
Prospects of Health Insurance : To Assure Healthcare for All

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Abstract :

In 21st century we are witnessing golden time for Indians to explore the world and create the benchmarks to be followed by others. Booming Indian economy, conducive business environment and unending talent pool are proving opportunity to do whatever we want in our field of expertise.

Our healthcare system is crumbling day by day and public is devoid of basic healthcare facilities though we proudly say that India is having access to any healthcare technology available in world but we feel if we can not provide it to masses, that technology is irrelevant for us. Government both at centre and state level are unable to do sufficient efforts because of budgetary constraint and mismanagement of available resources.

In developed countries government and insurance companies bear a part of healthcare expenses along with patient while in India most of the expenses have to be borne by the patient that leads to avoidance of health monitoring and costly delay in treatment.

A high expense in healthcare makes many poor families to remain below the poverty line and their whole life incomes become consumed in a single major surgery or treatment.

This paper is presenting an introspection of present health insurance system and prospect of health insurance in India and how could it change the Indian healthcare system and life of millions of Indians. Present growing market offer a large unexplored market for private insurance companies and offer new product (Insurance scheme) to millions of middle class Indians.

Present Health Care Scenario in India

India spends about 6.5 to 7% of GDP on Health care, out of which 1.3% is in the Govt. sector (this accounts for 22% of overall spending) and 4.7% in private sector (78% of overall spending). It is estimated that healthcare market is touching 1,00,000 crores per annum, and is expected to grow at more than 15% per annum. National levels of spending on Health care under five year plans have decreased - it was 3.3% in first plan & 0.7% in eighth plan. The national spending also includes family planning, water, sanitation for rural areas etc. Majority of funds

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(approx. 50%) go in salary & administration from Govt. spending budget. Beneficiaries are both poor as well as well-fed section of society and in majority of the cases benefit of Government is not reaching to poor people and enjoyed by those who can afford the facilities.

Over 80% of the total health financing is private financing, much of which is out-of-pocket payments (i.e. User charges) and not any prepayment schemes. The out of pocket private spending dominates with 82 percent spending of all health spending from private sources. This is one of the highest in the world. About 10 percent of Indians have some form of health insurance mostly formal sector and government employees. It can be easily understood by these figure that potential of health insurance in India is immense but due to lack of proper approach, insurance companies have not captured this huge market. This era of reform and liberalisation offer private insurance a chance to cover millions of Indian under health insurance which will not only provide them huge customer base to serve but also help to cover poor and needy with the assistance of government to fulfill its social and welfare obligation towards public. Health insurance also offer a good opportunity for Government to put Public fund indirectly in healthcare by sharing some part of insurance with Below the Poverty Line (BPL) public which will be more useful and money will reach at the correct place.

BPL population is a huge market for tomorrow's India and if we can keep them healthy, productive and support their healthcare it will boost our economy in coming future. Indian growing economy at the rate of 7-8% has empowered millions of middle class Indian to think about themselves in a more open way as compared to past and their increasing purchasing power can provide a huge market for insurance companies to serve because these people still not aware of health insurance or not covered by any insurance schemes.

The general insurance market in India is valued at about Rs 17,000 crores. But the potential premium in the health insurance sector was estimated to be around Rs 1 lakh crores and it could accommodate a large number of players but this would call for specialised health insurance companies, according to Mr. P.C. James, Executive Director,

Insurance Regulatory and Development Authority.

Need of Health Insurance

It is a very common question general customer is asking when any company is offering him health insurance plan and I think that Indian insurance companies are less emphasizing on training of field force who are targeting individual customer for their business. A more informative approach can change the scene if we can convince the customer that health insurance is inevitable because of the following reason

- Every human being is exposed to various health hazards not only serious but normal problems like fitness and lifestyle problems.
- Medical emergency can strike anyone without pre-warning like road accident which has emerged as a major cause of death in metros.
- Inadequate facilities in government hospitals, higher patient load and lack of accountability for providing proper services.
- Private hospitals are too expensive to cover by individual pocket and only insurance and reimbursement can make affordable for you.
- Medicines have become quiet expensive public will feel heat of new product patent regime. Poor patent system in country had ensured availability of medicine at the lowest cost as compared to rest of the world, and this advantage of reverse engineering we are going to loose with new patent regime.
- Diagnostic charges are beyond common man's reach imagine cost of one CT-scan or MRI, and various pathological test.
- Specialists come at a price and one time consultation fee can be more than the monthly income of the normal patient.
- Tax benefit of the Income Tax Act, if we see life insurance schemes a major advantage public wants to take is benefit of tax; we can also ensure this benefit in health insurance schemes.

