

# Health Insurance in India

**J. Kalaisigamani  
A. Sangameshwaran**

---

---

**Language in India** [www.languageinindia.com](http://www.languageinindia.com) **ISSN 1930-2940** Vol. 13:4 April 2013

---

---

## Abstract

India is gradually becoming health conscious. This is because youngsters have new ambitions, big dreams and high goals and they have the motivation and drive to make them all come true. Their lives are fast paced and because of this fact there is an absolute need for health care so that they are able to overcome all the obstacles that might come their way. For this reason, Indians have realized the importance of health insurance India. Owing to this realization, the medical insurance sector is one of the fastest growing segments in India today.

**Key words: Insurance, health, medical, family, employee**

## Introduction

Medical expenses have increased. Common man has to stretch to uncomfortable financial limits to get proper treatment for himself and his family. Hospitalization charges are skyrocketing these days and to admit in the best hospital in your city for best of medical facilities you have to give all your savings. To save your money and provide good medical facilities in best of hospitals everyone needs health insurance. Tax benefits can also be availed with health insurance under section 80(D). Health insurance comes with dual benefits where we can save on tax as well as protection for health. Health Insurance is the best solution to make sure that we and our family members are never underprivileged of the best Medicare.

**How much cover do we need?** If we earn more than 5 lakhs per year, get a cover of at least 5 lakhs. Anything below that, take a cover equal to our annual income.

**Documents requirement** Documents usually asked are age proof and identity proof. Check on the quotes page if you need to undergo medical tests

**Language in India** [www.languageinindia.com](http://www.languageinindia.com) **ISSN 1930-2940** 13:4 April 2013

**C. Subburaman, Ph.D. (Ed.)** *Health and Medical Care Services: Claims on National Resources*

J. Kalaisigamani and A. Sangameshwaran  
Health Insurance in India

## Health Insurance in India and Its Importance

Indians have realized the importance of health insurance in India. Owing to this realization, the medical insurance sector is one of the fastest growing segments in India today. A lot of factors have contributed to this change with the most important being the change in people's mindset about mediclaim insurance.

Here are a few reasons why companies providing insurance for medical care have been so successful:

1. **Security for you and your family:** Health insurance policies are plans that are designed to be used when you have any health related problem. A health care insurance policy can be thought of as a contingency plan made to make things easier for you when the going gets tough. A policy not only protects you, but your whole family. The best health insurance companies offer "family floater" plans. A "family floater" plan can cover two adults and two children and comes out to be more efficient than four individual policies for each family member.
2. **Monetary support:** Along with the support of medical care that a policy provides, it is also important to note financial benefits that it gives. The monetary advantage of having a mediclaim policy is so great that it can make a huge difference in the financial status of a family. You save in two different ways with a medical insurance policy. Firstly, you save on the cost of treatment, which can include the cost of hospitalisation, pre and post hospitalisation care, cost of expensive diagnostics etc. Secondly, the Indian government gives heavy tax benefits in the form of deductions and exemptions from the total taxable income to anyone paying premium towards a mediclaim insurance policy.
3. **Best care:** Medical insurance companies providing the best health insurance policies have widespread and strong networks of hospitals on their panels where you can receive specialised and timely medical care with a smile.
4. **Support for emergencies:** The mediclaim insurance companies have come up with plans on how to tackle emergencies and make it easier for you, and have also come up with the clause of "cashless hospitalisation". This feature allows you to get hospitalised without

**Language in India** [www.languageinindia.com](http://www.languageinindia.com) ISSN 1930-2940 13:4 April 2013

**C. Subburaman, Ph.D. (Ed.)** *Health and Medical Care Services: Claims on National Resources*

J. Kalaisigamani and A. Sangameshwaran  
Health Insurance in India

the hassle of cash. This is a especially designed feature for emergencies where it is quite impractical to expect a patient to withdraw cash from a bank before heading to the hospital to get admitted.

5. **Peace of mind:** Stress is the number one enemy of health. Stress makes your immune system weak and makes you vulnerable to all kinds of health trouble. With all these benefits of a health insurance policy in your pocket, you can be sure that you can handle anything that life has to offer. You can relax and breathe easy. No more will you have to fret about medical bills or worry about your and your family's future health.

## **Type of Health Insurance**

### **INDIVIDUAL HEALTH INSURANCE**

The simplest form of health insurance is the Individual health insurance policy. This cover is a hospitalization cover and reimburses the medical expenses incurred in respect of covered disease / surgery while the insured was admitted in the hospital as an inpatient. The cover also extends to pre- hospitalization and post- hospitalization for periods of 30 days and 60 days respectively.

