

Health Insurance Sector in India: A Study

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Abstract

Health is a basic necessity of the human beings. The lack of healthcare insurance in India has compounded in creating a diverse number of problems which are further responsible for creating havoc in the country. The most condemning fact that must immediately be remedied is the catastrophic expenditure incurred by the patient during the course of the treatment due to the out of pocket expenditure. However, the middle socio-economic group do have some access to the insurance plans, however, this does not hold true to the residents of India who are suffering from poverty. Hence, India is a long way from providing equal healthcare services to all its citizens even though it is their basic right. With the advent of liberalisation, private players have forayed into the market of healthcare insurance. They are giving life as well as non-life insurance cover to the citizens through a multitude of their products. Innovation is the key to success and hence the products are created in such a manner that they are able to suffice to the needs and wants of the population of India at large. The premise of this paper is to study the current situation of the healthcare insurance industry of India by analysing the secondary data obtained from a multitude of sources. The critical juncture of the paper is to throw light on the challenges faced by the healthcare insurance sector. A comparison was also done between the models of the healthcare insurance system in India as opposed to other countries.

Key Words: Healthcare, Insurance, Policy, Health insurance Products, Healthcare Expenditure

1Introduction

The health insurance industry was launched in India in the year 1986. Since then, it has grown exponentially due to various aspects some of which are liberalisation of the economy and general awareness amongst the masses. According to statistics (World Bank, 2010), more than a quarter of India's population have access to some form of insurance. This insurance may be given by the government or some other private stand alone health insurers. Nonetheless, health insurance is being spread through creating awareness in the minds of the common people by conducting awareness campaigns by well known organisations such as General Insurance Corporation of India and Insurance Regulatory and Development Authority, also known as IRDA. Before delving deeper in the foray of health insurance, the

meaning of life insurance must be clearly understood. According to Health Insurance Association of America, health insurance could be defined as “coverage that provides for the payments of benefits as a result of sickness or injury and it may also include insurance for the various losses from accidents, medical expenses, disability or accidental death or dismemberment.” Thus, health insurance covers the whole or part of the risk incurred by an individual in terms of the medical expenses. This health insurer estimates the overall risk of the healthcare services to be given as well as the health system expenses against the overall risk pool. The insurer could develop a routine finance structure in order to gather the money to be paid towards the healthcare benefits specified in the contractual agreement in the form of monthly premiums or payroll tax (Kala, and Jain, 2015). The benefits could be given by various organisations ranging from government, private or non-profit organisations. Healthcare in India today is under a stage of transition. Evolution is going on in a rapid pace. The income and the importance of health consciousness have been triggered in a lot of people which allows them to focus on their health on a very serious level (Joshi and Shah, 2015). Factors such as price liberalisation, reduction in bureaucracy and the introduction of private healthcare financing is also forcing the people to focus on healthcare insurance like never before. Health insurance is more complex than any other forms of insurance. This is especially so because a multitude of conflicts arise in this field. The conflicts may arise out of adverse selection of the health insurance policy, moral hazards, a wide information gap between the care taker and the care giver and last but not the least, due to unavailability of the data. Formulation of healthcare policies and their subsequent execution in the relevant fields is very critical work. A multitude of factors needs to be factored in order to achieve this task. These factors may include the epidemiological factors, demographical factors, institutional factors, technological factors, political factors, etc. It is imperative that the current scenario of the health insurance sector must be kept in mind while formulating the policies of health insurance. It must be done while analysing the theoretical aspects of the principles of health insurance as well as the practical aspect in which these policies need to be implemented. The objectives must be formed at first in order to suffice the formulation of these policies.

2 Various Health Insurance Products of India

The health insurance policies in India typically covers the inpatient costs, that is, the costs incurred when the patient is being admitted to the hospital. It does not cover the outpatient costs. The first health insurance policies implemented in India were the mediclaim policies. Previously, the healthcare policies were only given out by the government, however, by the end of the 2000s which marked new reforms due to liberalisation, healthcare insurance were provided by the private players as well. As per the latest reports, the health insurance policies of India consist of 57 insurance companies. Out of these, 57 companies, 24 are there in life insurance business and 33 companies offer non-life covers. The most popular amongst these companies and the oldest is the Life Insurance Corporation, also known as LIC, which is the sole public sector company in this field which provides lifetime covers. Other than this, there are six other public sector insurers who provide non-lifetime cover. Some of the private insurance companies are given as follows: Star Health and Allied Insurance Company Limited, Apollo Munich Health Insurance Company Limited, Max Bupa Health Insurance

Company Limited, Religare Health Insurance Company Limited, Cigna TTK Health Insurance Company Limited, etc.

