

# Indian Medical Insurance Sector: A Critical Review

Ourooj Akhtar Safi

*Faculty of management  
Sri SatyaSai University of Technology & Medical Sciences  
Bhopal, India.*

**Abstract-** Health is a very important part of a life. In India, government assisted healthcare services and private health care services are providing health care services. Medical health insurance policies in an important part of Indian health care system. In this paper, we discuss Indian medical health care system in detail. We also suggest the steps to improve the accessibility and quality of these medical insurance policies.

**Key words-** Health, Insurance, Policies, Public, Private.

## I. INTRODUCTION

When an entity (an individual or a group) buys a health care policy in advance by giving a fee (this fee is also called premium), then this is called health insurance. It helps reducing or avoiding fees for health services used by groups or individuals. It is widely accepted across the world that adequate access to proper health services for the entire world can be achieved only through proper health financing system. World Health Organization (WHO) decided in 2005 (World Health Assembly resolution 58.33) to develop health management systems such that finance should be managed in a way that all population have access to proper health care and no one faces financial hardship paying for health services [1]. Health financing policies promote risk reducing mechanisms such that they shift from direct payments (out-of-pocket spending at the point of delivery) to health insurance. This is an important step for achieving universal health coverage.

It (Health insurance) is the fastest growing segment in the non life insurance industry in India. Currently, it has an average growth of around 40% [2]. It is that with the current trend continues, health insurance will become the second biggest business segment after motor insurance in India in few years.

## II. INDIA HEALTH INSURANCE

According to Indian constitution it is the state duty to improve public health however; Indian health sector is lagging behind in this goal. Health parameters are not very good in India, for example Infant mortality rate is around 70 per 1000 live births; TB, Cancer, diabetes, malaria, heart disease and pregnancy-related diseases still kill millions. Low government finances to the health sector, is one of the reasons for it [3]. The Indian Government spends around 0.9% of GDP on health care. Around 80% health related

payment is made from direct payments. Indian health service users pay around 4.3% of GDP from out of pocket payments. Only about 3% of the Indian population is covered by Health insurance covers [4]. Despite the facts that government health service is overburdened, still the government health services are the main providers of health care for Indian poor. We also have well developed private health care sector in India. Low public spending leads to poor quality of public health centers and hospitals even in States considered as leaders in health provisioning, and a shift in utilization from public to private providers. These shift forces individuals to predominantly rely on out-of-pocket spending in order to meet health care needs, which results in most Indians receiving services that have been described as expensive, unaffordable, unreliable, and impoverishing. One approach to protecting individuals from this risk of impoverishment is to enroll them within an insurance umbrella.

### A. History of health insurance in India

Since India's independence in 1947, the government sector has been the backbone of the healthcare ecosystem, including healthcare delivery and insurance. The term "insurance" is primarily associated with life insurance – the most popular form of insurance in India (around 570 million insurable lives in 2011). There are two reasons for this- first, with low life expectancy (37 years in 1951) and a tight-knit family structure, people primarily sought financial security. Second, life insurance has been traditionally positioned as a tax-planning tool. Health insurance evolved slowly in tandem with general insurance with both sharing key landmarks. The growth of healthcare delivery too was limited in the pre-liberalization (pre-1991) era. However, after economic liberalization in 1991, care delivery equipment, methodology, and process sharing from developed nations became mainstream. With the improvement in healthcare delivery and increase in disposable income, life expectancy had increased to 65 years by 2011 [5].

## III. HEALTH POLICIES AVAILABLE IN INDIA

In terms of sum insured Indian health insurance policies range from Rs 5000 to 1 Crore or more depending upon the illness. It has been observed that in Indian people prefer the policies between 1 lakh to 5 lakh sum insured. India,

generally health policies are renewed yearly, some policies are renewed after many years. As with the inflation the cost of health services increase, companies allow people to increase sum insured by increasing the health premium depending upon the health record of the customer. In Indian, generally health insurance is related with the hospitalization. It includes room rent, medicines and consultant fees. Some policies also cover that cost before the hospitalization and after the hospitalization; however, the premium for these policies is high. A health policy may be issued to an individual or a family which is called family floater in which any family member can utilize the health policy. Companies buy policies for their employees and dependent. Some health policies cover many parts of health care whereas some policies are related with specific thing for example Hospital Daily Cash Benefit policy, provides a fixed daily sum insured for each day of hospitalization. Critical Illness benefit policy give some amount to the customer in case the customer of the policy suffers from that disease[6]. Some health insurance policies are for a particular target group for example for senior citizen or for women. Depending upon the one assessment of his or his family health assessment and the finance available to a customer one may buy different kinds of available policies.

