

Strategic Financing of Healthcare in Gujarat: Navigating the Transition to Universal Health Coverage (2025–2026)

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Abstract – Healthcare financing in Gujarat represents a sophisticated blend of public-private partnerships (PPP), state-funded insurance, and a rapidly expanding private medical sector. While the state serves as an economic powerhouse in India, it faces the dual challenge of addressing significant "Out-of-Pocket" (OOP) expenditure and ensuring equitable access across a diverse rural-urban divide. This paper examines the fiscal evolution of Gujarat's health sector, with a specific focus on the transition from the Mukhyamantri Amrutam (MA) Yojana to the integrated Ayushman Bharat Pradhan Mantri Jan Arogya Yojana (AB-PMJAY). It analyzes the landmark 2025 policy shift that increased coverage to ₹10 lakhs and provided universal access to senior citizens (U70). Through a mixed-methods approach, the study identifies structural opportunities in digital health and fiscal hurdles in reaching the "missing middle" population. By evaluating the socio-economic dividends of a healthier workforce, the paper underscores the direct correlation between health security and the state's continued industrial GDP growth. Ultimately, this paper proposes a 'Gujarat-specific' co-contribution model as a viable financial roadmap for covering the informal labour sector, ensuring that the march toward Universal Health Coverage (UHC) is both inclusive and fiscally resilient."

Keywords: Healthcare, Finance, Universal Health Coverage

1. Introduction: The Fiscal Paradox of Gujarat

Gujarat's healthcare financing is not merely a budgetary allocation but a strategic tool for socio-economic stability. With a Gross State Domestic Product (GSDP) that consistently outpaces the national average, Gujarat has the fiscal space to experiment with innovative health-finance models. Historically, the state relied on "Supply-Side Financing"—investing in the physical infrastructure of Civil Hospitals and Primary Health Centres (PHCs). However, the last decade has seen a paradigm shift toward "Demand-Side Financing," where the government acts as a "purchaser" of healthcare services from both public and private providers.

Despite this shift, the central challenge remains the high rate of Out-of-Pocket (OOP) expenditure. Even with robust economic growth, approximately 48% of healthcare costs in the state are

still borne directly by households (Government of Gujarat, 2025). This paper explores how the latest PM-JAY expansions aim to bridge this gap by leveraging the state's industrial tax base to fund an inclusive social safety net. The fiscal resilience of Gujarat is intrinsically tied to its "Golden Corridor" of industrialization, yet the high cost of healthcare remains a primary cause of secondary poverty among its industrial workforces. By transitioning to a ₹10 lakh coverage model, the state is effectively utilizing its corporate tax buoyancy to insulate vulnerable households from the volatility of medical inflation. This strategic shift acknowledges that a healthy population is a prerequisite for sustaining a high GSDP, moving the health agenda from a peripheral welfare concern to a core economic driver. Furthermore, the integration of universal senior citizen coverage under PM-JAY 2.0 addresses the emerging geriatric fiscal pressure that threatens the savings of the state's middle-income families. Consequently, Gujarat's current financing trajectory serves as a sub-national blueprint for achieving Universal Health Coverage (UHC) within a market-driven economy.

2. Methodology

The research for this study utilizes a mixed-methods approach, combining retrospective data analysis of insurance claims with a systematic review of state and federal health policies from 2012 to 2026.

- **Data Sources:** Quantitative data was extracted from the National Health Authority (NHA) Dashboard and the Gujarat State Health Agency (SHA) reports. Qualitative analysis involved a review of the Finance Department's budgetary documents (2018–2026).
- **Policy Review Framework:** Policies were evaluated based on eligibility criteria (BPL vs. Universal), benefit packages (Basic vs. Tertiary), and financial ceilings (₹2 lakh to ₹10 lakh).
- **Analytical Tools:** Comparative trend analysis was used to measure the decline in OOP expenditure relative to the increase in state-funded insurance claims. Geospatial Mapping (GIS) was applied to

identify the "Golden Corridor" concentration of private hospital empanelment.