Health insurance plans and policies today given out by the various firms can be broadly classified into the following:

- Hospitalisation

Hospitalisation plans are classified under indemnity plans that cover the hospitalisation costs as well as other medical costs incurred by the insured subject during the course of the hospitalisation. These plans could be implemented on an individual basis or on a family basis. In case of an individual basis, the hospitalisations expenses will be covered for that particularly individual only under that policy. If the family as a whole is insured, then any one of the members could avail this facility. Generally, hospitalisation insurance is cashless in nature.

- Family Floater Health Insurance

Family Floater Health Insurance plans covers the entire family under a singular plan. It works under the notion that not all members of a single family will fall ill at one particular time. The health insurers offering this type of insurance would have a good network of hospitals to provide optimal services at the time of emergency.

- Pre-Existing Disease Cover Plans

This plan offers the policy holder cover against certain diseases which have already been diagnosed in the patient before taking the policy. These diseases may be diabetes, heart problems, liver malfunction, etc. The nature of these diseases is chronic in nature.

- Senior Citizen Health Insurance

According to IRDA guidelines, the health insurers should provide plans that would cover the health benefits of individuals till 65 years of age. After this age limit, the individuals can opt for this plan as it covers all the diseases which result from old age.

- Maternity Health Insurance

These plans provide cover for the entire duration of the maternity period and other additional expenses. It takes care of both pre and post natal care and also the costs incurred during the delivery of the baby, both naturally or otherwise.

- Hospital Daily Cash Benefit Plans

This policy is a much defined policy which pays a certain sum of money to the patient on a daily basis during the course of his or her stay in the hospital.

- Critical Illness Plans

As the name suggests, on the diagnosis of a critical illness such as heart attack, cancer, organ failure, etc, a large fixed deposit is paid to the insured person towards their medical costs. The diseases covered under these plans are highly specific and their treatments tend to cost much more as compared to other diseases.

- Pro-active Plans

These are customised programs and plans that design the plans in such a manner that all the aspects like medical, behavioural and lifestyle are considered. These services help an individual to manage and understand their health better.

- Disease Specific Special Plans

These plans help the individuals manage unexpected medical expenses arising out of certain epidemics like dengue, etc. and manage and treat them at a minimal cost. These plans provide assistance based on medical needs, behavioural needs and their lifestyle factors associated with the sudden diagnosis of the epidemics.

3 Literature Review

Indian healthcare system is characterised by a humongous public health infrastructure. However, skilled resources are lacking and as a result, this infrastructure lies vastly underutilised. About a quarter of the total patients are pushed below the poverty line due to the catastrophic impact of the healthcare expenditure (Prinja ,et.al ,2012).

Statistics indicate that the growth pattern of the healthcare insurance has been steadily rising. The research is based on the information provided by the Insurance Information Bureau for the period of 2003-2010. Premium collection has grown by 43 per cent on a year to year basis. The compounded annual growth rate for the number of policies was calculated to be 20.35 per cent. The number of members has grown by 36.84 per cent. There was more than 40 per cent growth in premium, 20 per cent growth in the number of policies and 25 per cent growth in the number of members (Bloch, et.al, 2012).

Healthcare spending in India is very expensive as majority of the expenses comes from the ‘out-of-pocket’ expenditure (Devi and Nehra, 2015). This is because majority of the people lack the basic awareness of opting for an insurance cover (Narware, 2017). However, despite the huge expenses incurred, quality services might not be provided. Availing healthcare insurance might be a good alternative solution to this particular problem as quality healthcare would be ensured without worrying about the costs incurred. This might be significant in lowering the morbidity levels of the people as the life expectancy rate would elevate.

In India today, there are two types of healthcare insurers – stand alone health insurers and government sponsored health insurance providers. Previously, there was only government sponsored health insurers like Life Insurance Corporation of India, otherwise known as the LIC. With the advent of liberalisation, privatisation of the healthcare insurance industry became possible. It showcased a huge transition in the fields of providing private healthcare financing, health consciousness amongst the different members of the society belonging from

different strata, increased income, price liberalisation and last but not the least, reduction in the bureaucracy levels in India (Swathi and Anuradha, 2017).

