Health Insurance in India: A Study on its Emerging Growth Pattern and Trends

Mr. Pema Lama [1]
Ms. Sukhada Gangopadhyay[2]

Abstract
Health status of a population is considered as an important economic indicator of development for India. But still India is way behind many fast developing countries such as China, Vietnam and Sri Lanka in health indicators. In case of government funded health care system, the quality and access of services has always remained major concern. Clearly there is an urgent need to increase access to healthcare services, protect families from high medical expenses at the time of illness. In India, there is needed to take some steps as well as shortcomings need to be addressed so that every poor or rich, urban or rural person should take advantage of health insurance scheme. This paper attempts to make the theoretical analysis on health insurance, analyze the emerging growth pattern and trends of health insurance sector in Indian context. It also gives special emphasis on the opportunities and challenges associated with health insurance and finally, to make some recommendation for accelerating the better health care services to every poor or rich, urban or rural person against high medical expenses.
Key words *- Health, Health Insurance Scheme, Health Care Services*

1. Introduction

Recently, health insurance has gained popularity in India as a tool to finance healthcare due to increasing rates of critical illness and diseases like blindness, deafness, Alzheimer's disease, kidney transplant, organ transplant, paralysis etc. It is both challenging and expensive to try to attain the goal of universal health coverage in a country where most of its people are unemployed or employed informally. Indian government has launched a series of social health insurance schemes to ensure better healthcare access to the middle and upper classes as well as the poor

[1] Assistant Professor, Department of Commerce, University of Calcutta, West Bengal, e-mail: pemalama_caluniv@yahoo.com
[2] Assistant Professor, Department of Commerce, Chittaranjan College, Kolkata, West Bengal e-mail: sukhada_ganguly@rediffmail.com

and other special populations and for providing financial protection against high medical expenses. Health insurance is a protection scheme to take care of health of a person and works it by buying a policy from a company or an insurance agent. Depending on the premium paid, the health insurance policy will pay specified amounts for the medical expenses incurred to overcome the health problem as well as provides security to human life which is of prime importance to any individual. In the non-life insurance industry, health insurance is the second largest segment in India. The industry is concentrated around 4 major public sector companies namely, New India Assurance, United India Insurance, National Insurance and Oriental Insurance. This industry is expected to grow at a CAGR of 37.2% from FY'2011 - FY'2016 with surging medical costs, rising population and increased awareness among consumers in the country.

2. Review of the Literature

An attempt is made to review some of the available literature carried out in India and abroad to look into the Health Insurance in India.

Mavalankar et al., (2000) examined that India has limited experience of health insurance. Given that government has liberalized the insurance industry, health insurance is going to develop rapidly in future. The study found that if health insurance is left to the private market it will only cover those which have substantial ability to pay. **Ellis, Alam, Gupta (2000)** in their study provided an overview of existing pattern of healthcare financing in India and developed elements of a prospectus of strategy for increasing the coverage and extent of health insurance for the formal sector in India and also highlighted the need for alternative finances, including provision for medical insurance at a much wider level. **Majumdar (2004)** examined that actuary has an essential role to play in transacting health insurance business for example in product design and premium rating. **Ahuja and Narang (2005)** provided an overview of existing forms and emerging trends in health insurance for low income segment in India and concluded that health insurance schemes have considerable scope of improvement for a country like India by providing appropriate incentives and bringing these under the regulatory ambit. According to **Bishnoi & Saharan (2007)** market trend and penetration level of health insurance business and the premium level and index of growth of health insurance business is continuously rising up in India. **Desai (2009)** observed that large majority of Indian population depend on the private sector, mostly in the form of out of pocket spending that accounts for more than 70% of all health spending in India. **Bawa and Ruchita (2011)** found that significant relationship exist between age, gender, education, occupation and income of the respondents and their willingness to pay for health insurance while no significant relationship was found between marital status and their willingness to pay for health insurance and also concluded the presence of key factors acting as barriers *(lack of funds, lack of willingness and awareness, lack of intermediaries, lack of reliability and lack of accessibility to services)* to subscription to health insurance.

3. Objective of the study

The objectives of present study are -

- to make the theoretical analysis on health insurance.
- to analyze the emerging growth pattern and trends, key challenges and opportunities associated with health insurance in Indian context.
- finally, to make some recommendation for accelerating the better access of health care services to every sections of the society and thereby pave the way for further study in the area.

4. Research Methodology

The study is based on secondary data. Secondary data were collected from several working papers on health insurance, articles published in reputed journals like IRDA Journal, Life Insurance Today, Insurance Times, Annual reports of IRDA.

