

## Has healthcare spending of the government increased?

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The pandemic has overwhelmed the healthcare system of the country and has laid bare the deficiencies in the same. To tackle the pandemic and to mitigate its impact, the government (centre and state) has performed been required to increase public spending on healthcare, albeit by varying degrees based on available space.

Public spending on healthcare is low in the country and accounts for only a small portion of the government's expenditure profile. In case of the central government, it has been 2.3% in FY21 and for the state government's it is an average 5%. The proportion and scale of spending on healthcare however vary across states.

In this study we have examined the allocations towards healthcare in the central and state governments budget to see if the pandemic has triggered changes in the broad-based spending towards this segment. 22 state budgets have been analysed.

### Has the governments healthcare spending increased?

There has been an increase in the expenditure allocation towards 'medical and public healthcare' by the government at both the centre and state level in FY21 as well as FY22. The change in allocations towards the segment across states and the centre has been captured in Chart 1.

- The total allocations by the central government towards 'health and family welfare' in FY21(revised estimates) at Rs. 0.79 lakh crore is a 26% increase from FY20.
- Healthcare expenditure by the state governments has risen by 26% in FY21 (to Rs.1.67 lakh crs) from that in FY20 with 20 of the 22 states analysed witnessing a year-on-year increase ranging between 7% to 67%. Rajasthan was the exception with a 5% decline in public spending on healthcare. In case of Madhya Pradesh, healthcare expenditure was marginally lower by 1%
- The centre as well as many state governments (12) incurred higher than the budgeted expenditure on healthcare in FY21, given that the budgets for the financial year were announced before the onset of the pandemic in the country.
- The centre's spending on healthcare as per the revised estimates for FY21 was 21% over the budgeted amount, while twelve states incurred an average incremental spending of 16% over the budgeted estimates.
- **For FY22, the incremental spending on healthcare by the state governments is tempered when compared with that of the central government.**
- The central government has significantly raised its spending on healthcare in FY22. It is slated to increase by 63.5% over FY21(revised estimates) to Rs. 1.06 lakh crore. This includes the one-time expenditure of Rs 35,000 crs given to the states towards COVID-19 vaccination programme.
- The cumulative allocations towards healthcare by states is budgeted to increase by 12% to Rs. 1.87 lakh crore in FY22 v/s FY21.

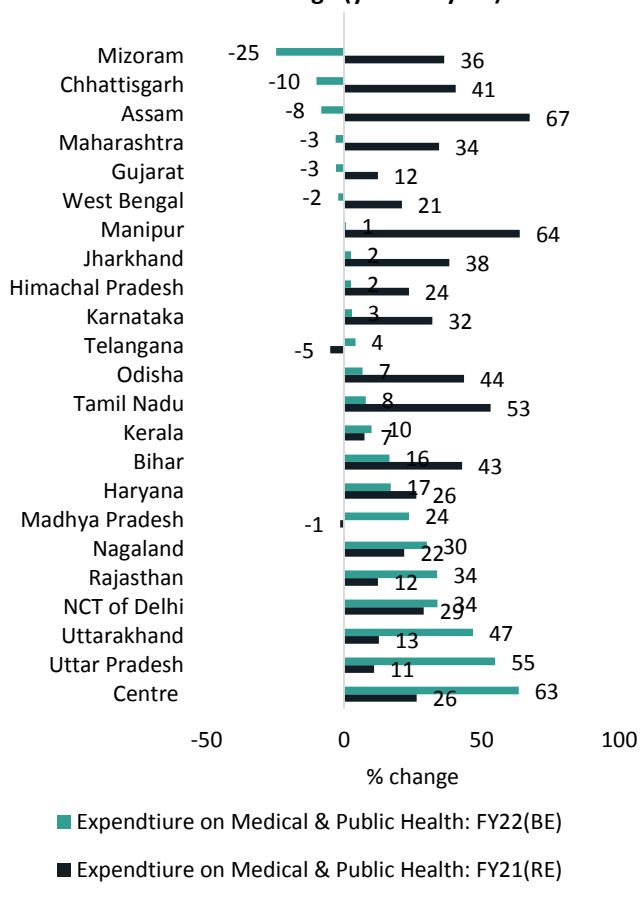
### Who is spending more – the centre or state governments?

