



# HEALTH CARE INFLATION IN INDIA - IMPACT ON MIDDLE CLASS FAMILIES AN OUTLOOK FOR NEXT 5 YEARS (2025-2030)

Compiled by:

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### **You will not need to take health insurance under 3 conditions.-**

1. If you have immortality & the lives of you & your loved ones are never threatened.
2. If you are not concerned with your own health or that of your family, it doesn't matter to you.
3. If you **have Rs 15 lakhs per annum reserved for medical expenses every year in case of any medical emergencies.**

Lets try to go through in detail:

In today's fast-paced world, **health insurance is no longer a luxury but a necessity.** There are only a few scenarios where health insurance might not be a priority:

1. **Immortality:** If one is invincible to illnesses and health issues, health insurance might not be a concern. However, given the unpredictability of life and the rising incidence of health issues, this seems unlikely.
2. **Indifference to Health:** If an individual is unconcerned about their health or that of their family, they might not see the value in health insurance. However, this approach can have long-term consequences on one's quality of life and financial stability.
3. **Substantial Financial Reserves:** If an individual has a significant corpus, such as ₹15 lakhs plus per annum specifically allocated for medical emergencies, they might consider self-insuring.

However, given the rising medical inflation in India, which has been around **10-15% annually**, this amount may not be sufficient to cover future medical expenses.

The Reality of Healthcare in India: India faces significant healthcare challenges, including:

- **Limited Healthcare Infrastructure:** India has a shortage of hospital beds and healthcare professionals, particularly in rural areas.
- **High Out-of-Pocket Expenses:** A significant portion of healthcare expenses in India is borne out-of-pocket, which can lead to financial distress for many families.
- **Rising Medical Inflation:** Medical inflation in India has been consistently higher than general inflation, making healthcare increasingly unaffordable.

**THE RATE OF MEDICAL INFLATION IN INDIA** as on today: Here are the key recent data points:

Several industry reports estimate **medical inflation in India to be in the 10 % to 15 % per annum range.**

**A specific figure says medical inflation “currently around 13.2%” in India. compared to general inflation of 4-6%.**

Conclusion: A realistic working range for **medical inflation in India currently is about 10 %–15% per year, with perhaps 12-14% being a reasonable mid-point assumption.**

**Why is medical inflation higher than general inflation :** Here are the main drivers:

- **Increase in non-communicable diseases (diabetes, hypertension, cardiovascular)** → more treatments, more recurring costs.
- **Rising cost of advanced medical technology**, imported devices, diagnostics, newer therapies.
- **Supply constraints**: fewer beds, skilled professionals, infrastructure costs, which push up costs.
- **Out-of-pocket burden**: Many treatments are paid by households directly, which makes inflation felt more immediately.

**Impacts a middle-class family over next 5 years:** In case of middle-class families—

Let's pick a baseline cost today and then **project for 5 years using medical inflation**.

Example scenario: Suppose **a middle-class family currently has average annual medical/healthcare cost (including hospitalisation + diagnostics + medicines) of ₹1,00,000 /-.** Assume medical inflation at 12% per year (within the 10-15% range).

- **Over 5 years, cost will grow by factor =  $(1 + 12\%)^5 \approx 1.12^5 \approx 1.762$  (i.e., ~76% higher).**
- **So in 5 years, annual cost would be ~ ₹1,76,000 (from ₹1,00,000).**
- **If inflation is at 14% then factor is  $1.14^5 \approx 1.925$  → cost ~ ₹1,92,500.**

**What it means: What you're paying today (₹1 lakh) may nearly double (or at least increase significantly) in 5 years.**

For a middle family this means the “healthcare budget” has to grow, or else you will find yourself under-budgeting / underinsured.

**If incomes are growing at say 6-8% per year for many middle-class households, they will grow by maybe  $\sim 1.06^5 \approx 1.34$  (i.e., 34% growth) over 5 years. But healthcare cost could grow by  $\sim 76-90\%$ . So healthcare cost growth > income growth → increasing burden.**

This has implications for savings, insurance planning, health cover adequacy, emergency funds, etc.

**Additional risk features: Hospitalisation or major treatment costs: These get magnified.** For instance, cost of some treatments has doubled in 5 years.

