



Deciphering the Healthcare Expense with Focus on the Real Cost of Doctors to Patients in India

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Abstract

Indian healthcare service is dominated by the private sector and public funding for healthcare is minimal. The increasing cost of healthcare services brings in hardships to the underprivileged both in terms of accessibility and affordability, pushing many families into debt traps. Despite several survey and analysis reports available on various aspects of healthcare service in India, a practical analysis of the cost components and their relative contribution to the hospital bills is scanty. This study has been carried out considering the criticality of finding the real cost enhancement components of healthcare. Hospital bills of random cases from India and abroad have been subjected for cost-split analysis under four heads like diagnostics, doctors' consultation fees, medicines, and hospital facilities. The study has revealed hospital facilities as the top-ranking cost component (45%) followed by medicines (26%), diagnostics (24%) and doctors' consultation (5%) in the Indian context. The pattern is slightly different in the other countries, with hospital facilities on top (45%), followed by diagnostics (22%), doctors' consultation fees (19%) and medicines (14%). Hence there is a contrast in the hospital fees components other than hospital facilities between India and other countries compared. Doctors' consultation fees ranked the least in India and last but one in other countries, with a large difference between them. Costs of the medicines and diagnostics are the real components contributing to the enhanced cost of hospital expenses in India.

Keywords: Hospital Fees; Cost-Split Analysis; Diagnostics; Medicines; Hospital Facilities

Abbreviations

BRICS: Brazil, Russia, India, China, South Africa; DBT: Direct Benefit Transfer; DPCO: Drugs Prices Control Order; ECA: Essential commodities Act; MBP: Market Based Pricing; NLEM: National List of Essential Medicines; NPPA: National Pharmaceutical Pricing Agency

Introduction

Healthcare is the primary need of every individual. Healthcare cost in India is burgeoning day by day and the ordinary citizen is deprived of accessibility to many medical care facilities due to the affordability factor. The major reason for this is the lower public funding for healthcare in India [1,2]. Meanwhile, India ranks among the list of top 20 countries in the world in terms of private funding for healthcare. It is reported that 82% of the medical expenses of

Indians are borne by the individuals from their personal funds [3]. Several studies have been carried out on the cost of hospital services from different perspectives in India [4-8] and abroad [9,10], but the split up costs of healthcare service, especially hospital bills is not available in most of the studies. Considering the importance of healthcare service as a primary concern and its high social impact, the root causes for the increasing healthcare expenses need to be identified for evolving effective strategies to optimize the costs and make the service affordable to all in need. This study intends to analyze the hospital fees components in terms of their relative contribution to the total bill amount with a focus on doctor fees.

Materials and Methods

Hospital bills of 10 random cases each from Indian hospitals and hospitals from other countries are collected from the public

domain and subjected to cost-split analysis by categorizing different components of the expenses like diagnostics, doctors' consultation fees, medicines and hospital facilities. The percentage of split up components in Indian and foreign hospitals have been derived and presented. The mean and standard deviation of the percentage fees charged by Indian and foreign doctors are compared. The bills included in this study for comparison belong to India, Singapore, and Philippines.

Results and Discussion

This study has analyzed a total of 10 hospital bills from Indian and foreign hospitals for various health issues. The comparison of doctors' consultation fees with the total fees of Indian hospitals (Figure 1) in actuals show the former as only a fraction of the later in 6 out of the 10 cases analyzed. Similar data from foreign hospital bills (Figure 2) shows doctors' fees contributing to a notable proportion of the total hospital fees in all the cases.

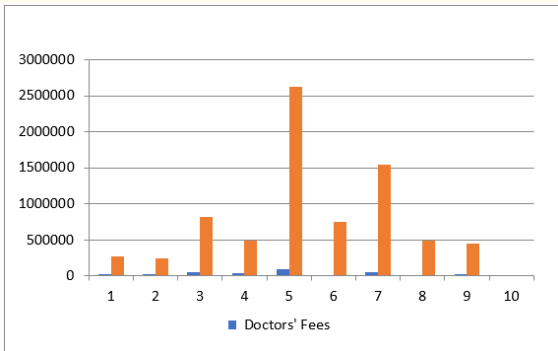


Figure 1: Comparison of Indian doctors' fees with total hospital fees [11-14].

