

Health Insurance Sector in India: An Overview

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Abstract: *The demand for healthcare in India is rising nowadays. However, the escalating cost of medical treatment is beyond the reach of the common man. In this scenario, exploring health financing options becomes critical and as such health insurance has emerged as an alternative mechanism for financing health care in India. Against this backdrop, an attempt has been made in the proposed paper to analyse the growth and evolution of health insurance in India as well as to highlight the challenges and opportunities of health insurance sector in Indian context. The study is based on secondary data source collected from related articles and reports of IRDA and Ministry of Health and Family Welfare, journals of Insurance Institute of India and government reports pertaining to the issues under study. Tables and charts have been used to analyse the growth of health insurance for the past six years from 2012-13 to 2017-18. The entire study is divided into the following sections:*

Section I: Introduction.

Section II: Overview of Health Insurance in India.

Section III: Growth of Health Insurance in India.

Section IV: Opportunities and Challenges of Health Insurance in India.

Keywords: *Healthcare, Health-insurance, Insurance, IRDA.*

SECTION I: INTRODUCTION

Background of the Study

Efficient and effective healthcare is determined by the way the financing of healthcare systems is structured and organized. The health financing system in India is dependent on government budgetary allocations and private financing. In the absence of effective regulation of private health services, healthcare costs are inevitably high, and it is people belonging to the lower income classes who suffer the most. Due to the ever-escalating cost of medical treatment, low income group people cannot afford quality healthcare. In this scenario, exploring health financing options becomes critical and herein health insurance has emerged as an alternative mechanism for financing health care.

Health insurance is a type of insurance that protects people against catastrophic financial burden resulting from unexpected illness and injury. It also includes insurance for losses from accident, disability, or accidental death and dismemberment. The concept of Health Insurance was proposed in the year 1694 by Hugh the elder Chamberlen from Peter Chamberlen family. In 19th Century "Accident Assurance" began to be available which operated much like modern disability insurance. This payment model continued until the start of 20th century. During the middle to late 20th century traditional disability insurance evolved in to modern health insurance programmes. Today, most comprehensive health insurance programmes cover the cost of routine, preventive and emergency health care procedures and also most prescription drugs.

Survey of Related Literature

In their study, Ellis R.P., Alam R. & Gupta I. (2000) found out that exceptionally high medical expenses and private out-of-pocket expenditure necessitates a complete revamp of the health system with expanded and improved health insurance facilities.

Mavalankar D. & Bhat R. (2000) reviewed the health insurance situation in India and advocated for the development of German model of social health insurance by the Government.

Bhat R., Maheswari S. & Saha S. (2005) carried out a survey to ascertain the experiences and challenges experienced by hospitals and policyholders in availing services of TPA and suggested the need for developing mechanisms to ensure smooth delivery of TPA services in emerging health insurance market.

Dr. Dror David (2007) examined the effectiveness of micro health insurance products in protecting the clients against high expenses related to illness.

Krishnamurthy R. & Adams G. (2008) studied the key actuarial and business practices in the buoyant health insurance sector in India and recommended a long term vision for health insurers, simple product design, supportive regulation, and sustained customer education. Chakraborty Shuvajit (2011) examined the issue of low insurance penetration in rural areas with particular reference to product and distribution channels.

Dutta Sanjay (2012) stressed on the need for Government funded health insurance programmes for a comprehensive health insurance coverage.

Anand M.B. & Jayaramaih N.N. (2013) explored innovative ways to finance and cover health insurance for the Indians with the direct initiation of government and other service providers.

Objectives of the Study

In this context, the study revolves around the following objectives:

- To present an overview of health insurance sector in India.
- To analyse the growth of Health Insurance in India.
- To identify the opportunities and highlight the major challenges confronted by health insurance sector in India.

Research Methodology

The paper is a descriptive study entirely based on secondary data. Most of the facts and figures originate from extensive research of an array of publicly available data in the form of annual reports of IRDA, journals, articles, government reports etc. For the purpose of analysing the growth of health insurance, dataset have been collected from the annual reports of IRDAI and Health Insurance Reports of Insurance Information Bureau for a time period of six years from 2012-13 to 2017-18.

Plan of Work

The entire study is divided into the following four sections:

- Section I: Introduction.
- Section II: Overview of Health Insurance in India.
- Section III: Growth of Health Insurance in India.
- Section IV: Opportunities and Challenges of Health Insurance in India.

