Private means for public ends?

Some considerations from the market for healthcare in India following the Covid-19 Pandemic

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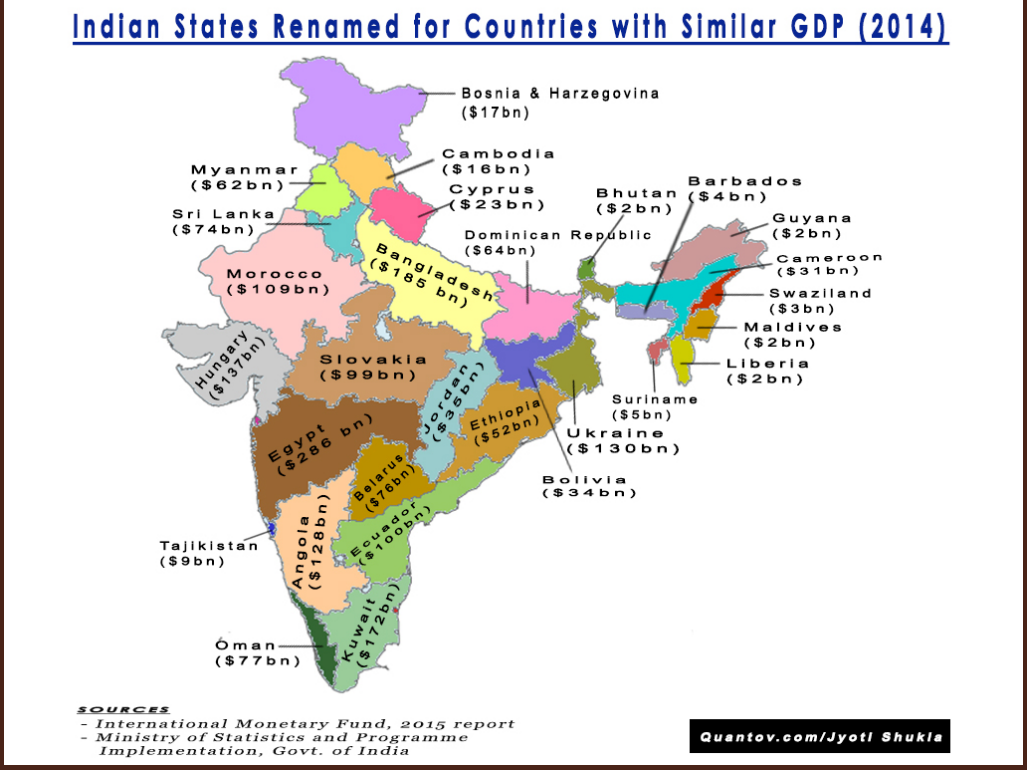
Outline

- Key attributes of the market for healthcare in India
- Behaviour of and responses from different market actors in the context of the Covid-19 pandemic
- Questions and Imperatives for the post-pandemic health system

KEY FEATURES OF THE MARKET FOR HEALTHCARE IN INDIA

A country of massive diversity in all conceivable forms, the evolution of India's health system has been a mix of remarkable achievements and confronting new challenges



- Successful eradication of polio, containment of the HIV-AIDS & other communicable diseases, falling fertility, increasing lifespan
- Steady increase in coverage of key public/population health services
- Global leader in manufacturing vaccines and generic pharma
- Falling poverty, rapid urbanisation, changing economic profiles
- But, persisting social and economic inequality; deprivation in access to services and opportunities

Key inputs to the public health system continue to face infrastructural constraints.

A highly-diverse private sector remains poorly regulated but a major provider of most health service needs

- Half a century of coexistence have only lead to increased confusion of public and private sector roles in health
- Highly skewed distribution of key infrastructural and human resources in the public sector
- A majority of Indians (~60-70%) resort to pvt sector for everyday health care needs, but mostly from unqualified providers. Qualified pvt physicians & clinics also have a skewed concentration
- Poor regulation of pvt medical sector – little standardisation of prices or treatment practices and quality

Low public spending in health and inadequate financial risk protection increases inequalities in the health sector

- India's public expenditure on health is abominably low – at slightly higher than 1% of GDP it is among the lowest in the world
- Limited coverage of prepaid insurance coverage - employment-linked health coverage very low as ~10% in formal sector employment
- Existing public health insurance programmes remains inadequate in scope (*what is covered?*) and extent (*who are covered?*)
- Most medical care expenses borne out-of-pocket – major cause of financial catastrophe & impoverishment

Poor coordination between govt agencies, weak decentralised governance & neglected systems of health information limits credibility & accountability of public action

- Half-hearted experimentation with decentralised governance cripples effective decision-making and responsiveness at local levels
- No uniform national health information system and neglected public health surveillance
- Leads to unreliable, incomplete and inaccurate data and limited use for evidence-based policy decisions

