

Health Insurance Market in India – The Way Forward

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Abstract

Health status of a population is considered as an important economic indicator of development for Indian economy. Health services have a major influence on the social security of individuals and societies, and an important part of a nation's politics and economy. Health Insurance sector has a long way in India since the opening of the market. Earlier only 2 policies were available Mediclaim and Personal Accident. However with arrival of private insurance companies and standalone health insurance companies there has been tremendous innovation in policies offered in the Indian insurance market.

This study is carried out with the objectives to study health insurance market and health finance in India, to study various health insurance products available in India and to study the growth of health insurance market the way of forward. The study has concluded that, the health insurance in India is growing stage and there is wider scope for expansion if insurers provide specialized policy and rural masses for social development.

Key Words: Health Insurance, Social Security, Mediclaim, Health Financing

1. Introduction

The term *health insurance* (popularly known as Medical Insurance or Mediclaim) is a type of insurance that covers your medical expenses. The concept of health insurance is new in India but its awareness is growing fast. Health insurance comes in handy in case of severe emergencies. Life is unpredictable, insurance can make it safe and secure from bearing huge financial loss. A health insurance policy is a contract between an insurance company and an

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individual. Sometimes it is associated with covering disability and custodial needs. The contract is renewable annually.

The access to advanced medical treatments and doctors has become expensive and thus the need for taking insurance is very essential. Health insurance sector in India is still in its nascent stage with lot of scope for development. The overall market for health insurance is still untapped and the emergence of reputed health insurance providers is evidence about the growing potential.

So how exactly does health insurance prove to be a helpful tool to minimize the medical expenses? As in case of regular insurance schemes, health insurance is issued in order to minimize the impact of financial burden when faced with major health complications. The treatment costs and ability to pay for advanced medical facilities are made possible with the use of health insurance. With the cost of treatments heading upwards, the need for a comprehensive insurance plan that covers various expenses is the need of the hour.

Health insurance in India generally falls under the general insurance sector and covers the health risks that fall under the insurance norms. It is important to consider different propositions of health insurance policies in order to get the right kind of benefits. Although, it is essential to get a health cover, it would be sensible to choose the right policy that provides financial support for an individual during health treatments.¹

1.1. Review of Literature

Prasanna N & Ramajayam V. (2010) in their paper ‘Prospects of health insurance in India’ reported that in an environment of fiscal constraint the already low public spending on health has only marginally increased from 1.3 percent of GDP in 1990 to 2 percent in 2010.

According to OECD (2009) 81 percent of healthcare is paid for through private funds rather than public, closely followed by Viet-Nam at 76.3 percent. As a consequence, lower – income groups

¹ <http://harshamaitra.blinkweb.com/3/2012/07/health-insurance-in-india-the-way-forward-6acbf/>

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have less access to health services in India than in 15 Asian economies (an average of 55.8 percent of private expenditure on health) or in 30 OCED countries (only 2.4 percent).

Gayathri Iyer, (2010) in her article “Evolution of health insurance in India towards healthy health insurance” explains that health insurance can play an invaluable role in improving the overall healthcare system. The insurable population in India has been assessed at 250 million and this number will increase rapidly in the coming two decades. The efforts of the government authorities should be supplemented by innovative insurance products and programs by insurers with adequate reinsurance backup.

1.2. Objectives of the Study

- To study health insurance market and health finance in India
- To study various health insurance products available in India
- To study the growth of health insurance market the way of forward

1.3. Research Methodology

This paper only based on theoretical and secondary data, which was sourced from various research publications, periodicals, online journals, printed journals, magazines, books, web sites etc.

1.4. Why Health Insurance?

Health insurance provides you with an affordable way for you and the ones you love to stay healthy and get medical care when ill. It also protects you and your family from the high cost of health care. In some cases, medical bills can be financially shocking.

In a country where out-of-pocket expenditure by households is very high in comparison to other countries, and accounts for about 71% of all health expenditure in the country², the importance of individuals taking lead in planning for their own health expenditure, especially when it comes at a cost affordable to them, needs cannot be over-emphasized.

² Ministry of Health and Family welfare. National Health Accounts, India. New Delhi: Government of India, 2009.