### **SENIOR CITIZEN HEALTH INSURANCE**

These senior citizen health insurance policies have been designed for senior citizens and insurers cover people aged between 65 years and 80 years and are customized to cater to this group of people. The points of senior citizen health insurance comparison can be the max age at renewability, coverage of specific diseases and waiting periods.

### **FAMILY FLOATER**

Family Floater Policy is an enhanced version of the mediclaim policy. The policy covers each family member and the entire family's expenses are covered up to the sum assured limit. The family floater plan's premium is less than the separate insurance cover for each family member.

**Language in India** [www.languageinindia.com](http://www.languageinindia.com) ISSN 1930-2940 13:4 April 2013

**C. Subburaman, Ph.D. (Ed.)** *Health and Medical Care Services: Claims on National Resources*

J. Kalaisigamani and A. Sangameshwaran  
Health Insurance in India

## **MEDICLAIM**

Mediclaim plans are hospitalization benefit plans that are offered by general and health insurance companies. Mediclaim plans ensure that your medical expenses are expensed, or reimbursed by the insurance company, in case you have to incur those during the coverage period. The best mediclaim policy takes care of medical expenses following hospitalization in case of sudden illness or any surgery.

## **TRAVEL INSURANCE**

Do you have plans on going for an overseas holiday or travelling abroad on business, or perhaps are thinking about pursuing your studies in another country? Whatever your reasons may be, travel insurance is a must for such journeys. In order to receive medical treatment abroad you are required to have a valid medical insurance policy.

## **CRITICAL ILLNESS**

The number of people suffering from critical illnesses such as cancer, heart attack, and stroke is ever increasing. The cost of treatment for such diseases are growing and has become too much to bear and people go bankrupt trying to fund such costs. It becomes all the more necessary to invest in Critical Illness plans to safeguard yourself from the unexpected financial burden.

## **PERSONAL ACCIDENT INSURANCE**

### **Personal Accident Insurance Coverage**

Below is the personal accident insurance coverage:

- **Accidental Death:** It indicates death of the policyholder in an accident. The Sum Assured under this plan is payable if death occurs from an accident.
- **Accidental Disability:** It indicates that the policyholder is disabled from work, either partially or wholly.

- **Accidental Dismemberment:** It indicates that a part of the policyholder's body has been severed or dismembered. It means, if the policyholder loses his hand or leg or eyes, then he would be eligible to get a claim under Accidental Dismemberment.

### **INDIVIDUAL PERSONAL ACCIDENT INSURANCE POLICY**

This policy covers an individual in the event of any accident.

### **GROUP PERSONAL ACCIDENT INSURANCE POLICY**

This policy covers a group of people in the event of any accident. Group personal insurance accident policy is the policy which covers whole group. A policy can be bought to insure a group of individuals.

### **CASHLESS MEDICLAIM**

**Cashless Mediclaim** is the service in which an insured is able to get the hospitalization treatment free of cost. All the medical bills of hospitalization, up to the sum insured, are directly settled by an insurance company. The aim behind it is to reduce the direct financial burden on insured individual at the time of hospitalization. But one thing to be kept in mind is that cashless mediclaim facility can be availed only in network hospitals.

### **Types of Cashless Health Insurance in India**

- **Cashless Family Health Insurance:** This is the cashless family health insurance policy where sponsor owns the policy and the people covered under it are called its members. One can get his whole family covered under one policy or plan.
- **Cashless Health Insurance for Senior Citizen:** This is the cashless health insurance for senior citizens who cover hospitalization expenses, ambulance charges, and preexisting diseases subject to terms of the policy.
- **Cashless Hospitalization:** It is an aspect of the medical insurance in which insured does not have to pay anything to the hospitals (subject to plans in network hospitals) during

**Language in India** [www.languageinindia.com](http://www.languageinindia.com) ISSN 1930-2940 13:4 April 2013

**C. Subburaman, Ph.D. (Ed.)** *Health and Medical Care Services: Claims on National Resources*

J. Kalaisigamani and A. Sangameshwaran  
Health Insurance in India

term of treatment and it is done by third party on the behalf of insurer and insured. Expenses paid in non-network hospitals are reimbursed by the insurer after submission of sufficient documents.

