

Indian Health Insurance Sector: Present Scenario and Prospects

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ABSTRACT

As per the current health financing and demand scenario, health insurance has a huge scope in present India. Health insurance being one of the most profit making segments in the insurance industry of India it has increased its penetration and coverage in various markets. Large network of customers have attracted not only N number of insurance companies entering into the health insurance market but also offering of variety of health insurance products. It is expected that more Indians, both in the rural and urban areas will utilize healthcare insurance policies to compensate their expense on medical treatments which proves a provision for providing financial protection. Since, investment in India in the health sector is increasing both in the government sector as well as in the private sector therefore it seems important that health insurance coverage should be popularized for the entire population of the country. India has a large population in semi urban and rural areas who still uncovered by any health insurance scheme primarily due to their low income and unawareness about health insurance benefits. It is important to educate the people in such areas to get them insured with healthcare plans.

Aim of Paper

Present paper is a humble attempt to search into the present position and also undetected scope for growth opportunity for health insurance in the Indian Insurance sector and thereby suggest the means and ways to grasp the opportunities available in health insurance sector.

Key Words-

Health Insurance, Indian Insurance Market, penetration, IRDA, health care costs, unawareness

INTRODUCTION

Health insurance is grooming business idea that are gaining boom in several countries; however in India it is still an untouched and unexploited market especially in rural and semi

urban areas. Government sponsored schemes covered 80% of all persons covered with insurance. In insurance industry in India, in fact the Public health insurance companies in India, provide coverage to large mass of population because people have more trust on them in terms of security of money and they charge nominal premium suitable to their budgets for all types of health insurance policies, though this fact does not apply to family floater policies including individual policies but if compare it to other countries which have either already implemented Universal Health Coverage or planning their efforts towards it, "India need to increase with a rapid speed its total health expenditure as it is required according to its huge population because per capita public spending on health is still very low. At any given point of time, 40 to 50 million people are on medication for major illness and the share of public financing in total health care is just about 1.8% of GDP to health in 2020–21.¹ Most of health financing is private financing, much of which is out of pocket payments and not by any prepayment schemes."² According to the present scenario in the health financing industry in India and the demand situation, the health insurance business has a huge opportunity for insurance providers. Nevertheless, a well-planned, target based and strategic efforts required to control and capture Indian health insurance market with proper understanding of the customers and training the concerned people in the market. Nature and characteristics of Indian market as regards health insurance is as follows:

¹<https://data.worldbank.org/indicator/SH.XPD.GHED.GD.ZS>

²NHP 2019 comprehensive report on India's current health status by ministry of affairs govt of India.

Huge differences between urban and rural population:

Although the prospect to capture the market is very suitable in the current scenario, India still applies only around 4.2% of its national GDP towards healthcare goods and services (compared to 18% by the US). Further, there are huge differences between the rural and urban populations in its healthcare system which again worsen the problem of health care equality. The people in rural India have no or limited access to hospitals, community centres and other sophisticated medical facilities which as a result, they mostly depend on alternative medicine and government programmes in rural health clinics. Around 80% of people in India reside in rural areas they have no ideas about health insurance schemes and their benefits. Government health insurance schemes are the only source of protection for them in most of the cases. National Urban Health Mission is only a government program which pays individuals for healthcare premiums, in partnership with various local private partners, which have failed and have proved ineffective to date. However, the urban areas have lots of private hospitals and clinics for providing quality healthcare service and are equipped with better doctors, preventive medicine, and quality clinics which are a result of better profitability for investors compared to the not-so-profitable rural areas.

Burden of excessive health care cost on the pocket of people: -

Another important factor of India's healthcare landscape is the high out-of-pocket expenditure (approx.70%). A common man is forced to pay their hospital bills for treatment and care with their own pocket cash with no payment arrangements. According to the World Bank and National Commission's report on Macroeconomics³, There are only 5% of Indians who are covered by health insurance policies. This too low coverage has given rise to an emerging health insurance market which is only available for the urban, middle- and high-income populations. The penetration of the health insurance market has been increasing continuously over the years and due to increased rate of diseases and lifestyle changes has made it one of the fastest-growing segments of business in India.

³ Report of National Commission on macroeconomics and Health 2005 on Health care services in India, by ministry of health dept. & world Bank

The Indian government also plays an important role in running several health insurance programmes to provide safety for the population who are at high risk of diseases and actively regulates the private insurance markets. Presently there are a number of such programmes including the Community Health Insurance programme for the population below the poverty line. There are numerous additional health plans offered to government employees, and a lot of private companies sell private health insurance to the public.

