

**Chapter-6**  
**Financial Management**



## Chapter-6: Financial Management

A key requirement for any health system is to ensure that the available public funds are utilised in line with health system objectives. Such funding seeks to give Governments and health authorities, both the financial capacity and the incentive to fulfil their objectives. Examination of records disclosed deficiencies in planning and adequacy of funds for the health care sector as discussed in the succeeding paragraphs.

### 6.1 Expenditure on Health Sector in the State

Details of spending on the health sector in the State by the Government of India (GoI) and the Government of Uttarakhand (GoU) during the period 2016-22 is given in the **Table-6.1** below:

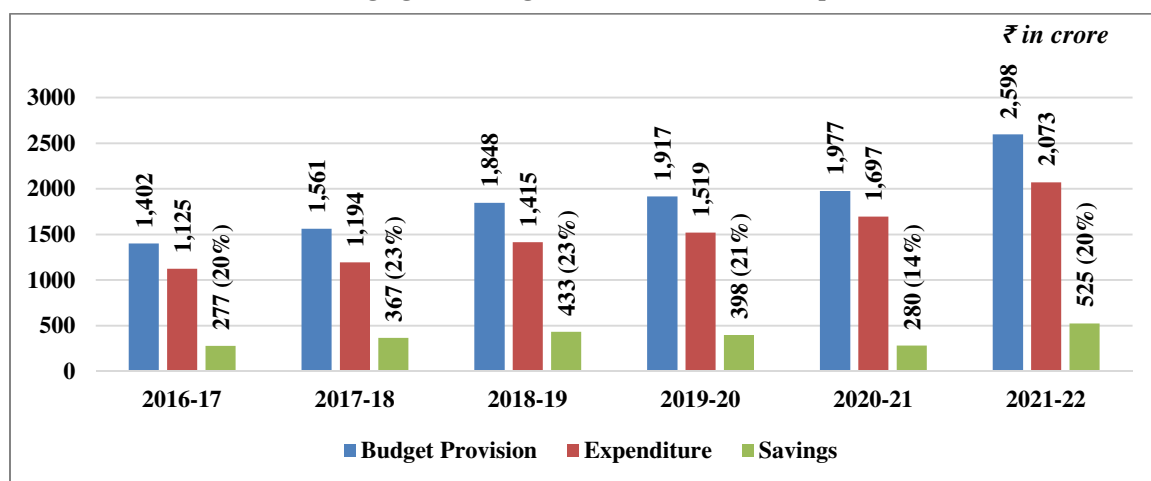
**Table-6.1: Expenditure on Health Sector<sup>1</sup> (GoI and State Government)**

Year	Government of India <sup>2</sup>	Government of Uttarakhand
	Expenditure	Expenditure
2016-17	381.23	1,124.92
2017-18	424.96	1,194.37
2018-19	681.35	1,414.75
2019-20	582.25	1,518.66
2020-21	792.38	1,696.76
2021-22	947.00	2,072.59
<b>Total</b>	<b>3,809.17</b>	<b>9,022.05</b>

(₹ in crore)

The saving (percentage) against the budget provisions of the State Government is given in the **Chart-6.1** below:

**Chart-6.1: Saving against Budget Provision of the State (per cent)**



Source: Appropriation Accounts.

<sup>1</sup> Under Grant No.12 & 30 (Major Head: 2210, 2211, 4210 and 4211), Grant No. 16 (Major Head: 2210), Grant No. 31 (Major Head: 2210, 2211 and 4210).

