
THE COST OF HEALTH: ANALYSING CHANGES TO HEALTHCARE PRICING IN A POST-COVID INDIA

Ananya Gupta

Welham Girls' School, Dehradun, India

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ABSTRACT

Although all nations, both developed and developing, faced immense losses during the COVID-19 pandemic, India was one country that broke the record for the worst corona virus surge in the world (Bhowmick, 2021). The acute losses of lives, while harrowing, also brought financial distress to many. The cost of healthcare and drugs quadrupled and more, and many are still grappling with its repercussions. This paper is a response to this financial agony that many Indians felt during the second wave of the corona virus pandemic, and is dedicated to explore healthcare costs during the period and beyond. In an effort to investigate the ways in which these financial losses can be controlled — in the unfortunate case that another health emergency emerges — this research also provides certain suggestions for the government to implement, and encourages private entities to respond appropriately.

Keywords: healthcare, covid-19, privatization, economy, Remdesivir.

Introduction

The healthcare system in India, while one of the largest sectors in the country (IBEF, n.d.), is also one of the most burdened. Healthcare facilities in the public sector are usually only accessible to citizens residing in urban areas, and the intensified costs in the private sector are only available to the socio-economically privileged. Further, with India's population increasing at a strengthening rate, these facilities have become far more scarce and extravagant. The health care system of India has therefore largely remained inaccessible to the masses, and the onset of the COVID-19 pandemic has exacerbated these structural barriers.

During the second wave of COVID-19, India was amongst the worst-hit countries in the world, "every one in 10 people who died of Covid was an Indian" (Bhatnagar, 2022). This significant rise in cases not only put the entire country through an emotionally intensified experience —

wherein our television screens were filled with images of overburdened and makeshift pyre grounds (BBC, 2021) — but also resulted in an acute rise in prices of healthcare facilities. While there was an ongoing war amongst families to secure hospital beds for their critically-impacted relatives, the patients who did manage to get access to these facilities faced immense financial repercussions. Although the government had fixed a cap on certain life-saving drugs such as Remdesivir, the black market was charging patients a hundred thousand rupees for these vials, for which, the price was fixed between fifteen and twenty thousand rupees (The Hindu, 2021).

Although the second wave of the pandemic was brought under control in the middle of 2021, the financially discriminate and chaotic nature of this wave brought the healthcare system of India under scrutiny. Further, this period also brought to light the importance of studying healthcare finance and economics in the twenty-first century — a period burdened with life-altering diseases, as well as the privatisation of these services. This paper will therefore critically analyse healthcare pricing during the second wave of the COVID-19, and study the economic progression of healthcare services post this period.

Background

As discussed in the introductory section of this paper, the second wave of COVID-19 proved to cause an extensive burden on the healthcare sector, and this impact stretched beyond the emotional and mental worries of healthcare professionals, patients, as well as their families. According to a case study concerning the death of a 51-year-old woman, it was brought to light that her family was handed a INR 1.9 million bill post her death at a private hospital in New Delhi (Singh, 2021) . Further, when taking a closer look at the breakdown of these expenses, it was revealed that INR 1.2 million of this total amount collected was spent on PPE kits, syringes, and experimental drugs (Singh, 2021). In another case in New Delhi, a woman was admitted to a private hospital for a period of three months, the cost of which came out to be approximately INR 2.5 million (Shivji, 2021). These instances reveal the harrowing financial burden on patients and their families during the second wave of the COVID-19 pandemic, and the repercussions they face up till today.

The branch of health economics is therefore exceptionally relevant to comprehend the burden of the COVID-19 pandemic on the healthcare sector of India. The adoption of this perspective allows for the understanding of interventions in decision making processes across all levels of healthcare (Kernick, 2012), and in the context of this paper, the decision making processes in an unprecedented, crisis situation. Although the field of health economics is relatively novel, its seminal works by scholars in the twentieth century lays the groundwork to understand medical interventions and health services as a commodity (Clarke and Erreygers, 2016) — the demand and supply of which requires careful study and regulation. Some may argue that healthcare is a

right, and all people, whether or not they are citizens and/or residents of a particular nation are deserving of it, however, like basic commodities such as food, water, and shelter, healthcare too is a service that rests on the shoulders of service providers, and hence, requires to be accounted for. Further, the economics of this service is evermore important in crisis situations, wherein there is a considerable shortage of resources.

