

Financial Behaviour of Households towards Healthcare Expenditure in India : Evidence from 2013 -14 to 2021-22

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Abstract:

This research paper attempts to understand the changes in household health expenditure in India from 2013-14 to 2021-22 and the economic risks arising from it. The main objective of the study is to understand the out-of-pocket health expenditure (OOPE), the cost differential between rural and urban areas, and the role of health insurance in managing health expenditure. According to the study, total health expenditure has increased from ₹16,317 crore to ₹29,709 crore. At the same time, the proportion of out-of-pocket expenditure has decreased from 64.2% to 39.4%, which is a positive development. However, in rural areas, people still spend most of their expenditure from their savings. The study shows that about 50% of households are covered under health insurance, but 25% of households are still uninsured. Therefore, there is a need to improve public health services and expand affordable insurance schemes.

1. Introduction:

This study looks at how households manage their finances for healthcare, including how they use their own income, whether they have health insurance, their preference for public or private healthcare services, and how healthcare spending differs between rural and urban areas. All these financial behavioural factors indicate how households manage the financial risk arising from healthcare needs and what strategies they adopt to cope with rising medical costs.

In India, Healthcare expenditure has become a major concern for household finances. The increasing cost of medical treatment, changing health conditions, and greater dependence on private healthcare have added considerable financial pressure on families, resulting in them facing financial instability. In addition, rapid urbanisation, increasing prevalence of lifestyle-related diseases and continuous advancements in medical technology have contributed to the continuous rise in healthcare expenditure. Health-related expenses are large and unexpected for many families, affecting their savings, spending capacity and financial stability. As the cost of treatment arises suddenly and cannot be avoided, families often have to pay directly out of pocket (OOPE). To meet these expenses, they resort to savings, borrowing or selling their assets. As a result, their long-term financial security is weakened and the likelihood of being pushed into poverty increases.

In India, public health expenditure has increased in the last few years and health insurance facilities have also become more accessible to more people. However, in reality, people still often spend a large amount of money on treatment from their own pockets. While some families get relief through Ayushman Bharat and other state government health insurance schemes, their benefits do not reach all sections of society. Unexpected medical expenses

continue to be a huge financial burden, especially for those working in the informal sector and low-income families. People usually make health-related decisions — such as how much to spend, which hospital to choose, or whether to take out health insurance — based on their income, employment stability, financial literacy, and their socio-economic status.

In this context, it is essential to understand how effectively existing health policies and financial protection systems actually reach people. This requires understanding how households manage health costs and respond financially in times of medical need. There are clear differences in the pattern of health spending across income groups, regions and employment classes, which shows that issues such as accessibility and affordability are still not the same for everyone.

This study specifically attempts to understand the types of decisions households make regarding health spending in India. Such an understanding can help in formulating health policies in the future that are more equitable, sustainable and reduce the financial burden on people, so that quality health services are easily available to everyone.

2. Literature Review

The health expenditure of families in India has a direct impact on their financial situation, and this issue has been a topic of discussion for the past several years. According to the 71st NSSO round (2014) and the 75th round (2017–18), a significant part of healthcare expenses is paid directly by households from their own income. This means that despite government assistance or insurance, many families have to bear the cost themselves. This situation creates financial stress and uncertainty, especially for low- and middle-income families. The National Health Accounts data also shows that out-of-pocket expenditure is more than 60% of total health expenditure. This means that pre-paid or joint financial arrangements are not yet strong enough. As a result, many families have to deplete savings or go into debt when an unexpected medical emergency arises, which affects their long-term financial stability.

According to the Household Consumption Expenditure Survey, health expenditure has now become a significant part of the non-food expenditure of the family. There is a noticeable difference in spending between rural and urban areas (MoSPI, 2022–23). This means that health expenditure now has a direct and significant impact on the household budget. Due to rising medical expenses, many families often have to borrow or use their savings (MoSPI, 2023). Such a situation weakens their financial security in the long run. The World Health Organization (WHO, 2022) also shows that out-of-pocket expenditure on health expenditure

in India is higher than in many other countries. Such a situation can play a significant role in increasing poverty and increasing financial stress on families.

The Economic Survey of India (2020–21) and NITI Aayog reports suggest that while the government has increased spending on the health sector, the common man—especially the weaker and economically weaker sections—is still not fully protected against sudden health-related expenses (Government of India, 2021). As a result, when a serious medical condition arises at home, families face financial stress and their financial stability is affected.

Overall, several studies and reports make it clear that the health expenditure of families in India continues to be a major concern. Rising medical costs, inadequate insurance coverage, and the lack of equal access to affordable care—all of these factors combine to make many families financially unstable. As a result, a serious illness or accident can deplete family savings or lead to debt. In this context, there is a need for comprehensive reforms in the health financing system, more comprehensive and effective insurance schemes, and strong financial risk protection mechanisms so that people can access the necessary treatment without losing their financial stability. Existing studies have provided a lot of information on health expenditure and out-of-pocket payments, but efforts to understand household financial behaviour by linking spending trends, rural-urban disparities, and insurance coverage have been limited. In particular, less attention has been paid to new trends in the post-COVID period. This study attempts to fill this gap and understand the overall situation more clearly.

