Here's how UPA can seduce the aam admi

Patralekha Chatterjee, Monday, December 5, 2011

Just when the high-decibel discussion on 51% foreign ownership in supermarket and department-store joint ventures in India was hurtling towards melodrama, with big box stores being simultaneously deified and damned, the storyline abruptly changed. It is now in a ‘pause’ mode. Raving, ranting, and joking about Wal-Mart, therefore, would have to be on hold for a few days till we get a better idea of the plot.

However, if the UPA war room is looking for a big ticket idea that could potentially seduce the aam admi — and the khas admi — here is a suggestion. Sell universal health care as the game-changer that will truly reform India. As a first step, there is a need to take a serious look at some of the recommendations of the Planning Commission-appointed High Level Expert Group on providing free healthcare to each and every citizen.

The idea of universal health care — covering everything from common cold to cancer — may sound like a fantasy in a country where the vast majority of people have got used to paying for treatment, sometimes going bankrupt in the process. But UHC is actually not so unreal. Most middle-income countries, those we consider our ‘peers’, already have it, or are racing towards it.

Health economist Sakthivel Selvaraj, who works with the Public Health Foundation of India that has been providing technical support to the expert group, is convinced that universal health care in India makes for good politics as well as good economics.

Presently, government spending on health is just about 1.2% of the gross domestic product. The report submitted by the expert group recommends that government (central and states combined) increase public expenditures on health from the current level of 1.2% of GDP to at least 2.5% by the end of the 12th plan, and to at least 3% of GDP by 2022. Increased public expenditures, the report says, will lead to a sharp decline in the proportion of household out-of-pocket spending on health — from around 67% today to around 33% by 2022.

Existing health insurance schemes essentially focus on hospitalization. But when we fall ill, there are many other costs — medicines, diagnostic tests, doctor’s bills, etc. My cook told me tearfully the other day that her mother died because the family could not cobble together the money needed for treatment. Most middle-class people I know also live in mortal dread of soaring medical costs as they grow older. Many health economists are now arguing that giving ‘essential’ medicines to everyone, free, is the way forward. Right now.

India spends about Rs65,000 crore on allopathic medicines every year. Public spending on medicines is barely Rs6,000 crore. Households land up spending the rest — Rs59,000 crore. There is a model within the country that demonstrates how things can improve. The Tamil Nadu Medical Services Corporation Ltd, one of the pillars of Tamil Nadu’s much-lauded health care system, buys medicines directly from the manufacturers through a process of tendering, dramatically shaving costs. Transparency in tendering and insistence on suppliers complying with good manufacturing practices are two key reasons behind the TNMSC model’s success.

Few, whether in town or village, will say ‘no’ to essential medicines free of charge, but what is in it for industry? Small and medium sector drug manufacturers in the country are reportedly quite happy with the draft policy. Reason: assured revenues.
One niggling question: are we expecting too much from a famously leaking and often inefficient public sector?

If implemented, UHC will significantly push up public spending on health care, but public sector alone will not execute the vision. As it rolls out, services will be contracted out to private parties, including NGOs. Significantly, the expert group has argued against levy of user fees. Indeed, there is growing evidence from across the world that shows that user fees do not work. China began rolling back user fees in the last few years after realising that they were producing adverse health outcomes and also did not make economic sense.

The critical question: where is the money going to come from? It will be from direct and indirect taxes. Income tax may not go up. But smokers and drinkers may be asked to shell out more. The expert group has suggested that the government also ‘reprioritise’ the budget. Its recommendations have two implications. One, they will result in a more equitable distribution of human resources. Two, that the UHC system can potentially generate around four million new jobs (including over a million community health workers) over the next 10 years.