



## HEALTH INSURANCE IN INDIA- PROSPECTS & CHALLENGES

**Shri Ashimava Praharaj**  
Vidyanagar University, Midnapore

### ABSTRACT

*Health is wealth. Good health required for the growth and development of the human resource in society. So every human being wants to ensure themselves. But the cost of high health care is beyond the reach of common man practically for poor people in India. The Chairman of the Insurance Regulatory and Development Authority (IRDA) has said that low consumer awareness and insufficient healthcare infrastructure are the major deterrents to widen the reach of healthcare insurance in India. India is a nation of 2<sup>nd</sup> larger population in the World. Most of the population in India lives in rural and urban area. The government of India introduced many schemes to manage the problems in health care both in rural and urban area. The term 'Health Insurance' means all types of health insurance programmes including public, private, community-based programmes. The services and goods covered by the health insurance programmes vary broadly and from person to person. Generally, it refers to protection that is provided to a policy holder against unanticipated medical emergencies. Health Insurance is more complex as serious conflicts arise out of adverse selection, moral hazard, unavailability of information gap. The policy formulation, claim assessment and settlement are the multifaceted task of health insurance. Cost control is a key issue in health insurance product design. Both private and public health insurance providers offer various health insurance schemes. As on 31st March, 2014, 28 general insurance companies have been granted registration for carrying on general insurance business in India. Of these, 6 are in the public sector and the rest 22 are in the private sector. Among these, in India there are 26 non-life general insurers providing health insurance. A well-*

*developed insurance sector (including health insurance) is advantage for economic development of the country. The health care market in India is rising now a day. With the liberalization of insurance and entry of private companies in this business it is very important that specific involvements are developed which focus on increasing the consumer awareness about insurance products.*

**Key Notes:** Health Insurance, IRDA, Economic Development

## **1. Introduction**

Health is wealth. Good health required for the growth and development of the human resource in society. So every human being wants to ensure themselves. But the cost of high health care is beyond the reach of common man practically for poor people in India. The Chairman of the Insurance Regulatory and Development Authority (IRDA) has said that low consumer awareness and insufficient healthcare infrastructure are the major deterrents to widen the reach of healthcare insurance in India. India is a nation of 2<sup>nd</sup> larger population in the World. Most of the population in India lives in rural and urban area. The government of India introduced many schemes to manage the problems in health care both in rural and urban area. The term 'Health Insurance' means all types of health insurance programmes including public, private, community-based programmes. The services and goods covered by the health insurance programmes vary broadly and from person to person. Generally, it refers to protection that is provided to a policy holder against unanticipated medical emergencies.

## **Evolution of Health Insurance**

The concept of health insurance was developed in the year 1694 by Hugh the elder Chamberlen from Peter Chamberlen family. In the 19<sup>th</sup> century “Accident Assurance “began to be available. Over the last 50 years, India achieved so much in the field of health insurance. Before independence, the condition of health structure in India was very depressing due to high mortality and occurrence of high infectious diseases. Since independence, lot of emphasis has been given on the primary health care and we are continuing to develop the health care system in India. In terms of health indicators, India is still behind several other developed countries like China, Sri Lanka, Japan and Korea where it is far well developed. In India, it is the new concept except for the organised sector

employees. In India, 2% of total health care expenditure is funded by public/social health insurance and 18% is funded by the government budget.

## 2. Literature Review

The prominent studies that have been carried out on Health Insurance in India are briefly and chronologically presented below:

**Ellis et.al. (2000):** The researchers tried to review a variety of health insurance in India, their limitations and the role of General Insurance Corporation. The researchers also tried to develop a prospectus of strategy for greater regulation and increased health insurance coverage by making appropriate changes. At last the researchers concluded that there is necessity of improvements in delivery of health care and its financing, efficient functioning of ESIS and CGHS, revising the medical system to plug the huge market potential, modification of the benefits and claim system of Mediclaim policies.