- Health risk is a personal risk, which could arise from various factors and you have to face the music of problem if you are not prepared.
- A greater explicitness and visibility of spending on health services occurs as a result of insurance.
- The third party institution can specify in contracts the kinds of healthcare that are to be provided and can therefore concentrate on providing cost effectiveness.
- Consumers, and their representatives, will demand better quality care because they can see a definite link between their payments and services

Health Insurance programme needs different orientation in implementation to provide better services and it must not be treated as another form of life insurance because of the following reason and these points can be used as marketing tools to convince the customer because customer feels that health insurance is same as life insurance and there are no additional benefits

- High claims frequency
- Complicated pricing model
- Fewer supportive tools (manuals)
- Risk of over-use / fraud
- Medical underwriting / claims underwriting
- Actuarial pricing / reserving / re-pricing
- Consumer needs "guaranteed renewability"
- Offers cross-selling opportunities with life insurance products

Forms of Insurance Available

- Indemnity Insurance: where the insurer first pay to the hospital and claim is made. E.g. Jeevan Asha II, Asha Deep II, Mediclaim.
- Cashless Claim Facility: TPAs who bear the

expenses on behalf of insurance company. Patients need not to pay directly as a rule e.g. Bajaj Allianz.

Existing Insurance Schemes in India

A) - Mandatory insurance ESIS and CGHS

- Principally financed by the contributions of the beneficiaries and their employers and from taxes.
- ESIS receives contributions from state governments whereas the latter is mainly financed from central government revenues.

B) - Voluntary health insurance schemes

- Are for individuals and corporations
- Available mainly through the General Insurance Corporation (GIC) of India and its four subsidiaries- a government owned monopoly.
- Financed from household and corporate funds
- GIC offers MEDICLAIM policy for groups and individuals and the JAN Arogya bima scheme to individuals and families, mainly to cover poor people.
- Policies have had only limited success in India covering only 1.7 million people in 1996

With Insurance Regulatory and Development Act 1999 and the liberalization of insurance more private voluntary health schemes are expected to be introduced soon.

Public Sector- The General Insurance Corporation (GIC) and its four subsidiary companies (National Insurance Corporation, New India Assurance Company, Oriental Insurance Company and United Insurance Company) and the Life Insurance Corporation (LIC) of India provide voluntary insurance schemes. The Life Insurance Corporation offers Ashadeep Plan II and Jeevan Asha Plan II. The General Insurance Corporation offers Personal Accident policy, Jan Arogya policy, Raj Rajeshwari policy, Mediclaim policy, Overseas Mediclaim policy, Cancer Insurance policy, Bhavishya Arogya policy and Dreaded Disease policy.

Bajaj Allianz- Bajaj Alliance offers three

health insurance schemes namely, Health Guard, Critical Illness Policy and Hospital Cash Daily Allowance Policy.

The **Health Guard scheme** is available to those aged 5 to 75 years (not allowing entry for those over 55 years of age), with the sum assured ranging from Rs 100 000 to 500 000. It offers cashless benefit and medical reimbursement for hospitalization expenses (pre and post-hospitalization) at various hospitals across India.

The **Critical Illness** policy pays benefits in case the insured is diagnosed as suffering from any of the listed critical events and survives for minimum of 30 days from the date of diagnosis.

The **Hospital Cash Daily Allowance Policy** provides cash benefit for each and every completed day of hospitalization, due to sickness or accident. The amount payable per day is dependant on the selected scheme. Dependant spouse and children (aged 3 months – 21years) can also be covered under the Policy. The benefits payable to the dependants are linked to that of insured.

ICICI Lombard

ICICI Lombard offers Group Health Insurance Policy. This policy is available to those aged 5 – 80 years, (with children being covered with their parents) and is given to corporate bodies, institutions, and associations. The sum insured is minimum Rs 15 000/- and a maximum of Rs 500 000/-. The premium chargeable depends upon the age of the person and the sum insured selected. A slab wise group discount is admissible if the group size exceeds 100. The policy covers reimbursement of hospitalization expenses incurred for diseases contracted or injuries sustained in India. Medical expenses up to 30 days for Pre-hospitalization and up to 60 days for post-hospitalization are also admissible. Exclusion clauses apply. Moreover, favourable claims experience is recognized by discount and conversely, unfavorable claims experience attracts loading on renewal premium. On payment of additional premium, the policy can be extended to cover maternity benefits, pre-existing diseases, and reimbursement of cost of health check-up after four consecutive claims-free years.