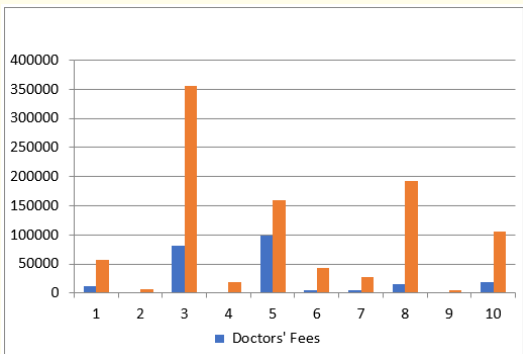


Figure 2: Comparison of foreign doctors' fees with total hospital fees [15-17].

The average percentage of doctors' fees in Indian hospitals ranged between 0.7 to 8.29 of the total hospital fees with an average of 5% (Figure 3). Similar data analysis for hospitals from abroad recorded doctors' fees ranging between 4.4% to 62.6% with an average of 19% (Figure 3). Like any other services, the service charges of Indian doctors are much lower when compared to the consultancy fees of doctors in other countries.

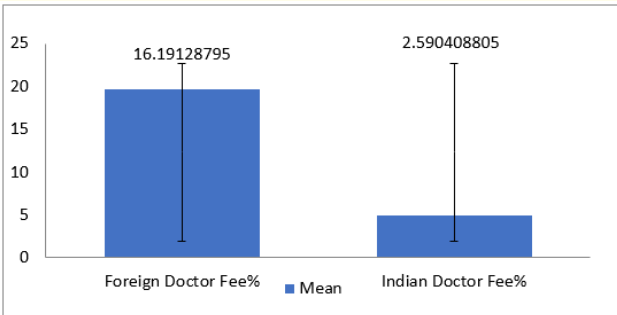


Figure 3: Comparison of doctors' fees in India and abroad*.
*In terms of percentage of total hospital fees [11-17].

Analysis of the cost-split patterns of hospital fees in Indian (Figure 4) and foreign (Figure 5) hospitals in terms of percentage of the total hospital fees have revealed similarities as well as differences. Interestingly, the basic hospital amenities and administrative expenses, classified as hospital facilities in the present study accounted for 45% of the total fees in both Indian and foreign hospitals and emerged as the largest cost component of the total fees. The rest of the components considered in the study however showed differences. Of the four components analyzed the highest difference in terms of fees is observed in the consultation fees of the doctors in India and other countries whereas diagnostic procedures and medicines found cheaper in other countries when compared to the cost in Indian hospitals (Figure 3 and 4).

This study has confirmed that the hospital facilities account for the major share of the healthcare cost in all the countries compared (i.e. India, Singapore, The Philippines). There is a wide gap between the consultancy fees of Indian doctors with that of the doctors of other countries. This observation endorses the conclusion of my previous study comparing the consultation fees of the doctors across the BRICS countries [18], in which fees of Indian doctors emerged as the least. The consultation fees of doctors ranked the least in India and least but one in the other countries

compared in this study. Developed countries like Canada, however, present a totally different picture, where the consultation fees of the doctors take a lion's share of the hospital bill [10]. Based on the outcomes of this study, medicines and diagnostic procedures have emerged as the costly components in the Indian healthcare stream when compared to other countries. There is a dearth of information regarding Indian hospital costs and the differential costing systems prevailing in various types of hospitals. The necessity of large-scale survey studies on hospital costing is recommended by other authors [4] as well for understanding the real cost parameters in the healthcare system in India.

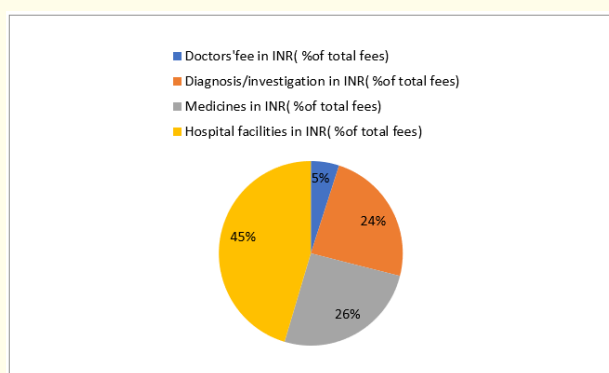


Figure 4: Relative distribution of fee components in Indian hospitals* [11-14].

