

Health Insurance in India- Problems and Prospects

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Submitted: 01-08-2021

Revised: 10-08-2021

Accepted: 15-08-2021

ABSTRACT

We all have grown up knowing the fact that “birth is uncertain but death is certain”, but along with birth there is another major factor which is also uncertain and this factor is “health”. There are times where we can see people being happy in spite of losing wealth but no man can be happy without good health. As termed health is uncertain, we do not know which disease is standing at our door step. Poor health conditions will not only have implications on the patient but it will have effect on his family both financially and emotionally. Since ages we have seen many families reserving some amount of income for medical expenses but this is not the same in all the cases. Also, now a days, we can see people’s health conditions are deteriorating at a much faster rate which in turn has increased expenditures on health. In contrast, savings made for medical treatments and the huge prices associated with these treatments are nowhere matching. So, the condition these days have changed where we have to look out for someone who will be ready to bear our medical emergencies at a lower price; that someone who is ready to take up such responsibility is a health insurance company. There are many health insurance companies coming up with varieties of policies with better coverage for their consumers. Some of the benefits associated with such policies include consultation charges, ambulance charges, hospitalization, tests, medicine expenses etc.; these policies can be of cashless type or pay and then claim type. The main aim of this article is to study the various public and private health insurances available in India and throw light on the problems, contingencies and prospects of health insurance.

KEYWORDS: Uncertain, health, medical emergency, health insurance.

I. INTRODUCTION

When we are thinking about financial planning, we can hear a lot of suggestions coming

up to buy a house or some immovable property, or to make investments where we can get good returns; whether we hear about all these or not but we will surely hear about people saying to buy a health insurance without fail. Before getting into health insurance, we have to understand what is concept of insurance and its types. The term “insurance” generally means shielding oneself from forthcoming risks; that means covering one’s life or property against any sort of risk.

The technical definition of insurance is that “Insurance is a legal agreement between two parties i.e., between insurance company and the person getting insured”. This means that the insurance company will bear the financial risk and averse the insured from the future financial risks. The insurance works in the following manner. The insurance company or the insurer collects a fixed amount from the insured company and this fixed amount is called premium. After this premium collection, if in case the insured person undergoes any kind of loss, then such financial loss will be borne by the insurance company based on the terms and conditions that were mentioned at the time of signing the policy. Apart from understanding the concept of insurance and its working, it is also important to be aware about the types of insurance policies available in the insurance pool. Mainly there are two types of insurance viz life insurance and general insurance; under general insurance there are varieties of insurances namely- home insurance, health insurance, motor/car insurance, business liability insurance, travel insurance and so on.

OBJECTIVES

1. To understand the concept and evolution of health insurance in India.
2. To analyze the challenges prevailing in health insurance industry.
3. To study the forces that are driving the customers towards buying health insurance.

4. To study about the latest innovations in health insurance industry.

II. LITERATURE REVIEW

J Anita (2008), Emerging Health Insurance in India - An overview- the paper discusses on various aspects such as Review of health insurance scenario in India, Various Health Insurance products available in India, Comparison of various health insurance and role of IRDA. The key suggestion they have made is that if health insurance is not properly regulated, then it will have adverse consequences on the cost of care, equity, consumer satisfaction, fraud and ethical standards. **Shankar Prinja (2012)**, Universal Health Insurance in India: Ensuring Equity, Efficiency, and Quality-This article applies economic theories to different possibilities to develop a risk pooling mechanism to ensure equity, efficiency, and quality care. **Dr Ramaiah Itumalla(2016)**, Health insurance in India: issues and challenges- the study is about the current scenario, issues and challenges faced by health insurance sector in India. Their suggestion is that if health insurance segment is left in the hands of private sector, then they would only serve fewer sections of people who are capable of paying the premium, so the government has to take measures and design schemes that will be affordable and reachable to all. **M.Vinoth and Dr.SP.Mathiraj (2017)**, A study on health insurance schemes of select health insurance companies in India- the aim of this paper is to analyze the position of each company, and compare their claims, settlements and premiums. An examination on how the premium amount as well as claims have increased over years has been done here. Their key suggestion is that companies should provide assistance in eliminating the risk of nominee's life. **Dr. Rana Rohit Singh and Abhishek Singh (2020)**, A study of Health Insurance in India- The paper highlights the concept and structure of health insurance in India. A sector wise distribution of health insurance in India has been depicted. Suggestions in the study to the government is to take measures to create awareness among the public, so that they can utilize the schemes appropriately. Also, they have suggested that innovations have to be made in the products and services both in public and private sector in order to reach all. **Bhageerathy Reshmi(2021)**, Health insurance awareness and its uptake in India: a systematic review protocol- the empirical paper is about various interventions implemented in India in order to create awareness in public about health insurance which includes

factors such as-attitude such as readiness to buy health insurance or decision making.

