THE RISE

Policy Brief

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Swasth Bharat@2047:

Strengthening the Foundations of Indian Healthcare

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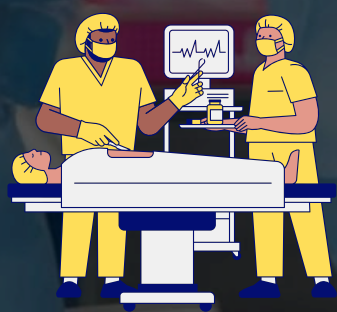

Executive Summary

Health is considered one of the most significant social risks globally. In India, health shocks continue to be a leading cause of poverty. Households in India still spend around 50–52% of their total health expenditure from Out-of-Pocket Expenditure, compared to 8–9% in France, 10–11% in Thailand, and 12–13% in Japan. Public spending on health is a concern, as only 1.97% of the total government expenditure is allocated to the Ministry of Health and Family Welfare, according to the 2025 Union Budget. This indicates that the involvement of the central government in healthcare spending remains limited.

While Ayushman Bharat scheme covers up to ₹5 lakh for hospitalizations, PM-JAY has become the largest health insurance scheme in the world. This scheme aims to cover the medical expenses for poor and vulnerable groups across India, based on the deprivation and occupational criteria of the Socio-Economic Caste Census (SECC 2011) for rural and urban areas, respectively.

However, most of the Primary Health Centres (PHCs) remain underfunded, turning preventable illness into high-cost hospitalizations. The growth of private hospitals has further increased patients' medical expenses.

Globally, there are alternative models, such as Brazil's free Universal SUS system, France's Universal Health Coverage system, and Taiwan's Single-Payer National Health Insurance Model.

Introduction

The issue with healthcare-related expenditure in India indicates that the extreme poor are disproportionately burdened, often pushed into financial hardship with limited access to quality care. The current health coverage system remains fragmented, with stark disparities with regards to quality healthcare between urban and rural areas. The Lancet Regional health study (2022) reveals that, vulnerable groups face higher incidences of catastrophic health expenditure. A 2021 national household survey further showed that awareness and enrolment levels were the lowest among households in the poorest 40% of the population, highlighting the scheme's failure to adequately target the most vulnerable.

"Thus, overall, the scheme shows loopholes failing to target the most vulnerable population," report stated. This fragmentation leads to inefficient resource utilization and improper risk pooling, leaving large section of population unprotected against health-related financial risks.

Problem Description

The lack of a unified and universally accessible health coverage system, not only exacerbates health inequalities but also hinders the progress towards Universal Health Coverage (UHC). There is an urgent need for India to develop and implement an integrated coverage model that ensures affordability, accessibility, quality of care across all demographics.

Concept of Extra-cost

Ayushman Bharat significantly reduces catastrophic health expenditures for most patients (Kanwal et al., 2024). However, very high-cost surgeries beyond the ₹5 lakh limit may require complementary financial protection mechanisms. Also, the scheme does not cover expenses beyond this cap, which can be a major challenge for families requiring multiple surgeries in the same year. For instance, Complex Category III Congenital Heart surgeries (with implants) that cost ₹2,70,000 followed by Renal Transplant Surgery (including donor nephrectomy) that could cost ₹2,15,000, the remaining burden beyond 5 lakh has to be borne by patient itself (National Health Authority, n.d.).

Although while the scheme appears generous, large families may quickly exhaust the coverage if multiple members fall ill or need costly treatment within the same policy year, resulting in higher out-of-pocket spending.

Under PM-JAY, about 33,064 hospitals are empaneled across India, including 17,679 public and 15,385 private hospitals (National Health Authority, n.d.). Seniors aged 70 and above get an additional top-up of ₹5 lakh under Ayushman Vay Vandana. However, awareness about these empaneled hospitals remains low. Studies show that 25–30% of eligible beneficiaries still seek care at non-empaneled hospitals due to lack of awareness and accessibility, leading to high out-of-pocket expenses and financial distress.

Coverage

The scheme covers approximately 12 crore economically vulnerable families, amounting to about 55 crore beneficiaries, or roughly around 40% of population. To strengthen the system, ABHA (Ayushman Bharat Health Account) has been introduced, creating a digital health ID for safe and efficient record keeping. With this, people can access and share their health data with their consent, with participating healthcare providers and payers. Over 41 crore Ayushman cards have been issued, indicating substantial reach but around 60% uncovered.

Who are the other 60%?

Middle and Upper-Income group, generally those who earn more than ₹5 lakh per year are not covered under the Ayushman Bharat Pradhan Mantri Jan Arogya Yojana (PM-JAY) scheme. Formal sector employees with social security cover, affluent populations which usually refers to high-income, and those covered by other state, central schemes or private insurance programs also do not come under the ambit of the scheme.