Even if you have insurance, premium hikes and co-payments may increase. **Coverage that looks adequate today may become insufficient in 5 years.**

Out-of-pocket expenses remain significant in India. So unless you plan ahead, you may face “bill shock”.

**4. What we should consider health cover (sum insured) keeping in mind that future healthcare costs will be higher.**

**- Choosing a sum insured that seems “comfortable now” may not be enough in 5 years.**

**- Consider top-up or super top-up covers (higher sum insured above a base cover) so that in case of major hospitalization the cover supports inflated costs.**

- **Encourage regular health check-ups**, lifestyle improvements (prevention helps) – fewer major events means less burden of inflated costs.

- **Build a healthcare buffer/emergency fund**: Since some part may still be out-of-pocket, having savings for unexpected healthcare helps.

Review and upgrade premiums/cover early rather than waiting. **The younger and healthier you are, the better terms you'll get.**

**Waiting may mean higher loading and pre-existing conditions risk**

Simply inflation-adjusting with general inflation (say 6%) is insufficient; the healthcare inflation is much higher. So if we assumed cost doubling in 12 years (at 6%) we are underestimating.

**Enclosed Table showing projected medical costs over 5 years for different starting value**

**Given these factors, health insurance can provide financial protection and access to quality healthcare, ensuring that individuals and families can focus on recovery rather than worrying about the financial implications of medical emergencies.**

So think seriously & take immediate action by make a call to me or contact me. I'll be glad to assist you in order to avoid **this approx. 14% healthcare inflation** & provide you affordable products with optimum benefits.

## Medical Inflation Projection in India (2025- 2030)

### Girish Gaur, Insurance Advisor – Niva Bupa Health Insurance

India's medical inflation is currently estimated at **10-15% per year**, among the highest in Asia. This projection shows how healthcare costs for a typical middleclass family may rise over the next 5 years. Such inflation highlights the importance of reviewing your **health insurance cover** regularly to keep up with the rising cost of treatment and hospitalization.

BASE ANNUAL COST (INR)	INFLATION RATE	YEAR	PROJECTED ANNUAL COST (INR)
50,000	10%	1	55,000
	10%	2	60,500
	10%	3	66,550
	10%	4	73,205
	<b>10%</b>	<b>5</b>	<b>80,526</b>
50,000	12%	1	56,000
	12%	2	62,720
	12%	3	70,246
	12%	4	78,676
	<b>12%</b>	<b>5</b>	<b>88,117</b>
50,000	14%	1	57,000
	14%	2	64,980
	14%	3	74,077
	14%	4	84,448
	<b>14%</b>	<b>5</b>	<b>96,271</b>

BASE ANNUAL COST (INR)	INFLATION RATE	YEAR	PROJECTED ANNUAL COST (INR)
<b>1,00,000</b>	10%	1	1,10,000
	10%	2	1,21,000
	10%	3	1,33,100
	10%	4	1,46,410
	<b>10%</b>	<b>5</b>	<b>1,61,051</b>
<b>1,00,000</b>	12%	1	1,12,000
	12%	2	1,25,440
	12%	3	1,40,493
	12%	4	1,57,352
	<b>12%</b>	<b>5</b>	<b>1,76,234</b>
<b>1,00,000</b>	14%	1	1,14,000
	14%	2	1,29,960
	14%	3	1,48,154
	14%	4	1.68.896
	<b>14%</b>	<b>5</b>	<b>1,92,541</b>
<b>2,00,000</b>	10%	1	2,20,000
	10%	2	2,42,000
	10%	3	2,66,200
	10%	4	2,92,820
	<b>10%</b>	<b>5</b>	<b>3,22,102</b>
<b>2,00,000</b>	12%	1	2,24,000
	12%	2	2,50,880
	12%	3	2,80,986
	12%	4	3,14,704
	<b>12%</b>	<b>5</b>	<b>3,52,468</b>
<b>2,00,000</b>	14%	1	2,28,000
	14%	2	2,59,920
	14%	3	2,96,309
	14%	4	3,37,792
	<b>14%</b>	<b>5</b>	<b>3,85,083</b>



### Advisor's Note:

Given that medical costs can almost double within 5 years, it is essential for every family to maintain adequate health insurance and emergency medical funds. Review your policy annually to ensure your sum insured keeps pace with inflation

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