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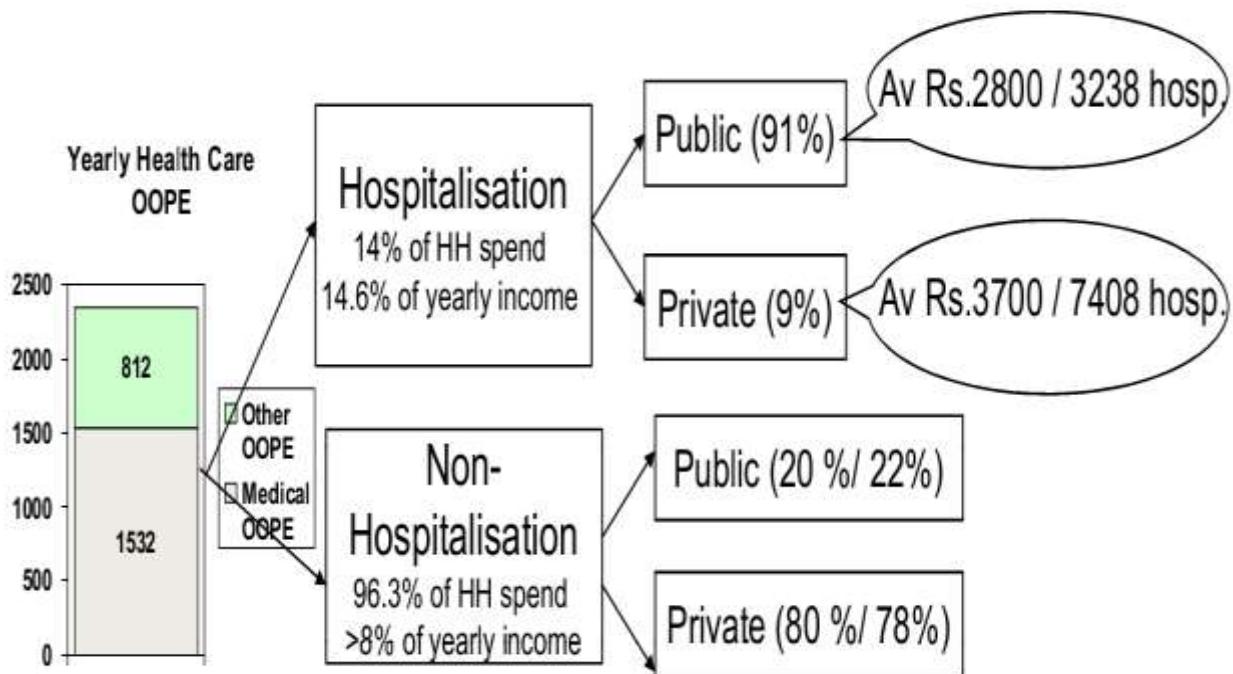
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The increasing awareness of this protective role of health insurance, and with renewed focus on marketing of health insurance products on the part of insurers in the detariffed regime, the health insurance portfolio is now the fastest growing market segment for the non-life insurance industry. There is, however, tremendous potential, as even today, only about 5% of the country's population has been covered by a commercial health insurance product (excluding mass government schemes)

2. Healthcare Financing

Though the healthcare industry accounts for over 6-7 of our GDP and is the largest in terms of offering employment, there is serious dearth of expertise in the sector. Over 70% of the expenditure on healthcare is still being met by consumers 'out of pocket'. Less than 15% of the India's population today has some form of health insurance cover. Community health insurance schemes are slowly penetrating into the rural markets with more than 25 schemes covering over 10 million lives all over India.