5. Health Insurance - Theoretical Analysis

The term *health insurance* (popularly known as Medical Insurance or Mediclaim) connotes a form of insurance that pays for medical expenses. The concept of health insurance is new in India but its awareness is growing fast. Health insurance in India generally falls under the general insurance sector and covers the health risks that fall under the insurance norms.

The International Labour Organization (ILO) defines health insurance as *'the reduction or elimination of the uncertain risk of loss for the individual or household by combining a larger number of similarly exposed individuals or households who are included in a common fund that makes good the loss caused to any one member'*.

Table 1: Phases of Developments of Health Insurance in India

Phases	Milestone in Development
Pre - Independence	• **1912** - Health Insurance introduced when the first insurance act was passed. • **1947** - In 1947, the 'Bhore Committee Report'– make recommendations for the improvement of health care services in India. • **1948** - The central government introduced the employees' State Insurance Scheme (ESIS) for blue-collar workers employed in the private sector.
Nationalization	• **1954** - The Central Government Health Scheme (CGHS) for central government employees and for their families. • **1986** - Mediclaim was introduced and started by government insurance companies in 1986.
Liberalization	• **1999** - Marked the beginning of a new era for health insurance in the Indian context. • **2000** - IRDA since its incorporation in April, 2000 has fastidiously stuck to its schedule of framing regulations and the insurance sector was opened to private and foreign participation. • **2001** - First private health insurance product integrated with TPAs service was introduced. • **2003** - Introduction of Universal health Insurance Scheme (UHIS) for informal sector. It was a hospitalization indemnity product voluntarily

	purchased from any state-owned insurer at a heavily subsidized price. • **2006** - The Ministry of Health and Family Welfare has provided for National Rural Health Mission which account for strengthening public health facilities. • **2008-09** - Rashtriya Swasthya Bima Yojana (RSBY) was introduced by the Government of India, which covers all the Below Poverty Line families in the country.
***Source**: Compiled by authors from various sources*	

5.1. Categories of Health Insurance schemes

Social Health Insurance (SHI) - This is compulsory health insurance usually for the formal sector. Here the employees contribute through payroll deductions and the employers provide a grant and it is used to finance healthcare of the employees, their dependents and the rest of the population. Mediclaim, one of the popular health insurance cover offered by public sector company was introduced in the year 1986.

Table 2: Summary of the SHI schemes launched in India

Name of the Scheme	Year of Enactment	Target	Objective
i) The Employees' State insurance Scheme **(ESIS)**	1948	Employees with income < Rs. 15000/ month and dependents	To achieve universal health coverage
ii) The Central Government Health Scheme **(CGHS)**	1954	Government employees and families	To achieve universal health coverage
iii) Integrated Child Development Services **(ICDS)**	1975	Malnutrition children under age 6	To improve nutrition and health status to children
iv) Rashtriya Swasthya Bima Yojana **(RSBY)**	2009	The poor below the poverty line	To provide affordable healthcare to the poor
v) National Programme for the Health Care of the Elderly **(NPHCE)**	2011	Seniors	To provide the elderly an easy access to primary healthcare
Source: *Compiled by authors*			

Private Health Insurance (PHI) - It refers to insurance schemes that are financed through individual private health premiums which are often voluntary and risk rated. 'For-profit' insurance companies manage the funds. In low-income countries like India, they provide primary insurance cover, i.e. they insure hospitalizations. Asha Deep Plan II, Jeevan Asha Plan II, Jan Arogya policy, Raja Rajeshwari policy, Critical illness policy, Group health insurance policy are the schemes of such health insurance.

Community based Health Insurance (CHI) - It aimed primarily at the informal sector. In this insurance scheme, the local community takes the initiative in establishing a health insurance scheme usually to improve access to healthcare as well as protect

against high medical expenses. Self-Employed Women's Association (SEWA), The Mullur Milk Co-operative, Sewagram, Action for Community Organization, Rehabilitation and Development (ACCORD), Voluntary Health Services (VHS) are such health insurance schemes.

Employers' sponsored schemes - These schemes are offered by both the public sector and private sector employers. The benefits are provided by way of lump-sum-payments, reimbursement of employees' health expenditure incurred for outpatient care, hospitalization, fixed medical allowance on monthly or annual basis irrespective of actual expenses or coverage under group health insurance policies. The Railways, Defence and Security Forces, Plantation and Mining Sector run their own health services for employees and their families.