According to the detailed work of some scholars, there is growing evidence that government intervention in the healthcare system is a necessity to ensure an advantageous level of production and consumption of healthcare goods and services, to increase the quality of health insurance, and lastly, to make sure that the demand of these services and goods by the public are met (Folland, Godman, and Stino, 2018). These factors ensure the availability of affordable healthcare. However, on the other end of the spectrum, there is significant evidence that government healthcare professionals, while possessing impeccable capabilities, are few in number, and faced the brunt of carrying out multiple shifts during the second wave of the pandemic (Pandey, 2022). In this case, when government provided healthcare services are financially accessible, but few in number, the only alternative remains is the private sector.

What makes the price of healthcare expensive or inexpensive though? What are the factors that influence these costs? At the beginning of the new financial year, 1st April 2022, India saw the steepest increase in prices for over 800 drugs (Mukul, 2022). Although pharmaceutical countries were quick to defend their stance and blame the increase in prices on an increase in cost of raw materials, transportation, and production (Mukul, 2022), an article published in the context of the United States provides an explicit view of the complicated supply chain that is administered by drug manufacturers, pharmacy benefit managers, and insurers (Entis, 2019). The amount one is asked to pay for a drug depends upon the insurance company patients have bought an insurance plan from. The prices that are set are carefully controlled by pharmacy benefit managers and drug manufacturers, and these two sectors are primarily responsible for selling these drugs at negotiated prices. More often than not, these two sectors are rewarded for selling drugs at exorbitant prices to insurers, and therefore, are the primary perpetrators within this practice (Entis, 2019). In a country like India, where nearly 30% of the population does not possess health insurance (Sharma, 2021), consumers face a larger brunt of these schemes.

Discussion

The second wave of the coronavirus pandemic revealed many fractures within the healthcare system of India, however, it has also provided insight into the reformations required to close these gaps. The government is already working on implementing strategies in anticipation of some of the challenges that the country faced in the first and second quarters of 2021, some of them being the establishment of PSA plants in tier two and tier three cities, the development of

an online digital solution to track oxygen demand, and the setting-up of a drugs management cell (Business Standard, 2022). Although these strategies are required to boost resources and the general awareness of the population, economic and financial reforms are also needed at a grassroots level, wherein the intensity of an emergency-situation can be mitigated at its foundation.

To boost the financial condition of the medical sector within the sector itself, an ingenious method developed about a decade ago (Ahmed, 2022), can be brought in full force now — the area of medical tourism. Owing to the country’s quality private medical facilities, India can continue opening up its hospitals to foreign nationals and residents. Considering that the rupee is at its all-time low in 2022 (The Hindu, 2022), this financial condition of the currency can be used to its advantage to supply low-cost medical care to non-Indians. Irrespective of the surge of the coronavirus in India, patients seemed to be pouring into the country. To study the reasons for this, let us study comparative costs of medical procedures across the world.

Figure 1 (Deb, 2022)



Figure 2 (Goldie et al, 2005)