In terms of cumulative quantum as well as proportion of total expenditure, the state government spending on healthcare surpasses the central government, despite the notable increase in expenditure towards this head in FY22 by the latter. Healthcare being predominantly a state subject, the proportion of allocation in the budget towards this head of expenditure tends to be higher at the state level. The proportional expenditure on healthcare in total expenditure by the centre and the state governments has been enumerated in Chart 2.

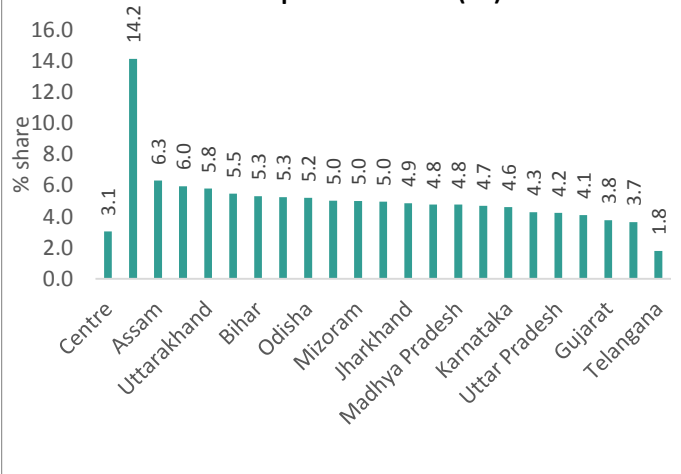
- As a proportion of general expenditure, the allocation towards healthcare by the central government is slated to increase to 3.1% in FY22 from an average 2.24% in the preceding five years ([FY17-FY21RE](#)).
- The budgeted quantum of healthcare spending of the central government in FY22 (at Rs.1.06 lakh crs) is 57% of the aggregate spending of the 22 states (of Rs. 1.87 lakh crs) on the segment. This is an increase from the share of 47% in both FY20 and FY21. .
- The state governments spending on healthcare in FY22 at an average 5.2% of its general expenditure is marginally lower than the 5.3% of FY21 (revised estimate). It is nevertheless higher than the 4.8% of FY20.
- **The proportion of public spending towards healthcare differ across states with some of the larger developed states having lower than the average proportional allocations of their total expenditure towards this head.**

- Telangana has the lowest proportion of medical and public health in total expenditure. For FY22 it is budgeted to be 1.8%, lower than the 2.4% of FY21(RE) and 2.9% of FY20.
- Allocations by Maharashtra and Gujarat towards healthcare as a proportion of its total spending has been notably lower than the average across states since FY20. It is budgeted at 3.7% and 3.8% respectively in FY22, which is the lowest in two years.
- Madhya Pradesh, Tamil Nadu, Karnataka and Uttar Pradesh too have lower than the average proportion of public spending on healthcare in total expenditure since FY20.
- Assam and Nagaland have amongst the highest proportion of public spending on health care in its total expenditure (at over 6% for FY22) after Delhi (14%).

**Chart 1: Expenditure on Medical and Public Health: % change (year-on-year)**



**Chart 2: Proportion Medical & Public Health in Total Expenditure: FY22 (BE)**



Source: CMIE and CARE Ratings. BE- Budget estimate, RE-Revised estimate.

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### Which states have increased spending on healthcare?

- Barring six states, all the other states (16) have budgeted equivalent or higher public spending towards healthcare in FY22 v/s FY21 (detailed in Chart 1).
  - Uttar Pradesh has budgeted the largest increase amongst states at 55%, followed by Uttarakhand which has budgeted for a 47% increase.
  - Delhi, Nagaland and Rajasthan are slated to see an increase in public spending by 30-34% and Madhya Pradesh by 24%.
  - The states that have increased their spending on health by 10% and more are Haryana (17%), Bihar (16%) and Kerala (10%).
  - Telangana, Karnataka, Himachal Pradesh, Jharkhand have budgeted for a marginal increase of 2 to 4%.
  - The sharpest decline has been in the case of Mizoram (by 25%), followed by Chhattisgarh (10%) and Assam (8%). For Maharashtra, Gujarat and West Bengal the allocation is 2-3% lower than year ago.

### Nature of healthcare expenditure incurred by government

The public spending on healthcare by the centre and state government has predominantly been towards revenue expenditure, which is largely in the nature of operational expenses. Only a small portion i.e. on an average 13% (for state) of the healthcare spending has been towards capital asset creation and development.

