# Schemes Targeting Healthcare Affordability in India

## 1. Rashtriya Swasthya Bima Yojana (RSBY)

### Background

- Public Expenditure on healthcare is only 1.2% of GDP as compared to 7.7% in USA
- Out of pocket health expenditure in India stands at 86 % compared to 20.7 % in USA
- It is estimated that health expenditures are responsible for more than half of Indian households falling into poverty every year; the impact is estimated to have pushed around 39 million Indians annually, into poverty
- The number of deaths due to chronic diseases are expected to rise from 3.78 million in 1990 (40-47% of all deaths) to 7.63 million by 2020 (66.7% of all deaths)

### Objective

Rashtriya Swasthya Bima Yojana(RSBY) was launched by Ministry of Labor and Employment, Government of India to provide health insurance coverage for Below Poverty Line (BPL) families. The objective of RSBY is to provide protection to BPL households, and now MNREGA workers, from financial liabilities arising out of health shocks that involve hospitalization

### Salient Features

- RSBY is a cashless health insurance scheme targeted at Below Poverty Line families and unorganized labor sector
- Beneficiaries under Rashtriya Swasthya Bima Yojana are entitled to hospitalization coverage up to Rs. 30,000/- for most of the diseases that require hospitalization
- The coverage extends to five members of the family which includes the head of household, spouse and up to three dependents

### Financing

RSBY being a centrally sponsored scheme, majority of the funding comes from central government, i.e. 75% of premium is paid by central government, while remaining 25% of premium is paid by state government (number changes to 90% & 10% in case of north eastern states and Jammu and Kashmir). The beneficiary has to pay a one-time fee of INR 30/- at the time of enrolment. Apart from this, the central government also pays 100% of the card cost. As of now the notional cost of issuance of card is INR 60/- whereas the beneficiaries contribution of INR 30.

## Performance

- According to latest figures on ministry website, 3.7 crore families have been enrolled under the scheme and this makes number of people covered to more than 15 crores
- 7.1 lakh hospitalization cases have been covered under RSBY till date
- More than 12000 hospitals of which 70% are private have been empanelled under the scheme
- RSBY has resulted in improvement in access to healthcare. It has helped bring private investment in healthcare in rural areas

## Challenges

- Awareness about the scheme at ground level remains low resulting in less number of hospitalization cases as compared to number of active smart cards. While there are 3.7 crore active cards as of now, just 18 lakhs hospitalization cases were covered under RSBY in 2012-13
- The cap amount of Rs. 30,000 for a family of five is not sufficient to cover tertiary and complicated medical cases
- RSBY covers only those families which fall under centre's BPL list and not those which fall under state BPL list which increases the chances of exclusion
- Another major challenge with the scheme is that of ***"provider-induced demand"***. Since the patient does not have to incur any out-of-pocket expenditure up to Rs 30000, he/she is often induced by the health service provider to undertake surgeries which are unnecessary and would not otherwise be advisable. In India, there have been instances of RSBY abuse to carry out hysterectomies (uterus removal) among women

## Best Practices

- Kerala has launched a Comprehensive Health Insurance Scheme (CHIS) to cover non-RSBY beneficiaries. The families which are excluded from centre's BPL list but are there in state's BPL list are provided insurance cover. Additionally, Above Poverty Line families can also opt for this insurance by paying premium. All other features of this scheme like coverage are similar to RSBY
- Tamil Nadu has launched the Chief Minister's Comprehensive Health Insurance Scheme to provide cashless medical and surgical treatment to families whose annual income is less than Rs. 72,000. The scheme provides a coverage up to Rs.1,00,000/- per family per year on a floater basis and up to Rs. 1,50,000 per family per year for certain specified ailments and procedures of critical nature
- Himachal Pradesh, Mizoram and Meghalaya have topped up the premium payments to insurers under the RSBY to provide additional cover beyond the 30,000 cap set by the Centre. This has helped cover additional cases which were otherwise not under RSBY

## Proposed restructuring

Considering the sub-optimal implementation of the Scheme in the past 6 years, the Ministry of Labour and Employment has proposes certain modifications to the RSBY. The basic idea behind these modifications is to ***enhance reach, increase effectiveness of medical intervention, promote accountability among insurance providers and ensure greater convergence between different standalone insurance schemes of the Central government.***

The proposed changes, as mentioned in the *Outcome Budget document of 2014-15* of the Ministry of Labour and Employment, are as follows:

- Pilot project in 20 districts to test the effectiveness of converging major insurance schemes of the Central Government – RSBY, Aam Aadmi Bima Yojana (AABY), and National Old Age Pension Scheme (NOAPS)
- Revamping the IT architecture that supports the RSBY
- Concept of wellness check through public health facilities in collaboration with MoHFW (Ministry of Health and Family Welfare) is proposed to be introduced. Such wellness checks would be made mandatory before Smart Cards are issued to beneficiaries and their families.