RESPONSES FROM DIFFERENT MARKET ACTORS DURING THE PANDEMIC

Economic uncertainties & 'forced' rationing of healthcare demand likely to interact with major adjustments in healthcare supply to redefine several aspects of the market's functioning

- India has been a leading global pandemic hotspot – 9.1 million cases, 133K deaths
- Several phases of lockdowns, restricted mobility and economic activity has triggered unprecedented economic shock
- Forced downward adjustment of demand for health care – lower ability to pay, reduced supply of providers esp in pvt sector
- Ripple effects to continue following implications of social distancing protocols in health facilities, safety concerns for non-emergency care

‘Emergence’ of a radical & assertive public sector: A *visible hand* to make markets work during crisis (and beyond)?

- During the pandemic, public sector has been the dominant, if not the ONLY health care provider.
- Radical measures e.g. imposition of Epidemic Diseases Act 1897 requiring mandatory treatment of Covid patients by pvt sector; converting pvt hospitals or requisitioning beds for treatment
- Rapid expansion of ‘effective’ public infrastructure incl diagnostic capacities
- Game-changer role of frontline public health workers despite several hindrances
- But, public health insurance of limited help – insignificant use of PMJAY for Covid treatment

Has primary care been further relegated into neglect? At what cost?

- Adverse opportunity costs: Destabilising setback to routine public/population health programmes, risks of reversal of gains in several PHC-sensitive health outcomes
- Risks of higher public focus on secondary/tertiary sector service strengthening, at the cost of further neglect of PHC
- Significance of PHC for reducing comorbidity risks calls for even greater emphasis in Covid context
- During pandemic, risks remain of formal PHC replaced by higher reliance on informal sector

Private sector responses combine withdrawal, opportunism & countering threats to economic viability

- Significant proportion of the pvt sector have reduced operations, now gradually crawling back
- Pvt hospitals, esp small and medium-sized facilities severely affected by liquidity crisis and maintain operational viability
  - *Key components of organized pvt health market mostly in non-metro/semi-urban areas – can cause major instability and supply-side imbalance in the short-term, if forced to close.*
- Shylocks on the Run? Coercive demands, exorbitant charges by several high-profile pvt hospital franchisee for Covid patients and others

NEW (& OLD) QUESTIONS FOR THE POST-PANDEMIC HEALTH SYSTEM

Risks of 'new' perverse incentives and market failures

- Acquisitions/mergers of small & medium-scale hospitals (<100 beds) – reduce competitive nature of hospital market and concentration of oligopolistic power with big chains
- Inflationary pressures from pvt insurers and hospitals for contracted rates (under SHI programmes eg CGHS, ESIC even PMJAY) or Mediclaim policies (higher premiums for higher sum assured)
- Access to Covid vaccines could be the Pandora's Box – a parallel, unregulated market can trigger perverse impulses to other linked markets eg drugs and diagnostics

Can the public sector counteract and consolidate the new challenges & opportunities?

What it might entail…. and cost?

- YES, by maintaining the assertive stewardship role emerging during the pandemic, but in a planned, efficient, futuristic manner
- Strategies may include
  - Credit support to S&M hospitals under operational contracts
  - Freezing rate contracts under all SHI purchasing arrangements for next 3 years but make available indirect fiscal stimulus packages
  - Seize opportunity for a medical prices standardisation legislation synchronised with quality accreditation
  - Expansion and Skilling programmes of frontline health workers – a facelift National HRH Mission

Contd.

- Questions raised on considerations for efficient, equitable access to the potential Covid-19 vaccines (eg Gupta & Baru, IJMR 2020)
- Potential role of involving voluntary/not-for-profit and/or SHGs as alternative non-market distribution mechanisms?

Transformative increase in public investments in health

Now More Than Ever

- Re-emphasizing that effective public role in the 'new normal' is NOT cutting public spending on health, but directing higher flows on old & new priorities
  - *Moving away from notions of restrictive budgetary management pegged to budgetary deficit thresholds*
- Expanding health system capacities
  - *Sustained higher investments to correct supply-side distortions in markets for key inputs – manpower, (specialised) equipment, drugs, infrastructure*
- Investing in transparent, autonomous, robust health information systems (HIS)
  - *IDSP and CRS as the twin bedrock of a fresh HIS architecture*
  - *leveraging cutting-edge IT capabilities, with strong data protection regulation systems*

Political Will & Governance: *The Game Changers*

- Common thread connecting global experiences of successful responses to Covid-19….. *earlier and beyond*
- Meritocratic institutional capacities at local levels are critical for decentralised but coordinated responses
- Leveraging strengths of democratic political institutions by improving accountability and strong social contracts
- Health policy and reforms is inherently political – *now more than ever*

THANKS

Feedback, comments, questions:

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