Though healthcare insurance is emerging as a tool to manage the financial needs of the people during the course of an emergency, there are various challenges faced by the healthcare insurance sector of India. Some of the major challenges are higher incurred claims ration on the part of the patient, skewed distribution of the healthcare business, significantly lower number of customers being aware about health insurance, limited product types, lack of innovation, pricing and delays in the claims processing on the part of the companies (Itumalla, et.al., 2016).

It was indicated that 45 per cent of the respondents in a study came to know about the health insurance schemes from the media. Thus, it is established that the media plays a very important role in the dissemination of the information pertaining to this. The middle and lower socio-economic groups favoured government health insurance as compared to private health insurance. It would be beneficial if the government could come up with certain schemes which will help the common people to avoid unnecessary out of pocket investments (Reshmi, et.al, 2007).

Majority of the Indians are vulnerable to major ailments due to the changing environment and the evolving lifestyle of the present generation. The knowledge about health insurance should be spread like a wildfire as it is of paramount importance. This would assist the people to cater to the untoward expenses arising out of unexpected situations. Work must be done to make the situation a win-win for both the company as well as the people by working on penetration of the market so that the insurance schemes could be helpful in achieving its full potential (Priya and Srinivasan, 2015).

Health insurance schemes differ from company to company. A research states that basic priorities are covered according to the type and nature of the insurance scheme. Though the schemes are determined keeping in mind the needs and wants of the people (Mishra, A., Seshdari, S.R., 2015), however, there are some lacunas in them. It may prove to be very beneficial in case certain alterations are done in the packages such as upper limit of the benefit packages, minimising the exclusions and controlling the costs (Devadasan, et.al, 2007).

The major barriers for the subscription of the health insurance policies were that of low income, uncertainty of income, unreliable sources, no support from friends or relatives as they do not use them, not a valid investment, do not feel the need for investing in health insurance and they do not have adequate knowledge regarding the additional benefits of the insurance policy. Hence, it is made clear that there is indeed an awareness gap between the policy maker and the potential policy taker (Madhukumar, et.al, 2012).

Though there are many problems that persist in case of private healthcare insurance. However, they can be controlled developing a strategy that would strive for greater regulation. The health insurance coverage may also be increased by making suitable

alterations especially in the claim settlements and the exclusion clauses. This would give rise to higher customer satisfaction. The need of the hour is the development of a competitive environment in this sector in order for it to evolve by leaps and bounds over a period of time (Ellis, et.al, 2000).

There are many areas in healthcare insurance policies which have been not delved into. This is because of restricted time as well as limited resources. A research paper has identified six key research areas on which further work should be carried out. They are given as follows: the public understanding of insurance and its awareness levels, misunderstanding of the insurance and its influence in the utilisation of the healthcare insurance, spotting a difference in the behavioural levels of a cashless insurance compared to a non-cashless insurance policy, impact of the relevant insurance in the relationship of the doctor and the patient as well as the quality of healthcare being delivered, mistrust in the companies pertaining to the healthcare schemes and last but not the least, health insurance coverage pertaining to certain chronic illnesses, rehabilitation expenses as well as out of pocket investments (Ahlin,et.al. 2016).

Objectives

- To study the overall healthcare insurance sector of India
- To point out the challenges faced by the healthcare insurance industry of India
- To analyse at the insurance models of other countries in terms of healthcare

4 Research Methodology

This study is completely based on secondary data. The data was collected from reports published by WHO, IRDA and many other organisations pertaining to health insurance in India. Data was also collected from the other research articles and review articles pertaining to the health insurance industry in India.

5 Challenges of Health Insurance Sector

As already discussed in this research paper, there are a number of challenges facing the healthcare insurance industry in India today. These hindrances disrupt the flow of the health insurance industry and create hurdles in its very development. The challenges have been given as follows:

- Statistical analysis plays a very important role in the healthcare insurance industry. However, the analysis requires a strong data management system where data collection and data analysis could be done without disruption. India does not have the technological infrastructure as well as skilled labour for these activities to be done successfully.
- There is a high claim-paid ratio especially with respect to the public investors. For this reason, the companies incur a huge loss due to the expenses and hence they gradually lose their interest in this field.
- Certain agencies and Third Party Administrator (TPA) are not working professionally causing the people to lose faith in their investments towards health insurance.
- The authorities do not operate efficiently and huge work needs to be done in the fields of accessibility, affordability and quality.

