

Out-of-pocket Health Spending in Jammu and Kashmir: Evidence from 68th Round of National Sample Survey

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Abstract

Around 60.6% of health expenditure in India originates from private spending or out-of-pocket expenditure. Such large health spending has a tendency to sink sizeable number of people into poverty and deepen the already poor into more appalling conditions. This article makes an attempt to study the impact of health expenditure on poverty levels in the Jammu and Kashmir (J&K) region of India using micro-level data (68th round of National Sample Survey Organisation [NSSO]). First, a region-wise poverty profile is estimated, then, poverty deepening and incidence of catastrophic health expenditure is measured. Finally, socio-economic determinants of catastrophic health expenditure are estimated using logit and probit models. The results show that the poverty levels further increase by around 2% (estimated 185,000 individuals) on account of out-of-pocket health expenditure. Also, poverty gap increases, deepening the economic distress of the poor people. The highest gap is observed in most vulnerable areas, such as hilly and geographically disadvantageous regions. An estimated 9.6% of population in J&K spends catastrophic out-of-pocket health expenditure and 2.6% spend more than their capacity to pay. Married, higher per capita expenditure groups, and socially weaker sections exhibit increased probability of experiencing health catastrophe while as higher levels of education decreases this likelihood.

Keywords

Out-of-pocket expenditure, poverty, health catastrophe, NSSO, Jammu and Kashmir

Introduction

A considerable amount of scholarship has been directed towards the economic aspects of health spending and the associated consequence on health status and financial condition of population. Governments around the world have strived to frame policies to boost the health expenditure. The purpose of these policies is mainly two-fold. First, it aims at ameliorating health conditions of the population and, second, it attempts to reduce the financial burden or out-of-pocket (OOP) spending emanating from health spending. The financial burden emanating from large OOP expenses usually are detrimental when it reaches some threshold limit, which is termed 'catastrophic health expenditure'. 'Catastrophic' as the word suggests refers to 'a situation when an individual/household spends such high levels of expenditure on health that it weakens its capacity to maintain a normal standard of living' (Berki, 1986). This results in the impoverishment or directly contributes to the welfare losses as households shift their expenses from basic or customary consumption items towards illnesses or other health issues (Wagstaff & van Doorslaer, 2003; Xu et al., 2003). The outcome of such condition is likely to exacerbate poverty levels; a considerable amount of people may well slip into poverty. Moreover, if households belong to already poor sections of society, the

deepening effect of catastrophic OOP health spending could be disastrous. It, therefore, becomes important to study the effects of such expenditure that causes decline in the standard of living of the people.

Studies have already pointed out increased burden of health expenses on households in developing countries (Ke et al., 2011; Ladusingh & Pandey, 2013). This increased burden has been associated with the fact that there is low government health expenditure, high poverty levels, low health insurance, and therefore, low ability of households to pay (Xu et al., 2003). For instance, as per NHA (2018), about 60.6% of households in India bank on private or OOP spending to cover up their health expenses. Such huge spending increases the financial burden of the household reducing their capacity to fulfil other daily welfare expenses, as there is often associated opportunity cost (Russell, 1996). Not only this, the already poor are further plunged into extreme levels of poverty. A study by Hooda (2017) shows not only an additional estimated

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