III. RESEARCH METHODOLOGY

This research paper is based on online resources available depicting the health insurance sector in India. In this research process, an attempt is made to collate the information about challenges, forces and technology that are driving the health insurance industry. So, selected review of the research papers, articles and books related to health insurance in India is undertaken that resulted in various propositions.

HEALTH INSURANCE IN INDIA

Having understood the concept and types of insurance, we will now discuss about the prevalence, problems and prospects of health insurance in India. The health care spends in India is about 4% of GDP, while the global average is about 10%. The biggest issue in India is the highest out-of-pocket expenses and it is around 60% of the total expenses, while the overall global average out of pocket cost is only 18%. Therefore, a huge amount required to lead a healthier life. This 60% out-of-pocket expense is a big pinche on an average human being life in India. And this is the major force which is driving the people towards buying health insurance policies.

There are mainly two types of health insurance in India viz., public health insurance and Private health insurance. Those health insurances that are funded and run by government through programs such as Medicare, Medicaid, or CHIP are called public health insurance. These schemes can either be funded by state government or central government or both. There are 16 different types Government health insurance schemes in India viz.,

1. Aam Aadmi Bima Yojana: The main aim of this scheme is to provide security to low-income individuals in case of death or disability. This scheme covers only the earning member or head of the family. A premium of 300Rs per annum has to be paid by the policy holder for an assured sum of 30,000Rs in case of natural death and 75,000Rs in case of accidental death.

2. Ayushman Bharat Scheme: this scheme combines two schemes namely Health and Wellness Centers (HWC) and the Pradhan Mantri Jan Arogya Yojana (PM-JAY).

3. Awaz Health Insurance Scheme: The migrant workers in Kerala can avail this scheme for an insured sum of 15,000Rs and 2 lakh rupees in case of policy holder's death.
4. Central Government Health Scheme (CGHS): This scheme covers hospitalization expenses for

central government employees. It provides assistance for alternative medicines like Ayurveda and homeopathy.

5. Chief Minister's Comprehensive Insurance Scheme: the government of Tamil Nadu has promoted this scheme for people whose income is below 75,000Rs. This is a family floater plan designed by government in association with United India Insurance Company. It provides a claim of Rs 5 lakh for medical expenses.

6. BhamashahSwasthyaBima Yojana: The government of Rajasthan has initiated this scheme for its public. It provides cashless claims for general as well as critical illnesses and covers both in-patient and out-patient expenses.

7. Employees State Insurance Scheme: This scheme was initially formulated for factory employees in 1948, but now it is applicable for all establishments which are having more than ten employees. The employees and their dependents are entitled for medical treatments if they have enrolled for this scheme.

8. Karunya Health Scheme: The main aim of this scheme is to provide coverage for critical illnesses for the poor; it was launched by Kerala government in 2012.

9. Mahatma Jyotiba Phule Jan Arogya Yojana: This scheme was promoted by Maharashtra government for people below poverty line and for farmers. It provides a claim of Rs 1.5 lakhs for medical expenses with zero waiting period, unless if there are no specifications mentioned in the terms of the policy.

10. MukhyamantriAmrutam Yojana: This scheme provides coverage for medical expenses of people below poverty line and lower middle-class families living in Gujarat. It provides a claim of Rs 3 lakh for each family.

11. Pradhan Mantri Suraksha Bima Yojana: this policy was promoted in 2016 and provides financial coverage for accidental cases and covers all between the age of 18 to 70 years and having bank accounts. It assures a sum of Rs 1 lakh for partial disability and Rs 2 lakh for total disability or death due to accident. The premium collected for this policy is Rs 12 per year.

12. Telangana State Government – Employees and Journalists Health Scheme: This scheme is for employees and journalists in Telangana state. Existing as well as retired employees are entitled to avail this scheme.

13. RashtriyaSwasthyaBima Yojana: this scheme provides universal healthcare coverage to people below poverty line and their families.

14. RashtriyaSwasthyaBima Yojana: This scheme provides medical expenses coverage to unorganized sector like workers, laborers and their families.

