavy reliance on public–private partnerships with the aim to improve the efficiency of the public sector. However, given the for-profit motive of the private sector and weak government regulatory capacity, policymakers in India should ensure that resources allocated to the health sector for strengthening its public health sector do not end up as profits into the pockets of the private providers.

To conclude, given India's experience with COVID-19 pandemic, strong support from the public and policymakers to strengthen the public sector health services, and the promise made by the prime minister to increase government health spending to 2.5% of the GDP, the current budget provided an excellent opportunity to exploit the situation and make a significant shift from chronic underinvestment that has plagued the health sector over many decades. However, it appears that India has failed to seize the opportunity to significantly augment its health budget and strengthen its ailing public health infrastructure. Alas, the impressive headline allocation to the health sector of a 137% increase over the last year appears to be more of a trick than a treat to the health sector.

Author Contribution

Dr Bhatia conceptualised and drafted the earlier version of this article. Both the authors have contributed to writing the final draft and have approved the final version submitted.

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1. On 1 February 2021, exchange rate US\$ 1 = ₹73.1299.

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