- Health insurance policies focus on the top level and middle level income group. There are no policies for the poor and needy though it is said that health is a basic amenity which every citizen of India has an equal right to attain.
- As because there is a lack of awareness, the policyholders do not select the policies which would be optimally beneficial for them. Instead, they adversely select policies which prove detrimental in the long run.
- Lack of amalgamation between the public sector and the private sector is a major hindrance in the path of the development of the health insurance industry.
- Focus is not given in the rural areas of India as companies lack the manpower and other resources to go after this unsaturated market, even though, majority of the Indian population resides in the rural belt. It must also be pointed out that these people are more at need of receiving the medical attention at the right time as in majority of the cases, the hospitals cover a large area and transportation at the right time and the right place becomes a major issue which ultimately leads to higher morbidity rates.
- Insurance companies often delay the payment of insurance premium to the customers and hence doubt creeps into the minds of the policyholders and they become reluctant to invest in this any further.

6 Current Scenario of Health Insurance Sector in India

Health Insurance is gradually becoming one of the fastest growing sectors in the non-life insurance industry reporting a growth of 14.5 per cent over the premium of Rs. 11,480 crore in the year 2010-11 (Nagaraju, Y., 2014). The key players in the non-life insurers are Apollo Munich Life Insurance Company Limited, Star Health and Allied Insurance Company Limited and Max Bupa Health Insurance Company Limited. There is a gradual rise in the number of people opting for Life insurance over the years; however, it is not optimal from the company's point of view. According to IRDA Annual Report of the year 2008-09, the financial impact of hospitalisations on families is profound and it is one of the major causes of impoverishment in our country. All being said and done, it must be said that the IRDA has taken a number of steps for developing the health insurance industry of India. It has been looking into the market and it is working towards strengthening the interests of the policy holders while increasing the orderly growth of the insurance industry in the healthcare field. The various health insurance schemes available in India are:

- Voluntary Health Insurance Schemes
- Community Based Health Insurance
- Employer Based Schemes
- Mandatory Health Insurance Schemes

The government of India is much keen on developing the health insurance sector and hence, it has taken a number of initiatives to boost this industry. Some of the initiatives are given as follows:

- National Health Protection Scheme launched under Ayushman Bharat on 25th September, 2018, to provide a coverage up to Rs. 5,00,000 to more than 100 million vulnerable families.
- Pradhan Mantri Fasal Bima Yojana benefitted over 47.9 million farmers over 2017-18.
- The Insurance Regulatory and Development Authority of India (IRDAI) plans to expand the pool of investors and subsequently to increase the investments.

7 Models of Health Insurance in other countries

India has focused on giving short term care to the people. However, many countries focus on giving long term care to its residents which is highly beneficial for the people as it has numerous advantages (Anita, J., 2008). Certain models showing long term care in other countries is given in the following pages.

- Germany
 - Benefits are given to all independent of age.
 - Basically three kinds of benefits are given – institutional care, professional domiciliary care and benefits in cash.
 - Benefits are not dependent on the income of the particular individual (Geric, K.P., Smajla, N., Klasic, K., 2016).
- Japan
 - Eligibility for the benefits is dependent solely on the needs of the individual.
 - The financial stability and the income of the individuals are not taken into account while giving benefits.
 - The insurance covers hospital as well as home based care.
- United States
 - Benefits offered vary from one company to the other.
 - Typically, the care given by nurses and doctors are covered under this (Gruber, J., 2017).
 - Benefits are paid for a given amount of time.
- United Kingdom
 - State financing covers home based care as well as institutional based care.
 - First the needs of the individual are assessed and the plan is made to provide care for that particular patient.
 - Residential and institutional care can both be given at the same time as per requirement.

The following figure is taken from 2007 WHO sheet which was based on 2004 data. It is seen that India is lagging behind other nations as the expenditure done on healthcare is only 5 per cent of the total GDP. India is a fast growing nation and considering its economy, the share of healthcare in GDP is very low. Thus, it can be surmised that India does not understand the significance of healthcare protection amongst its citizens.