➤ **Employee Health Insurance**

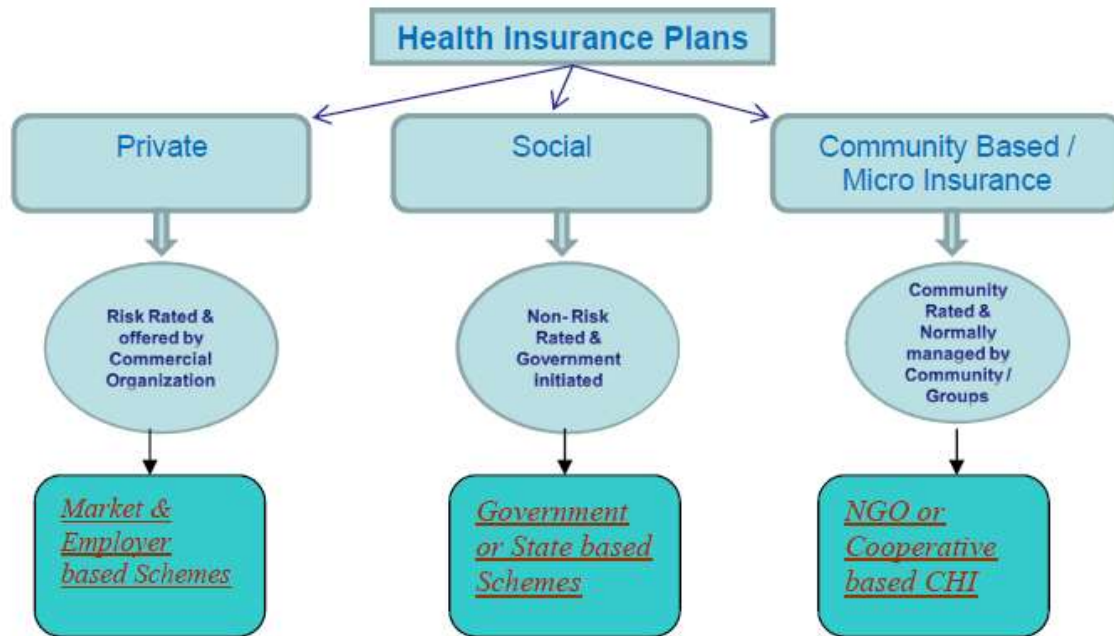
- Group health insurance companies typically covers medical benefits for insured (self), spouse, children and dependent parents.
- Some health insurance providers cover preexisting illness.
- Employee health insurance can cover maternity cover as well.
- Group health insurance can cover ancillary charges such as ambulance costs too.
- Some employee health insurance policies can provide reimbursements of fees of Specialists and other medical practitioners for follow checkups.

**The Current Health Insurance Scenario**

India spends about 6.5 to 7% of GDP on Health care (official estimates around 6%) out of which 1.2% is in the Govt. sector (this accounts for 22% of overall spending) and 4.7% in private sector (78% of overall spending)

- ❖ Government or state-based systems
- ❖ Market-based systems (private and voluntary)
- ❖ Employer provided insurance schemes
- ❖ Member organization (NGO or cooperative)-based systems

*The 3 broad institutions under which the above-mentioned 4 health Insurances Schemes are offered, are under-mentioned pictorially:-*



### Government or State-Based Systems

Government or state-based systems include Central Government Health Scheme (CGHS) and Employees State Insurance Scheme (ESIS). It is estimated that employer managed systems cover about 20-30 million of population. The schemes run by member-based organizations cover about 5 per cent of population in various ways. But there are some special insurance schemes promoted by the Government, which provide medical benefits to specific sections of our society. The under-mentioned initiatives & schemes are those which have been promoted by the Government or with the help of the Government

#### ***CENTRAL GOVERNMENT HEALTH SCHEME (CGHS)***

- started in 1954 with 16 allopathic dispensaries covering 2.3 lac beneficiaries
- Provides comprehensive medical care to central govt. employees
- Mutual advantage to both employee and employer
- Now 320 dispensaries/hospitals in various systems of medicines covering 42.76 lac beneficiaries

**Language in India** [www.languageinindia.com](http://www.languageinindia.com) ISSN 1930-2940 13:4 April 2013

**C. Subburaman, Ph.D. (Ed.)** *Health and Medical Care Services: Claims on National Resources*

J. Kalaisigamani and A. Sangameshwaran  
Health Insurance in India

## ***EMPLOYEE AND STATE INSURANCE SCHEME (ESIS)***

The enactment of the Employees State Insurance Act in 1948 led to formulation of the Employees State Insurance Scheme. This scheme provides protection to employees against loss of wages due to inability to work due to sickness, maternity, disability and death due to employment injury. It offers medical and cash benefits, preventive and promotive care and health education. Medical care is also provided to employees and their family members without fee for service. Originally, the ESIS scheme covered all power-using non-seasonal factories employing 10 or more people. Later, it was extended to cover employees working in all non-power using factories with 20 or more persons.

