

1. Out of Product Expenditure in Healthcare – Economy

India has successfully reduced out-of-pocket health expenditure through increased government spending and insurance schemes. However, high costs for medicines and outpatient care remain a significant challenge, hindering progress toward universal health coverage.

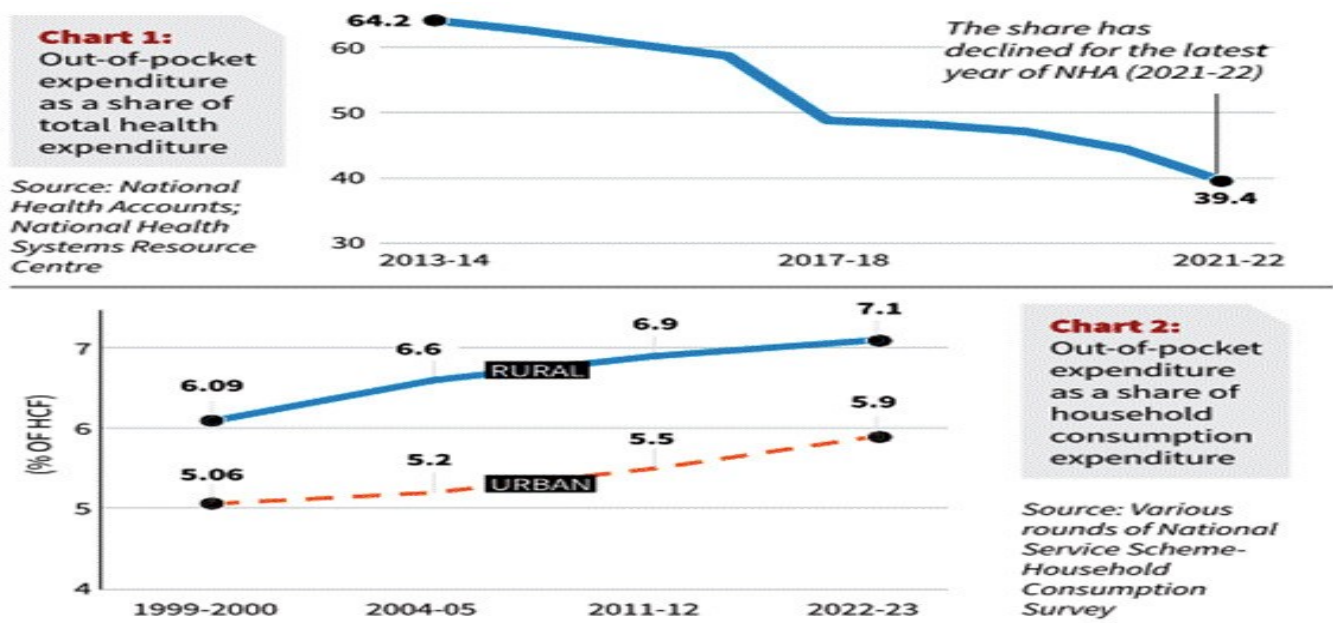
Understanding Out-of-Pocket Expenditure (OOPE) in healthcare

Out-of-Pocket Expenditure, or OOPE, represents a critical component of healthcare financing. It refers to the direct payments made by individuals and households at the point of receiving health services. This form of spending is not covered by any form of insurance or government subsidy, placing the immediate financial burden entirely on the patient.

Definition – OOPE encompasses all direct payments for health services, including but not limited to doctor's consultation fees, costs of medicines, diagnostic tests (like blood tests and scans), and charges for hospital stays. Since these payments are not reimbursed later, they directly impact a household's disposable income.

Nature of Spending – A significant portion of OOPE is directed towards non-subsidized drugs, private diagnostic tests, and hospitalization charges in private facilities. This makes it a substantial and often unpredictable financial burden, particularly for chronic illnesses or medical emergencies.

Policy Relevance – High levels of OOPE within a country's total health expenditure are widely considered a key indicator of an underdeveloped public health financing system. It signals low penetration of health insurance and insufficient government investment in making healthcare affordable and accessible to its citizens.