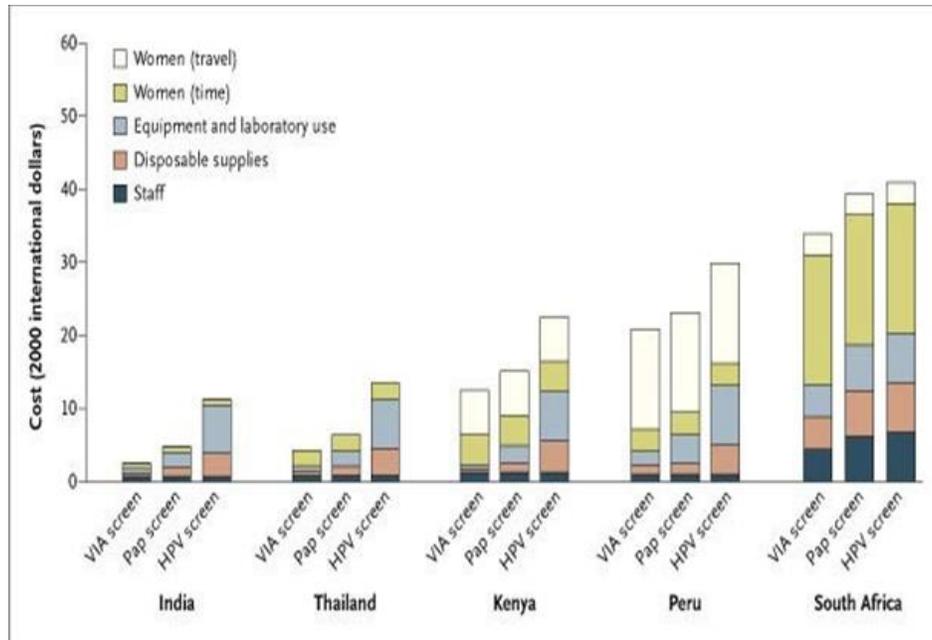


Figure 1 demonstrates a comparative analysis of hair transplant therapy with first, as well as third world countries. Viewing the same, one can graphically witness that in comparison to Canada, an individual can undergo a hair transplant for a 515% lesser cost in India. While the difference in cost is exorbitant, this is an expected outcome considering the cost of living is lower in India as compared to the other countries mentioned in the list. However, what is unanticipated is the comparative costs of cervical cancer screening in third world countries. Viewing Figure 2, one can conclude that in comparison to Thailand, Kenya, Peru, as well as South Africa, the cost of cervical cancer screening is the least expensive in India. Viewing these graphs, one can assert that India's healthcare market is a desirable sector for investment, and the growth of medical tourism will only alleviate India from its insufficiency to provide quality medical care for all. Although major hospitals in metropolitan cities such as Apollo, Narayana, Fortis, and Medanta are already marketing these medical and care-giving services beyond the borders of the country (Ahmed, 2022), other private hospitals and investment firms can possibly partake in this opportunist moment. This would enable the government to subsidise medical costs for its own citizens.

Financial protection could also be increased by the implementation of risk pooling by major insurance companies. Risk pooling is the concept of grouping health insurances among multiple individuals to essentially scatter the risk of less healthy people with people who are at a lower risk of developing serious illnesses or diseases (American Academy of Actuaries, 2017). This

allows more people to obtain health insurance policies, with a lesser amount of investment. The government pushed on a similar, nation-wide scheme post the second wave of the pandemic, in conjunction with the Insurance Regulatory Development Authority of India and the Reserve Bank of India (Laskar, 2021). This pool was calculated to provide relief to uninsured citizens, and would provide financial respite of upto INR 1 trillion, catering to not only health, but also, life insurances (Laskar, 2021). Although this mitigation was to provide financial relief to affected individuals, there have been no talks about its implementation in the present. The concept of risk pooling, however, could possibly be executed on an individual-level by major insurance companies.

During the second wave of the coronavirus pandemic, individuals were paying 500% extra for ambulance services, 300% for oxygen cylinders (The News Minute, 2021), and of course, the shooting prices of life-saving drugs such as Remdesivir have already been discussed above. Although the intensity of the pandemic has now subsided, and with that, the prices of these drugs and care-giving services have also been brought to their original state, the healthcare industry in India is nevertheless witnessing an inflation. In 2021, the country which witnessed the highest inflation rate in Asia was India, at a rate of 14% (Kabirdoss, 2022). This translates into the fact that not only healthcare has become expensive, health insurance too is bearing the brunt of exorbitant costs — further hampering the accessibility of healthcare services and medicines for the general population.