Extreme need for Basic Primary Healthcare and Infrastructure:

India is deficient in providing basic health care services and maintaining the balanced infrastructure for solving growing basic health issues in the areas of various communicable and non-communicable diseases. Quality health and sanitation infrastructure are reachable for a few percentages of population both at rural and urban areas. The Indian government spends only about 30% on primary health care of the country's total healthcare budget. This can be simply a fraction of what the US and the UK spend every year. One way to solve this drawback is to handle the infrastructure issue by standardizing diagnostic procedures, building rural clinics, and developing streamlined health IT systems, and improving efficiency. The requirement for skilled medical graduates continues to grow, particularly in rural areas that fail to draw in new graduates attributable to money reasons. A sizable percentage of the graduates continues to go abroad to pursue higher studies and employment.

Continuous Growing Pharmaceutical Sector:

India is the third-largest exporter of pharmaceutical products in terms of volume according to the Indian Brand Equity Foundation (IBEF)⁴. Generic drugs constitute around 80% of the total pharmaceutical market due to low cost which seem to be the major driver of this industry. The government has already permitted foreign direct investment which proved as liberal measures in this area which has been a key drive behind the expansion of Indian pharmaceutical industry. The increase in lifestyle disease and rising incomes and consumption of the middle class, and development of primary care facilities are expected to shape the pharmaceutical industry in future.

⁴ Indian Brand Equity Foundation (IBEF) on India's pharmaceuticals industry Analysis <https://www.ibef.org/industry>

Underdeveloped Medical Devices Sector:

According to The Economic Times⁵ “For the foreign and regional investors medical devices sector has been expected to be the most promising sector for future development because they are extremely profitable and continuously in demand in other countries, like the health insurance market it is also one of the fastest-growing sectors in the country”. This industry has been suffering from a number of restrictive challenges which has earlier prevented its growth and development. Now the government has been showing a positive attitude on clearing restrictive hurdles associated with the import-export of medical devices.

Different health Insurance Plans in India

To cater the need of health insurance there are numerous health insurance plans in India. These plans are categorized into four (4), namely:

1. Optional health insurance plans or profit-oriented plans.
2. Compulsory health insurance plans or government-owned plans (e.g., ESIS and CGHS).
3. Non-government organization health insurance plans.
4. Employer-owned plans.

a. Optional health insurance plans or profit-oriented plans:

Private insurance involves buyers who seek common protection paying some amount of money known as “premium” to an insurer (an insurance company) against unforeseen incidents. It is out of their premium that the company compensates anyone who suffers a loss, and also covers them for expenses related to health. What determines the amount of money a buyer pays as premium is the kind(s) that he or she insures alongside the expected compensation in case of loss, not his or her income. This is different from the reality in the public establishment, where the General Insurance Corporation and its divisions (National Insurance Corporation, New India Assurance Company, Oriental Insurance Company and United Insurance Company) make optional insurance plans available to the general public. Out of the different plans provided by General Insurance Corporation (GIC), Mediclaim policy is the most popular.

Mediclaim policy: The essence of this popular plan, which started in 1986, is to refund the money an insured spends on his or her health

whether due to an ailment or an injury. This plan covers both home treatment and hospital admission, but it excludes outpatient treatment. However, an insured can enjoy outpatient treatments under the mediclaim policy provided he or she agrees to repay from his or her earnings through higher premium. Generally, the mediclaim policy is very expensive to maintain; hence, only the working-class taxpayers opt for it.

Meanwhile, there are alternatives to mediclaim in other optional health insurance plans such as Shakti Shield, Raja Rajeswari Policy, Asha Deep Plan II, Cancer Insurance Policy, Overseas Mediclaim Policy, Critical Illness Policy, Group Health Insurance Policy, Jan Arogya Policy, JeevanAsha Plan II, Health-Guard etc. But now, there are numerous health insurance products and policies in the market available at reasonable prices with unlimited provisions and coverage of diseases.

b. Compulsory health insurance plans or government-owned plans (e.g., ESIS and CGHS)

i. Employer State Insurance Scheme (ESIS):

