CHAPTER 1: INTRODUCTION

The importance of health care in modern day society can be gauged from the fact that good health is recognized as one of the fundamental rights of an individual. So much so, that out of the eight recognized millennium development goals of the United Nations, health finds its place in three of them (United Nations, 2000). The enormity of the health issues around the world especially in the developing and poor countries is well documented. A comparison of the basic health indicators clearly indicates that developed nations of the world, fare far better on healthcare provision and utilization, when compared to the developing nations. This is evident from the figures shown in the World Health Statistics, released by World Health Organization (WHO) in 2012. For example, in a developed country like Germany, the government shares 77% of all the national expenses made on health. Similar figures for a developing country like India stands at 30.3%. This shows that out of pocket expenditures on healthcare are extremely high in India and this creates a huge financial burden on its citizens. Studies have revealed that every year many individuals in India are driven to poverty purely due to the huge medical expenses that are borne out of one’s own pocket (Duggal, 2007). Today, various government bodies, both at the national and the state level, are making concerted efforts to improve the healthcare scenario in the country. However, there still remain stiff challenges at the policy as well as execution level which are roadblocks on the path to achieve the health related goals.

Genesis of these challenges to a large extent can be found in the characteristics of the healthcare services in India and the related utilization\(^1\) patterns of these services. In this backdrop, the role of healthcare services providers becomes very vital as they are a key element in determining the

\(^1\) Healthcare services utilization is defined as the usage of health care services by an individual suffering from an ailment for himself/herself (Cevallos & Chi 2010, p2).
provision of these services and influencing the usage patterns by the general population. Hence, to improve the overall health scenario it becomes important to understand the part played by various providers of healthcare services in India.

Based on the characteristics of the service providers, healthcare services can be broadly classified as public and private. Public healthcare services are those healthcare services that are provided by government owned or controlled entities whereas private healthcare services are the ones provided by privately owned or controlled entities.

Almost twenty two percent of the population in India is believed to be below the poverty line (Planning Commission of India, 2013); therefore, the cost of treatment is a major factor in utilization of healthcare services. Since public healthcare services are lower in the cost aspect when compared to the private healthcare services, they play a very important role in providing affordable healthcare services to the Indian society. A comparative analysis of the costs associated with getting a treatment in public and private source shows that for outpatient services, average expenditure in private healthcare sources is more than twenty times as compared to public healthcare services for urban or rural areas of India (National Sample Survey, 60th Round, 2004). For inpatient services the average expenditure for hospitalized treatment is more than twice in private sources as compared to the public healthcare services for urban as well as rural areas (National Sample Survey, 60th Round, 2004). Patel et al. (2010) in a study done in Gujarat, India, found empirical evidence that free medical services was the primary reason for the choice and utilization of public healthcare services.

Considering the fact that public healthcare services are more affordable and have a wider reach in terms of their geographic coverage across the country, it is natural to expect a greater
utilization of public healthcare services. However, national statistics reveal that the private sector accounts for the majority of healthcare services utilization in both rural & urban parts of India. For all the outpatient services utilized in India, almost 80% of the healthcare services utilized are that of private healthcare sources irrespective of urban or rural areas of residence. Corresponding figures are approximately 60% for inpatient services (National Sample Survey, 60th Round, 2004). Therefore, despite the fact that during the last two decades there has been a lot of emphasis on public healthcare services in the form of increased monetary outlay and multitude of programs by national and state governments (Annual Report, Ministry of Health and Family Welfare, 2010), there is an increase in the domination of private players in health care sector (NSSO, 2004).

Several studies had been conducted to understand the reasons behind the preference for private healthcare services providers in India. It has been reported that people prefer private healthcare services providers as they perceived the quality of services to be better than public healthcare facilities (Pinto & Udwadia, 2010; Dilip & Duggal, 2004). Patel et al. (2010) observed that people like to utilize private healthcare facilities since they have shorter waiting times, convenient operating hours, better hygiene and greater faith in their doctors as compared to public healthcare facilities. It is also found that, in comparison, public healthcare services are plagued by non availability of essential medicines, modern equipments and shortfall of trained human resources thus tilting the balance towards preference for private healthcare service providers in India (Mahal et al., 2000; Naylor et al. 1999). NSSO report (2004) suggests that the dominance of private healthcare providers (particularly in time of emergency) is related to easier availability and accessibility of private sector as compared to their public counterparts. In the light of relatively large penetration of public sector in healthcare and huge outlay to improve
infrastructure of public sector agencies in healthcare, the aforementioned reasons could be debated. Further, while these reasons may explain the behavior of urban population, the preference for private healthcare amongst the rural population is an outcome that merits greater attention particularly when one considers the fact that rural population has received special attention and greater impetus from the state.

Consequently, there is a need to understand the aforementioned anomaly in the pattern of health care services utilization by investigating the determinants that lead an individual to choose between public and non public healthcare services providers. These determinants should include individual characteristics as well as socio-political and cultural influences that govern the choice and utilization of healthcare services. Especially in India where society comprises of various castes, religions and languages investigating these factors are crucial in understanding the choice of healthcare service provider. Looking into the different (residential) environments there is also a need to investigate the choice of healthcare service provider within the different subsamples of urban and rural populations.

There are two key motivations for this dissertation. The aforementioned need to identify the determinant(s) that guide the choice of healthcare service providers outlines the first motivation. The origin of the second motivation lies in presence of another category of healthcare service providers in India. Studies on health care services utilization in India (Majumder, 2006, Ager & Pepper 2005; Soman, 2002) have reported the existence of Indian medicine providers (homeopathic/ayurvedic/traditional healers) along with public and private healthcare service providers. They are considered to be a part of society and have been known to coexist as an alternate healthcare system across the country. These providers generally have the advantage of a positive word of mouth, easy accessibility and low cost of treatment (Soman, 2002). Thus, Indian
medicines providers play an important part in choice of health care services provider and a study on Indian healthcare services would remain incomplete if the Indian medicine providers are not taken into consideration. Given their long and continued existence in both rural and urban parts of the country and little attention accorded to them, there is a need to study the role played by Indian medicine providers.

Study of the determinant(s) of the choice of healthcare service provider can provide an immense insight into healthcare related behavior of both rural and urban population. The outcome of a research based empirical finding can provide strategic inputs to the service providers (particularly private sector) and provide guidelines to policy makers in healthcare for judicious allocation of resources to ensure enhanced utilization of healthcare services.

This dissertation is organized as follows: Chapter 2 reviews the literature of healthcare services utilization for development of theoretical background for the dissertation. The review includes theoretical models and empirical evidence. Chapter 3 describes the research questions, development of the model framework & hypotheses formulation in details. Chapter 4 explains the data and methodology used for the studies done as part of the dissertation. Chapter 5 presents the results of the data analysis in details explaining the descriptive as well as multivariate analysis. Chapter 6 discusses the results obtained from the previous chapter in detail along with the policy implications of the findings and future direction of the research.