3. Objective of the Study

1. To examine the trends in household healthcare expenditure in India.
2. To study the proportion of out-of-pocket expenditure (OOPE) on healthcare incurred by households.
3. To compare healthcare expenditure behaviour between rural and urban households in India.
4. To assess the role of health insurance in managing healthcare expenses of households.

4. Research Methodology

4.1 Nature of the Study:-

Descriptive and Analytical research design

4.2 Source of Secondary Data :-

National Health Account (NHA) – MoHFW report

Comprehensive Annual Modular Survey (CAM)

National Sample Survey Office (NSSO) -79th Round

NITI Aayog

4.3 Study Period :-

2013-14 to 2021-22 (based on available official secondary data)

4.4 Limitations of the Study

- The study is entirely based on secondary data
- Official data are available only up to the year 2021–22.
- Differences in secondary data affect the comparability of results.
- Recent policy changes might not be fully represented due to the unavailability of updated official data.

4.5 Tools of Analysis

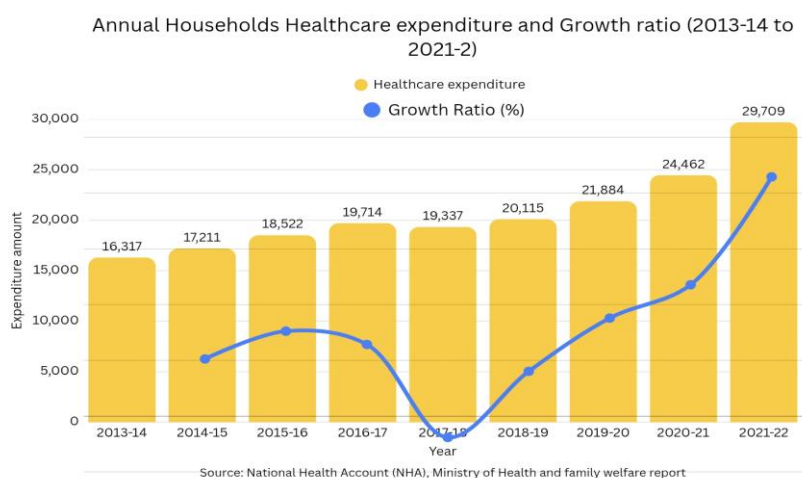
The analysis of the study is carried out using trend analysis, percentage analysis, comparative analysis, simple descriptive statistics, simple linear trend projection, and graphical presentation techniques.

5. Result

This section analyses secondary data on household health expenditure in India. It studies expenditure trends, out-of-pocket expenditure, rural-urban differences and the role of health insurance. Descriptive, percentage and comparative analysis along with graphical presentation are used to interpret the data.

5.1 Trend Analysis of Households Healthcare Expenditure

Year-wise secondary data was examined to study changes in household healthcare expenditure in India. The data presents the annual healthcare spending per household for each financial year and shows the general pattern of expenditure over time

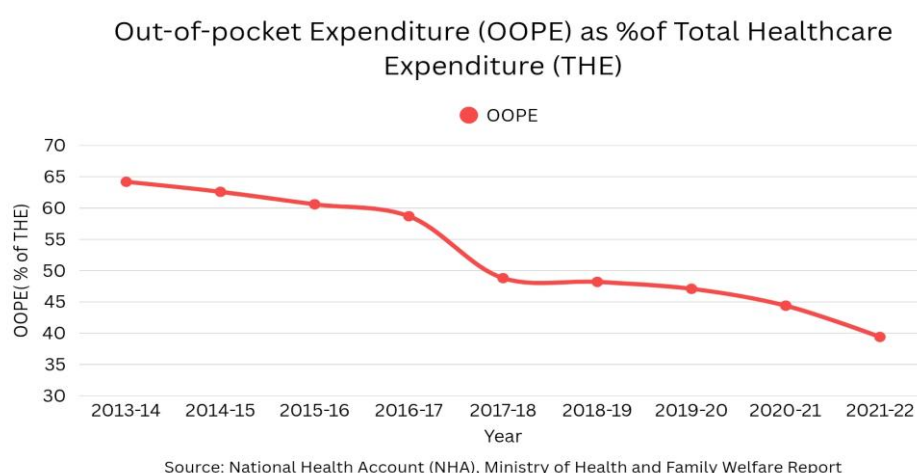


This chart shows the flow of household health expenditure in India from 2013-14 to 2021-22. According to the chart, during this period, health expenditure increased from ₹16,317

crore to ₹29,709 crore, which indicates the increasing expenditure on health of the people. There was a gradual increase in expenditure from 2014-15 to 2016-17. This may be due to the increase in treatment costs, rising prices of medicines, growing population and health awareness among the people. There was a slight decrease in expenditure during 2017-18, this decrease may be due to improvement in government health services or reduction in household expenditure. After that, there was an increase in expenditure again from 2018-19. Especially during 2020-21 and 2021-22, there was a significant increase in hospital expenses, tests, medicines and other treatment expenses due to the COVID-19 pandemic. Thus, there is a continuous increase in household health expenditure in India.

