



**Research Unit**  
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## **The Decline in Out-of-Pocket Expenditure (OOPE) in Health in India**

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The National Health Accounts (NHA) data for 2021-22 reveals a positive trend, OOPE on healthcare is decreasing, largely due to increased government investment and an improved public healthcare framework. As per NHA data, between 2014-15 and 2021-22, government health expenditure (GHE) as a percentage of GDP rose from 1.13% to 1.84%. Additionally, GHE's share of overall government spending grew from 3.94% to 6.12%, reflecting a robust commitment to public health. During the same period, per capita health spending tripled from ₹1,108 to ₹3,169.

This increase allows the government to strengthen public healthcare infrastructure, making services more affordable and accessible to the public, thereby directly reducing OOPE. This shift was further emphasized by the government's response to the COVID-19 pandemic, where investments targeted both immediate health needs and long-term health challenges, such as the rise of non-communicable diseases (NCDs).

### **Out-of-Pocket Expenditure (OOPE)**

Out-of-Pocket Expenditure (OOPE) in healthcare refers to the money people pay directly from their own pockets for medical services, such as doctor visits, medicines, and hospital stays. In India, high OOPE has long been a significant challenge, especially for low-income families, as it forces many to spend a large portion of their earnings or savings on healthcare. This financial burden can push families into poverty, create debt, and make it harder for them to afford other essentials like food and education. High OOPE also discourages people from seeking timely medical help, which can lead to worsening health conditions and higher treatment costs in the long run. Recognizing these issues, the Indian government has been increasing its investment in public healthcare and expanding health insurance schemes to reduce OOPE. These efforts aim to make healthcare more accessible and affordable, helping families avoid financial hardship and supporting a healthier population overall.

### **Reasons for the Decline in Out-of-Pocket Health Expenditure (OOPE)**

**Increased Government Health Expenditure (GHE):** Between 2014-15 and 2021-22, the government's share of health expenditure grew from 1.13% to 1.84% of GDP, allowing for enhanced public healthcare facilities and services. This increase makes

healthcare more accessible and affordable, reducing individuals' need to pay out of pocket (NHA 2021-22).

**Expansion of Social Security Expenditure (SSE):** Social Security Expenditure on healthcare, including government-funded health insurance and social health programs, rose from 5.7% of Total Health Expenditure (THE) in 2014-15 to 8.7% in 2021-22. This expansion protects individuals from catastrophic health expenditures and lowers their OOPE (NHA 2021-22).

**Growth of Government-Funded Insurance Schemes:** Programs like Ayushman Bharat, along with various state-level health insurance schemes, have provided insurance coverage to economically vulnerable populations. This reduces their reliance on personal finances for healthcare, contributing to the decline in OOPE (NHA 2021-22).

**Focus on Public Health Infrastructure and Workforce:** Increased investments in public health infrastructure, training of healthcare workers, and development of healthcare facilities, especially in rural and underserved regions, improve service availability and affordability, lessening OOPE burdens (NHA 2021-22).

**Targeted Programs for Non-Communicable Diseases (NCDs):** With rising cases of NCDs, the government has initiated targeted programs to manage and prevent these long-term health conditions, reducing the cost burden on patients who would otherwise pay privately for such care (NHA 2021-22).

**COVID-19 Response and Long-Term Health Strategy:** The pandemic highlighted the need for a robust healthcare system, leading to more substantial investments in public health. This response, while addressing immediate needs, has laid a foundation for affordable healthcare options that continue to reduce OOPE in the long run (NHA 2021-22).

### Implications of Reduced OOPE for India's Healthcare System

**Improved Healthcare Accessibility:** The decline in OOPE makes healthcare services more affordable, encouraging individuals, especially in rural areas, to seek medical care without financial worry. This leads to more equitable access to healthcare across various socio-economic groups (NHA 2021-22).

**Stronger Public Healthcare System:** Reduced OOPE allows the public healthcare system to cater to a broader population base, distributing healthcare resources more equitably and strengthening the overall system to handle increased demand (NHA 2021-22).

**Better Health Outcomes and Disease Prevention:** As individuals can afford preventive care, they are less likely to delay treatments. This proactive approach can

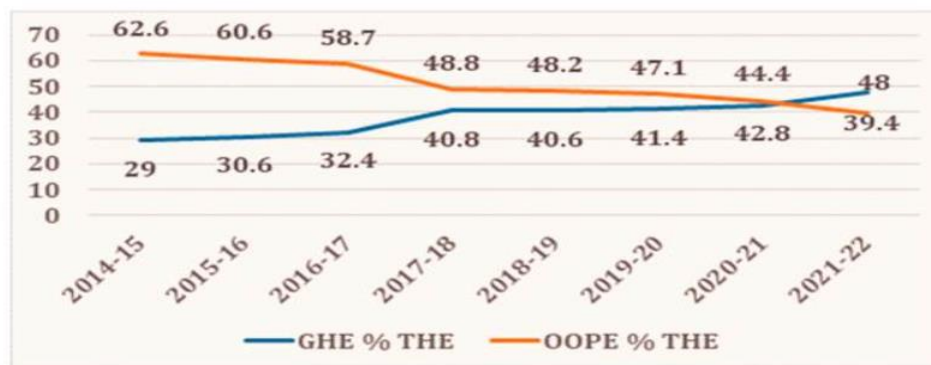
reduce the severity of illnesses, improving health outcomes and potentially lowering the overall healthcare burden on the system (NHA 2021-22).

**Increased Financial Stability for Households:** With less of their income going towards healthcare expenses, families, especially those from economically weaker sections, can allocate funds toward other essentials, improving their financial resilience (NHA 2021-22).

**Encouragement for Workforce Participation in Healthcare:** With better government funding, healthcare facilities can hire and train more staff, which improves service delivery, especially in underserved areas. A trained workforce is critical for responding to both routine and emergency health needs (NHA 2021-22).

**Foundation for Universal Health Coverage:** The decline in OOPE and strengthened public healthcare funding align with India's long-term goal of achieving universal health coverage. With ongoing investments, the nation moves closer to a system where healthcare access is a right rather than a privilege (NHA 2021-22).

**Government Health Expenditure (GHE) and Out-Of-Pocket Expenditure (OOPE) as % of Total Health Expenditure (THE)**



The reduction in OOPE is a transformative shift, marking India's commitment to a more inclusive healthcare system. As the government continues to invest in healthcare, the future holds the potential for universal health coverage where everyone, irrespective of income, has access to quality medical services. This shift does not only signify financial relief but also enhances India's public health resilience, promoting a healthier, more economically stable population.

Programs like Ayushman Bharat and various state-level insurance schemes have made healthcare more accessible to economically vulnerable populations. These initiatives have played a vital role in enabling individuals to access medical services without draining personal savings, thereby contributing significantly to the overall decline in OOPE.

**Sources:**

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