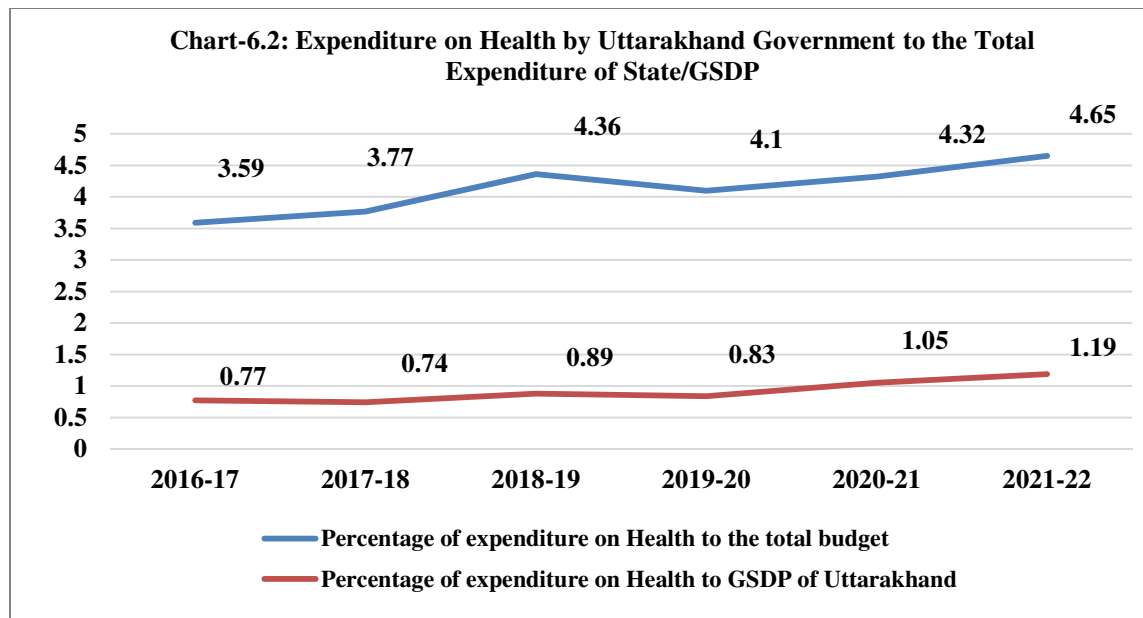
<sup>2</sup> GoI's expenditure has been calculated as expenditure classified under sub head 01 of Major Head 2210, 2211, 4210, 4211.

During 2016-22, there were savings ranged from 14 per cent to 23 per cent against the budget provisions made by the State Government on Health Sector.

### 6.2 Expenditure on Health Sector by the State vis-a-vis National Health Policy norms

NHP, 2017 advocates that the states should spend more than 8 per cent of their budget on health by 2020. In addition, the policy targeted increasing health expenditure by Government as a percentage of GDP from the existing 1.15 per cent to 2.5 per cent by 2025.

The details of percentage of the State expenditure on Health sector to GSDP<sup>3</sup> of Uttarakhand and against total budget of the State during 2016-22 is given in the **Chart-6.2** below:



Source: CAG's State Finances Audit Report and Appropriation Accounts.

From above, it is seen that against the target of 8 per cent, the Government spending on health sector has increased from ₹ 1,506.15 crore (3.59 per cent of total budget of State) during 2016-17 to ₹ 3,019.59 crore (4.65 per cent of total budget of State) during 2021-22. Similarly, as against the target of 2.5 per cent (to be achieved by 2025), the expenditure on health by the State Government increased from 0.77 per cent to 1.19 per cent of GSDP during the same period.

### 6.3 Expenditure on Primary Health Care Services

NHP, 2017 envisaged that two third or more of total health budget should be allocated for Primary Health Care.

The Details of expenditure on primary health care<sup>4</sup> during 2016-22 is given in **Table-6.2** below:

<sup>3</sup> Assuming that the target of NHP 2017 for increasing health expenditure is provisioned for the state also.

<sup>4</sup> Primary Health Centre and below level health care facilities.

Table-6.2: Detail of Expenditure on Primary Health Care during 2016-22.