- The Central Government has budgeted revenue expenditure on healthcare to the tune of Rs 1.03 lakh crore for FY22(BE), 39% higher than the previous year. The increase in expenditure by the central government can primarily be ascribed to the higher funds allocated towards the COVID-19 vaccination drive (Rs 35,000 crs).
- The aggregate revenue expenditure of the 22 state governments for FY22 is budgeted at Rs 1.58 lakh crore which is 7.5% higher than that in FY21(RE).
  - 8 states have budgeted for lower revenue expenditure on healthcare in FY22(BE) compared with the previous year with sharp decline of 8% each budgeted in case of Maharashtra and West Bengal.
  - Double-digit growth in revenue expenditure budgeted by some states like Uttar Pradesh (30%), Delhi (28%), Rajasthan (25%), Karnataka (15%), Madhya Pradesh (13%) and Bihar (13%).
- Both Central and State governments have incurred significant revenue expenditure in FY21(RE) over FY20 with the growth of 22.9% and 22% respectively. 15 states registered double digit growth in FY21(RE) with significant growth observed in case of Assam (58%), Manipur (49%), Jharkhand (45%) and Chhattisgarh (36%)
- The revenue expenditure on health has been higher in FY21(RE) compared with FY21(BE) for both the Central and state governments with the Central government spending more by 16.7% vis-à-vis higher spending of 4.2% for the 22 state governments.
  - 9 out of the 22 states have spent lower in FY21(RE) compared with the budget estimates for the same year with sharp deviation witnessed in case of Uttar Pradesh (-18.1%), Rajasthan (-14.2%) and Uttarakhand (-12.7%).
  - There are 7 states which has witnessed double digit growth in spending in FY21(RE) compared with FY21(BE) with notable growth observed in Maharashtra (16.7%), West Bengal (25.2%), Odisha 15.7%.

**Table 1: Revenue and Capital Expenditure on Medical & Public Health: FY22(BE)**

	Expenditure on Medical & Public Health: Rs Crs	% share of Revenue Expenditure	% share of Capital Expenditure
Assam	7,687	89	11
Bihar	11,616	79	21
Chhattisgarh	5,572	88	12
Gujarat	8,443	90	10
Haryana	7,025	84	16
Himachal Pradesh	2,397	93	7
Jharkhand	4,440	91	9
Karnataka	11,331	90	10
Kerala	8,256	97	3
Madhya Pradesh	11,019	84	16
Maharashtra	17,682	87	13
Manipur	1,058	87	13
NCT of Delhi	9,767	87	13
Odisha	8,861	82	18
Rajasthan	13,143	86	14
Tamil Nadu	15,444	83	17
Telangana	4,147	99	1
Uttar Pradesh	22,908	67	33
Uttarakhand	3,267	86	14
West Bengal	11,572	86	14
Nagaland	1,002	75	25
Mizoram	554	100	0
Centre	1,03,760	98	2

Source: CMIE and CARE Ratings

**Table 2: Change in Revenue and Capital Expenditure: Year-on-Year**

	% change in Revenue Expenditure		% change in Capital Expenditure	
	FY21(RE) v/s FY20	FY22 (BE) v/s FY21 (RE)	FY21(RE) v/s FY20	FY22 (BE) v/s FY21 (RE)
Assam	58	-5	156	-29
Bihar	33	12	110	34
Chhattisgarh	36	-11	88	-3
Gujarat	19	-5	-30	16
Haryana	21	14	67	34
Himachal Pradesh	21	11	43	-51
Jharkhand	46	0	-22	47
Karnataka	19	15	156	-49
Kerala	8	10	-16	16
Madhya Pradesh	3	13	-31	141
Maharashtra	35	-8	29	54
Manipur	49	3	278	-14
NCT of Delhi	25	28	90	90
Odisha	39	-2	88	71
Rajasthan	10	25	56	138
Tamil Nadu	32	9	459	3
Telangana	-1	4	-79	16
Uttar Pradesh	5	30	40	155
Uttarakhand	8	39	106	122
West Bengal	18	-8	67	69
Nagaland	8	11	1122	166
Mizoram	33	-18	84	-100
Centre	23	39	154	-41

