

Medicare: A revolutionary step or a ‘giant leap backwards’?*

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PM Modi’s signature Ayushman Bharat programme launched on Sept 23, 2018 has been touted by most in the mainstream media as nothing short of a revolution with some calling it the biggest healthcare programme in the world. Is that so? How does Medicare square with, among others, say Obamacare, ostensibly the inspiration behind the Ayushman Bharat scheme. Two, is insurance better than universal public health care?

Medicare Vs Obamacare

Let’s compare Medicare with its namesake Obamacare. As against a coverage of roughly 2 crore adults (aged 18–64) under the latter, the former proposes to cover 25 times as large a number! So, from the looks of it, Medicare indeed is a grand scheme.

But, as they say, the proof of the pudding is in the eating. For Obamacare, the US budgetary provision through an excise tax was INR 97,800 crore (USD 16.3 billion converted at a conservative exchange rate of 60 INR/USD) in the fiscal year 2015. If you deflate this figure by the difference in medical costs between the two countries (US medical costs are 200 times as expensive), to cover just 2 crore beneficiaries as Obamacare would require INR 489 crores. But the grandness of Medicare comes from its 25 times as high a coverage, which means an expenditure of 12,225 crores, which is more than 6 times the current allocation of INR 2,000 crores made in the current budget! And this is a conservative estimate because we have (a) taken an upper limit of the difference in medical cost; (b) assumed the likelihood of illness of poor in both the countries to be the same.

So, even with this ballpark estimate, Medicare is not even close to Obamacare, let alone having an effective coverage 25 times more than it.

Moving beyond a hypothetical international comparison, if we look more concretely at an existing domestic medical insurance scheme namely Rashtriya Swastha Beema Yojana (RSBY), the actual expenditure in the year 2017-18 was only Rs 470.52 crores as opposed to the budgeted Rs 1000 crore to cover around 3.63 crore families upto a maximum of Rs 30000. In contrast to that, the corresponding figures for Medicare are 10.74 crore with a coverage limit of Rs 5 lac. Let’s assume that due to the scale effect, proportionate rise in the premium amount is half as compared to the coverage limit. After adding the three times rise in the coverage (10.74/3.63), Medicare would require an allocation of more than Rs. 26000 crore, 13 times as high as the current allocation.

Insurance Vs Public health

Let’s now turn to a more fundamental question: is insurance-based healthcare system better than public provisioning of health? A central argument in favour of insurance-based system is that it’s more efficient in terms of delivery and coverage with lesser financial burden on the government without having to worry about providing costly and leakage prone public health care. Let’s look at the implications of this.

First, it’s a well-established fact that out-of-pocket medical expenditure by the people rises with a fall in expenditure on public provisioning (out-of-pocket expenditure in

India, Sri Lanka, Bhutan and Thailand is 65%, 38%, 20% and 12% respectively corresponding to their 1%, 1.59%, 2.51% and 2.89% public health expenditure share in the GDP). Will the insurance scheme change this picture as also cover the rise in out-of-pocket expenditure that will entail as a result of further withdrawal of public provisioning in health? The experience of RSBY shows evidence to the contrary as a result of an increase in hospitalization (in-patient) for patients covered under the scheme admitted in private hospitals, where expenditure not covered under insurance rises. Moreover, most health insurance schemes do not cover out-of-pocket costs for out-patient (OPD) visits, which are significantly higher for chronic illnesses. However, in case of public provisioning of such services, the burden of expenditure would not have fallen on the patients.

Second, let alone a fall in financial burden on the exchequer, insurance-based government funded scheme has an inbuilt inflationary bias for the following reasons. One, insurance induces hospitalization, which without a commensurate increase in its supply, increases the price of health care (mostly private as a result of withdrawal of public health care), which increases the insurance premium, and, hence the burden on the government. This rise could be controlled by a simultaneous increase in public medical services but going by the current commitments of the government, the fund allocated for this is Rs 80000 per health centre, an amount so miniscule that it's not funny. Two, the insurance companies can cross-finance the losses arising out of private coverage through these guaranteed lumpsum premium commitments of the government leading to an upward bias in the fisc

Third, insurance industry, like any other private enterprise, is driven by profits and they can only be made if the disbursements are less than the premium they receive otherwise they earn zero profits from this scheme. In effect the premium payment by the government will set the upper limit to public health care expenditure if the government substitutes insurance for public health provisioning. Gradual withdrawal from the latter would be both because of the pressure from the private healthcare providers and the medical insurance companies. The government, thereby, loses control over setting of costs of healthcare. This vicious cycle of high cost-high premium will be abetted by the government's own scheme.

What's the solution then? Experience tells us that there's no short-cut to universal health coverage. Countries, such as Thailand or Mexico, have achieved it through significant provisioning of public health infrastructure. For eg., in Thailand, all sub-districts have health centres, all districts have a district hospital with a health centre serving 3000-5000 people and the district hospitals serve 30000-50000 people.

To conclude, it's anybody's guess that far from a revolutionary step, this scheme fails to hold out the promise it makes to the hapless 50 crore Indians who as it is don't have access to good healthcare thanks to the neglect of various governments and would be left high and dry with high medical costs with ephemeral insurance coverage. One or two success stories here and there won't make up for the travesty of justice that Modicare will essentially entail.

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