### **Key features of the Employees' State Insurance Scheme (ESIS) and Central Government Health Scheme (CGHS)**

Indicators	Mandatory social insurance schemes	
	ESIS	CGHS
Types of beneficiaries	Factory sector employees (and dependants) with income less than Rs 7500 per month	Employees (and dependants) of Central Government-current and retired, some autonomous and semi-government organizations, Members of Parliament judges, freedom fighters, journalists
Coverage	About 353 lakh beneficiaries in 1998	About lakh beneficiaries in 1996
Types of benefits	Medical and other health-related provided through ESIS facilities and partnerships	Medical care through public facilities and restricted private care
Premiums (financing of scheme)	4.75% of employees' wages by employers; 1.75% of their wages by employees; 12.5% of the total expenses by the State Governments	Varies from Rs 15 to Rs 150 per month based on salaries of the employees. Mainly financed by the Central Government funds
Provider payments	Mainly salaries for physicians in dispensaries and referral hospitals. Hospitals have global budget financed by ESIC through State Governments.	Salaries for doctors. Treatment in private hospitals is reimbursed on case basis, subject to actual expenditure and prescribed ceilings
Administrative costs	About 21% of the revenue expenditure. For paying wages for corporation employees, and administering cash benefits, revenue recovery and implementation in new area.	Direct administrative costs including travel expenditure, office expenses, RRT 5% of the total expenditure. Part of salaries can also be charged to administrative costs.
Status of finances	Contributions: more than 80% of the ESIS income-double the expenditure on benefits.	Contributions about 15% of the CGHS income-half of the salary expenditures.

Employees' State Insurance Scheme (ESIS)

### ***Market-based systems (private and voluntary)***

In the Open Market based category, there are various Health Insurance plans being offered by both Private & Public Insurance companies. A Broad outline of the health plans, available is provided below:-

**Language in India** [www.languageinindia.com](http://www.languageinindia.com) ISSN 1930-2940 13:4 April 2013

**C. Subburaman, Ph.D. (Ed.)** *Health and Medical Care Services: Claims on National Resources*

J. Kalaisigamani and A. Sangameshwaran  
Health Insurance in India

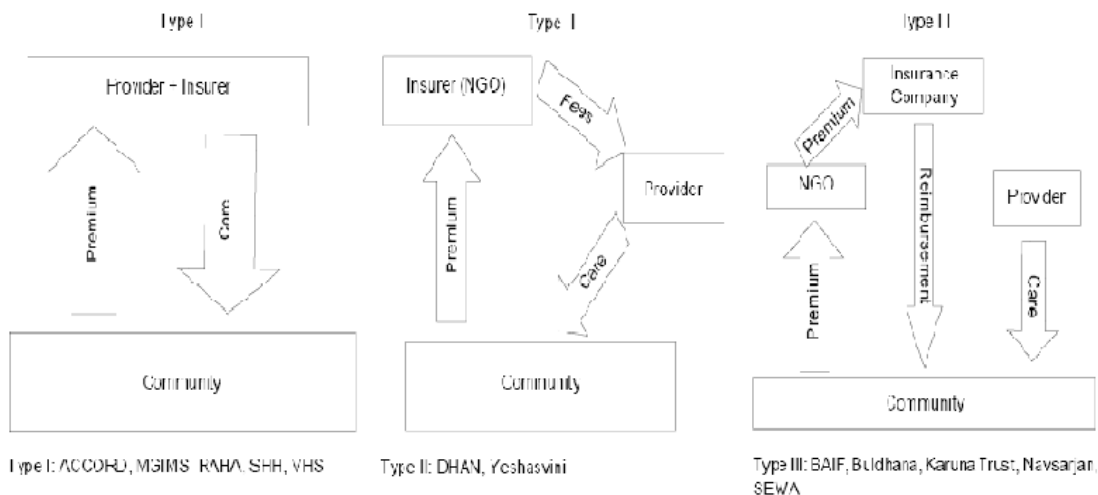


**Individual health plan:** These are the so-called 'traditional' health insurance covers, commonly known as 'Mediclaim' policies. They mainly cover hospitalization expenses provided it is for at least 24 hours. The expenses for hospital bed, nursing, surgeon's fees, consultant doctor's fees, cost of blood, oxygen and operation theatre charges are the usual inclusions.