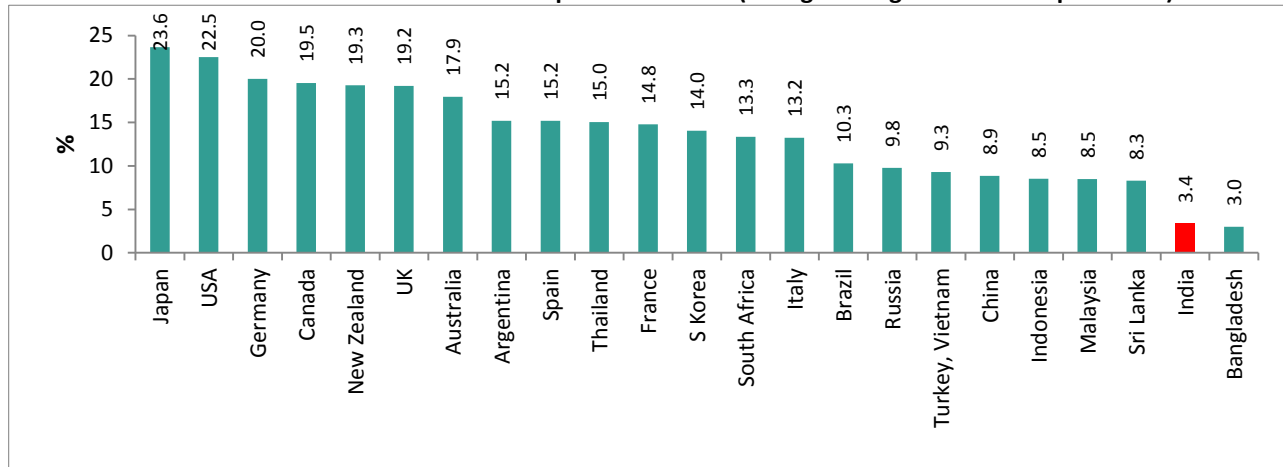
Source: CMIE and CARE Ratings

- Capital Expenditure of the central government on healthcare in FY22 is budgeted to be Rs. 2,509 crore which is 41% less than that in FY21. Capex grew by 154% to Rs.4,234 crore in FY21 v/s FY20.
- Aggregate Capex of the 22 states in FY22 is budgeted at Rs. 29,281 crore, a 47% increase over FY21 (RE). In FY21 the capital expenditure was 65% higher than that in FY20.
  - 6 states have budgeted for lower capital expenditure on healthcare in FY22(BE) compared with the previous year with sharp decline in case Madhya Pradesh (by 51%), Chhattisgarh (49%), Mizoram (29%) and Uttar Pradesh (14%). Himachal Pradesh has not budgeted for nay capital expenditure for FY22.
  - Capital expenditure has been budgeted to more than double in the case of Manipur, Assam, Rajasthan, Karnataka and Telangana in FY22 (Table 2).

### How does India compare with other countries?

Public spending on healthcare care in India falls short when compared with the developed and developing economies. As per the data from the World Health Organization (WHO), the government's health expenditure as a proportion of its general expenditure was amongst the lowest for India at 3.4% in 2018. In case of advanced economies (Japan, USA, Germany, Canada, UK) public spending on healthcare is around 20% of the general government expenditure. For many developing economies (China, Vietnam, Brazil, South Africa and Russia) it is in the region of 10%.

**Chart 3: Domestic General Government Health Expenditure: 2018 (% of general government expenditure)**



Source: WHO

### Concluding Remarks

- There has been an increase in spending on medical and public health by the central and state government in FY21, which is budgeted to be carried forward in FY22.
- The overall spending on healthcare by the state governments for FY22 is budgeted to witness a lower year-on-year growth (12%) compared with the central government (63.5%).
- The state government spending on healthcare as a proportion of its overall expenditure (at 5%) surpasses that of the central government (at 2.3% in FY21 and 3.1% in FY22).
- 16 of the 22 states have budgeted equivalent or higher public spending towards healthcare in FY22 v/s FY21.
- The public spending on healthcare by the centre and state government has predominantly been towards operational expenditure with only a small proportion (13%) being allocated towards asset creation.
- Public spending on healthcare as a proportion of overall government expenditure in India is notably lower than that in developed and developing nations.

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