(*₹ in crore*)

Year	Government Health Expenditure (GHE <sup>5</sup> )	Expenditure on Primary Health <sup>6</sup>	Expenditure on Primary Health over GHE (in per cent)
2016-17	1,506	606	40
2017-18	1,619	580	36
2018-19	2,096	715	34
2019-20	2,101	676	32
2020-21	2,489	836	34
2021-22	3,020	1,059	35

Source: Detailed Appropriation Accounts.

It can be seen from the above table that the State Government did not spend two-third of total Government health expenditure on primary health in any of the year during 2016-22. However, Primary Health Expenditure increased from ₹ 606 crore (in 2016-17) to ₹ 1,059 crore (in 2021-22).

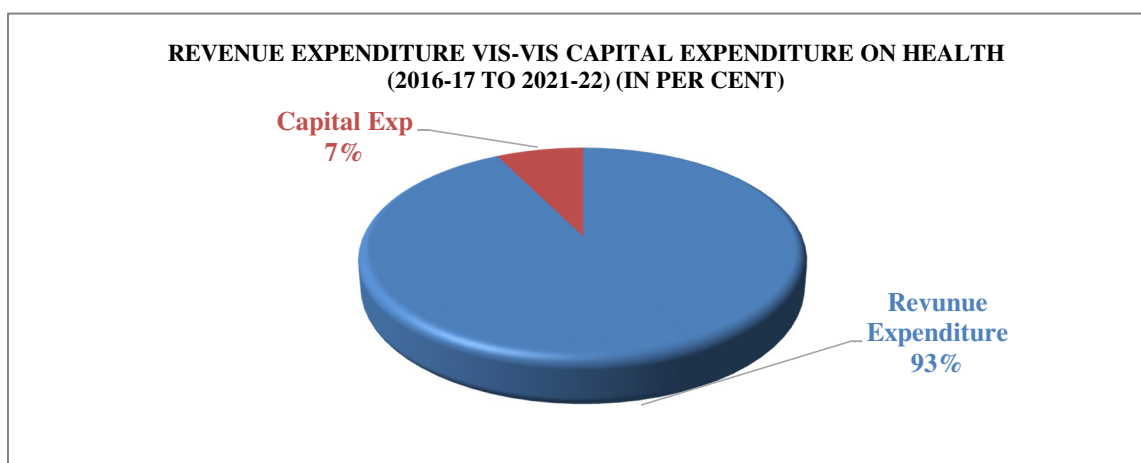
#### 6.4 Revenue and Capital Expenditure

Revenue expenditure includes establishment expenses, Grant-in-aid to various Institutions, expenditure on purchase of drugs/medicines, equipments, maintenance, expenditure on training programmes, immunisation Programme, family planning programmes, Employees State Insurance Scheme, various schemes/programmes of State/Central Government, etc.

Capital Expenditure includes construction/major repair of buildings of health institutions, acquisition of land, etc.

Out of the total expenditure of ₹ 12,831 crore incurred on health during 2016-22, revenue expenditure was ₹ 11,880 crore (92.59 per cent) while capital expenditure was ₹ 951 crore (7.41 per cent) as indicated in the **Chart-6.3** below:

