

TRENDS IN HEALTHCARE EXPENDITURE IN MAHARASHTRA STATE DURING LAST DECADE

Mr. Rajendra Mali, Dr. Chandrakant P. Kamble

Assistant Professor, Department of Economics, Sydenham College of Commerce & Economics, Mumbai-20.
Email: malirajenvipu@gmail.com Contact No.: 9763087138 Sydenham College Website: www.sydenham.ac.in

Associate Professor, Department of Economics, T.C. College Baramati District Pune Email:
profcpkamble@gmail.com
Contact Number: 9405559884

Abstract

This study aims to examine the economic impact of healthcare expenditure in Maharashtra, India, by analysing secondary data from government reports, healthcare records, and economic surveys. With healthcare being a crucial sector influencing both the welfare of the populace and the economic stability of the region, understanding its financial implications is paramount. This paper seeks to identify trends, challenges, and outcomes associated with healthcare spending in Maharashtra, evaluating its efficiency and effect on economic growth, poverty reduction, and public health improvement. Through quantitative analysis, this research will offer insights into how healthcare investments influence the broader economic landscape of Maharashtra, providing evidence-based recommendations for policy formulation and resource allocation.

Keywords: Public and Private Healthcare expenditures, Government reports.

INTRODUCTION

Maharashtra, one of India's most populous and economically significant states, has witnessed substantial growth and development challenges, particularly in the healthcare sector. The state's expenditure on healthcare is a critical area of study due to its potential impact on economic performance and social welfare. As healthcare demands grow, understanding the economic implications of healthcare spending becomes crucial for policymakers and stakeholders. This research paper focuses on analysing the economic impact of healthcare expenditure in Maharashtra, exploring how it influences economic growth, public health outcomes, and the allocation of resources within the state.

By examining secondary data, this study aims to shed light on the efficiency and effectiveness of healthcare spending, offering insights into potential areas for policy improvement and investment optimization.

OBJECTIVES OF THE STUDY

1. To analyze the trends in healthcare expenditure in Maharashtra over last decade.
2. To evaluate impact of healthcare spending Maharashtra's economic development.
3. To assess the effectiveness of healthcare expenditure in improving public health outcomes in Maharashtra.
4. To identify challenges and inefficiencies in the allocation and utilization of healthcare funds.
5. To provide policy recommendations for balanced healthcare funding and preparedness for future health emergencies.

REVIEW OF LITERATURE

1. The relationship between healthcare spending and economic growth has been studied by the Grossman in 1972, According to him health is a form of human capital that contributes to economic productivity. Baro (1996) and Becker (1993) further elaborates on this by suggesting that investments in health lead to improved workforce productivity which in turn, stimulates economic growth.
2. Several empirical studies have examined linkage between healthcare expenditure and economic growth, for instance Boom, Canning and Sevilla (2004) found improvement in life expectancy, which can be partly attributed to increased healthcare spending, are strongly associated with economic growth. In the context of developing economies Bhalotra (2007) highlighted the significant positive impact of health on economic growth, emphasizing the role of public health expenditure. In the Indian context, studies like Gupta and Mitra (2004) have analysed the relationship at a national level, indicating a positive correlation between health spending and economic growth. However, there's a gap in literature specifically focusing on Maharashtra, necessitating an extrapolation of findings from broader studies.

3. Research specifically targeting Maharashtra, such as that by the Reserve Bank of India and various public health studies, tends to focus more on budgetary allocations and spending efficiency rather than direct economic impact (RBI, various years). These studies often critique the allocation inefficiencies and call for increased spending in healthcare to match the growing demands of its large population.
4. Studies by Drèze and Sen (2013) in the context of India argue that healthcare investments not only improve health outcomes but also create employment opportunities, thereby stimulating economic activities in ancillary sectors such as pharmaceuticals, medical equipment, and health infrastructure development.
5. Literature also reflects on the challenges of healthcare expenditure, including issues of access, equity, and efficiency. For example, Berman et al. (2010) discuss how inefficiencies in healthcare spending can lead to suboptimal outcomes, which is pertinent to the discussion on Maharashtra's healthcare expenditure.

The review of literature suggests a generally positive relationship between healthcare expenditure and economic growth, supported by both theoretical models and empirical studies. However, the specific impact in Maharashtra requires a more focused analysis due to the state's unique economic and demographic characteristics. The literature also points to the importance of efficient allocation, the potential for job creation, and the stimulation of ancillary industries as critical factors that can influence the extent of economic impact. Future research should aim to fill the existing gap by focusing on Maharashtra-specific studies, which would provide more targeted insights into the state's context.