2.2. How Much People are Spending?

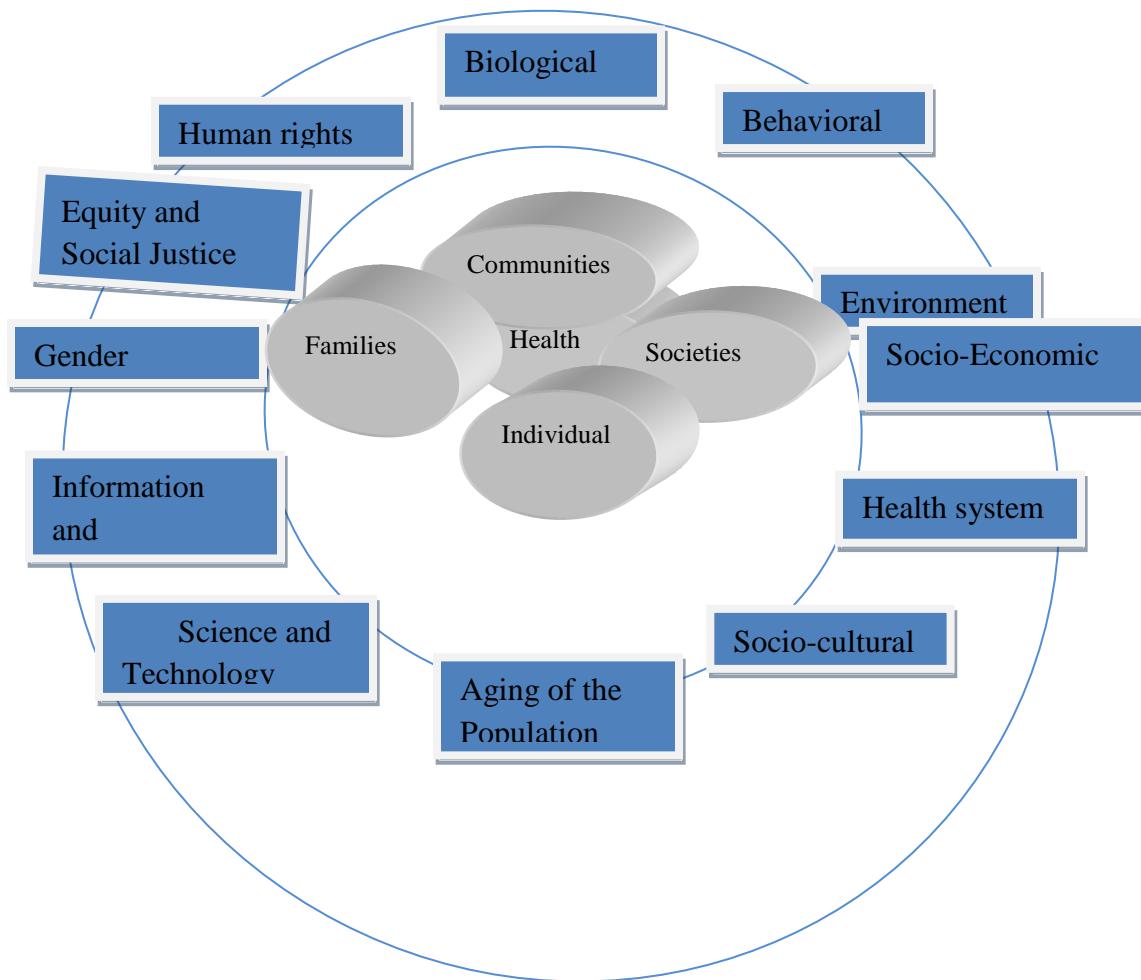


Source: Unpublished report and NSSO 60thRound

Studies have found that every year a large percentage of population goes below poverty line because of catastrophic health expenditures. India has one of the world's lowest levels of health spending as a proportion of GDP, and there is little disagreement that the pledged increase in spending is important for improving the country's healthcare. There is cross-country evidence that shows that increased government spending on health in turn is associated with lower out-of-pocket health spending.

Determinants of Health

Figure - 1



3. Types of Health Insurance in India

3.1. Employees' State Insurance Scheme.

Employees' State Insurance Scheme (ESIS) that came into existence in 1952. The ESI scheme covers all employers with more than 10 employees in 'notified areas'. The employees of covered employers who earn below Rs. 15,000 per month and their dependants are covered by the insurance scheme. ESIS has grown gradually from 1955-56 when it covered only 0.12 million individuals to the current more than 55 million beneficiaries (ESIC, 2010). The growth in

numbers can be attributed to higher wage ceilings coming in the purview of ESI and growth in the number of workers employed in the organized sector.

3.2. Central Government Health Scheme (CGHS)

The Central Government Health Scheme (CGHS) was established in 1954. The Central Government Health Scheme (CGHS) covers another section of population employed in the formal sector. It is available to all central government employees (both working and retired), and their families, and other representatives associated with the central government. As of 2009, there were 866,687 CGHS cardholders and around 3 million beneficiaries. Interestingly, 38% of total cardholders are in Delhi and they consume about 57% of CGHS budget, followed by 8% in Kolkata who consume about 4 % of overall CGHS budget.