*A. Public sector health insurance policies*

In India, government insurance companies provide the health policies to most of the customers. The goals of these companies are not only to get profits but serve people well. However, these companies could not achieve desired success in both of the points. Most of the health insurance scheme failed to achieve desired successes. They generally come up with good plans but fail to implement them properly. They suffer for inefficiency. However, in India still people have a great faith in government companies. These companies have run many health insurance policies which enable a large number of poor people to gain access health insurance. These government-sponsored health insurance schemes (GSHISs) give customers the choice to visit private hospitals of their choice at nominal or no cost. To achieve their targets, these companies enter into agreement with different hospitals to provide health care services to their customers at pre-agreed package rates. Most of these schemes are cashless, in other words, the customers make no payment to the hospitals. This saves beneficiaries of these schemes from financial hardships and allows them to access quality health care services. Some state governments like Kerala and Andhra Pradesh also include government hospitals in their health insurance schemes so that the financial health and infrastructures of these hospitals can be improved. Andhra Pradesh and Tamil Nadu have covered around 50-80 percent of their population from their health insurance schemes. RashtriyaSwasthyaBimaYojanais a government-run cashless health insurance scheme for the poor[7]. In this

scheme the beneficiaries pay only Rs. 30/- as registration fee. The state government and central government pay the rest of the premium. It allows a person to get the medical care for up to 30000 Rs for most of the diseases that require hospitalization. Many states like Himachal Pradesh and Kerala more benefits to the beneficiaries of this scheme. Universal Health Insurance Scheme is another government sponsored health care scheme, that cover up to Rs.30,000/- towards hospitalization for the entire family[8]. It also has the death cover of 25000 Rs. This scheme is only for the poor who are below the poverty line.

The government sponsored schemes generally do not provide comprehensible health care. The services provided under these schemes are not very good. Despite, the central government and state government’s best efforts the penetration of these schemes among the Indian people has not reached to desired level. The benefits under these schemes are not enough to match the increasing health care cost. Customers don’t have the proper information regarding the services they can avail. Proper information, proper benefits and proper evaluation of these schemes are necessary for the success of these schemes. There are many policies offered by government companies for any individual or specific target groups. We will present some of the policies in Table 1.

Table 1. The public health insurance policies

Name of the company	Health policy	Target group	Important points
National Insurance Company	VaristhaMediclaim Policy	Senior Citizen	Cover hospitalization and critical illnesses including organ transplant
Oriental Insurance Company	Comprehensive Health Insurance Scheme	Individual or groups	Hospitalization
New India Assurance Company	Mediclaim Policy	Individual of family	Cashless hospitalization
United India Insurance Company	Mediclaim Policy	Individual or family	Cashless hospitalization
Life Insurance Corporation	JeevanArogya	Individual or family	Hospitalization and surgery cost
Life Insurance Corporation	NavPrabhat	Senior Citizen	Accident Relief

*B. Private health insurance policies*

In India, government funded health management system have quality issues. At the same time because of large population the access of proper health services is a problem. There is gap between demand and supply for government supported health management services. In India, after economic reform in 1992, a great amount of increase in private sector in health management sector has been observed for better health care services. In India, the quality

health services are very expensive for poor families. Majority of health care need, in India is undertaken by the private sector. After economic liberalization, in India, a significant change and growth of insurance industry has taken place. Along with government insurance companies, private companies and foreign companies with the support of Indian companies entered into Indian health insurance market. This led to a great growth of Indian health insurance market. Health insurance is getting popularity among Indian masses. Health insurance is the fastest growing area in the non-life insurance industry in India in recent years. During 2008-09, the health insurance premium was Rs.6625 crore which was around 21% of the insurance business. It is important to note that during the period 2002-03 to 2008-09, health insurance grew from Rs.1002 crore to Rs.6625 crore in terms of premium (561%) while the industry's total premium grew from Rs.13927 crore to Rs.31159 crore (124%) [9]. Some of the popular health insurance companies are given in Table 2.

Table 2. Indian medical insurance companies

Type of the company	Name of the company
Private	Apollo DKV Insurance Company Ltd.
Private	Aviva Life Insurance
Private	Bajaj Allianz General Insurance Co. Ltd.
Private	Birla Sun Life Insurance
Private	E-Meditek Solutions Limited
Private	Family Health Plan Limited
Private	HSBC Health Insurance
Private	ICICI Lombard General Insurance Co. Ltd.
Government	Life Insurance Corporation Of India
Private	Max New York Life Insurance
Private	Med Assist India Ltd.
Private	MetLife India Assurance Company
Private	National Insurance Company
Private	Reliance Health
Private	Royal Sundaram Alliance Insurance Company Limited
Private	Star Health and Allied Insurance Company Limited
Private	Tata AIG
Government	The New India Assurance Co. Ltd.
Private	United Healthcare
Government	United India Insurance

Private companies generally have high premium. In India, almost 40% people live below poverty line. Hence, it is impossible for them to buy these health policies. A large number of people are working in unorganized sector or small scale industries and are not given any health cover by their employer. As their income is low they cannot afford to buy these expensive policies. Around 60% Indian population is living in rural area. Lack of money and lack of information are responsible for their less participation in

health policies [10]. Health policies are generally popular in upper middle class and rich class in India.

Cashless policies are popular in India, in which customers do not pay to the hospitals any cash. These hospitals directly charge from companies. Customers feel that sometimes they are given proper information about the illness covered in their policies. There are also complaints that hospitals are making wrong statement about customer health care services to overcharge insurance companies. Insurance Regulatory and Development Authority (IRDA) looks after the insurance industry in India. They also suggest measure to develop the industry.

## CONCLUSION

As the more people are depending on private the health care system and the cost of health care services is increasing, more Indians are buying health insurance policies. Even government is using this instrument to provide health care to poor people. After economic reforms in 1992, a great surge has been observed in India for private insurance companies. These companies along with public insurance companies are providing different kinds for health policies that fit to people from all walks of life. However, still a large number of Indians are not covered by any health policy. Lower premium, correct information and good customer support are required to make health insurance policies an important part of Indian health care system.

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