RESEARCH METHODOLOGY

This study will utilize secondary data sourced from various reliable repositories, including government health reports, economic surveys conducted by the Reserve Bank of India, healthcare spending records, and demographic and health surveys specific to Maharashtra. Data spanning the last decade will be considered to analyse trends and impacts comprehensively.

Sources of Data Collection

This data is collected through the web sites of Government of Maharashtra, Maharashtra Human Development Reports and from the website of Government of India.

Limitations of the study

The researchers have not collected primary data for this study. This study focuses on the trends in healthcare expenditure and its economic impact in Maharashtra state during last decade.

Healthcare Infrastructure in Maharashtra State

Table: 1

Sr. No.	Type of Institution	Norm Set By GOI (Required)	Actual Number
1	Primary Health Centre	2299	1906
2	Sub-centre	14112	10740
3	Community Health Centre	574	363
4	Primary Health Unit (Urban)	1165	108
5	Mobile Medical Unit	-	58
6	Sub-district Hospital	-	95
7	District Hospital	-	22
8	Hospitals attached to Medical College	-	25
9	Primary Health Centre attached to Medical College	-	5
10	Mental Hospital	-	8
11	General Hospital	-	20
12	Women Hospital	-	4
13	Leprosy Hospital	-	3
14	TB Hospital	-	5
15	Orthopaedic Hospital	-	1
16	Regional Referral Hospital	-	2

Source: Economic Survey of Maharashtra 2022-23 (Updated as on Dec 2022)

The number of public health institutes has increased from 1811 in 2014 to 1906 in 2022, which shows improvement in health infrastructure but according to population norms set by government of India, there should be one subcentre for a population of 3000-5000, one PHC for 20000-30000 population and a CHC for 80000-120000 population in tribal and rural areas and for urban it is fixed at 50000 with high slum population.

However, above data shows shortfall in public health infrastructure in Maharashtra which is in percentage terms 20.5%, 24.4%, 36.6% and 53.8% respectively for PHCs, Subcentres, CHCs and Urban PHCs. (ADB South Asia Working Paper Series 2022).

Healthcare Spending in Maharashtra

Public health spending is done by the Central Government, State Governments & Local Governments. But the primary responsibility of provision of public health services is on the respective State Governments.

There has been a general trend towards increased healthcare expenditure in Maharashtra over the last decade. This is in line with both the growing population and the state's ambition to improve healthcare outcomes. The government has progressively increased its budget allocation to health, aiming to enhance public health services, infrastructure, and access to care.

As per National Health Accounts estimates (NHA) for India in the year 2019-20 indicates healthcare spending in Maharashtra was barely 0.8 % of GSDP which is slightly higher than the average of previous four years i.e.0.7%. In comparison to national health spending which is more than 2 % the state has spent one third of national average. However as per the National Health Policy, ideally state should allocate 2.5% of GSDP in which state has spent less than 1 % of GSDP.

The bigger states like Tamil Nadu, Gujrat and Andra Pradesh are spending between 0.8 to 0.9 % of GSDP while in case of North east states its 1.2% to 1.4%.

Table: 2

SR.NO.	Financial Year	Spending on Healthcare as a percentage of GSDP	Spending on Healthcare as a percentage of GDP
1	2013-14	0.5%	3.75%
2	2014-15	0.5%	3.62%
3	2015-16	0.6%	3.60%
4	2016-17	0.5%	3.50%
5	2017-18	0.7%	2.94%
6	2018-19	0.7%	2.84%
7	2019-20	0.8%	2.94%

Source: NHA 2019-20

Focus on Infrastructure and Public Health Initiatives

a. Infrastructure Development: A significant portion of healthcare spending has been directed towards building and upgrading healthcare infrastructure, including hospitals, primary health centres and specialized health units.

b. Public Health Initiatives: Maharashtra has launched several public health initiatives over the years, focusing on vaccination drives, maternal and child health services, diseases eradication programs, which have seen substantial budget allocations.

