

Income elasticity of demand for health care and its change over time: Across the income groups and levels of health expenditure in India

No. 324

20-October-2020

Jay Dev Dubey



**National Institute of Public Finance and Policy
New Delhi**

**Income elasticity of demand for health care and its change over time:
Across the income groups and levels of health expenditure in India**

Jay Dev Dubey¹

Abstract

This study computes income elasticity of out-of-pocket healthcare expenditures of Indian households both across the income groups using the Spline regression model and across the level of health expenditure based on the Quintile regression technique using survey data collected in 2014 and 2018. Healthcare is found to be a necessary good in all cases, with significant decline in its income elasticity over time. The changes from 2014 to 2018 makes income elasticity higher for lowest income group compared to other income groups for all forms of health expenditure in rural areas and for outpatient and non-medical expenditure in urban areas. The overall trend for total health expenditure and outpatient expenditure implies that in times of severe health crisis needing expensive treatments, any income increase would lead to higher increase in health expenditure compared to minor health care needs, leading catastrophic health expenditure and impoverishment in case of poor households.

Keywords: Healthcare expenditure, Income Elasticity, Spline Estimation, Catastrophe, Quintile Regression

¹ Fellow-II, NIPFP, Delhi. Email: jaydev.dubey@nipfp.org.in. The author acknowledges Dr. Bidisha Mondal, Research Fellow, NIPFP for her valuable comments and helpful discussion. The author is responsible for all the errors.