Chart-6.3: Capital Expenditure vis-à-vis Revenue Expenditure



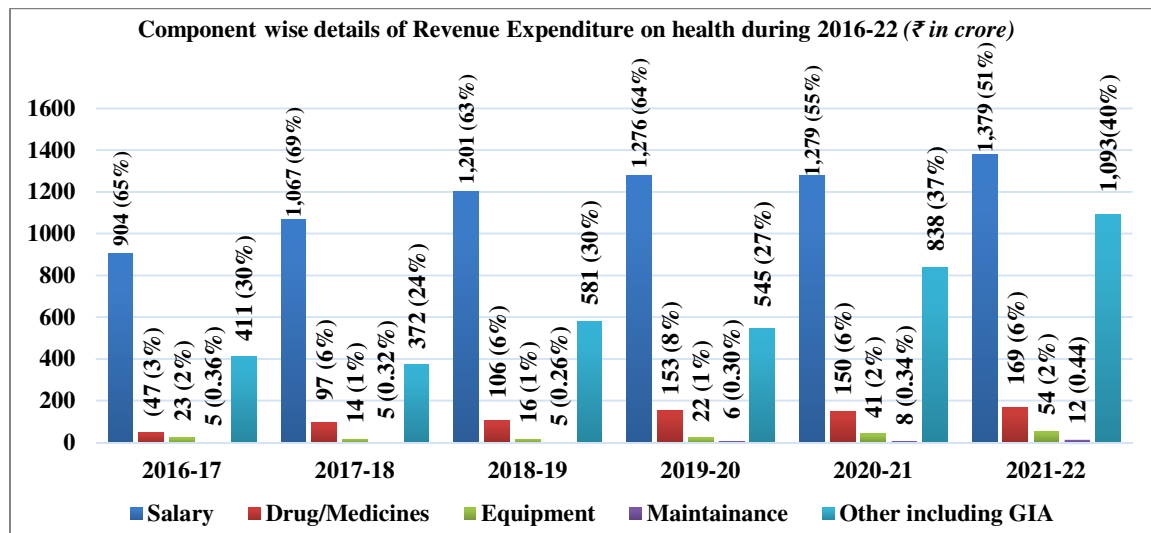
Source: Appropriation Accounts.

<sup>5</sup> GHE has been calculated as sum of expenditure under major head of account 2210, 2211, 4210 & 4211.

<sup>6</sup> Expenditure under the head: 2210-03, 2210-04, 2211-00, 4210-02, 4211-00.

### 6.4.1 Component wise Revenue Expenditure

The details of component wise revenue expenditure out of total Revenue Expenditure on health sector incurred during 2016-22 by the State Government is depicted in the **Chart-6.4** given below:



Source: Data of Voucher Level Computerisation (VLC) system maintained by the office of the Accountant General (A&E) Uttarakhand.

It was observed that:

- 51 per cent to 69 per cent of the revenue expenditure on health sector was incurred on Salary during 2016-22.
- Under drugs and medicine, the expenditure was only three per cent in 2016-17 to eight per cent in 2019-20 and further declined to six per cent in 2020-21 as well as in 2021-22. Expenditure under drug/medicines in other systems of medicines (AYUSH) was only ₹ 7.54 crore (one per cent of expenditure under drug/medicines) during 2016-22. However, it was three per cent in 2016-17. Consequently, the adequacy of drugs in the test checked hospital were not enough. (refer para 4.1 & 4.1.2 of Chapter-4 of the Report)
- Under machinery and equipment, Government spent only one to two per cent of revenue expenditure on health sector during 2016-22.
- Under maintenance head, expenditure was less than one per cent of revenue expenditure on health in each year during 2016-22. During Performance audit, it was noticed that due to lack of maintenance, buildings were in dilapidated conditions as discussed in Para 5.2.4 of Chapter-5 of the report.
- Expenditure under 'Others including GIA' comprised mainly salary of contractual staffs, office expenses, wages, traveling allowance, honorarium, medical reimbursement, motor vehicles, utility bill payment, maintenance, minor work, etc. and was 30 per cent in 2016-17 to 40 per cent in 2021-22. Amount of GIA in other during 2016-17 to 2021-22 was ₹ 319 crore, ₹ 253 crore, ₹ 436 crore, ₹ 353 crore, ₹ 517 crore and ₹ 600 crore respectively.

### 6.4.2 Capital Expenditure on health

The details of capital expenditure for creation of infrastructure in health care facilities during 2016-22 is shown in **Table-6.3** given below:

**Table-6.3: Details of Capital Expenditure**

(₹ in crore)

Year	Capital Expenditure on health	Capital Expenditure					
		Tertiary care				Primary and Secondary care	
		Allopathy	Ayurdeva	Unani	Total capital expenditure under Medical Education	Urban Health	Rural Health
2016-17	116	92	1	1	94	10	12
2017-18	64	46	0	0	46	8	10
2018-19	187	148	0	0	148	26	13
2019-20	98	61	6	0	67	30	1
2020-21	173	109	0	0	109	51	13
2021-22	313	280	0	0	280	25	8
<b>Total</b>	<b>951</b>	<b>736</b>	<b>7</b>	<b>1</b>	<b>744</b>	<b>150</b>	<b>57</b>

Source: Detailed Appropriation Accounts.

