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RESEARCH ARTICLE

HEALTH INSURANCE IN INDIA: ISSUES AND CHALLENGES

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ABSTRACT

Health insurance is now emerging as a tool to manage financial needs of people to seek health services. Today, various health insurance schemes are available in the market and providing benefits from an individual to an entire family. During 2013-14, the gross health insurance premium collected by non-life insurance companies was 17,495 crore. Present paper tries to present the health insurance scenario and some of the issues and challenges facing by the health insurance sector in India. The study discusses the issues and challenges such as high Incurred Claims Ratio, skewed distribution of health business, low level of consumer awareness, limited product and pricing innovation, delays and issues in claims processing and pricing in health insurance.

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INTRODUCTION

The term 'Health Insurance' relates to a type of insurance that essentially covers the medical expenses. A health insurance policy like other policies is a contract between an insurer and an individual or group in which the insurer agrees to provide specified health insurance cover at a particular "premium" subject to terms and conditions specified in the policy. Health insurance is one of the emerging service sectors in India. Health insurance, which remains highly underdeveloped and less significant segment of the product portfolios, is now emerging as a tool to manage financial needs of people to seek health services. Today, various health insurance schemes are available in the market and providing benefits from an individual to an entire family also called family floater policies. The new economic policy and liberalization process followed by Government of India since 1991 paved the way for privatization of insurance sector in the country.

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The Insurance Regulatory and Development Authority (IRDA) bill, passed in Indian parliament, is the important beginning of changes having significant implications for the health sector.

MATERIALS AND METHODS

The objectives of the present study are to present the health insurance scenario and the issues and challenges facing by the health insurance sector in India. The present study is mainly based on the secondary sources such as articles and the reports of Insurance Regulatory and Development Authority (IRDA).

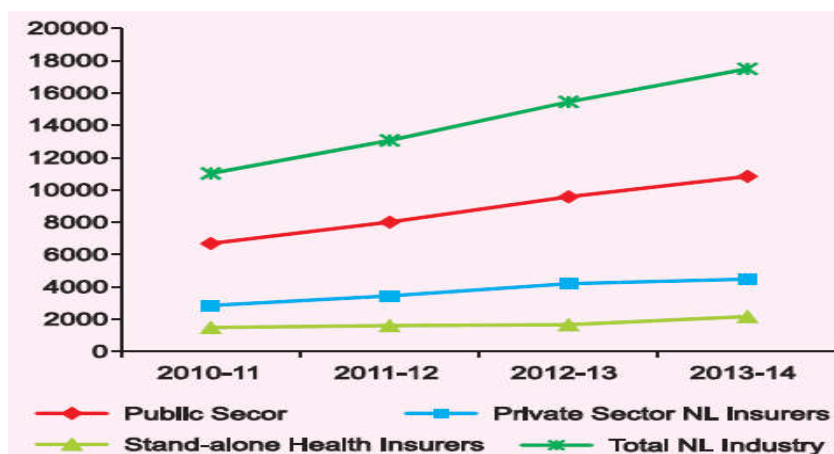
Health insurance in India

Health insurance sector has been growing in India. During 2013-14, the gross health insurance premium collected by non-life insurance companies was 17,495 crore. It is 13.21 per cent more when compared to previous year's gross health insurance premium of 15,453 crore. The four public sector non-life insurance companies continue to contribute a major share of health insurance premium at 62 per cent.

Table 1. Trend in Health Insurance Premium (Crore)

Market share	2010-11 (%)	2011-12 (%)	2012-13 (%)	2013-14 (%)
Public Sector	6689 (61%)	8015 (61%)	9580 (62%)	10841 (62%)
Private Sector NL Insurance	2850 (26%)	3446 (27%)	4205 (27%)	4482 (26%)
Stand-alone Health Insurance	1491 (13%)	1608 (12%)	1668 (11%)	2172 (12%)
Total NL Industry	11,031	13,070	15,453	17,495

Source: IRDA Annual report, 2013-14.



Source: IRDA Annual report, 2013-14

Figure 1. Types of Health Insurance Premium**Table 2. Types of Health Insurance Business (in crore)**

Market share	2010-11 (%)	2011-12 (%)	2012-13 (%)	2013-14 (%)
Government	2,198 (20%)	2,225 (17%)	2,348 (15%)	2,082 (12%)
Group (other than Govt.)	4,952 (45%)	5,948 (46%)	7,186 (47%)	8,057 (46%)
Individual	3,880 (35%)	4,896 (37%)	95,919 (38%)	7,355 (42%)
Total	11,031	13,070	15,453	17,495

Source: IRDA Annual report, 2013-14

Table 3. Persons Covered under Health Insurance Business (in Lakh)

No. of persons covered	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	2535	2118	2073	2162

Source: IRDA Annual report, 2013-14.