Table 3: Facilitators and Inhibitors of the Indian Health Insurance Market

Demand Facilitators	Supply Inhibitors
Individuals/Households • Rising income levels • Increasing health consciousness among literate populace • Willingness to spend on health and holistic well being	**Individuals/Households** • High cost to educate the unaware customer on need for risk cover • Low income and affordability, highly price sensitive market
Employers • Willingness to fund employee health insurance for associated productivity gains	**Data Mining** • Insufficient data on customer profile and disease incidence to enable right product pricing & development
Government / NGOs • Schemes for the poor like Rashtriya Swasthya Bima Yojana, Aarogyasri • Campaigns to increase awareness, micro-insurance initiatives	**Claims Management** • High claims ratio, often fraudulent • Inflationary pressure on medical treatment and related claims
Healthcare Providers • Launch of new hospital chains, expanding reach to smaller cities, new concepts like telemedicine	**Healthcare Providers** • Reach limited to large cities • Disparate services and accreditation creating bottlenecks in claims assessment and settlement
Regulations • Liberalization followed by de-tariffication of non-life insurance • Introduction of third party administrators	**Regulations** • Regulation of healthcare providers and cohesive partnership of insurance industry and providers
Source: *Accenture Research*	

5.2 Health Insurance claims settlement procedure

There are two ways by which health insurance claims are settled -

Cashless Hospitalization - It is a specialized service provided by an insurer wherein an individual is not required to pay the hospitalization expenses at the time of discharge from the concerned hospital. The settlement is done directly by the insurance company (or insurer). However, prior approval is a must from the TPA (Third Party Administrator) before availing the benefits under this option. For

availing cashless treatment (only at authorized network hospitals, the TPA has to be notified in advance *(for planned hospitalization)* or within the stipulated time limits *(for emergencies)*. The claim amount need to be approved by the TPA and the hospital settles the amount with the TPA or Insurer. It can be of two types such as -

i) Planned Hospitalization - Wherein the insured is aware of the hospitalization in advance. The duration may vary from case to case. It includes - *Full time normal delivery, Chemotherapy treatment for carcinoma (cancer), Cataract surgery, Removal of tonsils etc.*

ii) Emergency Hospitalization - It is a sudden hospitalization that may be either due to an emergency or due to unforeseen circumstances. It includes - *Road traffic accident, Heart attack, acute appendicitis etc.*

Medical Reimbursement - This facility can be availed at both the network and non-network hospitals. Under this procedure, the insured has to bear the entire expensed incurred during hospitalization. After getting discharged from hospital, the insured or policy holder can claim medical reimbursement. For availing benefits under this option, the insured has to approach the concerned TPA under which he or she is covered fill the requisite form and satisfy all the requirements as mentioned. It includes - *Submission of TPA card, policy paper, discharge summary, prescriptions, diagnostic laboratory reports, OPD treatment details etc.* A sum is granted as reimbursement for treatment expense.

6. Emerging Growth Pattern and Trends of Health Insurance

According to recent news report health insurance continues fastest growing segment with annual growth rate of 25%. As per **Table 4** shown below deals with the growth pattern of public and private sector health insurance players in India from financial year 2006-07 to 2011-12. In 2006-07 public and private sector health insurers experienced a growth of 17.95% and 182.55% whereas, Reliance emerged as the topper with 686.17% growth and ICICI ranked second with 168.10%. In 2008-09 the public sector contributed 24.19 % growth and 35.51% was contributed by private sector health insurance sector. In 2010-11, the growth of private health insurance sector was 41.11% with an increase of 23.21% over the previous year that is to say, 2009-10. In 2011-12 the overall growth was fallen by 31.44% whereas private and public sector also registered fall of 19.05% and 12.39% respectively. The growth rate of private sector shows a remarkable progress and performance in private health insurance sector over public sector.

Table 4: Growth Pattern of Health Insurance Players in India (in %)

A. Under Public Sector Health Insurance Company						
	Year					
Name of the Company	**2006-07**	**2007-08**	**2008-09**	**2009-10**	**2010-11**	**2011-12**
New India Insurance	14.34	58.03	12.11	14.49	28.43	17.33
Oriental Insurance	23.30	23.42	30.32	49.06	25.13	-0.48
National Insurance	13.20	105.54	24.72	26.17	45.92	34.20
United India Insurance	20.97	59.90	29.61	39.45	33.86	32.72
TOTAL	**17.95**	**61.70**	**24.19**	**32.29**	**33.33**	**20.94**
B. Under Private Sector Health Insurance Company						
	Year					
Name of the Company	**2006-07**	**2007-08**	**2008-09**	**2009-10**	**2010-11**	**2011-12**
Royal Sundaram	92.62	11.45	5.38	9.61	24.31	40.97
Tata AIG	48.10	51.95	14.56	5.63	32.75	24.35
Reliance	686.17	307.17	12.77	-23.18	6.50	-11.40
IFFCO-TOKIO	38.32	58.60	23.65	16.47	7.70	-8.18
ICICI Lombard	168.10	20.20	16.62	-11.62	47.17	11.72
Bajaj Allianz	62.00	53.70	36.49	-11.03	14.92	27.54
Apollo DKV	N.A.	N.A.	139.10	139.43	154.45	69.46
TOTAL	**182.55**	**83.85**	**35.51**	**17.90**	**41.11**	**22.06**
Source: *irda.gov.in*						