**Ahuja (2004):** The researcher discovered how insurance sector reforms change the health insurance prospects facing the poor people in India and as a result of insurance sector reforms what changes on the health front affecting the poor people. The researcher concluded that Community Based Health Insurance (CBHI) has a bigger role to play and the government needs to encourage through proper interventions. The formal insurance providers can also be reined to serve the poor people. Apart that development in health insurance market requires being guided so as the cost escalation of health care provision to be minimum.

**Bhat and Jain (2006):** The researchers studied the factors which affect the private health insurance in a micro insurance scheme by using two stage model (based on primary data of Anand district of Gujarat). After study the researchers concluded that the factors like income, health care expenditure, age, coverage of illness, knowledge about insurance positively affecting the health insurance purchase decision.

## 3. Objectives of the study

The objectives of our study are as follows:

- To look into the scope of health insurance in India
- To analysis the various health insurance schemes and products in India

- To study the prospects of health insurance in India
- To investigate the trend of health insurance premium over the years
- To identify the role of Third Party Administrators(TPA)regarding claim processing and claim aging
- To explore the problems and challenges before health insurance in India

#### **4. Database and Methodology**

**Data Source:** The major part of this study is based on secondary data collected from the IRDA annual reports and annual reports of insurers.

**Period of the Study:** This study covers the period of 05 years starting from the financial year of 2011-12 to 2015-16.

**Sample Size:** The present study is made on health insurers in India, comprising of the public sector as well as the private sector dealing in health insurance business.

#### **5. Health Insurance scenario in India**

The cost of health care is very high. Generally rich and middle class family can afford this cost. But in case of poor people it's like a dream. Health is human right. So, health insurance needs everyone to manage the future health care cost. In the light of escalating health care costs, coupled with demand for health care services, lack of easy access of people from low income group to quality health care, health insurance is emerging as an alternative mechanism for financing health care.

Indian health financing scene raises number of challenges, which are:

- Increase in health care costs
- High financial burden on poor reducing their incomes
- Need for long term and nursing care for senior citizens because of increasing nuclear family system
- Increasing burden of new diseases and health risks

In India insurance sector is a colossal one and health insurance is part of that. It is growing at a speedy rate of 15% -20%. Together with banking services insurance services add about 7% to the country's GDP. A well-developed insurance sector (including health insurance) is

advantage for economic development of the country. India's insurance sector divided into life insurance and non-life insurance. As on 31st March, 2014, 28 general insurance companies have been granted registration for carrying on general insurance business in India. Of these, 6 are in the public sector and the rest 22 are in the private sector. Among these, in India there are 26 non-life general insurers providing health insurance. These include four under public and balance twenty two numbers under private insurers.

## **6. Various Health Insurance schemes and products of health insurers in India**

Cost control is a key issue in health insurance product design. Both private and public health insurance providers offer various health insurance schemes. These are as follows:

### **Mediclaim Policy**

The most popular being the Mediclaim policy. GIC introduced the Mediclaim health scheme in the year 1986 and became operational in the year 1987. The Mediclaim policy was framed by GIC for both group and individuals. It reimburses the hospitalisation expenses owing to illness due to injury suffered by the insured. Hospitalisation may be domiciliary or other but does not include outpatient treatments.

### **Employees State Insurance Scheme (ESI)**

This scheme was introduced in the year 1948. The ESI scheme provides both cash and medical benefits. It is managed by the Employees State Insurance Corporation (ESIC), a wholly government-owned enterprise. This scheme provides social security benefits to workers of the formal sector.

### **Community Based Health Insurance Scheme (CBHI)**

Charitable trusts or non-governmental organisations (NGOs) also offer some schemes to the poor people living in community which is known as a community-based health insurance schemes. This scheme was introduced to provide health care and protection against CHE to the poor and near poor and the workers in the unorganised sector. This is a voluntary health insurance scheme.

## **7. Prospects of Health insurance in India**

Health insurance falls under the category of non-life general insurance. It grows rapidly with the World market. The health care market in India is rising now a day. With the liberalization of insurance and entry of private companies in this business it is very important

that specific involvements are developed which focus on increasing the consumer awareness about insurance products. During the year 2015-16 the gross health insurance premium collected by health insurance companies is 21.65% more than the previous year i.e. 2014-15. The four-public sector nonlife insurance companies continue to contribute a key share of health insurance premium at 64%.