Health Insurance Schemes offered by the Public Sector General Insurance Companies, popularly known as "Mediclaim" Policies launched through the erstwhile General Insurance Corporation of India (GIC). A host of those available are as under:

- 'Mediclaim' introduced in 1986 - for individuals and groups
- 'Bhavishya Arogya' introduced in 1990 - a retirement plan with early entry.
- 'Jan Arogya' introduced in 1996 - a low cost limited benefits plan.
- 'Overseas Mediclaim' Policy introduced in 1984 - for people traveling abroad.
- Some special policies like Cancer Insurance, extended benefits of hospitalization under Personal Accident Policies, extended benefits for people outside the scope of Workmen's Compensation Policy etc.

Some State Governments have taken Health Insurance policies for weaker sections under various names on the pattern of Universal Health Insurance Scheme Launched by the Central Government, with limited liability upon specific critical illnesses. The Government has also launched Rastriya Swastha Bima Plan and Janshree Bima plans (peoples' Health Insurances) to cover BPL families.

3.3. Rashtriya Swasthya Bima Yojana

RSBY has been launched by Ministry of Labour and Employment, Government of India to provide health insurance coverage for Below Poverty Line (BPL) families. The objective of RSBY is to provide protection to BPL households from financial liabilities arising out of health shocks that involve hospitalization. Beneficiaries under RSBY are entitled to hospitalization coverage up to Rs. 30,000/- for most of the diseases that require hospitalization. Government has even fixed the package rates for the hospitals for a large number of interventions. Pre-existing conditions are covered from day one and there is no age limit. Coverage extends to five members of the family which includes the head of household, spouse and up to three dependents. Beneficiaries need to pay only Rs. 30/- as registration fee while Central and State Government pays the premium to the insurer selected by the State Government on the basis of a competitive bidding.

4. Health Insurance Coverage in India:

Scheme	Unit of enrolment	No. of Families	No. of Beneficiaries
CGHS	Family	0.87	3.0
ESIS	Family	14.3	55.4
Rashtriya Swasthya Bima Yojana (RSBY)	Family	22.7	79.45
Rajiv Aarogyasri Scheme (AP)	Family	22.4	70
Kalaignar (TN)	Family	13.6	35
Vajapayee Arogyasri Scheme (KN)	Family	0.95	1.4
Yeshasvini (KN)	Individual	N/A	3.0
Total Government		N/A	247

Sponsored Schemes			
Private Health Insurance	Individual	N/A	55
Grand Total			302

Source: Scheme Annual Report, 2010

5. Evaluation and Growth of Health Insurance in India

The Indian health insurance (HI) market has evolved in a little over the two decades since the first HI product was launched way back in 1986. Mediclaim insurance, as it was first known has witnessed quite a few changes. Though it may not have been comprehensive and has been modified three times, it remains the longest running HI product in India. It has been a dominant product. Most of the HI products subsequently launched carry more than 50% of its features. Such is the brand recall that it has now almost become synonymous with HI like ‘Xerox’ for the copier. Any HI product in the Indian market is still identified as mediclaim.

Health insurance in India formally began with the inception of the employee's state insurance scheme introduced vide the ESI Act, 1948, shortly after the country's independence in 1947. This scheme was introduced for blue-collar workers employed in the formal private sector, and provides comprehensive health services through a network of its own dispensaries and hospitals, supplemented by services purchased from Authorized medical Attendants and private hospitals. The scheme is largely financed through a contribution from employers and employees, which is supplemented by the Central and State governments. The ESIS covers over 50 million beneficiaries as of March 2009³

The ESIS was soon followed by the Central Government Health Insurance Scheme (CGHS), which was introduced in 1954 and aims to provide comprehensive medical care to the central government employees in civilian assignments and for their families, being partly funded

³ Annual report (2008-09) of the Employee State Insurance Scheme.

by the employees and large by the employer (central government). In 2010, CGHS has a membership base of over 800,000 families representing over 3 million beneficiaries.⁴

The evolution of the HI products introduced in India from the time the first HI product was launched by the public sector general insurance industry, its subsequent modification and up gradation in 1995. The product was sold in the same form by all the nationalized general insurance (GI) companies and the revised individual mediclaim policy sold by each of the four PSUGI companies post 2005-06.

The opening up of the insurance sector saw the entry of private insurers. The entry of two dedicated health insurers, Star health insurance Co and Apollo DKV Health Insurance Co, (now Apollo Munich Health Insurance) in the Indian insurance market, as also the introduction of TPAs.