Key Findings on OOPE from National Health Accounts (2021-22)

The latest National Health Accounts (NHA) estimates released by the Ministry of Health and Family Welfare for the fiscal year 2021-22 reveal significant trends in India's health spending.

Decline in OOPE – There has been a notable reduction in the burden of out-of-pocket spending on households. OOPE as a percentage of Total Health Expenditure (THE) has decreased to 39.4% in 2021-22, down from 48.8% in 2017-18.

Increased Government Share – Correspondingly, the government's contribution to the nation's total health expenditure has increased. The government's share in THE rose to 48% from a previous figure of 40.8%.

Future Policy Goal – The government has set a clear target to further reduce this burden, aiming to bring OOPE down to 35% of the Total Health Expenditure by the year 2025-26.

Total Health Expenditure (THE) – THE is the comprehensive sum of all spending on health services within a country over a specific period. It is a crucial metric that includes all sources of funding – government spending, private and social insurance payments, and direct out-of-pocket expenditure by households.

Current Status of OOPe in India – A Comparative Look

According to the Economic Survey 2024-25, India's OOPe stands at 39.4%, a level that continues to make healthcare unaffordable for a large segment of the population. This figure is significantly higher when compared to countries with robust public healthcare systems.

Country	Out-of-Pocket Expenditure (OOPe) as % of THE	Primary Healthcare System Model
India	39.4%	Mixed (Public and Private)
United Kingdom (UK)	Approximately 13%	Publicly Funded (National Health Service)
Australia	Approximately 13%	Publicly Funded (Medicare)

Key Drivers Behind the Decline in OOPe

Several targeted government policies, increased spending, and strategic initiatives have contributed to the reduction of OOPe in India.

Driver / Initiative	Elaboration and Impact on Reducing OOPe
Increased Government Health Expenditure (GHE)	The share of GHE in the nation's GDP has risen from 1.13% in 2014-15 to 1.84% in 2021-22. This increased funding has made public healthcare facilities more affordable and better equipped, reducing reliance on expensive private care.
Expansion of Social Security Expenditure (SSE)	The share of SSE in the Total Health Expenditure (THE) increased from 5.7% to 8.7%. This includes social health insurance schemes and medical reimbursements, offering a financial safety net and protecting households from catastrophic health spending.
Targeted Programs for Non-Communicable Diseases (NCDs)	Government-subsidized initiatives for chronic conditions like diabetes, hypertension, and cancer have significantly reduced the long-term cost of treatment that households would otherwise bear directly.
COVID-19 Response Infrastructure	Strategic investments made during the pandemic in testing facilities, oxygen plants, ICU beds, and free vaccines have built lasting health infrastructure. This has indirectly lowered OOPe by making critical care more accessible in the public system.
Strengthened Public Health Infrastructure & Workforce	The establishment of 1.76 lakh Ayushman Arogya Mandirs (AAMs) brings universal and free healthcare (preventive, curative, palliative) closer to communities. Better-equipped district hospitals and more trained health staff have expanded access to affordable care.
Specific Policy Interventions	<ul style="list-style-type: none">- National Health Mission (NHM) - Strengthens state healthcare infrastructure and services, especially for underserved groups.- National Free Drugs and Diagnostic Services - Ensures essential medicines and tests are available for free at public facilities, directly cutting major components of OOPe.- PM-ABHIM - A massive outlay of ₹64,180 crore to build healthcare capacity at primary, secondary, and tertiary levels.
Government-Funded Insurance Schemes	<ul style="list-style-type: none">- Ayushman Bharat (PM-JAY) - Provides ₹5 lakh health cover per family per year for secondary and tertiary care to 55 crore beneficiaries. It has recently expanded to cover 6 crore senior citizens (70+ years) regardless of their economic status.- State Health Schemes - Complement PM-JAY to cover hospitalization costs for vulnerable populations.
Affordable Medicines Initiatives	<ul style="list-style-type: none">- Pradhan Mantri Bhartiya Janaushadhi Pariyojana (PMBJP) - Provides quality generic medicines at highly affordable prices through dedicated stores.- AMRIT Pharmacies - Offer medicines and reliable implants for treatment at discounted rates.

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