15. Yeshasvini Health Insurance Scheme: This scheme is launched by Karnataka government for farmers and peasants who are the members of co-operative societies. More than 800 surgeries are covered under this scheme. An amount of up to Rs 1 lakh for single surgery and up to Rs 2 lakhs for multiple surgeries can be availed in a year.

16. West Bengal Health Scheme: This scheme was initiated by West Bengal government for employees, pensioners and their families as well. It provides an assured sum of Rs 1 lakh for OPD and surgeries.

All the above schemes have very low premium amounts to encourage people with low income to invest in health insurance. The funding may be full or partial. Even when the funding is partial, the part of payment that has to be paid by the policy holder will be reduced heavily. Those health insurances which are not funded by the government are called private health insurance. There are numerous players in this stream. The main aim of any health insurance company is to enable the customers to lead healthier and successful lives. Ayushman Bharat is the single biggest health coverage scheme across the world. There are about ten crore people roped into it. About 6.5 million patients have benefited from this scheme and over 9500 crore rupees has been paid.

The different types of health insurance products available in India are:

1. Hospitalization: this type of plan covers the hospitalization cost and the medical cost of the insured.

2. Family Floater Health Insurance: it provides coverage to the entire family.

3. Pre-Existing Disease Cover Plans: it provides coverage to the pre-existing disease of the policy holder, but it has a waiting period of 2 to 3 years.

4. Senior Citizen Health Insurance: it provides coverage for aged people in the family.

5. Maternity Health Insurance: this policy ensures coverage for maternity and related expenses.

6. Hospital daily cash benefit plans: A defined sum of money for defined number days will be paid to the insured in case of hospitalization.

7. Critical illness plans: A fixed lumpsum amount is paid to the insured if in case he is diagnosed with a critical illness and medical procedures in this scheme.

8. Proactive plans: medical, behavioral and lifestyle factors associated with chronic conditions are served in this type of insurance. This policy is developed by companies especially for Indian customers.

9. Disease specific special plans: there are few viral diseases like dengue and corona growing at a faster pace, hence to provide financial assistance to medical needs in such cases, disease specific special plans are designed.

The key aspects of any health insurance are the Payment option, Cost and the Duration. The payment option can be cashless where the insurer pays directly to the hospital and the person need not pay the amount; on the other hand, the person can make the payment for the treatment and then can take reimbursement. The sum assured for any health insurance ranges from 5000Rs to 50 lakhs or even more; it is always based on the choice of the person buying the policy. Any health insurance policy lasts for a period of one year and it has to be renewed every year in order to get the continued benefits. Health insurance also provides a tax benefit under section 80D for Rs25000 for self, spouse and children and Rs50,000 for parents.

FORCES, CHALLENGES AND INNOVATIONS IN HEALTH INSURANCE

The major forces driving the growth of health insurance industry are: Increasing awareness about the importance of health insurance; Another important factor that is driving us towards health insurance is that in India we are grossly under insured, i.e., 70% of the population does not have any kind of medical cover. Even if one has, he might not have the appropriate cover. Globally, health insurance market is 25% of overall insurance pool and in India it is only 8%, and hence there is a huge gap. The challenges such as high population, low penetration and more importantly the higher incidence of lifestyle diseases have created a huge demand for this segment in the insurance pool. And, this is also the fact behind the health insurance being the fastest growing segment in the country.

One of the big challenges faced by customers that have led them not to buy health insurance is: a. Painful on-boarding- many have

believed that they have to go through multiple medical checks and formalities to get an insurance; b. If something happens to the insured, the claim process is very tedious. Considering these points, a lot of significant reforms have happened in recent days, which have come up with many regulations.

Another big challenge to the companies is to make health insurance more affordable; but as the penetration level increases i.e., as more and more people start buying health insurance, the cost gets reversed back to the consumer; and this is also the reason for rise in premium amount. Third big issue is the big gap between the demand and supply in overall healthcare practitioner space in India, and this is another reason for high price point differentiation and this is also the reason for high medical costs; new age treatments being costlier is another reason for price differentiation.

The other challenges with health insurance companies are to create products to address the core customer needs. Their products should be designed such that they should get maximum benefits.

The latest innovation in health insurance company is “any time health machine” which is smaller than an ATM machine where one can get his non-intrusive diagnostic test, buy an insurance and walk out in less than three minutes. This machine is a very powerful machine that takes all the vitals and gives a comprehensive report about the person’s overall health. These machines can be seen in many places like malls, smart hubs etc. where one can go and get his non-intrusive diagnosis done and if interested can walk out with a health insurance policy.