Table 4. Net Incurred Claims Ratio of Health Insurers (in per cent)

Net Incurred Claims Ratio	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

Table 5. Top Four States in Terms of Health insurance Premium (2013-14)

State/UT	Gross Premium	Share
Maharashtra	5,379	31%
Tamil Nadu	1,938	11%
Karnataka	1,773	10%
Delhi	1,680	10%
Rest of States/UTs in India	6,725	38%
Total	17,495	100%

Source: IRDA Annual report, 2013-14

Their share continues to be at the same level over the last four years. While private sector non-life insurers contribute 26 per cent of the gross health insurance premium, the remaining 12 per cent has been contributed by stand-alone health insurance companies. The contribution of these two sets of companies too remains more or less same for the past four years. According to the IRDA, the health insurance business can be classified into three categories i.e. 1. Group health insurance (other than government sponsored), 2. Government sponsored health insurance and 3. Individual Health Insurance. During 2013-14, the share of group health insurance business (other than government) was 46 per cent. While individual business contributed 42 per cent of gross health insurance premium and government business contributed the remaining 12 per cent. From the table 2 one can observe that while the share of group health insurance business remains at around 46 per cent, the share of individual health insurance business is increasing over the years. During 2013-14, the non-life insurance industry has covered a total population of 21.62 crore. While Government sponsored health insurance policies have contributed 72 per cent of the total number of persons covered, the commercial health insurance policies had contributed the balance 28 per cent of all persons covered during 2013-14. However, 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 (IRDA Annual report, 2013-14).

Issues and challenges in health insurance

Now, let us discuss some of the issues and challenges faced by the health insurance companies. High claim ratio is a challenging issue for all providers. According to IRDA, 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 per cent for the past three years thereby making the sector highly unprofitable. The net ICR was 94 per cent in 2011-12 and 2012-13 and 97 per cent in 2013-14. Another major concern in health insurance business is skewed distribution of health business across various states and union territories. While four states of Maharashtra, Tamil Nadu, Karnataka and Delhi UT contributed 62 per cent of total health insurance premium, the rest 32 States/UTs contributed only 38 per cent of total premium. In fact, the health insurance premium from 8 sister States of North Eastern India is only 118 crore (0.6 per cent) for 2013-14. Another most significant issue in health insurance is the low level of consumer awareness. Even today (subjected to the correction) most of the people are unaware/ not fully aware of health insurance products and their benefits. The need for insurance product development is discussed much, but little attempt made to do so. Insufficient data on health insurance consumers, disease patterns and limited control of healthcare delivery network resulting in limited product and pricing innovation. Yet another important challenge is that the reducing delays and issues in claims processing. This is leading to negative perceptions in the minds of consumers about insurance companies and TPAs.

Pricing is another issue in health insurance. One of the major reasons for low health insurance penetration in India could be the lack of affordability of the consumers in the tier 2/3 cities and rural areas to avail the insurance especially private insurance. Varying treatment costs across providers and lack of standardization of price is resulting in unreasonable pricing demands by insurance companies is creating the confusions in the mind of the people. These companies are suffering with limited influence over healthcare delivery mechanism and limited healthcare delivery network located in top few cities. Hence the private insurance companies are left with limited bargaining power in the market.

Conclusion

To conclude, there is no doubt that the health insurance in India is going to develop rapidly in future. The task of the government, private providers and the civil society is to solve the issues and challenges and to see that the health insurance benefits consumer most impotently the poor and the weak in terms of better coverage and health services at lower costs with quality without the negative aspects of cost increase and over use of procedures and delay in provision of health care. The experience from other places suggest that if health insurance is left only to the private market it will only cover those which have substantial ability to pay leaving out the poor and making them more vulnerable. Hence, the existing central and state health insurance schemes also need substantial reforms to make them more efficient and socially useful. Since most of the people are working in unorganized sector, there is a need to adopt the social health insurance to those people. There is a need to create the awareness on rights and responsibilities, standardization of cost, increased tax benefit and pool for senior citizen.

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