

Cost of Health Care in the Public Hospitals in Maharashtra: 1999-2000*

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The present study is the outcome of a team research undertaken at the Population Research Centre of the Gokhale Institute of Politics and Economics. The study tries to calculate the cost of providing hospital services on a per capita basis spread over seven districts of Maharashtra in the year 1999-2000. Average cost is calculated separately for each of the components like fixed and variable cost. An inter-district comparison is also attempted to show the spatial difference in cost associated with hospital services. Lastly it argues the case of increasing efficiency in two ways: (i) by increasing the entitlements to health care and (ii) by lowering the costs.

Introduction

For various compelling reasons governments often finance and provide social services like basic health care and education. Since the public resources are usually limited in developing countries, the efficiency in spending the scarce resources becomes an important dimension of social services. Public health programmes are expected to provide the greatest benefit within the limited resources available so that the patients and the community get the optimal rather than maximum health care. When public hospitals are weak and accountability for the use of public resources is low the public expenditure on health may not result in desired health outcomes for the community. Sometimes the resources provided to the public hospitals are underutilised in India. Underutilisation of the public hospitals arises due to various reasons (e.g. poor resources, weak administration, vacancies not filled, shortages in supply of medicines and equipments, absenteeism among staff, improper location, etc.) but certainly it is the wastage of public resources. Unless the efficiency of spending increases, any extra funds allocated could be wasted. Further, optimum utilisation of the public hospitals makes sense for the public health spending, since improving the utilisation attracts more patients and reduces per capita cost. High volume of patients enables the hospital to distribute its fixed costs over a larger number of patients at lower cost.

In India, the public expenditure on health care has come down considerably in recent years due to the structural adjustment policies. The reduced spending on health care can lead to an increase in imbalances and inequities between poor and rich in health

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