

# A health financing perspective

The fiscal space for social sectors, including health, continues to shrink

ILLUSTRATION: AJAY MOHANTY



The finance minister's 2025-26 Budget speech identified agriculture, micro, small and medium enterprises (MSMEs), investment, and exports as the four engines of growth, supported by reforms in taxation, power, urban development, mining, finance, and regulation — aiming for an inclusive and developed Viksit Bharat.

However, the social sector remains neglected, with its share in total Union expenditure declining from 5.3 per cent in 2019-20 to just 3.9 per cent in 2025-26. This brief highlights this gap, particularly in public health, by analysing seven full Budgets presented by the finance minister from a health finance perspective.

In the 2025-26 Budget, the finance minister addressed public health seven times, emphasising accessible, high-quality, and affordable healthcare. Key initiatives included broadband connectivity for government schools and primary health centres (PHCs), AI-driven Centres of Excellence for Health, and the expansion of medical education with 10,000 new seats, aiming for 75,000 over five years.

She also proposed 200 Day Care Cancer Centres, PM-JAY coverage for 10 million gig workers, and initiatives like "Heal in India" to boost medical tourism, in partnership with the private sector. Additionally, Customs duty relief was announced for 36 lifesaving drugs, with six more attracting a

concessional 5 per cent duty, alongside expanded patient assistance programmes.

The Budget allocates ₹1.19 trillion to the health sector, covering the ministries of AYUSH, Health and Family Welfare, and Finance. Notably, the 15th Finance Commission grants for the health sector are routed through the Ministry of Finance. The Union Health budget now accounts for 2.4 per cent of the total Union Budget and 0.33 per cent of the projected gross domestic product (GDP), down from 3.59 per cent and 0.56 per cent, respectively, in the 2021-22 Budget.



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The Union health Budget saw negative growth in the past three years — 14 per cent in 2022-23, 1 per cent in 2023-24, and 6 per cent in 2024-25. Additionally, the revised Budgets for 2022-23 and 2023-24 were 15 per cent and 18 per cent lower than the original allocations. However, the 2025-26 Budget shows an 18 per cent increase, compared to 2024-25, with the revised Budget 3 per cent higher than the initial 2024-25 allocation.

A closer look at the 2025-26 Union Budget reveals that the Ministry of Finance is allocating the pending amount of the 15th Finance Commission grants, as this marks their final year. Consequently, the health sector's allocation through the Ministry of Finance has surged by 154 per cent. The Ministry of AYUSH's budget has increased by 8 per cent, while the Ministry of Health and Family Welfare's budget has risen by 10 per cent.

Similarly, there is a 70 per cent increase in the health budget routed through the finance ministry to distribute the 15th Finance Commission grants in the revised 2024-25 Budget. The expansion of the Union health budget after three years of decline is a welcome relief, but it is primarily driven by the urgency to release the 15th Finance Commission's final-year health grants. These funds, meant for local bodies, require strong coordination across government levels. However, limited local capacity has hindered effective utilisation, with only half of the allocated funds spent between 2021-22 and 2023-24.

In India, public health is primarily the responsibility of state governments. However, the Union health budget has a crucial role in shaping the sector's trajectory for the upcoming fiscal year, thereby, drawing significant attention from health economists nationwide.

India has set various milestones and targets for the upcoming years. The 11th Five-Year Plan proposed an increase in government health spending to a minimum of 2 per cent of GDP by 2012. The National Health Policy of 2017 recommended further elevating public health spending to 2.5 per cent of GDP by 2025.

According to the latest National Health Accounts (2021-22), the Union government accounts for a modest 41.8 per cent of total government healthcare expenditure in India. A rough estimate suggests that the combined healthcare budget of the central and state governments for 2025-26 is approximately 0.79 per cent of the projected GDP. This figure falls significantly short of the targets set in the 11th Five-Year Plan and the National Health Policy of 2017.

Ayushman Bharat, India's flagship programme for universal health coverage (UHC), includes PM-JAY, the world's largest health assurance programme. The 2025-26 Budget sees a 29 per cent increase in PM-JAY funding, with a 4 per cent rise in the revised 2024-25 Budget. Covering ASHA and Anganwadi workers, senior citizens above 70, and gig workers, PM-JAY accounts for 7 per cent of the Union health budget. However, the per-capita Union health budget for 2025-26 is ₹844 — 8 per cent lower than the pandemic year—raising concerns about achieving UHC by 2030.

The fiscal space for social sectors, including health, continues to shrink, risking a loss of critical lessons learned during the pandemic. This trend signals a move away from investing in social infrastructure, which could hinder long-term socio-economic progress, especially in addressing poverty, inequality, and access to basic services.

Despite hopes for change, the Union health budget continues to fall short, leaving many unmet expectations. Yet, like a distant lighthouse, there remains hope that the government will eventually prioritise the social sector as a key engine of development, guided by inclusivity.

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