# 2. Drug Pricing Control Order 2013 (DPCO 2013)

## Objective

The Department of Pharmaceuticals, Ministry of Chemicals and Fertilizers, notified the Drug Pricing Control Order 2013 (DPCO 2013) in May 2013 with the objective to improvise and endow with the basic health care and availability of basic medicines at an affordable price across the country.

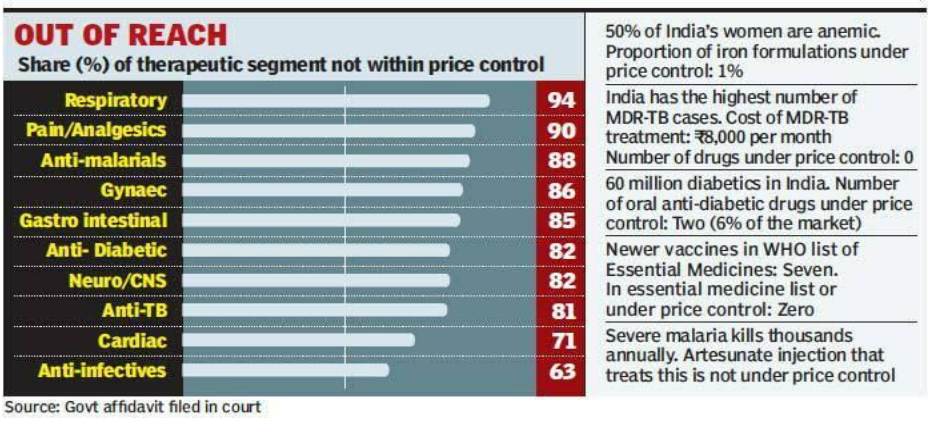
## Salient Features

- DPCO 2013 is a departure from earlier approach of cost based pricing to market based pricing. The pricing will be now regulated based on the average retail price of all brands having a market share of more than 1%
- The number of drugs that will be regulated by National Pharmaceutical Pricing Authority (NPPA) has been increased from 74 to 348. This has helped reduce price of more essential drugs and thus increase their affordability
- Additionally, the Government may, in case of extra-ordinary circumstances, fix the ceiling price or retail price of any drug even outside the purview of this order. Under this provision, the **NPPA in July 2014 sought to include 108 more drug formulations under the DPCO**. While presently, the drugs regulated under DPCO account for **13%** of the total pharma market in India, the new order extends this to **20%** of the total market. While this Order is expected to stay, the *NPPA's powers to regulate the prices of non-essential drugs has subsequently been withdrawn by the Government of India*.

## Challenges with the present state of drug price regulation in India

- The order doesn't seem to take into account India's disease profile as it leaves out several drugs crucial for treating many common conditions. Only 18% of anti-diabetics, 19% of anti-TB medicines and 6% of the respiratory therapeutics segment are under price control. This is despite India being the diabetes and TB capital of the world, and facing high prevalence of asthma and chronic obstructive pulmonary disease
- Because of market based approach, price ceiling of many essential drugs under the order are way higher than the cost of manufacture plus retail margin. For example, cost of manufacture including retail margin, for Cetrizine, an

anti-allergic, is just Rs. 1.20 for ten tablets while the ceiling price under the DPCO is Rs. 18.10, the same as the price charged by the market leader GSK




- Even though individual drugs are covered under the order but their combinations are not. For example, individual anti-TB drugs are under price control but their combinations which outsell single ingredient preparations are not.

## Concerns of the pharma industry

While the drug price control under NLEM (National List of Essential Medicines) is critical to ensuring access to essential medicines for all sections of our population, the pharmaceutical industry also has legitimate concerns about capping the price of even non-essential drugs. According to them, the pharma industry in India is already highly competitive, which has an impact on profitability. If the prices of certain drugs are further reduced through government regulation, it may be a threat to the survival of such companies. Further, industry experts also observe that the drug market in India includes several generic players, offering patients the choice to opt for cheaper generic drugs over more expensive branded drugs. Finally, it is also pointed out that the pharma market in India has been a source of significant foreign investment, which can be expected to increase in the coming years considering the size of the India market. However, price control orders which negatively affect profitability could deter foreign investors.

In this scenario, a more effective model may be the supply of *free drugs directly by the Central and State governments*, based on procurement of such drugs from the open market through a tendering process. Tamil Nadu has demonstrated the success of such a model, wherein the Tamil Nadu Medical Supply Corporation (TNMSC) provides cheap drugs to *40% of the State's population.*

In the Union Budget of 2014-15, the Finance Minister announced the Central Government's intention to scale up the **Free Drug Service** and the **Free Diagnostic Service** on priority as part of the ***"Health for All"*** programme. As part of the National Health Assurance Policy (NHAP, the government intends to make available 50 essential drugs (in generic form) with a package of diagnostics and about 30 **Ayush** (Ayurveda, Yoga and Naturopathy, Unani, Siddha and Homeopathy) drugs will be made available to all citizens at government hospitals and health centres across the country.

Apart from this, the Centre is also planning to launch a National Ayush Mission to plug the gaps in health services by supporting the efforts of various state governments for providing Ayush health services and education in the country, especially in the remote areas.