Evidence & Global Lessons

A recent survey by Navi found that 37 % of Indians who do not intend to purchase health insurance felt the policies were too expensive, while 26 % believed health insurance was meant only for older people rather than the young (The Tribune India, 2025). In India, basic individual health insurance plans often have annual premiums ranging from ₹5,000 to ₹20,000, while family floater plans covering multiple members may cost ₹10,000 to ₹50,000 or more, depending on age, coverage, and city of residence (Niva Bupa, 2025).

India's contribution in the Government Health Expenditure (GHE) has been accounted to 1.9% of GDP in FY24 (World Bank,.n.d.). Even though this marks growth compared to the previous years, it remains far below benchmark. According to the World Health Organisation (WHO), for a country to achieve effective Universal Health Coverage (UHC), GHE should be ideally be 5% of GDP (Resyst, 2016). This threshold is considered necessary to ensure sufficient public financing for health, reduce dependence on out-of-pocket spending, and provide equitable access to quality healthcare services for all citizens.

To put this in perspective, several countries across the world have adopted best practices that demonstrate how strategic investment in public health can ensure affordability, accessibility, and quality of healthcare for all.

Country	Strategic Focus	Best Practice
Sweden	Primary care	Spends about **9% of GDP** on health, focusing accessible **primary care** that reduces admissions for hospitals and improves outcomes.
Taiwan	Unified Insurance System	The country achieved over **99%** population coverage with a **single-payer** National Health Insurance system, reducing administration costs to under 4% of the healthcare budget.
France	Regulated Private Insurance Market within Universal Mandate	A **mutuelle** in France is a type of complementary health insurance that works alongside the public healthcare system (**Sécurité Sociale**). While the French state typically **reimburses 70% of medical costs**, with practitioners who don't charge above the state reimbursement rate, a mutuelle covers some or all of the remaining expenses.
South Korea	Digital Health Infrastructure	Covers data of over **97% of population** by **national electronic health records**, which streamlines care coordination and cost monitoring
Norway and Japan	High Public Health Expenditure	About 8.5% of GDP, Both stand higher globally, financing universal access with **minimal out-of-pocket costs**

Need for global collaboration

- Local innovations often fail to scale globally due to the lack of frameworks for cross-border knowledge exchange and harmonized standards. Collective actions are required.
- The effectiveness of Artificial Intelligence in healthcare depends on strong interconnectivity across diverse data sources, which enables scalable, trustworthy, and equitable algorithms.
- The global digital health revolution needs breakthroughs in technologies. It requires effective global collaboration and system-level alignment.

Policy Suggestions

- The **ABHA system must be rapidly scaled up** to ensure every citizen has a digital health ID linked to interoperable medical records, empowering seamless healthcare access nationwide and patient control.
- Implement **income-graded contributions** for public health insurance schemes with transparent subsidies for low-income groups, preventing financial hardship and ensuring affordability.
- Create a secure, **open-source health data platform** to enable real-time health trend analysis by researchers, policymakers, and innovators, facilitating rapid response to epidemics and evidence-based adjustments.
- Promote a **hybrid public-private system** in which the private insurers help reduce public system burdens and improve patient experience without fragmenting universal access.
- Medical fees should be **strictly regulated** to keep health care affordable, preventing inflated costs while also maintaining quality and not exploiting the medical servants.
- Combine **mobile vans with real-time AI diagnostic support** and teleconsultation capabilities for cost-effective delivery of primary and preventive care in remote areas.
- Empanelled hospitals should **display official, standardized plaques** or digital signage, and patient portals (such as PM-JAY apps) should include a "Locate empanelled hospitals near me" feature using geolocation, filters for scheme coverage, speciality, and hospital ratings, to raise awareness among beneficiaries.

Conclusion

India's health protection system is at a critical juncture, showing progress through Ayushman Bharat, digital initiatives like ABHA, and expanded service delivery. Yet, persistent gaps in financing, awareness, and equitable access continue to push vulnerable groups into financial hardship. International best practices highlight that sustained investment, stronger primary care, regulated private participation, and robust digital infrastructure are key enablers of universal health coverage.

To meet the WHO-recommended benchmark, India must raise public spending on health (Resyst, 2016). ABHA-linked digital integration should be scaled up. Primary Health Centres need strengthening. Financial protection must extend beyond the current ₹5 lakh cap.

Reforms should be guided by equity, transparency, and patient empowerment. These measures will help build a resilient health system prepared for present and future challenges.

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