The commercial health insurance had been offered by non-life insurers before as well as after nationalization, through largely for groups only. The first standardized health insurance product in the Indian market which covered individuals and families for expenses incurred in hospitalization was launched all the four nationalized non-life insurance companies in 1986. This product, mediclaim, covered hospitalization expenses up to a pre-defined annual limit of indemnity with certain exclusions like pre-existing diseases, maternity etc and undergo several rounds of revisions as the market evolved, the last being in 2007. Even private health insurance products are often generically termed by many as ‘Mediclaim covers’ as a product category rather than a specific product offered by the public sector insurers. Today, more than 300 health I insurance products are available in the Indian market, from more than 30 no-life, standalone

According to latest statistics released by the IRDA, gross premium underwritten by non-life insurers in the health segment during the current financial year, grew 19 per cent to Rs133.45

⁴ Internet. <http://mohfw.nic.in//cghsnew/index.asp> accessed on 4th April 2010.

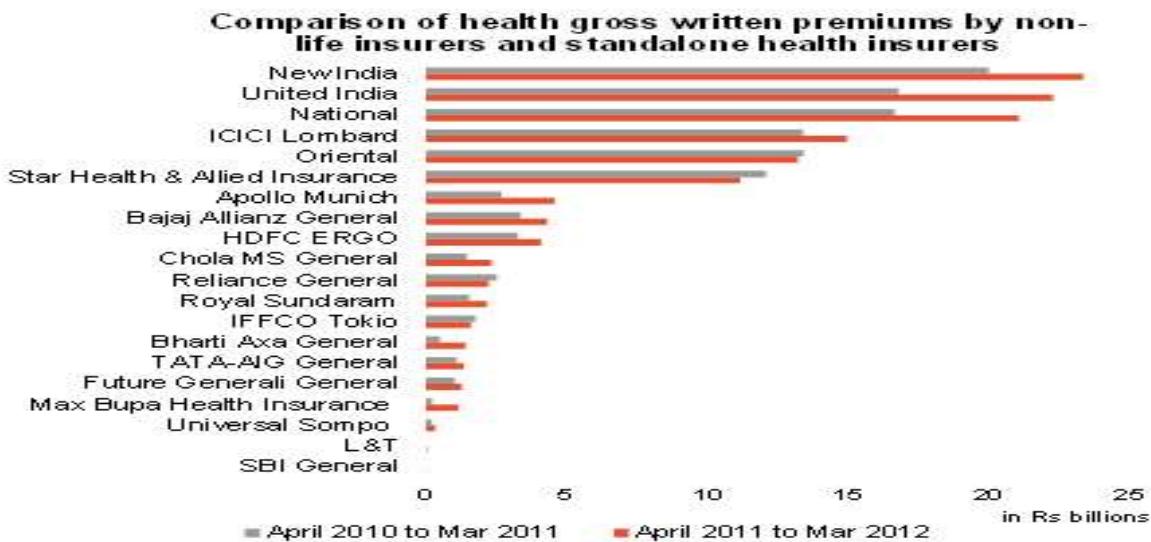
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billion as compared to Rs112.45 billion in the previous financial year health and life insurance companies.

Figure: 2



Source: IRDA

Notes: The total health premium figure includes domestic and overseas medical insurance.

Among the Public Sector Undertakings (PSUs), United India Insurance and National Insurance registered a strong growth of 33 per cent and 27 per cent respectively. Whereas New India recorded a growth of 17 per cent and Oriental has shown a decline of 1.6 per cent as compared to the previous year. Amongst the private players, ICICI Lombard has retained its top position with a market share of 11 per cent and growth of 12 per cent. With the exception of Reliance General, IFFCO Tokio, Star Health & Allied Insurance, all the other companies recorded a growth during the period. Stand-alone Health Insurers Apollo Munich and Max Bupa have shown significant growth during the year. They registered a market share of 3 per cent and 1 per cent respectively at the end of FY2011-12.⁵

⁵ <http://www.towerswatson.com/india/newsletters/india-market-health-insurance-update/7676>