As per **Table 5** during 2013-14, the gross health insurance premium collected by non-life insurance companies was Rs. 17,495 crore. It is 13.21% more when compared to previous year's gross health insurance premium of Rs. 15,453 crore. The four public sector non-life insurance companies continue to contribute a major share of health insurance premium at 62% and continue to be at the same level over the last four years. While private sector non-life insurers contribute 26% of the gross health insurance premium, the remaining 12% has been contributed by stand-alone health insurance companies.

Table 5: Trends in Health Insurance Premium in India over the past four years
(Rs. in crores) (% age of market share)

Insurers	**Year**			
	2010-11	**2011-12**	**2012-13**	**2013-14**
Public Sector Non- Life Insurers	6689 (61%)	8015 (61%)	9580 (62%)	10841 (62%)
Private Sector Non-Life Insurers	2850 (26%)	3446 (27%)	4205 (27%)	4482 (26%)
Standalone Health Insurers	1491 (13%)	1608 (12%)	1668 (11%)	2172 (12%)
TOTAL Non- Life Industry	**11,030**	**13,069**	**15,453**	**17,495**
Source: *IRDA Annual Report (2013-14)*				

As per **Table 6** shown below, during the year 2013-14, the non-life insurance industry has issued around 1 crore health insurance policies which covered a total population of 21.63 crore. While Government sponsored health insurance policies have contributed 72% of the total number of persons covered, the commercial health insurance policies had contributed the balance 28% of all persons covered during

2013-14. Over the last four years, the number of persons covered under Health insurance has seen moderate decline mainly due to decrease in number of persons covered under Government health insurance schemes.

Table 6: Number of Policies issued and Persons covered *(in Lakh)*

No. of Persons covered under	Year			
	2010-11	**2011-12**	**2012-13**	**2013-14**
Government	1891	1612	1494	1553
Group *(Other than Govt.)*	226	300	343	337
Individual	419	206	236	273
TOTAL	**2536**	**2118**	**2073**	**2163**
Source: *IRDA Annual Report (2013-14)*				

Among the various channels of distribution, individual agents contribute a 35% major share of health insurance premium. While brokers contribute 24% of health insurance premium, direct sales–other than online contributes 32% of gross premium as shown in **Table 7**.

Table 7: Channel wise distribution of health insurance policies (2013-14)

Name of the Channel	Premium Individual Policies	Premium Group Policies	Total Business (Individual + Group)
Brokers	4%	39%	24%
Corporate Agent - Banks	6%	2%	4%
Corporate Agent - Other than Banks	8%	1%	4%
Direct Sale - Online	2%	0%	1%
Direct Sale - Other than Online	8%	48%	32%
Individual Agents	72%	10%	35%
TOTAL	**100%**	**100%**	**100%**
Source: *IRDA Annual Report (2013-14)*			

One of the major concerns of health insurance segment has been the consistently high Incurred Claims Ratio (ICR) reported by the segment, which stood at over 90% for the past three years thereby making the sector highly unprofitable. The net ICR was 94% in 2011-12 and 2012-13 and 97% in 2013-14 as shown in **Table 8.**

Table 8: Trend in Incurred Claims Ratio *(in %)*

Net Incurred Claims Ratio under	Year		
	2011-12	**2012-13**	**2013-14**
Government	90%	87%	93%
Group *(Other than Govt.)*	100%	104%	110%
Individual	85%	83%	83%
TOTAL	**94%**	**94%**	**97%**
Source: *IRDA Annual Report (2013-14)*			

7. Key Challenges

i) Affordability and accessibility chasm, ii) High variation in quality of services, iii) Medical health insurance penetration, iv) Associated social facilities, v) Absence of

regulatory and standardized operating procedures and finally, vi) Lifestyle changes are the key challenges of health insurance in India.