Above table indicate that infrastructure creation in primary and secondary level was low priority of the State. Only ₹ 207 crore (22 per cent) against ₹ 951 crore was utilised for creation of infrastructure in primary and secondary health care.

Resultantly, Primary care significantly lacked infrastructure such as, SHCs were running on rented building, PHCs/SHCs were functioning without separate toilets for male and female, PHCs were running without labour room, construction works of hospital buildings (AYUSH) were not completed etc. as discussed in *Para 5.2.1, 5.2.3. & 5.6.2 of Chapter-5* of the report.

### 6.5 Out of pocket expenditure

Out-of-pocket expenditure (OOPE) is a payment made by households for obtaining the health care services. Currently, out-of-pocket expenditure constitutes more than 60 per cent<sup>7</sup> of all health expenses, a major challenge in a country like India where a large segment of the population is poor. It is estimated that approximately 63 million people fall into poverty every year due to lack of financial protection for their healthcare needs.

As per National Health Account of Estimates of India reports issued by Ministry of Health and Family Welfare, New Delhi, in Uttarakhand, out-of-pocket expenditure as a share of total health expenditure came down to 42 per cent in 2017-18 from 61 per cent in 2015-16. Further, it was noticed that per capita OOPE in Uttarakhand (₹ 1,237) stood at lower end when compared with per capita OOPE with India (₹ 2,097). However, following was noticed during audit of test checked GMCs.

<sup>7</sup> As per NITI Ayog report on “Investment Opportunity in India’s Health Care Sector” published in March 2021.

### **Case study: Out of pocket Expenditure due to non-implementation of free drug policy**

During test check of GMC Haldwani, it was noticed that during the period 2016-22, a total of 18.21 lakh Outpatient Department (OPD) were deprived from getting free drugs, as per state Government policy<sup>8</sup>. Audit also collected 82 prescription slips from OPD patients as a sample, and the average cost of prescribed drug was calculated, which was around ₹ 262, which was borne by patient. This is indicative of recurring Out of pocket expenditure in absence of implementation of free drug policy.

In Exit Conference, Secretary-In-Charge while accepting the facts and stated (November 2022) that free drugs to the OPD patients of GMC, Haldwani will be provided from the second week of November 2022.

### **6.6 Preparation of unrealistic budget**

Para 19 of Uttarakhand Budget Manual (UBM) envisaged that the Head of Departments and other estimating officers should prepare the estimates for each head of account with which they are concerned on the basis of the material obtained by them from subordinate officers and forward estimates to Administrative Departments of Secretariate. The administrative departments will scrutinise these estimates and make available their comments to the Finance Department which examines them and is responsible for the preparation of the annual budget.

As per Para 28 of UBM, “The estimating should be as close and accurate as possible and the provision to be included in respect of each item should be based on what is expected to be actually paid or spent (under proper sanction) during the year, including arrears of past years, and not merely confined to the liabilities pertaining to the year. Further, Para 30 of the said Manual provides that, ‘In preparing the estimates, the average of the actuals of the past three years, as also the revised estimates for the current year, should invariably be kept in sight. Lump provisions should not be made in the estimates.’

In preparation in budget estimates, following deficiencies were noticed:

- Provisions of Uttarakhand Budget Manual were not adhered to by the Medical Health & Family Welfare Department as the department had not obtained the inputs in time from subordinate offices.
- The administrative department of the secretariat had sent the budget estimate to the Finance Department without any changes/comments.

The Government replied (November 2022) that compiled information for budget estimate will be submitted to the Government after demands are obtained from all drawing and disbursing officers from next year.

