

India's poor rely mainly on private health care

Summary and policy-relevant findings



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In south India, even poor people use private health care more often than public health care. This is one of the findings of new research by the Institute for Social and Economic Change (ISEC), Bangalore, the London School of Economics (LSE) and the Centre for the Study of African Economies (CSAE) at the University of Oxford. In addition, nearly 70 % of poor people's health care expenditure is on private health care. The research may be used to inform the Indian government on how to revise its poverty line. The poverty line is the amount of income below which a household is considered poor. The government wants to change the poverty line by taking account of rising health care costs.

The main findings are:

- Private health care providers are more frequently sought out than public providers, even among the poor. Out of all health incidents for which poor households sought treatment, 60% were treated at private clinics or hospitals. The corresponding proportion for the non-poor was 69%.
- 69% of poor people's health care expenditure relates to private clinics or hospitals. The corresponding proportion for the non-poor is 75%.
- The new National Health Insurance Programme (RSBY) aims to cover poor people's hospitalisation expenses. The targeting of hospitalisation expenses seems appropriate because while poor people's annual health care expenditure is typically low, an incident requiring hospitalisation tends to increase expenditure dramatically and can therefore have catastrophic consequences.

Policy conclusion: The cost of health care should be taken into account when revising the poverty line. The new National Health Insurance Programme for the poor is right to focus on hospitalisation expenses as a first priority.

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Policy context

The Indian poverty line is an important instrument for the government to target its anti-poverty programmes. Over the last couple of decades, the poverty line has only been raised in line with general prices. However, this risks excluding significant numbers of poor people from the benefits of anti-poverty programmes because it does not take into account that health care costs amongst the poor have risen faster than the general price level. The original poverty line assumed that public health care would be free and accessible to all.

Project findings in more detail

ISEC, the LSE and the CSAE undertook a survey of more than 4,000 households across some 300 villages in Karnataka in 2009. The survey provides detailed information on health incidents, treatment and health-related expenses amongst the poor and non-poor in rural South India. The analysis contrasts households classified as poor (below the poverty line), with non-poor households.

Overall, poor and non-poor households are remarkably similar. However, the poor are less likely to go to hospital (in 21% of reported incidents) for their illnesses than the non-poor. The non-poor went to hospital with 27% of reported incidents.

The breakdown of health expenditure into categories is very similar for the poor and non-poor groups. For both groups, medicines represent 40% of all health costs and are therefore the largest expense on average. Hospitalisation, surgery, consultation and transport are also important expense categories.

The researchers also looked at how the poor and the non-poor finance their health-related expenditures. The results show that the poor turn more frequently to moneylenders, pawnbrokers, relatives and friends for help covering the costs. The non-poor rely on their own resources to a larger extent.

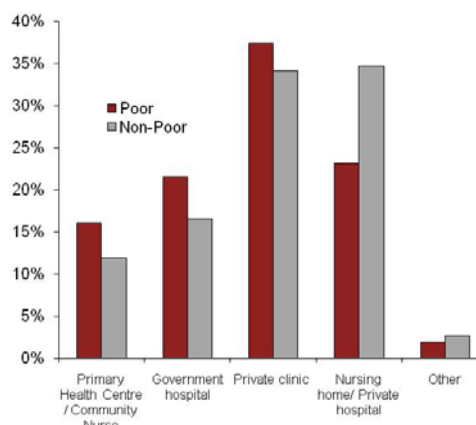


Figure 1 – Who goes where for treatment

Ongoing and Future research

The researchers will use the data analysed here as part of an evaluation of the impact of the National Health Insurance Programme (RSBY) on the health, labour supply and incomes of the poor in rural South India.

For more detailed information

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