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IDEAS

Coronavirus Outbreak: How Prepared Is India To Handle Such A Health Catastrophe, If It Hits Us?

by *Nilanjan Banik* - *Jan 27, 2020, 1:28 pm*

Snapshot

- ***India's spend on healthcare is a piddly 1.5 per cent of GDP, and, therefore, in case of a virus attack such as the corona, we may end up groping in the dark for a solution.***
  On the healthcare front, we are worse off compared to our regional neighbours, and that is a real shame.

Mr Chen was having a cough and running temperatures. The family member mistook the symptoms for any other ordinary viral fever, until the time he started complaining about breathing difficulties when he got admitted in a hospital.

Mr. Chen died on 22 January from pneumonia and acute respiratory disorder. The cause of death is a new trait of virus, currently named as coronavirus (2019-nCoV) which has its origin in the Hubei Province of China.

As on 26 January, at least 2,000 cases of coronavirus are reported and at least 56 people have died. The number is on the rise with every passing day. As a precautionary measure, China has imposed a lockdown on Wuhan (the capital city of Hubei) by putting travel restrictions on around 20.5 million people.

Unfortunately, cases of coronavirus are also getting reported from far-off places such as Saudi Arabia, Singapore, Europe, and Australia.

During 2002-2003, the outbreak of the SARS virus affected 8,098 people and resulted in 774 deaths.

Now, how prepared is India to handle such a health catastrophe, if it hits us? Some statistics will clear things up. The Central government spends around 1.5 per cent of GDP on healthcare. When measured on per-capita terms, India ranks 154 out of 195 countries in terms of access to healthcare, which is worse in comparison to the regional neighbours (Bangladesh, China, Pakistan and Sri Lanka), and even West African countries like Ghana and Liberia.

Per-capita expenditure on health is less than $75 per year in comparison to $9,536 for the US, and $4,396 for the United Kingdom (World Development Indicators, World Bank, 2020).

Chronic diseases are the biggest causes of death and disability in India. They account for more than 30 per cent of deaths, with cardiovascular diseases and diabetes, respiratory conditions and cancers hogging the major share.

As a way of intervention, the government launched Ayushman Bharat (AB) programme. Under the AB programme, as of 24 January 2020, the Central government has allocated Rs 6,400 crore, generated 7.28 crore e-cards, and has empanelled 21,259 hospitals across India.

This is a welcome move. The question is about the implementation and effectiveness of the AB scheme.

Consider this. AB is targeted towards the tertiary healthcare sector (extended medical procedure involving operation of heart, lungs, kidneys, etc.). With the current state of the Indian economy, there is every likelihood that the government will not be

able to allocate more resources towards the primary healthcare sector, dealing with chronic illness, maternity, and child care/birth.

More importantly, to meet the target of AB programmes, the government may have to squeeze out resources from the primary healthcare sector.

Already, India is lower down the scale in terms of per-capita income levels and when compared with other regional neighbours.

In terms of availability of doctors and the number of hospital beds, India lags behind the prescribed World Health Organization (WHO) standards.

For instance, India has 0.7 physician-density-per-1,000-population (WHO mandate is 1 per 1,000 population). Most of these doctors are in urban areas, with the ratio becoming worse in case of rural areas.

In terms of hospital beds, India has 0.9 hospital beds at a time when the WHO requires 1.9 beds per 1,000 population.

Even with the introduction of the AB, in rural India, almost 80 per cent of Out of Pocket (OOP) expenditure is on medicines, whereas in urban areas, the corresponding figure stands at around 75 per cent. The insurance coverage in India for both indoor and outdoor treatments continues to be narrow, despite the recent rise in the public-private partnerships (PPP) in health insurance, explaining why people have to rely on OOP.

People meet their OOP – some 47 per cent of the cost of hospital admissions in rural areas and 31 per cent in urban areas – by borrowing and the sale of personal goods and assets.

This affects their livelihoods and education of their children (with an impact on inter-generational income flow).

A study of 55 low and middle-income countries revealed that only six countries did not require direct payment of some form at government healthcare facilities.

WHO estimates that as a result of having to pay out-of-pocket for healthcare, 150 million people are vulnerable to financial catastrophe.

What are the factors that are contributing to the rise in the price of medicines and hence contributing to a negative health outcome?

Most obviously, there is GST of 5 per cent on most medicines – an extra 5 per cent from the pockets of sick people. There is also a 12 per cent GST on a wide range of other important medical supplies, including bandages and sterile gauze, diabetic monitoring equipment, photographic plates used in x-rays, *et cetera*.

Even though India is a major manufacturer of medicines, it still relies on imports, particularly for more modern medicines required to tackle non-communicable diseases.

India has one of the highest tariff rates when it comes to pharmaceutical imports. India is at the top (or more properly, bottom) five offenders on drug tariffs, with a levy of 10 per cent across the board on all categories of imported medicines and vaccines.

In addition to tariffs, there are major obstacles to trade in medicines, particularly at the border and behind borders. These so-called Non-Tariff Measures (NTMs) include inefficient customs procedures, red-tape and hidden taxes.

In India, around 3,958 instances of NTMs were reported on medicines, mainly on account of labelling and packaging requirements.

Bureaucracy and red tape adds further delays of between 400 and 500 days, according to figures from the UK's Centre for Innovation in Regulatory Science.

Instead of reducing taxes and NTMs on medicines and medical products, there is an effort by the government to cap the prices.

This has resulted in artificial shortage and substandard quality of medical products available in the market.

For example, after the National Pharmaceutical Pricing Authority imposed a price cap on cardiac stents, there are reports that better quality stents are replaced with sub-standard quality stents, and also about shortage in availability of stents.

These measures are more prohibitive on health outcomes than the usual suspect - a stronger Intellectual Property Rights (IPR) Regime.

The Indian government's National IPR Policy is a mellowed down version that purports to promote innovation and entrepreneurship while ensuring access to healthcare, food security, and environmental protection.

No changes have been made to section 3(d) of the Indian Patents Act, which prevents evergreening of drug patents. A lax patent regime may also disincentivise medical innovation.

For example, India's generic drug manufacturing industry constitutes a healthy 10 per cent of the volume of the global pharmaceutical industry, but only 1.4 per cent of the value.

So next time an outbreak such as coronavirus occurs, policymakers both in India and at WHO, should be mindful which interventions work better than others.

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Tags: GDP, India, Healthcare, Medicines, Gross Domestic Product, Affordable Drugs, coronavirus, SARS,