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<sup>8</sup> Government of Uttarakhand vide G.O. No. 1700 dated 19.12.2015 had directed Govt. hospitals and Govt. Medical Colleges to supply free drugs, clinical items, consumables, and surgical items to the public under Free Essential Drugs Initiative scheme.



### 6.7 Budget allocation and expenditure under National Health Mission

National Health Mission (NHM), Uttarakhand, received funds in 90:10 ratio from GoI and Government of Uttarakhand. Programme/Schemewise details are given in Chapter 7 of the report. The details of release and utilisation of fund under NHM are given in **Table-6.4** below:

**Table-6.4: Detail of release and utilisation of funds under NHM during 2016-22.**

Year	As per Approved PIP <sup>9</sup>		Total Available Fund (TAF) at SHS level during the Year				Exp.	Closing Balance	
	GoI Share	GoU Share	Opening Balance	Fund released by		Interest			TAF
				GoI	GoU				
2016-17	375.87	29.62	121.19	207.40	28.37	28.50	385.46	245.68	139.78
2017-18	490.76	39.37	139.78	149.82	22.59	3.15	315.34	229.78	85.56
2018-19	449.28	36.92	85.56	318.11	46.45	4.62	454.74	332.24	122.50
2019-20	522.26	58.03	122.50	343.83	21.66	6.44	494.43	297.58	196.85
2020-21	411.25	45.69	196.85	414.90	57.27	9.65	678.67	431.90	246.77
2021-22	629.00	69.89	246.77	333.83	32.80	4.85	618.25	551.14	67.11
<b>Total</b>	<b>2,878.42</b>	<b>279.52</b>		<b>1,767.89</b>	<b>209.14</b>	<b>57.21</b>	<b>2,946.89</b>	<b>2,088.32</b>	

Source: Information provided by MD, NHM.

### 6.8 Expenditure of AYUSH in comparison to Total Health expenditure

The expenditure of AYUSH department in comparison to total health expenditure during 2016-22 was as shown in the **Table-6.5** below:

**Table-6.5: Expenditure on AYUSH**

Composition of Health Expenditure	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22
Total Health Expenditure	1,506	1,619	2,096	2,101	2,489	3,020
Expenditure on AYUSH	186	225	250	270	268	257
Per cent of AYUSH w.r.t Total Health Exp in the State	12	14	12	13	11	09

Source: Extracted from Detailed Appropriation Account of the respective years.

It can be seen from the above table that expenditure of AYUSH department in comparison to total health expenditure of the state ranged between 09 per cent to 14 per cent during 2016-22.

### 6.9 Fund utilisation under COVID 19 in the State

The Government announced a financial support package in March 2020 to deal with the health crisis and its socio-economic consequences.

Further, the Government of India provided funds under Emergency Response and Health System Preparedness Package (ER&HSPP) during 2020-22 to the state in order to support the activities such as strengthening of public health facilities for screening, testing, undertaking community surveillance, strengthening /establishing dedicated COVID treatment and isolation facilities, creating infrastructure and provision of supplies for

<sup>9</sup> Project Implementation Plan.

infection control, engaging additional HR, and capacity building etc. The receipt and expenditure for fund provide under NHM for management of COVID 19 and under ER&HSPP is given in **Table-6.6** below:

**Table-6.6: Utilisation of funds under COVID-19**

(₹ in crore)

Name of Scheme/package	Year	Total Receipt	Total Exp.	Closing Balance
NHM (for Covid-19)	2019-20	20.61	11.01	9.60
ER&HSPP	2020-21	72.25	69.80	5.67
	2021-22	3.22		

Source: Information furnished by MD, NHM.

As per para 4.1.4 (2) of guidance note issued (April 2020) by GoI, additional Human Resource (HR) was to be engaged<sup>10</sup> to meet the needs for increased services in view of COVID-19.