SECTION II: OVERVIEW OF HEALTH INSURANCE IN INDIA

Concept of Health Insurance

The ILO defines health insurance as “the reduction or elimination of the uncertain risk of loss for the individual or household by computing a larger number of similarly exposed individuals or households who are included in a common fund that makes good the loss caused by one member” (ILO 1996). Simply speaking, in a health insurance programme, people have the risk of a certain amount (premium) towards a health insurance fund. This fund is then used to treat patients who experience that particular event (e.g. hospitalisation).

Types of Health Insurance

There are broadly three types of health insurance.

- **Social Health Insurance:** A compulsory health insurance, usually for the formal sector. Here the employees contribute through payroll deductions and the employers provide a grant. This is used to finance healthcare of the employees and the dependents and as in many European countries, the rest of the population.
- **Private Health Insurance:** A voluntary health insurance wherein people can enrol and purchase the insurance product of their liking paying a risk-rated premium.
- **Community Health Insurance:** A voluntary but not for profit health insurance scheme and targeting the informal sector. These are usually small schemes and the community is very involved in its management.

Evolution of Health Insurance in India

Health Insurance is one of the rapidly growing sectors in the Indian insurance industry. The health insurance sector has evolved gradually in India and post liberalisation it is increasing at a rapid rate. The chronological evolution of Health Insurance in India has been presented in a tabular format as follows:

Year	Events/Achievements
1912	Health Insurance introduced when the first insurance act was passed.
1947	The Bhore Committee made 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.
1954	The Central Government Health Scheme (CGHS) for central government employees and for their families.
1986	Mediclaime was introduced and started by Government insurance companies.
1999	With the establishment of IRDA, the insurance sector was opened to private and foreign participation.
2001	The IRDA (Third Party Administrators - Health Services) Regulations places regulatory guidelines on 'third party administrators' (TPAs).
2003	Introduction of UHIS- early attempts by government to introduce health insurance for informal sector. UHIS was a hospitalization indemnity product voluntarily purchased from any state-owned insurer at a

	heavy subsidized price.
2008	Introduction of Rashtriya Swasthya Bima Yojana (RSBY) with a view to provide financial protection and improve access to quality health-care for below poverty line households and other vulnerable groups in the unorganized sector.
2013	Introduction of Aam Aadmi Bima Yojana replacing Social Security Group Insurance Scheme (SSGIS) and Rural Group Life Insurance Scheme (RGLIS)

In recent years, health insurance has emerged as one of the most promising segment of non-life insurance business. A significant number of Indian private companies and foreign companies now operate in the health insurance industry. Currently there are 27 health insurance providers in India out of which four are public sector non-life insurers and rest are private sector units. IRDA has granted licence to five of the private sector insurance companies to operate exclusively in the health insurance segment.

Public Sector Health Insurance Companies:	Private Sector Health Insurance Companies:	Private Sector Stand-alone Health Insurance Companies in India
<ul style="list-style-type: none"> ➤ National Insurance Co Ltd. ➤ The New India Assurance Co Ltd. ➤ The Oriental Insurance Co Ltd. ➤ United India Insurance Co Ltd. 	<ul style="list-style-type: none"> ➤ Bajaj Allianz General ➤ Bharti AXA General ➤ Cholamandalam MS General ➤ HDFC ERGO General ➤ Future Generali India ➤ ICICI Lombard General ➤ IFFCO-TOKIO General ➤ Kotak Mahindra Insurance ➤ L & T General Insurance ➤ Liberty Videocon General ➤ Magna HDI General ➤ Raheja QBE General ➤ Reliance General ➤ Religare Health Insurance ➤ Royal Sundaram Alliance ➤ SBI General Insurance ➤ TATA AIG General 	<ul style="list-style-type: none"> ➤ Apollo Munich Health Insurance Co. Ltd. ➤ Cigna TTK Health Insurance Co. Ltd. ➤ Max Bupa Health Insurance Co. Ltd. ➤ Religare Health Insurance Co. Ltd. ➤ Star Health and Allied Insurance Co. Ltd.

Besides, the private and public sector insurance companies, health insurance sector in India also comprises of Government funded social health insurance schemes, community-based Micro Health Insurance schemes and Employer-based schemes.

