Policy Brief Series # 70

Research And Development Solutions

Beyond the Breaking Point: Catastrophic Health Expenditures

INTRODUCTION

Pakistan's health financing relies heavily on out-of-pocket (OOP) payments, which account for 58%[1] of total healthcare costs. In crisis, such OOP payments impose severe financial strain on households and forces reductions in essential non-food expenses.

We examined how catastrophic health expenditures (using PSLM data) are distributed across income groups and between rural and urban areas and shape households' ability to meet basic needs.

KEY FINDINGS

Health spending is considerable: Around **26%** of households spend more than **10%** of their monthly non-food income on healthcare, meaning that a family with PKR 40,000 available after food expenses loses over PKR 4,000 each month to medical costs.

More alarmingly, **6%** of households spend over **40%** of their non-food income on healthcare, leaving little room for basic needs. This level of spending reflects not temporary shocks but sustained financial pressure over the year.

Disproportionate Burden on Poorer Household: While richer households account for higher absolute health spending, the financial burden relative to income is strongly regressive. Poor households spend, on average, **23%** of their total non-food expenditure on healthcare, compared to **6%** among the richest quintile.

Vulnerability increases CHE risk: Households with children under 5 **(15% higher**), chronic illness **(3% higher)**, and elderly members **(5% higher)** have a higher likelihood of severe catastrophic health expenditure (40% threshold) compared to the average household

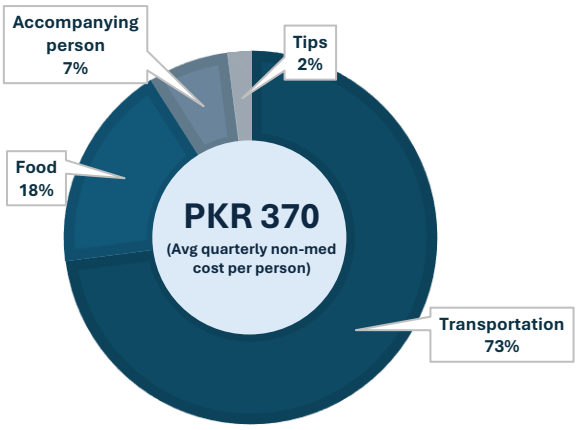
Rural households face a disproportionate burden: **73%** of households experiencing catastrophic health expenditure live in rural areas, where costs are **57% higher** than those faced by urban households. For rural households, non-medical costs for accessing tertiary facilities - longer travel distances, transport, accommodation, and time away from work - are **55% higher**. This is reflected in Fig 1 which shows that each individual spends **73%** of total non-medical cost on transport each quarter.

Private Clinics as a Key Driver of CHE: Among households that accessed healthcare, **69%** sought care from private clinics and **12%** from private hospitals, compared to **25%** using public hospitals and only **1%** using basic health units, highlighting heavy dependence on private providers for both outpatient and inpatient care

KEY MESSAGES

- **26%** — 26% of Households experience Catastrophic Healthcare Expenditures
- **76%** — When experiencing CHE, health can take up to 76% of household spending
- **73%** — 73% CHE happen in rural households
- **57%** — Rural household bear up to 57% higher costs of CHE

Fig 1: Distribution of Average Quarterly Non-Medical Costs per Person (%)



RECOMMENDATIONS

- Sehat Sahulat Schemes exist but must be targeted primarily towards and ensure universal coverage and availability for the poorest and rural households.
- Services, supplies and quality in government facilities must be enhanced to ensure public trust to overcome avoidance of free government services even by the poorest households.

REFERENCES

[1] Khalid F, Raza W, Hotchkiss DR, Soelaeman RH. Health services utilization and out-of-pocket (OOP) expenditures in public and private facilities in Pakistan: an empirical analysis of the 2013-14 OOP health expenditure survey. BMC Health Serv Res. Feb 25 2021;21(1):178. doi:10.1186/s12913-021-06170-4

RADS RADS @rads_pk @rads_pk

For more information, please contact
Dr. Adnan Khan, MBBS, MS.
adnan@resdev.org