The classification of health insurance business is depicted in Table 1.

**TABLE 1: CLASSIFICATION OF HEALTH INSURANCE BUSINESS**

(` crore)

Market share	2011-12	2012-13	2013-14	2014-15	2015-16
Government	2,225	2,348	2,082	2,474	2,425
	17%	15%	12%	12%	10%
Group	5,948	7,186	8,057	8,899	11,621
(Other than Govt.)	46%	47%	46%	44%	48%
Individual	4,896	5,919	7,355	8,772	10,353
	37%	38%	42%	44%	42%
<b>Total</b>	<b>13,070</b>	<b>15,453</b>	<b>17,495</b>	<b>20,096</b>	<b>24,448</b>

Source: IRDA Annual Reports 2015-16

From the above Table 1, it is shown that the share of health insurance in Government sector is increased from the year 2011-12 to 2012-13, then again decreased in the 2013-14. In the year 2015-16 it is increased. But the share of percentage has been dropped from 2012-13 to 2015-16. The share in group (other than Govt.) and individual are increased consistently from 2011-12 to 2015-16. From the above it is clear that in government sector health insurance not yet developed much.

The channel wise distribution of Health Insurance policies is represented in Table 2.

**TABLE 2: CHANNEL WISE DISTRIBUTION OF HEALTH INSURANCE POLICIES: 2015-16**

Name of the Channel	Premium Individual Policies	Premium Group Policies	Total business (Individual + Group)
Brokers	4%	7%	4%
Corporate Agent - Banks	13%	44%	14%
Corporate Agent - Other than Banks	3%	11%	3%
Direct Sale - Online	2%	2%	2%
Direct Sale - Other than Online	10%	3%	9%

Individual Agents	69%	33%	68%
Micro-insurance Agents	0.02%	0.04%	0.02%
Web-aggregators	0.21%	0.00%	0.20%
Others	0.01%	0.03%	0.01%
<b>Total of all channels</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>

Source: IRDA Annual Reports 2015-16

From the above it is observed that individual agent's business more among the other channels in health insurance. Then health insurance policies distributed more through corporate agent-banks, direct sale- other than online, after that in percentage of corporate agent- other than banks, brokers, direct sale- online, micro-insurance agents, and web aggregators. Through others health insurance policies distributed least among all channels. From the above it is clear that individual agents distribute more policies to the customer.

**TABLE 3: GROSS DIRECT PREMIUM OF NON-LIFE INSURERS (WITHIN & OUTSIDE INDIA) (Crore)**

INSURER	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16
BAJAJ ALLIANZ	2869.96	3286.62	4001.4	4516.45	5229.84	5832.15
BHARTI AXA	553.9	884	1218.43	1423.16	1457.06	1274.41
CHOLAMANDALAM	967.99	1346.54	1620.89	1855.11	1890.43	2452.00
FUTURE GENERALI	600.16	919.76	1105.39	1262.56	1438.24	1555.26
HDFC ERGO	1279.91	1839.46	2453.2	2906.99	3182.2	3379.55
ICICI LOMBARD	4251.87	5150.14	6133.99	6856.16	6677.79	8090.71
IFFCO TOKIO	1783.18	1975.24	2565.03	2930.92	3329.96	3691.33
L&T	17.24	143.4	182.07	253.78	331.71	473.39
LIBERTY VIDEOCON		0	2.19	129.82	283.85	408.72
MAGMA HDI		0	95.14	424.93	473.59	403.94
RAHEJA QBE	4.9	14.79	21.3	23.24	21.62	28.76
RELIANCE	1655.43	1712.55	2010.01	2388.82	2715.83	2791.56
ROYAL SUNDARAM	1143.99	1479.79	1560	1437.04	1569.2	1694.12
SBI	43.02	250.14	770.85	1187.57	1576.9	2039.85
SHRIRAM	780.89	1266.44	1541.38	1510.59	1496.51	1712.27
TATA AIG	1173.09	1641.57	2135.08	2362.71	2714.13	2958.56
UNIVERSAL SOMPO	299.1	404.58	534.35	540.45	701.1	903.79
<b>PRIVATE SECTOR</b>	<b>17424.63</b>	<b>22315.03</b>	<b>27950.7</b>	<b>32010.3</b>	<b>35089.96</b>	<b>39694.07</b>
<b>Growth %</b>	<b>24.67</b>	<b>28.07</b>	<b>25.26</b>	<b>14.52</b>	<b>9.59</b>	<b>13.12</b>
NATIONAL	6245.17	7815.69	9194.61	10260.98	11282.62	12018.98
NEW INDIA	8225.51	10073.88	11873.49	13727.61	15480.35	17763.31
ORIENTAL	5569.88	6194.6	6737.66	7282.54	7561.92	8611.59
UNITED	6376.66	8179.29	9266.04	9708.93	10691.73	12250.36
<b>PUBLIC SECTOR</b>	<b>26417.21</b>	<b>32263.46</b>	<b>37071.8</b>	<b>40980.06</b>	<b>45016.62</b>	<b>50644.24</b>
<b>Growth %</b>	<b>20.96</b>	<b>22.13</b>	<b>14.9</b>	<b>10.54</b>	<b>9.85</b>	<b>12.50</b>
<b>TOTAL</b>	<b>43841.84</b>	<b>54578.49</b>	<b>65022.5</b>	<b>72990.36</b>	<b>80106.58</b>	<b>90338.31</b>