5.2 Proportion of Household Out-of-Pocket Expenditure (OOPE) on Healthcare

Health care costs are important for any family, as they directly impact their financial situation. Out-of-pocket expenses (OOPE) are expenses that a family has to pay out of their own pocket. The chart below shows how much of a share health costs make up in the total household budget and how much of a financial burden they place on the family.



This chart shows the percentage of Out-of-pocket Expenditure (OOPE) in total health expenditure in India from 2013-14 to 2021-22. During this period (2013 to 2021), OOPE decreased from 64.2 percent to 39.4 percent, indicating that the direct burden of health expenditure on the people has been decreasing. There was a gradual decline from 2013-14 to 2016-17, while a significant decline was seen during 2017-18. The reason for this decline can be the increase in government health expenditure, expansion of health insurance schemes and availability of affordable treatment. OOPE remained at its lowest level during 2021-22. Overall, it can be said that the burden of health expenditure on the people in India has reduced over time and will continue to reduce in the future.

5.3 Comparative Analysis of Rural and Urban Household Healthcare Expenditure in India.

The table below compares healthcare costs and out-of-pocket expenses for rural and urban households in India. It highlights the differences in hospitalization expenses and the financial burden faced by families in both regions.

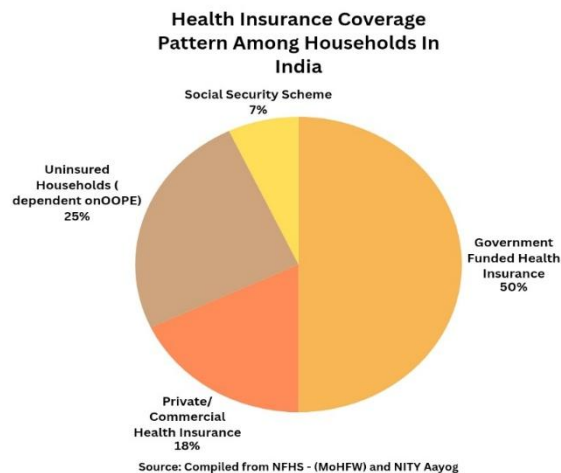
Indicator	Rural Households	Urban Households
Average Hospitalization cost per Household	₹ 4,496	₹ 6,877
Out-of-pocket Expenditure (OOPE) per Household	92 %	77 %
Average OOPE per Household	₹ 4,129	₹ 5,290

Source: NSS 79th Round (CAM Survey – Health Module, 2022–23), MoSPI, Government of India.

There is a clear difference in healthcare expenditure between rural and urban households. As medical services are generally more expensive in urban areas, urban households spend an average of ₹6,877 for hospitalization, while for rural households it is about ₹4,496. But on the other hand, rural households are more dependent on out-of-pocket payments. About 92 percent of their total health expenditure is paid directly from their own pocket, while for urban households the proportion is about 77 percent. That is, rural households face a higher burden of health expenditure due to less financial assistance and insurance coverage. Although urban households have higher total expenditure, the better availability of insurance provides them with comparatively greater financial security.

5.4 Role of Health Insurance in Household Healthcare Expenditure

Health insurance helps Indian families pay for expensive hospital treatments without losing all their savings. It provides financial peace of mind during medical emergencies. The table below shows the percentage of households covered by different insurance schemes and those who still pay for everything themselves.



This chart shows that the health insurance coverage situation in India is mixed. About 50% of households are covered under Ayushman Bharat (PM-JAY) and various state government schemes, which shows the important role of the government in reducing health expenditure. In contrast, only 18% of households have private insurance, while 7% of households are covered under social security schemes like ESIC and CGHS. Yet, about 25% of households do not have any kind of health insurance coverage, due to which they have to pay medical expenses entirely out of their own pockets. This situation shows that despite government efforts, a large number of people are still financially vulnerable to health expenditure.

6. Conclusion

Health expenditure remains a major economic concern for families in India. Out-of-pocket expenditure on health (OOPE) was 64.2% in 2013-14, which has come down to 39.4% in 2021-22. This expenditure has come down due to the health schemes implemented by the government, the Ayushman Bharat Yojana and the increasing coverage of health insurance. However, as of 2021-22, about 25% of households remained deprived of any kind of health cover. Therefore, such households may face a significant financial burden when a sudden illness or need for treatment arises. Especially in rural areas, about 92% of health expenditure is still borne by people from their own savings. To reduce this problem, the government should invest more in public health services so that people have to rely less on private hospitals. It is necessary to provide better facilities to primary health centres in rural areas. Along with this, cheap and easy health insurance schemes should be introduced for the middle class. Simplifying the process of claiming insurance will not force families to spend savings or sell assets in times of crisis. In addition, it is also necessary to increase financial awareness among the people so that they understand the need for health insurance. Overall, the burden of health

expenditure on families can be reduced only through a strong public health system, good insurance coverage and awareness.

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