C) - Employer based schemes

- Offered both by public and private sector companies through their own employer managed facilities
- Mode lump sum payments, reimbursements of employee's health expenditure or covering them under the group health insurance policy with one of the subsidiaries of GIC.
- Workers buy health insurance through their employers taking insurance in lieu of wages

D) - Community based insurance schemes

- Primarily for informal sector
- Tends to cover all insured members of the community for all available services but have emphasis on primary health.
- Most financed from patient collections, government grant, donations, and such miscellaneous items as interest earnings or employment schemes
- Most NGOs have their own facilities or mobile clinics to provide health care.
- Total coverage is estimated to be about 30 million people.

Self-Employed Women's Association (SEWA), Gujarat : This scheme established in 1992, provides health, life and assets insurance to women working in the informal sector and their families. The enrolment in the year 2002 was 93,000. This scheme operates in collaboration with the National Insurance Company (NIC). Under SEWA's most popular policy, a premium of Rs 85 per individual is paid by the woman for life, health and assets insurance. At an additional payment of Rs 55, her husband too can be covered. Rs 20 per member is then paid to the National Insurance Company (NIC) which provides coverage to a maximum of Rs 2 000 per person per year for hospitalization. After being hospitalized at a hospital of one's choice (public or private), the insurance claim is submitted to SEWA. The responsibility for enrolment of members, for processing and approving of claims rests with SEWA. NIC in turn receives premiums from

SEWA annually and pays them a lump sum on a monthly basis for all claims reimbursed.

Problem with Existing Healthcare Insurance System

- **Coverage** - Only around 10% of the population is covered through health financing schemes, Geographic spread in terms of health care facilities and financing awareness is limited, Selection criteria by suppliers often restricts the poor (and more likely to be ill) from affordable pre-payment schemes
- **Mismanagement** - Claims ratios for Mediclaim and Jan Arogya policies have been in the range of 120 – 130%.
- **Corruption** - Provider malpractices leading to over-charging or pre-selection / selective recommendation
- **Lack of universal schemes** - Limitations in terms of coverage of illnesses as well as treatment options; Alternative therapies often not considered / included under insurance
- **Quality** - Quality of service when facilities are owned by, ESIS, CGHS etc is grossly inferior and it force the patients to opt other insurance cover or spend from their pockets.
- **Reimbursement delays** - In cases of out of pocket spending and or rejection of claims.
- **Limitations of services** - Either monetary restriction on the amount available per year or non-comprehensive care which restricts care of certain pre-existing & chronic ailments.
- **Lack of information** - Inadequate information regarding health problems, ailment, treatments procedures &, costs, outcome and any standard format for handling patient.
- **Poor Infrastructure** - the Low Level of

Medical Penetration in India and existing infrastructure is crumbling day by day with incomplete utilization of existing one.