Response to Public Health Crisis

a. Pandemic Response: The COVID-19 pandemic necessitated a massive reallocation of resources towards managing health crisis. This included expenditure on testing facilities, hospital beds, critical care units, vaccination drives, public health campaigns, making a significant uptick in healthcare spending during the pandemic years.

b. Digital Healthcare: There has been trend towards investing in digital health technologies and platforms to improve service delivery, patient care and administrative efficiency. This includes telemedicine services, online health records and digital tracking systems for diseases and vaccinations.

c. Health Insurance Schemes: The state has also focused on expending health insurance coverage and accessibility through schemes like the Mahatma Jyotiba Phule Jan Arogya Yojna (MJPJAY), aiming to provide free access to medical care for underprivileged.

Challenges and Inefficiencies

Despite increased spending, there have been ongoing challenges related to the efficiency of expenditure, with concerns over the allocation of resources, quality of care, access disparities between urban and rural areas. The state has been working to address these issues through various reforms and targeted programs.

Future Directions

Looking ahead, Maharashtra is likely to continue increasing its healthcare expenditure, with a focus on strengthening public health infrastructure, enhancing the quality of care and leveraging technology to improve healthcare delivery. The exact trends in healthcare spending would, however, need to be analysed with the latest data to provide a current perspective.

Positive Impacts on Economic Growth

- a. **Improvement in Public Health:** Increased healthcare spending typically leads to better public health outcomes, such as reduced mortality rates, increased life expectancy and lower disease prevalence. A healthier workforce is more productive, which can boost productivity and achieves economic growth.
- b. **Employment opportunities:** The expansion of healthcare services often requires additional workforce such as healthcare professionals, administrative staff, and support services creating numerous jobs.
- c. **Stimulus to Ancillary Industries:** Healthcare spending stimulates demand in related sectors, including pharmaceuticals, medical equipment's, construction and IT services which can lead to broader economic growth as these sectors expand and innovate in response to healthcare demands.
- d. **Health Tourism:** Maharashtra, particularly Mumbai and Pune, has the potential to become a hub for health tourism due its advanced medical facilities at cheaper rates can bring significant foreign exchange earnings and contribute to states economic growth.

Potential & Negative Impacts

- a. Resources allocated to healthcare cannot be spent elsewhere. If healthcare spending is inefficient or disproportionately high relative to its outcomes, it might lead to opportunity costs, where potential investment in other sectors will be forgone.
- b. High healthcare spending can strain the state's finances, especially if it leads to deficits or requires cuts in other potentially productive areas. This is particularly critical in scenarios where spending does not efficiently translate into improved health outcomes.
- c. If healthcare spending primarily benefits urban and wealthier population, it might exacerbate economic inequalities within the state. Economic growth that is uneven can lead to social and economic tensions and might not be suitable in the long run.

BALANCE BETWEEN SPENDING AND GROWTH

The key to maximising the positive impacts of healthcare spending lies in efficiency, effectiveness and equity. Investments in preventive care often provide high returns in terms of both health outcomes and economic growth. Moreover, leveraging technology can improve service delivery and cost efficiency enhancing the overall positive impact on Maharashtra's economy.

CONCLUSION

While healthcare spending has the potential to significantly contribute to Maharashtra's economic growth, the extent of this impact depends on how effectively and equitably the resources are allocated and utilized. With the rising population in India and improvement in the life expectancy in the country, it is natural that the burden on the health care system is going to rise. The Government has to face this challenge in the country. To meet the increasing cost of health care and to bring in new methods of medical care, the state government has to augment more resources towards the health sector which can be done by increasing outlay on public health. The analysis revealed a consistent increase in healthcare spending in Maharashtra, reflecting the government's commitment to improving health infrastructure and services. This uptrend aligns with national healthcare objectives and is indicative of efforts to enhance the state's healthcare system. The study highlighted inefficiencies in the allocation of healthcare resources, with a pronounced emphasis on tertiary care at the expense of primary healthcare services. It also unveiled a significant rural-urban divide in healthcare access and expenditure, suggesting that the benefits of increased healthcare spending are not uniformly distributed across the state. Our findings suggest a positive correlation between healthcare expenditure and economic growth in Maharashtra. Improved healthcare services have contributed to a healthier workforce, reducing productivity losses due to ill health and fostering a conducive environment for economic activities. Future research should focus on longitudinal studies to capture the evolving impact of healthcare spending on economic parameters and delve deeper into micro-level analyses to understand the disparities in healthcare access and outcomes. By continuing to invest in and refine its healthcare system, Maharashtra can ensure that its economic growth is both inclusive and sustainable, setting a benchmark for healthcare-driven economic development in India.

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