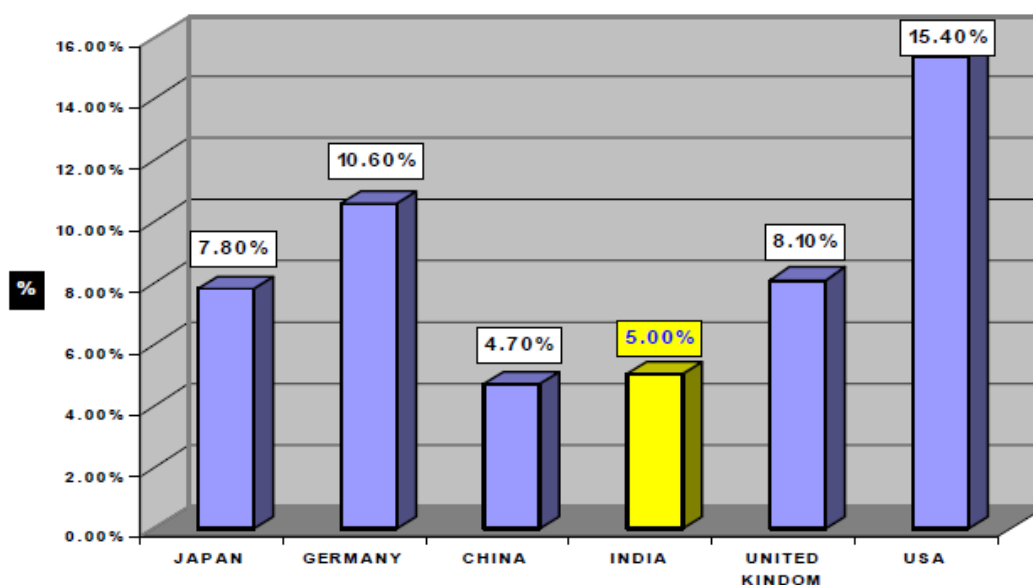


Figure 1: Total Expenditure on Health as a percentage of GDP of various Nations

Source: 2007 WHO data fact sheet based on 2004 data.

8 Implications of Privatisation on Health Insurance

Since the privatisation of the healthcare insurance industry was done and the formation of IRDA was set up, it was evident that the sole purpose of these two developments was to boost the performance of the healthcare insurance sector. Competition was handled by lowering the costs sustained as well as raising the mark of the consumer satisfaction. In spite of all these functions happening consequently, there is no optimal development in this particular field. There are many challenges that have already been discussed in the paper which are in need of constant analysis. It must not be forgotten that although private insurance companies have been granted permission to start their operations, but, a country's economic, social and institutional factors play a very big role in marking the success of these companies. There are various views on this particular topic. One view talks about the fact that privatisation will not be beneficial in the long run as there are limited resources which would now have to be shared within a much larger pool. This would hinder the performance of the entire industry as a whole. It has also been said that the social and financial aspect of the population have to be ignored while supporting privatisation. Another view states that privatisation will be beneficial in the long run. It will be able to detect the financial gaps within the entire system and address them accordingly. It can offer the consumers the value for their money which would go a long way in building confidence between the two parties. Problems that were difficult to address such as low quality care and bribery could be solved by the means of privatisation. Both the views have their theoretical as well as practical aspects. Healthcare insurance is like a sharp edged tool. It depends on how the beholder uses this tool. In the right hands, it could be used in a beneficial manner, however, in the wrong hands, it may prove detrimental. Health insurance is no doubt a valuable tool and it may be used in the present healthcare system by carefully managing the current needs and wants of the population.

9 Conclusion

Healthcare insurance is largely an unsaturated market in India. The major target population is the middle income strata who offer the most promising future for this particular industry. It is gaining importance at a steadier pace as people are realising the importance of insurance in case of a deadly disease. With the increase in population and industrialisation, various diseases are popping up at an alarming speed. Epidemics are spreading on a remarkable pace as the diagnosis is happening late. In country like India, most of the costs incurred during hospitalisations are out of pocket expenditure and hence, health insurance policies could become a breakthrough for the common people as the patients would not lack quality medical services just because the patient's family could not come up with the treatment cost at the right time. The main challenge right now is to make healthcare universal to all irrespective of the background and income level of the individuals as health is a basic commodity that every citizen of India has a right to obtain. Thus, companies and the government should pave a path such that this objective could be attained as soon as possible. The future of the health insurance industry looks very promising if the regulatory framework is changed slightly. It could alter the way in which business is done today between the policy holder and the policy taker. Statistics suggest that the overall insurance industry is expected to reach USD 280 billion by 2020. As a result, the planning of the penetration in the market keeping a strong strategical focus on the various demographical factors can change the way of the healthcare insurance system today being perceived into something which is exponentially better.

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