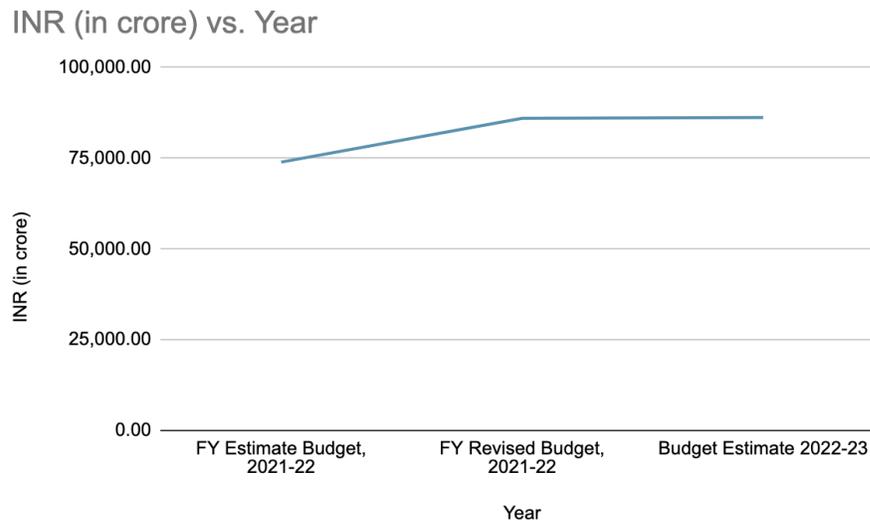
Irrespective of the struggle India had with the second wave of the coronavirus pandemic, the public expenditure on healthcare only increased from INR 86,000.65 crores to INR 86,200.65 crores (Chitravanshi and Das, 2022). While this is an improvement from the financial year 2021-22, the increase in government expenditure is negligible — the trend of which can be studied in Figures 3 and 4.

Figure 3 (Chitravanshi and Das, 2022)

ALLOCATION FOR HEALTH (in ₹ crore)				
Department	Budget Estimate 2021-22	Revised Estimate 2021-22	Budget Estimate 2022-23	% chg in BE FY23 over RE FY22
Health and Family Welfare	71,268.77	82,920.65	83,000	0.96%
Health Research	2,663	3,080	3,200.65	3.90%
Total	73,931.77	86,000.65	86,200.65	0.23%
COVID-19 VACCINES				
Transfer to states for Covid-19 vaccination	35,000	39,000	5,000	-87%

Source: Union Budget 2022-23

Figure 4 (created by Author)



These statistics have also been the reason for a heightened medical inflation in the country, further aggravating the cost of insurance schemes offered. These trivial measures of alleviation are not only harmful for the general population, but also have far-reaching consequences on the already deepened and widened socio-economic gaps.

Conclusion

The purpose of this paper was to evaluate the progression of healthcare and drug prices during the second wave of the COVID-19 pandemic up until the present moment. Collecting secondary data from news articles and scholarly studies, this research was able to establish that even though the prices of these services have reduced since the intensified nature and number of cases in the first and second quarters of 2021, there has been an increased inflation in the medical sector, the greatest in all of Asia. This has resulted in the increased prices of drugs, healthcare, as well as health insurance, and this can cause already widened socio-economic gaps to further thrive within the healthcare sector of India. Moreover, the fact that public expenditure in this domain has increased rather faintly, means that there has been little change in the structural foundations of responding to emergency healthcare situations, which is a cause for deep worry to the general population.

In order to successfully combat increasing prices in the healthcare sector, the nation-wide implementation of medical tourism may help in the alleviation of financial stress of the general public. This will enable the country to increase public expenditure on healthcare, and aid in the rolling out of more informed and far-reaching nation-wide schemes. Further, the government

should encourage private medical insurance providers to market risk pool insurance schemes more publicly. An increased awareness and education about such investments will embolden individuals with the trust and confidence to seek out such insurance plans, further increasing the percentage of citizens in this country who do possess health insurance — making us better prepared for any health emergency in the future.

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