6. Growth of Health Insurance in India

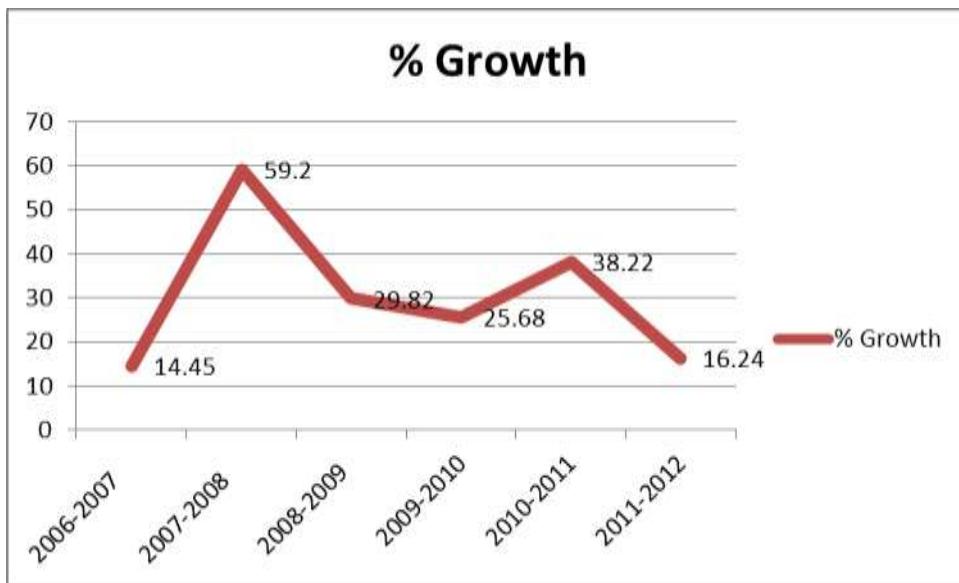
In 80s most of the hospitals in Indian government owned and treatment was free of cost. The private medical care the need for health insurance was felt and various insurance companies introduced mediclaim insurance as a product. According to recent news report health insurance continues fastest growing segment with annual growth rate of 25%.health insurance premium has also increase to Rs. 13345 crores in 2011-2012.

Table: 1

Year	Amount (Rs Crores)	% Growth
2006-2007	3210	14.45
2007-2008	5110	59.20
2008-2009	6634	29.82
2009-2010	8305	25.68
2010-2011	11480	38.22
2011-2012	13345	16.24

Source: www.healthinsuranceindia.org

Figure: 3



Source: www.healthinsuranceindia.org

7. The Way Forward

Advanced technologies like networking of operating offices of insurance companies enabled the insurance companies to offer policy services in a time bound manner. With population growing at 1.5% p.a., it is expected that real per capita income quadruples by 2020. There are changes in the socio economic life style of Indian population. With fragmentation of joint family system more number of people is leading independent family units. The income levels of young generation are also expected to increase significantly. With the development of infrastructure projects there is a migration of labour forces from rural to urban lands finding better employment avenues thereby enhancing the purchasing capacity. 93% of Indian populations are working in unorganized sector with an absolute number of 369 million. While Indian demography statistics indicate a growth of 45% of working age population, there is a potentiality of generating 150 – 200 million jobs by 2020*. Keeping in view these dynamics it is expected that non - life insurance industry designs market segment-specific insurance solutions to enhance the acceptance levels of insurance products.

With better prospects offered in technology sector, the ability of the insurance industry to retain the customer base lays in rendering the timely and effective policy service.

- ❖ Insurers to – collect correct data, develop new products price properly, improve u/w and claims management
- ❖ Explore possibilities of setting up pure health insurance company with JV partners
- ❖ Insurers TPAs Data Warehouse to have common IT framework to facilitate easy data transfer
- ❖ Govt. to evolve National health scheme for common man in urban and rural area and Senior citizen and terminally ill
- ❖ Support health Insurance scheme for population below poverty line.
- ❖ Foster Public – private partnership
- ❖ Providers to be more disciplined, bring standardization, accreditation etc
- ❖ Govt. to regulate the healthcare providers
- ❖ IRDA to set up data warehouse
- ❖ Implement other recommendations of the sub - group including

Conclusion

The government to provide universal access to free / low cost health care insurance can be an important means of mobilizing resources, providing risk protection and perhaps, improved health outcomes. This scenario , the challenge , then for Indian policy makers to find way to improve upon the existing situation in the health sector and to make equitable, affordable and quality health care accessible to the people, especially the poor and the vulnerable sections of the society. In the way inevitable that the state reforms its public health delivery system and explores other social security option like health insurance.

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