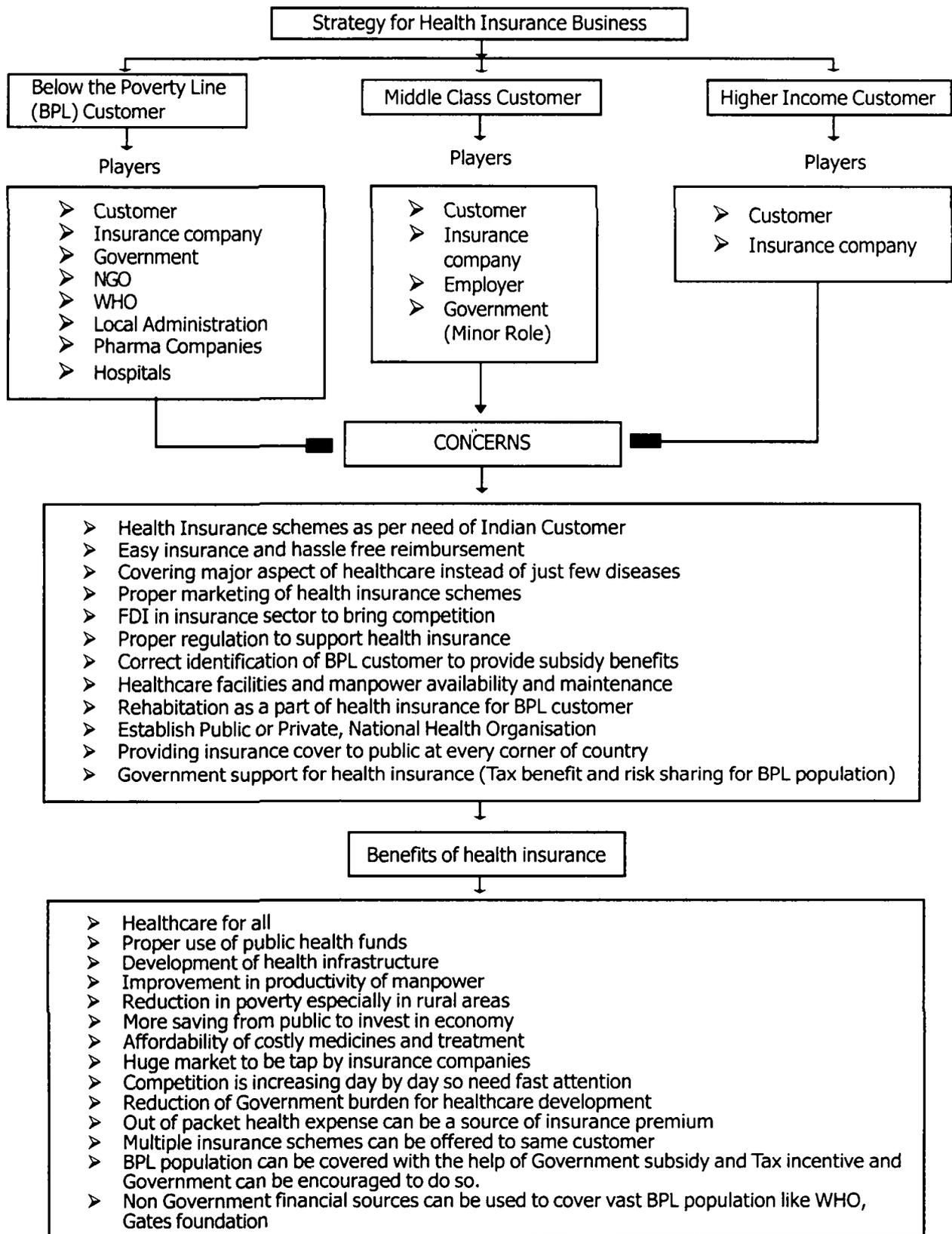
Design of Ideal Product for India

The first set of messages has to do with patient satisfaction and quality of care. It is quite clear that patient choice among providers and insurers is emerging as one of the single most valuable elements of health policy internationally. Another important message has to do with the reconciliation of consumer choice with equity. Private provision and insurance and provision are one extreme of this, with high levels of consumer choice but low levels of equity.

There is also a need for attention to issues of technical quality, about laws on consumer protection, about government regulations on supply of medical personnel, infrastructure and equipment, and the quality and prices of drugs. The experience of different countries suggests that private insurance has an important role to play in overall health care.

- Private health insurance has enhanced access to timely hospital care
- Private health insurance has increased service capacity and supply by injecting financial resources up front e.g. In the US, private health insurance has financed hospitals in terms of doctors and facilities through the HMO set-up
- Private health insurance increases choice (provider, benefits, cost-sharing) for the individual e.g. In Australia, private health insurance offer the option of access to spare capacity and elective care in non-public institutions

Health Insurance Model for India



Health Insurance Policy Design

- Balancing risk-spreading and incentives offered- Balancing the need to encourage health insurance against moral hazard (individuals choose more care) and principal-agent problems (providers supply more care).
- Integration of insurance and health care provision- Managing doctor loyalties with patient and insurer under managed care.
- Approach to competition and portability- Balancing the need for consumer choice against adverse selection (sick preferring more generous plans).
- Focus on health as against financing of health care- The over-riding objective should be to improve health rather than the financing of health care services.
- **Differential approach** - Formal sector (government and non-government workers)
 - Self-employed segment
 - Poor / Unemployed segment (Government participation to help the BPL patient)
 - Subsidies and tax incentives for health insurance as against health care

Coverage of the scheme

To increase the market share of health insurance in overall insurance market, companies have to wipe out one of the common misconception among the customer that health insurance only for severe medical condition, and normal healthcare requirement are beyond their coverage. It must cover Preventive, Curative, and Rehabilitative Care

- Out-patient & In-patient Medical Services
- All Types of Surgeries
- Emergency Medical Services
- Dental Care
- Medical Imaging and Laboratory Services
- All Types of Medications

- Child and Maternity Care
- Rehabilitation Services
- Providing and Replacing Ortho's & Prosthetic Appliances
- Daily allowances during temporary incapacity
- Transfer to a hospital in another area or district for treatment and care, if necessary
- Periodical Examination of Workers who Deal with Hazardous Substances
- Medical Examination of Workers upon Recruitment and Annually During Employment

Market and Practice Reform Initiatives

Penetration of insurance among the Indian population is very low as compare to international standard and this is due to slow pace of reform in insurance sector and state monopoly, recent opening of insurance sector for FDI is a late but well taken decision to cash Indian booming economy and attract global player in Indian market. Major changes require for boosting the Health Insurance sector are