This was introduced in 1948 to cater for the protection of power-using and non-power-using companies with at least ten (10) employees. To make the scheme legal, a first-of-its-kind law on social security, the employers' state insurance (ESI) act, was made. The act empowers ESIS to provide both employees and their dependents with compensation in case of wage loss resulting from ill health, maternity, disability and even job injury leading to death. The scheme also refunds money spent on rehabilitation and funeral. Interestingly enough, its aspects of medical protection cover both inpatient cum outpatient treatments alongside expenses on medicines and specialist treatment. These are made possible by different joint efforts of ESIS equipment, public treatment centers, non-profit organizations and registered private individuals. The ESIS, for instance, is run with contributions made by employers, workers and the state government. In spite of this, the scheme still faces a number of challenges calling for a reform without any further delay. These challenges include the following:

- Inadequate members of staff and too many vacant posts due to poor payment of medical employees.
- The cost of specialty treatments is almost unaffordable, as the sector experiences rapid technological advancement.
- Abysmal informal management system in the hospitals.

⁵ The Economics Times, ET healthworld.com
<http://health.economic-times.com>

- Medical services rendered to patients are unsatisfactory.
- The facilities and services of the hospitals are not fully utilized.
- Lack of infrastructure denies rural areas 'residents the access to medical services.

ii. Central Government Health Insurance Scheme (CGHS): The CGHS was instituted in 1954. The scheme is largely financed by the government – individuals only contribute as little as 12%. It caters for both retired and serving government workers. It is also available to public officers in the executive and the parliamentary arms. Registered press men and women, and citizens in some places are also beneficiaries. Beneficiaries are provided with medical services which include home care, free medicines amongst others. The programme runs on public facilities, mostly.

The scheme has been seen as ineffective for many shortcomings. Comments have been made about untimely reimbursements and lack of transparency with private health centres used. Subscribers have had to spend extra monies.

iii. Universal Health Insurance Scheme (UHS): This scheme enables poor people to have insurance of their own. The government implemented it, in 2003 to provide protection to the poor from financial hazards. The programme is such that any member of a family subscribed to it is a beneficiary, unlike the Mediclaim policy. The scheme caters for the family, not just an individual. For a family of five, Rs. 248 is the premium, for that of a seven-member family it is Rs. 330. But in spite of these, the UHS is not a success. Reasons for its failure include:

- The companies in charge of the execution of the programme fail to sell it to the populace, as they do not commit finances to marketing it because of their lack of confidence in the scheme.
- It is too uneasy to distinguish the eligible families from the ones who are not.
- Fake, unreal names have been discovered to be registered by field officers to meet set goals.
- High levels of illiteracy amongst the beneficiaries makes documentation of claims very tedious.
- Poor incomes disallow the poor families to raise the whole premium at once.
- Absence of insurance providers

The government making available a new product to the Self-Help Group (SHG) a year after establishing the UHS has not helped. The

enrollment is not encouraging, due to the points made above.

c. Insurance by NGOs and community-based health insurance (CBHI):

These non-income-based insurance plans are targeted towards specific services. They do not cover major health needs. They only usually take care of preventive care and transportation where needed. They are mainly operated with donations, trust funds and contributions from non-governmental organizations (NGOs) – beneficiaries prepay only a specific amount for some services yearly. These schemes are found in communities with widespread poverty. Given this service to humanity and not interest oriented tilt, it is less progressive. However, it is noteworthy to state that there have been efforts to attract interest-minded insurers to buy customized insurance policies.

These insurance plans have not been successful, nonetheless, and their deficiencies are caused by a number of challenges. There is the poor understanding of risks owing to lack of assessment. They are highly selective, less encompassing and demand huge monetary needs. The poorest ones are largely excluded. On the whole, the management and the design of the schemes are weak and unsustainable. Some of the well-known health insurance schemes which are community based are Tribuvandas Foundation (TF), Rehabilitation and Development (ACCORD), The Mullur Milk Co-operative, Voluntary Health Services (VHS) and Self-Employed Women's Association (SEWA)

d. Employer-based schemes:

These schemes are run by employers and offered to their employees. Employees are insured through their employers. The insurance plans reimburse employees for outpatient care, amongst others.

Status and Trends in Health Insurance Industry in India:

Due to liberalization of the economy and increased general awareness Health insurance has been growing significantly since 1986. Among major government sponsored health insurance providers there are a number of standalone health insurers which have been established and positively growing in the market. The General Insurance Corporation of India and the Insurance Regulatory and Development Authority (IRDA) had launched an awareness campaign for all segments of the population to impart awareness and improve knowledge about health insurance.

