

Abstract for “Public Retreat, Private Expenses and Penury – A Study of Illness Induced Impoverishment in Urban India”

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In recent years, out of pocket health care expenditure has emerged strongly as a potential poverty trap. Measurement of treatment cost induced impoverishment has mostly followed the methodology suggested by Wagstaff and Van Doorslaer in 2003, and subsequently adopted by the World Bank. By this method, poverty headcount is computed on the basis of consumption expenditure with and without out of pocket (OOP) health care payment. The difference between the two then gives impoverishment, exclusively on account of treatment cost. A problem with this methodology is that simply subtracting OOP expenses from consumption expenditure and comparing it with the existing poverty line ignores the fact that the poverty line itself may include some non-food (and therefore, health) expenditure, no matter how small it is. In other words, some amount of health expenditure is implicit in the poverty line that needs to be deducted and then compared with the household expenditure net of OOP payments to get a more robust estimate of the phenomenon.

Addressing this critical methodological issue, this paper computes illness induced impoverishment for urban India. Urban India is particularly vulnerable to this phenomenon given the greater demand for health, absence of a structured health care system, overburdened public institutions, ubiquitous and unregulated private health care market and the generic paucity of public funds. Applying a refined methodology to nationally representative household level data for two time points, this paper computes the degree and depth of impoverishment from out of pocket medical expenses, and its variation across states and select socio-economic characteristics.

Roughly 6 percent of the urban population or about 18 million people were impoverished entirely due to out of pocket medical expenses in India. There were substantial inter-state variation in incidence of this burden and all but one states display an increase in the degree of impoverishment between 1995-96 and 2004. The depth of poverty also registered a threefold increase between the two periods. Urban Muslims, scheduled caste, casual labour and lower middle income households were easily the most vulnerable to the financial implications of ill-health.