- Privatize the infrastructure- The government has pumped in billions of rupees into the infrastructure, which is resultantly very ineffective and non-performing.
- Allow the financing agencies and insurance companies to dictate the performance of health facilities and the constituents.
- Permit entry of new players and managed healthcare organisations into the health insurance market.
- Introduce rating of the providers to encourage standardisation of services from various providers
- Creation of standards for diseases and treatment procedures to develop a common understanding and database as well as to introduce cost containment measures
- Creation of an information bank on insurance, diseases, and treatment involving creation of a centralised data warehouse besides the enforcement of standardised billing, claims

forms, and proposal forms

- Portability across players and schemes especially with respect to the pre-existing diseases condition
- Encourage community initiatives in healthcare financing to complement formal social security schemes that cover regularly employed or self employed, especially in the rural communities
- Public awareness regarding health insurance is very minimal and it needs to make them aware for benefits with health insurance schemes.

Appropriate Regulation

Though role of state is to work as a facilitator for business but state must have to remain alert for protection of vulnerable section of the society and this can be insured by proactive protection measures of law and it need to consider following points before embarking on any path

- Permit entry of new players and managed healthcare organizations into the health insurance market by reducing minimum capital norms, adopting solvency margins and reinsurance requirements appropriate to this class of business.
- Consolidation and improvement in cost effectiveness including putting public subsidies in right way to serve those who need it and reform of the ESIS and CGHS schemes
- Regulation of private healthcare including creation and enforcement of licensing procedures, standardisation of fees structures and using their expertise to cater all the segment of population.
- Review and revise the Mediclaim scheme both in terms of coverage and the premiums charged to ensure a greater awareness and better performance of the scheme.

Health Insurance and Pharmaceutical Industry- The Parallel Horizon

It is very important to correlate the pharma and health insurance industry as it is at very nascent stage in India but not in USA or Europe where health insurer and pharma player play a very vital role in National Health Program. Recent trends shows that rising cost of healthcare cost is forcing these countries to bargain with pharma companies and go for better discount or promote low cost generic medicines and pharma companies are adopting new strategies to enhance market share with profit while satisfying requirement of patient, healthcare provider and Government.

In India this relationship can work as a panacea to provide healthcare for all, Current figures shows that only 40 % population has access of medicines though we are the world low cost manufacturer of medicines it is just like a curse for us and demand a well designed policy to solve the problem. In last fifty six years government was unable to provide healthcare to every citizen and health insurance schemes proves to becomes just a election bubble, if private insurance player with pharma companies could develop a system to cater need of 90% of uninsured population of India it can become a huge market to offer our services but it will need different orientation and mindset with suitable offerings to the public.

Recent introduction of product patent is an indication of our future problems because we will be unable to copy patented product and sell them at low price the trend we have followed in past. Example of Gleevec is just a tip of iceberg for our problems the MNC company is offering therapy at Rs 20,000 for one month while another Indian drug maker was offering at 2000 per month but due to patent approval now Indian drug maker can no longer market this product, and ultimately poor patient have no option to save his life with low cost medicine and surrender himself to death because he can not buy medicine on it's own and there is no other mechanism to support him financially. Above case shows how important is health insurance for Indian population in changed circumstances and we do not have much time to think for designing policy because one example is in front of us and second case will bring havoc for us.

Benefits of Pharma companies from Health Insurance

1. Currently availability of medicine is only up to 40% of population it can be increased by enabling the public to purchase from assistance of insurance reimbursement.
2. Current government initiative to build rural roads can help companies to create their distribution system in inaccessible areas.
3. Availability of authorized product will suppress use of spurious and copycat drugs.
4. Large population need would help companies to develop cost leadership in particular therapeutic segment like Lupin in T.B.
5. Participation in National healthcare program as a part of social responsibility.
6. Full capacity utilization because of huge market size.
7. Identify India specific diseases and investing in their R&D because return is insured via insurance.
8. Investing and partnering with government for building infrasture for new technology development.

Conclusion

Health insurance is an emerging important financial tool in meeting health care needs of the people of India. CBHI is to be further explored so that the disadvantaged (25% population is living below the poverty line, go for Bottom of the Pyramid approach as in case of Grameen bank in Bangladesh) section get maximum benefit. In India at present no Pan-India Model of Health Insurance is viable because of different standard of living and earning capacity in different parts of the country, all different forms need to be explored, and insurance companies can cater need of different segment of population by offering them insurance scheme that could serve them according to their need. Last but the truth is that Health financing cannot be dealt separately as it has got to do with good governance, economic growth, and education.

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