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Title: How effective is Public Health Care Expenditure in Improving Health Outcome? An Empirical Evidence from the Indian States

Studies on the linkage between public health spending and health outcomes remain an important contribution for implementing public health policies in developing countries. India has introduced ‘National Rural Health Mission’ in 2005 for improving various proximate and ultimate health outcomes with a surge in public health spending. Despite a surge in health expenditure in recent time, there is a persistence of inequality in health-related developmental goals and target among the Indian States due to a low level of government health expenditure with respect to income, low spending priority, less absorption capacity and inefficiency in health expenditure. Therefore, the crucial question is whether the increased public spending on health in India has yielded better health outcomes? Which factors are important for improving health outcome? With this backdrop, the purpose of this study is to investigate the effects of per capita public health expenditure on selected health outcome using longitudinal fixed effects models across 28 Indian States for the period of 2005 to 2016.

To the best of our knowledge, this is one of the earliest studies to verify public health expenditure on various proximate and ultimate health outcomes among the Indian States. Along with all States, the objective of the study is also examined by dividing the Indian States into different groups like High Focused States, Non-High Focused States etc., which is a novel attempt. This will help the policymakers as these classifications are based on the prevalence of health indicators in the States. The empirical results show that per capita health care expenditure shows a positive and statistically significant effect on the reduction of infant and child mortality rate; reduction malaria and increase in Life expectancy, immunization coverage across States, while the impact is weak in the case of High-Focus States. We find that fiscal grants and total services infrastructure have potential effect for reducing the inequality in health outcome among States irrespective of the level of development. Keeping an eye on universal health assurance schemes at the State level, it suggests for enhancement of public health spending, more fiscal grants and improvement of health infrastructure among the Indian States.