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Economic Burden of Health Care Expenditure among Low-Income Urban Households

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Abstract:
Rapid urbanization in developing countries has led to the expansion of low-income settlements where households face significant challenges in accessing affordable and quality healthcare services. Despite various public health initiatives, out-of-pocket (OOP) health expenditure remains a major financial burden for economically disadvantaged urban families. This paper examines the economic burden of healthcare expenditure among low-income urban households by analyzing its impact on household income, consumption patterns, savings, and overall well-being. The study is based on secondary data collected from government reports, the National Sample Survey (NSS), National Family Health Survey (NFHS), the World Health Organization (WHO), the World Bank, and published research articles. A descriptive and analytical research design has been adopted to understand healthcare spending patterns and their socio-economic implications. The findings indicate that medical expenses account for a substantial share of household income, often leading to catastrophic health expenditure, indebtedness, reduced savings, and compromised spending on education and nutrition. The study highlights the need for strengthening public healthcare infrastructure, expanding health insurance coverage, improving financial protection mechanisms, and ensuring equitable access to quality healthcare services. Reducing the financial burden of healthcare is essential for improving the quality of life and promoting inclusive urban development.

Keywords: Healthcare Expenditure, Out-of-Pocket Expenditure, Low-Income Households, Urban Poverty, Financial Protection, Health Economics, Catastrophic Health Expenditure, Universal Health Coverage.

Introduction

Healthcare is a fundamental component of human development and economic productivity. Good health enhances labour productivity, educational attainment, and overall quality of life. However, for low-income urban households, healthcare expenditure often represents one of the largest financial risks. Rapid urbanization has increased the number of people living in informal settlements where poor sanitation, overcrowding, environmental pollution, and inadequate healthcare facilities contribute to a high incidence of illness.

In many developing countries, including India, households continue to finance a large share of healthcare through out-of-pocket payments. These expenses include consultation fees, medicines,

diagnostic tests, hospitalization, transportation, and post-treatment care. Such expenditures frequently force families to borrow money, sell productive assets, or reduce spending on food and education. This phenomenon, known as catastrophic health expenditure, reinforces the cycle of poverty and inequality.

Although government programmes and health insurance schemes have improved access to healthcare, significant gaps remain in financial protection for vulnerable urban populations. This study examines the economic burden of healthcare expenditure among low-income urban households and explores policy measures to reduce financial hardship while improving health outcomes.

2. Review of Literature

The relationship between healthcare expenditure and household welfare has been extensively examined by economists and public health researchers.

Amartya Sen (1999) argued that health is a fundamental capability essential for expanding human freedom and achieving sustainable development. Investment in healthcare improves productivity and contributes to long-term economic growth.

The World Health Organization (2023) reported that out-of-pocket healthcare expenditure continues to push millions of people into poverty every year, particularly in low- and middle-income countries where health insurance coverage remains inadequate.

The World Bank (2022) highlighted that financial protection through universal health coverage significantly reduces catastrophic healthcare expenditure and improves household welfare.

3. Research Methodology

This study adopts a descriptive and analytical research design to examine the economic burden of healthcare expenditure among low-income urban households. The study is based entirely on secondary data collected from reliable national and international sources, including the Census of India, National Sample Survey Office (NSSO), National Family Health Survey (NFHS), Ministry of Health and Family Welfare, World Health Organization (WHO), World Bank, NITI Aayog, and peer-reviewed journals.

The study focuses on key variables such as household income, healthcare expenditure, hospitalization costs, medicine expenses, health insurance coverage, borrowing for medical treatment, and catastrophic health expenditure. Healthcare expenditure is treated as the independent variable, while household economic well-being is considered the dependent variable.

The collected data are analyzed using descriptive statistical techniques such as percentages, averages, frequency distributions, and tabular analysis. Comparative analysis is employed to examine variations in healthcare spending among low-income households, while trend analysis helps identify changes in expenditure patterns over time. The findings are interpreted using health economics and welfare economics perspectives to assess the financial burden of healthcare and its impact on household welfare. This methodology provides a comprehensive understanding of the economic consequences of healthcare expenditure among urban poor households.

4. Findings

1. Low-income urban households spend a substantial proportion of their monthly income on healthcare.
2. Out-of-pocket expenditure remains the primary source of healthcare financing.

3. Medicines constitute the largest component of household medical expenditure.
4. Hospitalization often results in catastrophic healthcare expenditure and indebtedness.
5. Many households borrow money or sell assets to finance medical treatment.
6. Lack of comprehensive health insurance increases financial vulnerability.
7. High healthcare costs reduce expenditure on education, nutrition, and housing.
8. Preventive healthcare utilization remains low due to financial constraints.

Recommendations

- Strengthen public healthcare infrastructure in urban low-income communities.
- Expand government-sponsored health insurance coverage for vulnerable households.
- Reduce out-of-pocket expenditure through affordable medicines and diagnostic services.
- Increase investment in preventive healthcare and health awareness programmes.
- Improve accessibility and quality of primary healthcare centres.
- Introduce cashless treatment facilities for economically weaker sections.
- Promote digital health services to reduce healthcare costs.
- Encourage public-private partnerships to improve urban healthcare delivery.
- Strengthen monitoring and implementation of health welfare schemes.
- Increase government expenditure on healthcare to achieve Universal Health Coverage.

6. Conclusion

Healthcare expenditure remains a major economic challenge for low-income urban households. Heavy dependence on out-of-pocket payments often results in financial hardship, indebtedness, and reduced expenditure on essential household needs. The study demonstrates that strengthening public healthcare systems, expanding health insurance coverage, and improving access to affordable healthcare services can significantly reduce the financial burden on vulnerable households. A comprehensive policy approach combining financial protection, improved healthcare infrastructure, and preventive health interventions is essential for promoting equitable healthcare access and sustainable urban development. Reducing healthcare-related financial risks will not only improve household welfare but also contribute to broader economic growth and human development.

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