AIC	1950.05	2576.85	3297.42	3395.01	2739.69	3521.22
ECGC	885.47	1004.83	1157.25	1303.73	1362.39	1320.73
APOLLO MUNICH	282.69	475.64	619.99	692.47	803.12	1022.18
CIGNA TTK	--	--	--	0.34	21.82	143.82
MAX BUPA	25.53	99.08	207.22	308.85	372.65	476.01
RELIGARE HEALTH	--	--	38.79	152.31	275.80	503.32
STAR HEALTH	1227.55	1085.06	860.21	1091.08	1469.19	2007.34
<b>GRAND TOTAL</b>	<b>48213.12</b>	<b>59819.96</b>	<b>71203.38</b>	<b>79934.14</b>	<b>87151.24</b>	<b>99332.93</b>

Source: IRDA Annual Reports 2015-16

From the above table, it is noticed that gross direct premium of non-life insurers increased throughout the year. In case of total gross direct premium public sector insurers collect more than the private sector insurers. Growth rate fluctuates in case of both public and private insurers. But private sector's percentage of growth rate is more than the public sectors. In comparison, general insurers who specially doing health insurance business gross direct premium in totality are less than the other general insurers.

Number of persons covered under health insurance is described in below Table 4.

**TABLE 4: NUMBER OF PERSONS COVERED UNDER HEALTH INSURANCE**

(in Lakh)

No of persons covered	2011-12	2012-13	2013-14	2014-15	2015-16
Government	1612	1494	1553	2143	2733
Group (other than Govt.)	300	343	337	483	570
Individual	206	236	273	254	287
Total	2118	2073	2162	2880	3590

Source: IRDA Annual Reports 2015-16

From the above table, it is found that government employees covered in health insurance more than persons working in non-government sector and individuals. Number of persons covered in government sector has been decreased from 2011-12 to 2012-13, then again increased up to the year 2015-16. But number of persons covered in non-government sector (group) has been increased throughout the year 2011-12 to 2012-13, and then decreased in 2013-14. Later increased up to the year 2015-16. In case of individual it is also a positive sign. The result is better in 2015-16 from the year 2014-15. Individuals are now concerns about their health and doing health insurance individually from their interest. But more consumer awareness required.