3. The Evolution of Insurance: From MA to PM-JAY

2.0

3.1 The Legacy of Mukhyamantri Amrutam (MA)

Gujarat was a pioneer in state-funded tertiary care. The **MA Yojana**, launched in 2012, focused on catastrophic illnesses. Its success lay in a paperless, biometric-based system, which provided the administrative blueprint for the national rollout of PM-JAY (Rathi et al., 2023).

3.2 The ₹10 Lakh Expansion and Senior Citizen Coverage (2025-26)

Recognizing that medical inflation has outpaced the original ₹5 lakh limit, the Gujarat government officially doubled the coverage to ₹10 lakhs in 2025. Furthermore, the implementation of AB-PMJAY U70 has provided universal coverage to all citizens aged 70 and above. This addresses the "geriatric fiscal cliff," where retired citizens with fixed incomes face the highest medical costs (Shah & Patel, 2026).

3.3 Data Sources and Quantitative Integration

In addition to state-level repositories, the following secondary datasets were utilized to validate Gujarat's healthcare trajectory against the broader Indian economy:

- **National Health Accounts (NHA) Estimates (2022-2025):** Data was utilized to track the national decline in Out-of-Pocket (OOP) expenditure, which fell from 62.6% in 2015 to a projected 45.8% in 2025. This serves as the baseline to evaluate Gujarat's target of reducing OOP to below 40% by 2030.
- **National Family Health Survey (NFHS-5 & NFHS-6):** Baseline metrics were extracted regarding health insurance coverage. Nationally, only 41% of households have at least one member covered by a health scheme; this study contrasts that with Gujarat's higher penetration rate of ~56% due to the aggressive rollout of the Ayushman Card.
- **RBI State Finances Report (2024-2025):** Quantitative data on "Social Sector Expenditure" was analyzed. Gujarat's allocation to health as a percentage of total state expenditure (approx. 5.5–6.2%) was benchmarked against the National Health Policy (2017) target of 8%.

- **WHO Global Health Expenditure Database:** Used to contrast the Indian sub-national "Catastrophic Health Expenditure" (defined as spending >10% of total household income) with other BRICS nations.

3.2 Policy Review Framework

Policies were evaluated through a comparative lens, assessing Gujarat's **MA-PMJAY** integration against other sub-national models. Evaluation criteria included:

- **Vertical vs. Horizontal Inclusivity:** The transition from BPL-specific targeting to universalized senior citizen tiers (U70).
- **Depth of Coverage:** Benchmarking Gujarat's ₹10 lakh ceiling (introduced in 2025) against the standard federal limit of ₹5 lakh to measure the "fiscal cushion" provided to the middle class.

4. Results and Discussion: The Private Sector Nexus

Gujarat's private healthcare sector is the primary engine of the state's medical economy, heavily concentrated in the "**Golden Corridor**" (Ahmedabad, Vadodara, Surat).

- **Claim Settlement Efficiency:** One of Gujarat's fiscal strengths is its State Health Agency (SHA). As of 2026, Gujarat settles over 92% of claims within 15 days (NHA, 2025). This high liquidity encourages top-tier private hospitals to remain empanelled, bridging the quality gap between public and private care.
- **The "Missing Middle" Challenge:** A significant fiscal gap remains for the lower-middle class—those who work in informal sectors like diamond polishing or textiles. They are often "too rich for subsidies but too poor for private care" (Pandey & Kumar, 2023).

5. Conclusion

Financing healthcare in Gujarat is transitioning from a "Crisis Management" model to a "Lifecycle" model. The expansion of PM-JAY to ₹10 lakhs and the inclusion of senior citizens are bold fiscal steps toward Universal Health Coverage. However, for these schemes to be sustainable, the state must address the "Package Rate" concerns of private hospitals and find a way to include the "missing middle." The future of Gujarat's health economy depends on its ability to balance industrial growth with a robust, inclusive financial safety net.

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