*Mean percentage of all cases.

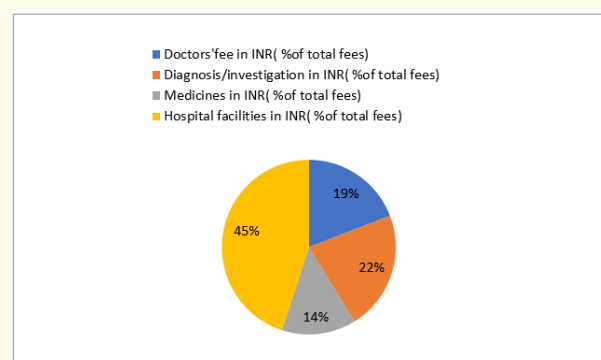


Figure 5: Relative distribution of fee components in foreign hospitals* [15-17].

*Mean percentage of all cases.

While considering the Govt. policies related to healthcare cost in India, the Drugs Prices Control Order (DPCO) 2013, under the Essential commodities Act (ECA) by the Govt. of India comes first. This regulation has been introduced with the primary objective of regulating the prices of essential drugs and making them affordable to the lower strata of the society. Accordingly, the Govt. has released a National List of Essential Medicines (NLEM), which are included under the purview of the DPCO. Citing the report of the Economic Survey 2019-20, PTI has reported an increase in the prices of regulated drugs parallel to those of similar drugs not listed in the NLEM and further observed that the expensive drugs and those sold in the hospitals showed a higher proportion of price hike in comparison with the cheaper drugs and those sold in retail medical stores [19]. Further, the economic survey report 2019-20 has opined that the ECA may be substituted with more market-friendly mediations like Direct Benefit Transfers (DBT) to the needy consumers, and making provisions for price stabilization funds, promotion of innovations through incentives, facilitating market integration and a steady flow of goods and services [19]. Contrast to this, a working paper of the Center for Global Development, Washington [20], has observed that the ECA has contributed towards the price decline of the NLEM listed drugs and closely related products meanwhile have made a big blow on the trade of such products bringing down their market share drastically and also affected the quality of such products, thereby affecting the healthcare options of the poor and rural patients. In yet another analysis of the DPCO and its impact on healthcare in India, Narula [21], has pointed out the limitations of the costing method opted for the purpose of limiting the prices. According to the author, the Market Based Pricing (MBP) method adopted for pricing leads to an increase in prices of the medicines, in comparison with the cost-based pricing and hence is not favoring the poor in the practical sense. Considering all these points, it is obvious that revised strategies for pricing, as well as the implementation of the DPCO, is very much needed to accomplish the real objective of the policy.

Diagnostic tests and procedures have emerged as the third-largest component of healthcare expense in India in the present study and is in conformity of the survey report of the National Pharmaceutical Pricing Agency (NPPA) [22]. Unlike the medicine sector, this is not really brought under price regulations by the Govt. so far. According to sources [23,24] the India Govt. is in a move to create a list of National List of Essential Diagnostic Tests, in the line of NLEM and bring those tests under price regulation to ensure affordability and accessibility to the common man.

Conclusion

This study has demonstrated that hospital facilities account for the largest share of private healthcare cost in India and abroad. Medicines and diagnostics are the second and third-ranking cost-components in India and Doctors' consultation fees the least. In other countries diagnostics and doctors' consultation fees are the second and third-ranking components and medicines make the least contribution to the hospital bills. Consultation fees of Indian doctors are much lower than that of doctors in other countries. In order to make the private healthcare affordable and accessible to the poor the Govt. policies on healthcare need a revamp considering the interests of all stakeholders of the system and the emerging scenarios.

Conflict of Interest

There is no conflict of interest for the authors.

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