8. Opportunities

i) New virtualized ways of working - New business models of delivering care are evolving via virtualization of processes and business models with consumer-centric mobility paradigms are gaining ground.

ii) Participation of private players - Currently, PHIs accounts for about 5% of the covered population, this can increase to around 30% by the year 2020. The key is to devise products and services to cover out-of-pocket expenses, primarily due to outpatient services and inadequate coverage.

iii) Integration of players and standardization of care delivery - The emerging healthcare models will see closer integration of players to penetrate the semi-urban and rural sectors. Health insurance and Pharma players are likely to drive the evolution of an integrated healthcare model with increased transparency and accountability.

iv) *Create awareness and differentiation* - Effective campaigns highlighting the differences between health and financial security are necessary to highlight the need for the health insurance among the population.

v) Increasing use of technology in care delivery - Healthcare delivery and remote healthcare paradigms are set for major technology transformation. Technology will find new avenues in broker channels, wellness, and self-health management.

Table 9: Regulatory status of selected health care financing schemes in India

Health Financing Scheme	Legal Regime	Regulator
i) Private Commercial Health Insurance	Commercial laws, insurance Act. 1938 and IRDA Act. 1999 and Regulation	IRDA
ii) Public Sector Insurance Companies a) Commercial Competitive b) Subsidized non-competitive	Own Acts and Insurance Act.1938	a) IRDA b) Central Govt., Ministry of Finance *(Subsidies)*
iii) ESIS (Social security schemes that include finance and provision of healthcare)	Own Acts	Ministry of Labour
iv) Corporate self health insurance	Commercial laws	Unregulated
v) Community based health insurance	Associations law, Cooperative law	Unregulated subsidies by the Ministry of Finance entails hidden regulations.
vi) Exempted Schemes (Calcutta Hospital and Nursing Home benefit association)	Own legal status not affected by the Insurance Nationalisation Act.	IRDA
Source: *Compiled by authors*		

9. Recommendations

i) The need for introducing health insurance initiatives for people below poverty line, especially the slum dwellers who have to be accorded a higher priority.

ii) Voluntary health insurance for rural, hilly and tribal people needs to be given an immediate and serious trial.

iii) Preventive and promotive services are to be included in all service provider activities in the ambit of health insurance system in order to reduce the morbidity burden or indirectly reducing overall costs.

iv) Minimum 'waiting' or 'qualifying period' period should be encouraged for availing health scheme benefits offered under health insurance cover, particularly for more expensive hospital inpatient services.

v) IRDA should be more effective and should concentrate on accessibility, quality and affordability dimensions of the health insurance sector.

vi) Agencies such as state health system, Indian medical association and TPAs should form a composite monitoring network for professional regulation of health insurance in India.

10. Conclusion

Health insurance in India cannot be examined in a vacuum as its success depends on many factors such as the health services infrastructure, financial and economic ecosystems and government regulations and support. Health insurers in India currently face many challenges, including poor awareness, low product acceptance and uncertain business profitability. There is demand for new products in the health insurance market with optimal pricing, preventive care, out-patient coverage and long term care needs to be addressed with utmost flexibility in options such as continuity/renew-ability and portability. To consider both supply and demand side financing models to deliver healthcare in the country as a progressive step, Government can provide a comprehensive health insurance cover to all citizens of the country towards strengthening public healthcare delivery system through initiatives like NRHM, free medicines etc. However, to make this a reality, Government will have to take a decision regarding making health insurance mandatory and more effective in phased manner.

References

[1] D. Arhin-Tenkorang, '*Health Insurance for the Informal Sector in Africa: Design Features, Risk Protection and Resource Mobilization*,' Working Paper No. WG 3:1, Commission on Macroeconomics and Health, Geneva, 2000.

[2] V. Bishnoi and R. Saharan, '*Health Insurance in India: Introspects and Prospects*', The ICFAI Journal of Risk & Insurance, Vol.4 (3), 2007, pp. 58-68.

[3] D. Mavalankar and R. Bhat, '*Health Insurance in India: Opportunities, Challenges and Concerns*', paper presented at Indian Institute of Management, Ahmedabad, 2000.

[4] R.P. Ellis, M. Alam and I. Gupta, *'Health Insurance in India: Prognosis & Prospectus'*, Economic & Political Weekly, Vol. 35, 2000, pp. 207-217.
[5] V.Vyasalu, *'The Case against Health Insurance'*, Economic & Political Weekly, September 27, 2008.
[6] S. Desai, '*Keeping the Health in Health insurance*', Economic and Political Weekly, September 19, Vol. 44(38), 2009, pp.18-21.
[7] PHFI, "*A Critical Assessment of Existing Health Insurance Models in India"*, a report submitted to the Planning Commission, Government of India, New Delhi, 2011.
[8] A. Mahal, *'Assessing private health insurance in India: Potential impacts and regulatory issues'*, Economic and Political Weekly, Vol.37 (6), 2000, pp. 559–71.