**Member organization (NGO or cooperative)-based systems**

**- Community Health Insurance**

**Figure: Types of Community Health Insurance schemes in India**



CHI is “any not-for-profit insurance scheme that is aimed primarily at the informal sector and formed on the basis of a collective pooling of health risks, and in which the members participate in its management. Often, the schemes are initiated by a hospital, and targeted at residents of the surrounding area. As opposed to social health insurance, membership is almost always voluntary rather than mandatory. In recent years, community health insurance (CHI) has emerged as a possible means because of:

- (1) Improving access to health care among the poor; and
- (2) Protecting the poor from indebtedness and Impoverishment resulting from medical expenditures

**Language in India** [www.languageinindia.com](http://www.languageinindia.com) ISSN 1930-2940 13:4 April 2013  
**C. Subburaman, Ph.D. (Ed.) Health and Medical Care Services: Claims on National Resources**

J. Kalaisigamani and A. Sangameshwaran  
 Health Insurance in India

## Conclusion

Indian Health insurance or medical insurance sector has been growing, since the country's economic reforms. The reason why mediclaim insurance, or the erstwhile mediclaim, has grown is that it ensures good medical care from reliable health care institutions. However, this competitive market means that you will need to compare policies to find the best health insurance policies or the best medical insurance plans. Health insurance protects we and our dependents against any financial constraints arising on account of a medical emergency. It sometimes includes disability and long term medical needs. In Mediclaim, we pay a premium and in return the insurer commits to pay a predetermined sum of money to meet the claims. Health insurance is new in Indian context and is slowly catching up with the consumers. Consumers understand the objective of health insurance and it's offering to cover the ever rising medical expenses. When we buy the best medical insurance policy, we are secure medically and sound financially. Resultantly, we can face life's challenges with new energy and motivation. The best medical insurance policy will give us confidence to know that when crisis strikes we will not be at the mercy of chance and that we can take care of us and take care of our family.

=====

## References

Abel-smith, B, (1992), "Health insurance in developing countries: lessons from experience", Health policy and planning: 7(3): 215-226

Ahuja, R. (2004). Health Insurance for the Poor, Economic and Political Weekly, Vol. 34, No. 28.

Bhat, R. and E. B. Reuben (2002). Management of Claims and Reimbursements: The Case of Mediclaim Insurance Policy, Vikalpa, Vol. 27, No. 4, October-December.

Geoffrey D Paulin and Elizabeth M Dietz (1995): Health Insurance Coverage for Families with Children, Monthly Labour Review, August: 13-23.

**Language in India** [www.languageinindia.com](http://www.languageinindia.com) ISSN 1930-2940 13:4 April 2013

**C. Subburaman, Ph.D. (Ed.) *Health and Medical Care Services: Claims on National Resources***

J. Kalaisigamani and A. Sangameshwaran  
Health Insurance in India

Mahal, Ajay. (2000). "Equity implications of private health insurance in India: A model." New Delhi: National Council of Applied Economic Research.

Public Health Foundation of India (2011), "A Critical Assessment of the Existing Health Insurance Models in India", Report of Working Group, Submitted to Planning Commission of India.

Ranson, K. and M. Jowett. (2003). Developing Health Insurance in India: Background Paper to the Government of India Workshop on Health Insurance, January 3-4, 2003, Delhi.

Srinivasan, R. (2001). Health Insurance in India, Health and Population—Perspectives and Issues, 24(2), p. 65-72.

---

Mrs. J. Kalaisigamani M.A, M.Phil.  
Research Scholar  
Department of Economics  
Bharathiar University  
Coimbatore  
Tamilnadu  
India  
[Kalaisuccess12@gmail.com](mailto:Kalaisuccess12@gmail.com)

A. Sangameshwaran  
Final year B.Com (P.A)  
S.N.R Sons College  
Coimbatore 641006  
Tamilnadu  
India  
[asangameshwaran@gmail.com](mailto:asangameshwaran@gmail.com)

**Language in India** [www.languageinindia.com](http://www.languageinindia.com) ISSN 1930-2940 13:4 April 2013  
**C. Subburaman, Ph.D. (Ed.)** *Health and Medical Care Services: Claims on National Resources*

J. Kalaisigamani and A. Sangameshwaran  
Health Insurance in India