SECTION III: GROWTH OF HEALTH INSURANCE IN INDIA

Health Insurance continues to be one of the rapidly growing sectors in the non-life insurance category and has been witnessing a rapid expansion and has significant growth potential for the future as well. For the purpose of analysing the growth of health insurance sector, data have been obtained from the Annual Reports of IRDAI for the last six years from 2012-13 to 2017-18 and have been analysed in the following tables and charts:-

Table 1: Trend in Health Insurance Premium from 2012-13 to 2017-18 (Rs crore)

Sectors	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18
Public Sector General Insurers	9580 (62%)	10841 (62%)	12882 (64%)	15591 (64%)	19227 (63%)	21509 (58%)
Private Sector General Insurers	4205 (27%)	4482 (26%)	4386 (22%)	4911 (20%)	5632 (19%)	7689 (21%)
Stand-alone Health Insurers	1668 (11%)	2172 (12%)	2828 (14%)	3946 (16%)	5532 (18%)	7831 (21%)
Industry Total	15453	17495	20096	24448	30392	37029
Annual Growth Rate (%)	18.2%	13.2%	14.9%	21.7%	24.3%	22%

Sources: IRDAI Annual Reports

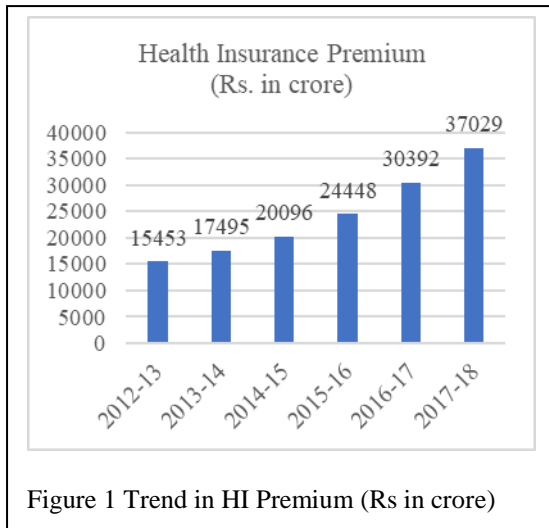


Figure 1 Trend in HI Premium (Rs in crore)

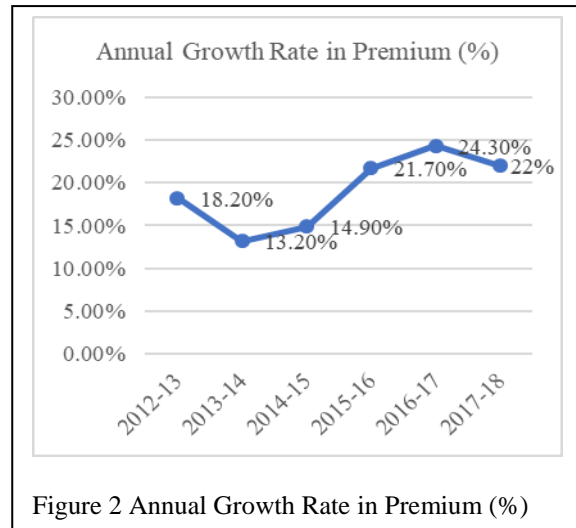


Figure 2 Annual Growth Rate in Premium (%)

Figure 2: Trend in Health Insurance Premium

From an analysis of the past six years data from 2012-13 to 2017-18 as shown in Table 1 and the above charts, it is evident that there is a positive trend in the growth of health insurance premium among all the sectors. Total premium collected by the entire Health Insurance sector increased from Rs 15453 crore in 2012-13 to Rs 37029 crore in 2017-18. It is also clear that growth rate in premium showed a significant increasing trend over the past six years.

Table 2: Number of persons covered under Health Insurance (in lakh)

Sectors	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18
Govt. Sponsored schemes including RSBY	1494 (72%)	1553 (72%)	2143 (74%)	2733 (76%)	3350 (77%)	3593 (75%)
Group (other than Govt. Business)	343 (17%)	337 (15%)	483 (17%)	570 (16%)	705 (16%)	894 (19%)
Individual Business	236 (11%)	272 (13%)	254 (9%)	287 (8%)	320 (7%)	333 (6%)
Grand Total	2073	2162	2880	3590	4375	4820

Source: IRDAI Annual Reports

(Figures in the bracket indicate the share of each class in total number of persons covered)