For the growth of Indian economy, the health insurance industry seems to be a sparking and profitable segment which is still untapped and needs to be captured as a strong market. In the year 2016," the NSSO released the report 'Key Indicators of Social Consumption in India: Health' based on its 71st round of surveys. In the survey carried in the year 2014 it was found out that more than 80% of Indians are not covered under any health insurance plan. Among them only 18% are government funded in which 12% consist of the urban population and 14% of the rural population was covered under any form of health insurance."⁶ Health insurance in India is a growing and profiteering segment, even then the market is not fully discovered and utilized and several measures are needed to improve and expand insurance coverage, "according to the **National Health Profile 2018** out of 4,37,457 persons covered under insurance, 79 per cent were covered by public insurance companies, with the remaining being covered by private insurance companies. Health care expenses and cost of treatment are continuously rising which has created inequity in access to health care services, according to the report. Per capita public expenditure on health in nominal terms has gone up from Rs 621 in 2009-10 to Rs 1,112 in 2015-16", stated the report"⁷. Health insurance in India is a growing segment. Yet, the market is not fully covered and several measures are needed to improve and expand insurance coverage. "Ayushman Bharat Mission- National Health Protection Mission or PradhanMantri Jan ArogyaYojana (PMJAY) world's largest health scheme announced in the Union Budget 2018-19 aims to provide a cover of Rs.5 lakh per family per year for secondary and tertiary care procedures. It is the latest initiative in expanding the health insurance network and targets 10 crore poor and deprived rural population." (NHP-2019)⁸

Importance of Health Insurance

As per the current health financing and demand scenario, health insurance has a huge scope in present in India. As one of the most profiteering segments in the insurance industry of India, health insurance business has increased its penetration and

coverage in various markets and large network of customers, with increase in not only in the number of variety of products but also in the number of insurance companies entering into the health insurance market. The importance of health insurance cannot be underestimated for the following reasons:

- Providing financial security to human life from financial distress is one of the most important aim of health insurance.
- An expert team collectively works for the benefits of the customers i.e., closely bonds insurance companies, hospitals, policy holders and third-party administrators (TPA) come together for the benefit of Indian masses.
- It somehow provides a solution to the prevention and minimization of unforeseen losses.
- It helps in getting access to quality health care.
- Health insurance provides saving in the form of tax savings from income tax under various deductions provided for the payment of health insurance premiums and also serves as safe investment avenue which provides financial stability in life.
- It helps in relieving a customer at the time of hospitalization and sudden health issues from tension arises at the time of medical emergency and thus supports in living a tension free life to some extent.

Prospects of future growth of health Insurance:

- A combination of demographic and economic factors is expected to bring about increased healthcare coverage in India which is expected to drive the growth of the sector.
- **Continuous rise in Population:** "Expected increase in population would be increased by 12.4% by 2026 according to the population projection for India & states 2001-2026"⁹ which means wide expansion of market and new customers.
- **Change in demographics due to age:** "60 percent of the population in the younger age bracket and an expected increase of geriatric population from current 96 million to around 168 million by 2026 (KPMG analysis 2011)"¹⁰. This characterizes a huge patient

⁶ NSSO, Key indicators of social consumption in India health ,71st round, <http://mospi.nic.in>

⁷ National Health profile 2018 by Ministry of affairs, Govt of India

⁸ National health profile 2019 by Ministry of affairs, Govt of India

⁹ CRISIL "on ensuring India's elderly have sustenance is an urgent imperative", 2010. www.forbesindia.com

¹⁰ KMPG analysis based on 2011 census, <http://ficci.in>

base and generates a market for preventive, curative and geriatric care opportunities.

- **Continuous rise in disposable income:** “Households in the above INR 200,000 per annum bracket can benefit from an increase in disposable income from 14 percent in 2009-2010 to 26 percent in 2014-2015 making healthcare more affordable” (CRISIL 2010)¹¹. The rising standard of living along with increased purchasing power and willingness to pay for quality healthcare has led to the emergence of high-quality corporate hospitals. Changing lifestyle patterns and consumer’s preference and attitude towards spending patterns has created a market for preventive and curative care opportunities.
- **Increase in lifestyle diseases**-related diseases: Due to change in lifestyle pattern and increasing population there is expected gradual increase in the incidence of lifestyle-related diseases, such as cardiovascular, oncology and diabetes which force people to be insured to protect themselves from unforeseen crisis.
- **Improvement in Literacy rate:** Due to continuous improvement in literacy level, awareness among common man has been gaining momentum which results in growing general awareness, patient preferences and better utilization results of health care services.

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