**TABLE 5: TREND IN HEALTH INSURANCE PREMIUM OVER THE YEARS****(Crore) (% age of Market Share)**

<b>Market share</b>	<b>2011-12</b>	<b>2012-13</b>	<b>2013-14</b>	<b>2014-15</b>	<b>2015-16</b>
Public Sector	8015	9580	10841	12882	15591
	61%	62%	62%	64%	64%
Private Sector NL insurers	3446	4205	4482	4386	4911
	27%	27%	26%	22%	20%
Stand-alone Health Insurers	1608	1668	2172	2828	3946
	12%	11%	12%	14%	16%
<b>Total NL Industry</b>	<b>13,070</b>	<b>15,453</b>	<b>17,495</b>	<b>20,096</b>	<b>24,448</b>

Source: IRDA Annual Reports 2015-16

The share of public sector insurers in health insurance was around (61-64) % during the period 2011-12 to 2015-16 whereas the share of private insurers varied between 27% and 20% during the period between 2011-12 and 2015-16. It is a negative sign for private sector. Stand-alone health insurers started their operation in the year 2006-07. But the Stand-alone health insurers were not able to increase their share during the stated period. Their share varied 12% to 16% during the period 2011-12 to 2015-16. From the above it is clear that, public sector health insurers collected more premium than the other sectors. Customers are very much depending on public health insurers. But Stand alone health insurers increase their business rapidly.

### **8. Problems and challenges before Health Insurance in India**

One of the major challenges of insurance industry after liberalisation how to develop this mechanism which help making consumer aware about various insurance plans. Till now awareness and knowledge about various health insurance plan is limited. The apparent value of buying insurance products remains low due to high expectations on returns to which other financial products normally offer and the belief that risk coverage is not needed. It makes insurance a push product rather than a pull product in India. Reaching out to the budding & willing buyers and servicing them becomes challenge due to the scattered and spread population, especially outside the metros and Tier-I cities. Also the insurance industry faces challenges in acquiring and retaining internal and external channel teams considering the huge gap between the demand and supply of dependable and skilled personnel, resulting into high cost of customer acquisition and operations.

**TABLE 6: TOP FOUR STATES IN TERMS OF HEALTH INSURANCE PREMIUM (2015-16)**

State/ UT	Gross Premium (Crore)	Share (%)
Maharashtra	7,715	32%
Tamil Nadu	3,107	13%
Karnataka	2,695	11%
Delhi	1,976	8%
Gujarat	1,461	6%
Rest of States/UTs in India	7,494	30%
<b>Total of all States/UTs</b>	<b>24,448</b>	<b>100%</b>

Source: IRDA Annual Report 2015-16

From the above table four states namely Maharashtra, Tamil Nadu, Karnataka, Delhi & Gujarat contributed by 70% of total health insurance premium. Whereas balance 30% contributed by 31 states and union territories in India. Total health insurance premium in all states is Rs.24, 448 crores. In fact, the health insurance premium from 8 sister States of North-eastern India is only Rs. 118 crore (0.6 per cent) for 2015-16.

The large number of separate networks of providers tends to make for reduce inefficiency and the choice among providers: only a limited set of providers is offered to a given employee. There is a problem of choosing Third Party Administrators (TPAs). Lots of complaints received against TPAs for issue of wrong card, delay in issue of card etc.

In case of "cashless" system it was noticed that many hospitals ask patients about their health insurance. Whether they have health insurance or not? Cost is different on the basis of availability of health insurance. In case of settlement rate is also different on the basis that whether settlement made by individual or employer. If company settled the cost of treatment then rate is high. Hospitals also have a tendency to blow up the bills in case of cashless facility which adversely affects all the stakeholders of health insurance. TPAs have not been very successful in this area so far. Unnecessary the claims processing delayed for long time. TPAs have tried to improve the speedy processing of claims.

Claim settlement by Third Party Administrators is represented in Table 8.