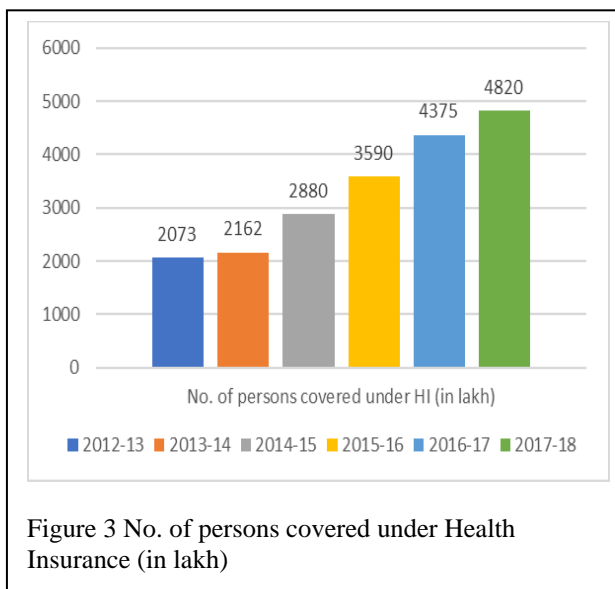


Figure 3 No. of persons covered under Health Insurance (in lakh)

Similarly, it is evident from Table 2 that total number of persons covered under Health insurance has significantly increased from 20.73 crore in 2012-13 to 48.20 crore in 2017-18. During 2017-18, around 1.47 crore health insurance policies were issued by all the sectors together covering a total of 48.20 crore persons and registered a growth of 10% in number of persons covered over the previous year. From the analysis of all the charts, it is quite clear that there has been a steady growth both in health insurance premium as well as in number of persons covered under health insurance over the last six years. It is worth mentioning that in terms of persons covered under health insurance, three-fourths were covered under govt. sponsored health insurance schemes whereas one-fourth persons were covered under group and individual policies issued by general and health insurers.

SECTION IV: OPPORTUNITIES AND CHALLENGES OF HEALTH INSURANCE IN INDIA

Health Insurance is a booming sector in the Indian Insurance industry. There exists vast opportunities for the growth of health insurance in India. At the same time, health insurance sector is also confronted by a number of challenges.

Opportunities of Health Insurance in India

Health Insurance Sector is poised for exponential growth as there are vast opportunities as mentioned below:

- Competition in the health insurance sector between private sector, public sector, government and community-based health insurance schemes will allow market forces to set premiums that are appropriate for exposures and push health insurers to differentiate their products and services.
- Aggressive marketing strategies by private sector health insurers will buoy consumer awareness of risk and expand the markets for innovative products.
- Low penetration of health insurance in rural areas thereby providing a huge potential for growth and development of the health insurance sector to tap the so far untapped market.
- There is a probability of a spurt in employment opportunities especially with the rapid growth of health insurance industry.
- Issuance of Health Insurance Regulations in 2013 and very recently in 2016 by IRDA has paved the way for standardisation of products and procedures, better customer orientation and increased awareness about the benefits of health insurance.

Challenges of Health insurance In India:

However, Health Insurance Sector is also confronted by a number of challenges as follows:

- Low level of awareness among consumers about health insurance products and their benefits.
- Limited healthcare delivery network with only top few cities having the necessary infrastructure.
- Limited funding support from the insurance company by TPAs impacting the claims disbursement time.
- Diversity of income pattern of policy-holders and problem of distribution of insurance products.
- Poor checks on pricing and service and problem regarding affordability of insurance products by the targeted consumers.
- Lack of standardization and accreditation in most healthcare facilities leading to difficulty in judging the authenticity of procedures and costs.

Conclusion

Health Insurance continues to be one of the rapidly growing sectors in the Indian Insurance industry. However, it is confronted with a number of challenges. To overcome the challenges, following measures may be recommended:

- Standardization of healthcare costs and accreditation norms for both the providers of health insurance as well as for TPAs.
- Increased tax benefits thereby inducing consumers and prospective consumers to avail of various health insurance policies.
- Creating a data pool about consumers and disease patterns and provision for information exchange among the insurers.
- Gradation of health service providers so that the consumers have a wide choice of alternatives regarding health insurance products.
- Creating awareness among consumers about their rights and responsibilities.
- Continuous product and pricing innovation to lower risks and improve efficiency.

Insurance sector in general and health insurance sector in particular have witnessed rapid growth in the post-liberalization period. However, it is to be noted that despite liberalization of the insurance sector, only around 21.6 crore of the entire populace, i.e., less than one-fifth of India's population, are covered under health insurance. Even among those who have some form of coverage, 67% are covered by public insurance companies (National Health Profile, 2015). So, it can be said that health insurance, which continues to be the fastest growing non-life insurance sector, has immense growth potential. However, to sustain the growth, the emphasis has to be on consumer awareness and satisfaction, provision of quality health care, improved insurance services and greater collaboration and trust between the key stakeholders of the sector, i.e. insurers and health care providers.

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