It was noticed that released funds under ER&HSPP were to be fully utilised till March 2022. On review, the Audit observed that the Department had substantially utilized funds in critical components of ERHSPP viz, diagnostics, equipment and temporary HR as detailed in **Table-6.7** below.

**Table-6.7: Category wise expenditure incurred under ER&HSPP**

(₹ in lakh)

Sl. No.	Financial Management Report Code	Type of expenditure	Approved fund	Expenditure till March 2021 (%)	Expenditure till March 2022 (%)
1	B 31.1	Diagnostics including sample transport	1,080.80	1,019.43 (94)	1,019.43 (94)
2	B 31.2	Drugs and supplies including PPE and masks	100.00	41.54 (42)	58.82 (59)
3	B 31.3	Equipment/facilities for patient care including support for ventilators etc.	1,487.19	984.18 (66)	1,344.74 (90)
4	B 31.4	Temporary HR including incentives for Community Health volunteers	4,363.00	2,017.02 (50)	4,187.02 (96)
5	B 31.5	Mobility Support	27.00	11.63 (43)	11.93 (44)
6	B 31.6	IT systems including Hardware and Software etc.	140.25	21.23 (15)	102.64 (73)
7	B 31.7	Information, Education and Communication/Behavioral Change Communication	250.78	130.50 (52)	200.78 (80)
8	B 31.8	Training	16.00	5.62 (35)	11.76 (73)
9	B 31.9	Miscellaneous (which could not be accounted for above items of expenditure)	81.98	38.00 (46)	43.18 (53)
<b>Total</b>			<b>7,547.00</b>	<b>4,269.15 (57)</b>	<b>6,980.30 (92)</b>

Source: Information furnished by NHM, Uttarakhand.

It was noticed that:

- Under ER&HSPP, ₹ 8.09 crore was approved for the appointment of specialist doctors, medical officers and non-teaching staff in medical colleges against which State utilised

<sup>10</sup> Specialists, Doctors, Nurses, Pharmacists, ANMs, sanitation staff, data entry operators and other health workers.

only ₹ 2.81 crore (35 per cent) and ₹ 6.53 crore (81 per cent) at the end of March 2021 and March 2022 respectively. In test checked Medical Colleges it was noticed that a total of 775 staff<sup>11</sup> in different cadres were hired for meeting Covid 19 requirements but both colleges had not hired specialists and doctors to cater to additional<sup>12</sup> facilities created through ventilators provided to these hospitals.

- GoI approved ₹ 11.51 crore in 2020-21 for deployment of additional human resources at district levels and an additional grant of ₹ 3.22 crore was also released in February 2022. It was noticed that State utilised only ₹ 4.80 crore (42 per cent) till March 2021. However, entire funds earmarked for deployment of additional human resources at district levels were utilised at the end of March 2022. It was further found that State had hired only 1,017 against the identified requirement of 1,559 staff under different cadres but no specialist/doctor were hired despite requirement of 73 to meet additional burden.

The Government replied (November 2022) that the fund earmarked under ER&HSPP for hiring specialist doctors could not be utilised due to unavailability of these doctors.

### **6.10 Conclusion**

The State was slowly moving towards achievement of targets of health sector spending under National Health Policy 2017. State Government did not spend two-third of total Government health expenditure on primary health care in any of the year during 2016-22. On an average 30 per cent of total available fund under NHM remained unutilised at the end of the financial year during 2016-22.

### **6.11 Recommendations**

- 1. The Government may enhance the institutional capacity to utilise allocated fund along with increasing the budget provision on healthcare services as required under National Health Policy, 2017;**
- 2. The Government may enhance expenditure particularly to meet deficiencies in providing adequate supply of medicine and equipment across healthcare facilities in the State and to create the lacking infrastructure like Trauma Centres, mortuary, blood bank and construction of buildings for Sub Centers.**

<sup>11</sup> Including 308 nurses.

<sup>12</sup> 100-GMC Haldwani & 65-GMC Dehradun.