**TABLE 7: DETAILS OF CLAIM AGING - CLAIM SETTLEMENT BY THIRD PARTY ADMINISTRATORS (TPA)- 2015-16**  
**(Amount in Lakh)**

<b>Time Taken</b>	<b>Cashless</b>	<b>Reimbursement</b>	<b>Benefit Based</b>	<b>Total</b>
< 1 month	6,62,435	5,19,587	125	11,82,147
1 to 3 months	1,49,349	1,77,382	82	3,26,814
3 to 6 months	16,943	49,196	31	66,170
6 to 12 months	3,255	16,445	40	19,740
1 to 2 years	632	10,514	22	11,168
2 years	746	1,066	7	1,818
<b>Total</b>	<b>8,33,360</b>	<b>7,74,190</b>	<b>307</b>	<b>16,07,857</b>

Source: IRDA Annual Report 2015-16

During the year 2013-14 no new TPA license was granted by the Authority but few new TPA license applications were received and are under process at various stages. The health insurance segment showed strong growth during the year and the premium serviced by TPAs also increased significantly. The TPAs expanded the reach of the hospitals across the country by adding new hospitals to their network. The physical presence of TPAs was also increased by opening of new branches at new locations by many TPAs during the year. The claim settlement performance of the TPAs was consistent during the year 2015-16. During 2015-16, the TPAs have received 16, 07,857 new claims. Among them, 73.52% of the claims were settled within one month of reporting the claims. Claims settlement with one month shows an improvement marked and it was over 70% for the year 2015-16. Also claims outstanding does not cross the single digit. A claim outstanding for 2 years is very less i.e. 0.11% of the total claims. Apart that remaining three cases management does focus so much. They are not much successful in reducing fraud and preventing leakages by way of over-payment. TPAs don't have adequate number of skilled manpower which is absolutely crucial in proper claims management.

## 9. Conclusion

From our study, we can find the followings:

- 1) Availability of various government health insurance schemes in the Indian market for the poor people.
- 2) In case of health insurance premium, the public-sector insurers are ahead of the private insurers.
- 3) In case of incurred claim ratio public sector is ahead of private sector throughout the years.
- 4) Twisted distribution of health business across various states and union territories is a problem.
- 5) Individuals are interested to do health insurance from their own interest.
- 6) Individual agents contribute a major share in health insurance premium than the other channels.
- 7) TPAs have done some good work so far as the quick processing of claims is concerned. But they are not much successful in reducing fraud and preventing leakages by way of over-payment.

Some of the below initiatives have taken to overcome these challenges. These are as follows:

- 1) New health insurance company Cigna TTK was issued certificate for registration in the year 2013-14.
- 2) Insurance companies like Bajaj Allianz, Cholamandalam MS, Max Bupa, Star Health etc. have opted for in-house settlement of claims, eliminating TPAs.
- 3) TPAs are expanding the reach of the hospital across the country by adding new hospitals to their network.
- 4) Most insurers now prefer pre-agreed rates for health treatments. This prevents differential rates for the insured and uninsured patients.
- 5) As a part of measures to bring more transparency in financial reporting and also to protect and further the interests of policyholders and their legal heirs and representatives, the Authority of IRDA issued directions to all insurers.

Some suggestions for improvement of health insurance in India are presented below:

- 1) More new initiative should be taken to improve the awareness among people about health insurance policies and plans.
- 2) India's total expenditure on health as % of GDP should be substantially enhanced.
- 3) The share of general government expenditure on health as % of total expenditure on health should be hiked.
- 4) Improvement should be made in delivery of health care and its financing.
- 5) Mediclaim system should be improved to tap the huge potential market and also modification should be required to in the benefits and claim system of Mediclaim policies.

## 10. References

- 1) Agarwal, Aanchal, Kapoor, Nupur, and Gupta, Anchal. (2013). Health Insurance: Innovation and Challenges Ahead. *Global Journal of Management and Business Studies*, 3(5), 475-80.
- 2) Shahi, A. K. and Gill, H. (2013), "Origin, Growth Pattern and Trends: A Study of Indian Health Insurance Sector", *IOSR Journal of Humanities and Social Science*, Volume 12, Issue 3, May- June, pp. 01-09.
- 3) Reddy, K. N. and Selvaraju, V. (1994),"Health Care Expenditure by Government of India 1974-75 to 1990-91", *Seven Hills Publications*, New Delhi.
- 4) Alam, M. (1997), "Health Financing by States: An Exploration", *Demography India*, Volume 27, Issue 2, pp 177-205.
- 5) Websites  
[www.irda.gov.in](http://www.irda.gov.in)  
<https://www.iihmr.org/>