Also changes in technology is having a significant impact on insurance because over 45% of the people who buy insurance, search them online where there are plenty of platforms available for them to compare the products and around 13% of them buy the products completely online. As days pass on and as we grow, this number is going to get compounded as India is getting far more digital. This is because people are far more comfortable using technology, and hence situation is no longer about having an advisor or having a face-to-face conversation.

IV. DISCUSSION

- The first question that flashes into one’s mind when we start thinking about health insurance is “what is the right age to buy a health insurance?”. The mindset of people is that they tend to believe that I am still young, so nothing is going to happen to me right now, so I will think about health insurance at a later stage;

situations are such that we are living longer; but on the other hand, we come across many young people who are fighting with diseases such as cancer, diabetes, and so on even in 20s. Hence, the answer to the above question is-protecting our health should be the first part of one's planning; you can avail deep discounts on premiums because if you are leading a healthy life, it is obvious that your premium goes down and the sum assured goes up. Therefore, the earlier you buy, the better it is to you.

- OPD is the large component on which people spend on their well-being and this needs to be covered under health insurance. In recent days, many health insurances companies have come up with policies which covers preventive, wellness and medical insurance all bundled under a single platform with health coach, behavioral coach and OPDs; and these policies are available at discounted rates.
- Insurance industry as itself is a tightly regulated industry and because of which there are a lot of variations in cost. But when we particularly try to analyze prices of health insurance, it is constantly rising and the reason behind this is that the medical inflation is about 10%, due to which the health insurance cost goes up every 3-5 years.
- As the interest of people towards buying health insurance is increasing insurance companies are coming up with varieties of policies which are having lot many benefits. It is always good to disclose pre-existing diseases, ensure that you read and understand the terms and conditions.
- when you are comparing between products it is not that you are comparing only the price of the product but also the benefits associated with them, what you have to majorly look into is co-pays and sub-limits because this can significantly hamper in the hour of need.
- It is always fair for the customer to get maximum benefit from the policy that he discloses at the time of buy. The second important thing is to read and understand the terms and conditions of the policy because this is the policy you are going to keep for a longer period of life and it should work in your favor in the hour of need. There is another perception that sum insured or price is the only criteria to compare the product; but the fact is that the underlying benefits of the product really determines the price. Hence, price may not be the fair comparison because of the elements like co-pays and sub-limits can give a

very different complexion to the price of the product. Hence it is beneficial to know the benefits of the products especially elements like waiting period, pre-post illness, domestic and global coverages; and also, it is important to know what are the continuity benefits you will get if you are continuing with the policy in terms of bonus, sum assured and so on, which in turn is going to beat the heat of inflation; increased sum assured over a period of time is called loyalty benefit.

- The current situation in India is not thinking about whether I need to buy a health insurance or not, it is about what I need to buy; As years are passing, our thought process has changed from thinking to get a health insurance policy to the days where we are thinking whether we have got the right policy. And this is predominantly driven by the awareness level about health insurance in our country
- According to **Ashish Mehrotra** CEO and Managing Director, Max Bupa Health insurance any insurance which has coverage of less than 15 lakhs is not an appropriate coverage. Not only the sum insured, but appropriateness of the product is also important; that means it should not have any co-pays and sub-limits, and should have lesser waiting time. Today we can see more and more people opting for higher sum assured. As India is becoming more and more urbanized, it has a major impact on people opting for varieties of insurances.
- Health insurance industry is growing at a rapid pace which is about 21% in India compared to any other segments in insurance pool. And this will continue to grow at a much larger rate and the reason behind this is- a. lack of penetration; b. high inflation; c. increase in lifestyle related diseases in India (India is called the diabetic capital of the world).

V. SUGGESTIONS

- There is pervasive lack of literacy among people in India. The government has to take measures to educate people about various health insurance schemes like introducing insurance chapters at pre-university and degree levels for students of all streams; this might be helpful for them to buy a health insurance at a younger age or at the beginning of their financial planning.
- The private insurance companies have to be cautious while deciding on their sub-limits and co-pays as these are the factors having major

influence on the churning rates of the customers.

- Since the buying power of people is increasing, the government can increase the sum assured value in various schemes by collecting a little more premium from the public.
- OPD is the major out-of-pocket expense for individuals in India but not many schemes are available for cutting down this expense. So, lot many schemes have to be developed by both private and public sector companies to cater this requirement;
- Government in co-ordination with private companies can come up with policies that can cater to the varieties of needs of customers at a much lower price.

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