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Health Insurance in India: Need to Address

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Abstract

Health insurance is a method to finance healthcare. Around 65 per cent of people remain in debt for life due to their expenditure on major health problems. Over 300 million people, or more than 25 percent of India's population, gained access to some form of health insurance by 2010. There is a large gap between healthcare delivery and financing in urban areas and rural areas. Health insurance is a minor contributor in the healthcare ecosystem. The main challenge is to see that it benefits the poor and the weak in terms of better coverage and health services at lower costs. With over 80% 'out-of-pocket' expense burden on the consumers, the market is ripe for health insurance entities including global players. The entire healthcare financing and delivery system is poised for a major change.

Keywords: Health insurance , India

Introduction

Health insurance is a method to finance healthcare. According to the International Labor Organization, it is defined as “ The reduction or elimination of the uncertain risk of loss for the individual or household by combining a larger number of similarly exposed individuals or households who are included in a common fund that makes up the loss caused to any one member”

The basic functions of a health insurance programs are to increase access to healthcare and to protect households from high medical expenses at the time of illness.

The denial of access to medically necessary health care has significant social and economic repercussions; aside from effects on health and poverty. ¹Average medical expenses of an Indian household are 6.5 per cent (%) of the annual income. It increases sharply to around 37.4 per cent in case of major ailments. ² According to a study “India Knowledge @ Wharton Report” around 65 per cent of people remain in debt for life due to their expenditure on major health problems. As a percentage of GDP the overall health expenditure in India is low. According to the World Bank , it is estimated to be around 4.0%.³

Amongst the BRICS nations, in 2013, Russia's out-of-pocket expenses stood highest at 92.4 per cent closely followed by India (85.9 per cent), China (76.7 per cent), Brazil (57.8 per cent), and South Africa (13.8 %).⁴ On the other hand, these expenses in developed economies of US and UK were comfortably poised at 22.3 per cent and 56.4 per cent respectively.

Health insurance plays a pivotal role in reducing the out of pocket expenditure and achieving the goal of universal health coverage.

Situation in India

Over 300 million people, or more than 25 percent of India's population, gained access to some form of health insurance by 2010, up from 55 million in 2003-04.⁵ More than 180 million of these were people below the poverty line. The country's public financing for health care is less than 1 percent of the world's total health

expenditure, although it is home to over 16 percent of the world's population. Families meet almost 80 percent of their health expenses out of their own pockets, placing considerable financial burden on poor households, often pushing them deeper into poverty.

The premium collection in Health insurance continued to surge ahead at `15663 crores in 2013-14 from `13,975 crore of 2012-13, registering a growth of 12.08 per cent. However, the market share of health segment in 2013-14 (22.18%) has remained more or less at the same levels of previous year.⁶

States such as Andhra Pradesh and Tamil Nadu have managed to cover as much as 50-80 percent of their population under the health insurance umbrella. Other states such as Himachal Pradesh and Kerala are trying to deepen the benefits package for the population below the poverty line already enrolled in the centrally sponsored Rashtriya Swasthya Bima Yojana (RSBY) beyond the secondary and maternity benefits the scheme currently offers.⁵

India accounts for 21% of the global burden of diseases. Out-of-pocket payments have increased, with impoverishment of nearly 2.2% of population taking place annually due to catastrophic illness-related expenditure.⁷ India's per capita spending on healthcare of \$109 is much lower than the global average of \$863.⁸

Health insurance is dominated by government schemes. The major public health insurer in India is the government-owned General Insurance Corporation (GIC) and its four subsidiaries with about 60% market share. However, Private Health Insurers (PHIs) expanded rapidly in tier-1 and tier-2 cities post 2005 with products centered around 'in-patient reimbursements' and 'cash-less payments'.

Challenges in the healthcare system

There is a large gap between healthcare delivery and financing in urban areas and rural areas. While a majority of the population resides in rural India (68.4 %), only 2% of qualified doctors are available to them.¹⁰

Often an individual has to reach out to multiple levels of care delivery providers (professionals, physicians, government hospitals, and private providers) to seek care for the same episode. This leads to compartmentalized care with cost and quality concerns. Moreover, issues with medical procedures account for a large share of adverse drug events (around 19.1 % in New Delhi, according to a recent study)¹¹

The GSHISs(government sponsored health insurance schemes) face a number of challenges. For example, coverage remains far from comprehensive as it is focused on inpatient, often surgical, care. Besides working on deepening their benefit package, GSHISs also need to address several operational constraints. For example, most schemes need to strengthen operational elements related to quality enhancement, cost containment, consumer protection and monitoring and evaluation.⁵

Health insurance is a minor contributor in the healthcare ecosystem. Inadequate social determinants of health such as nutrition, food security, water and sanitation is a major hindrance in the success of healthcare delivery and financing. There have been disruptive lifestyle changes in the country over the past two decades mainly due to the rapidly evolving urban economy and the Indian middle class.

The way ahead

Health insurance has become one of the most prominent segments in the insurance space today and is expected to grow significantly in the next few years. The main challenge is to see that it benefits the poor and the weak in terms of better coverage and health services at lower costs.

While the urban population has witnessed a proliferation in the means of healthcare financing and delivery over the past two decades, the rural population lacks basic healthcare delivery and financing. Community health

insurance schemes sponsored by the government and non-governmental organizations (NGOs) are evolving to cater to the needs of the rural population. However, healthcare delivery and finance still leave much to be desired.⁹

The role of healthcare entities will undergo several changes. Increasing disposable income, a desire for better quality health services and increase in life expectancy will drastically increase the demand for health insurance. In addition, transformative market forces are re-shaping the future of healthcare and these transformative forces can be leveraged to respond to and exploit market opportunities.

A recent study by a High Level Expert Group (HLEG) commissioned by the government evaluated Indian healthcare and proposed a government-driven framework for a Universal Healthcare (UHC) system. The goal of the UHC system is to ensure equitable access for all Indian citizens to affordable, accountable, appropriate health services of assured quality and redefine public health services addressing the wider determinants of health. The government will be the primary guarantor and enabler. Healthcare services to all citizens covered under UHC are proposed to be made available through the public sector and contracted-based private facilities.⁹

The recent changes in FDI (2012) norms open up the health insurance market to global players. The health insurance market in most developed countries is on the verge of saturation. However, the health insurance sector in India has plenty of potential. It is very likely that there will be a proliferation of cashless and outpatient-based plans followed by other innovations in areas such as health and wellness. An example would be standardizing claims reimbursements for major illnesses, grouped based on the type of the disease.

The Indian healthcare Industry is estimated to grow to \$280 billion by 2020, up from \$79 billion in 2012. With over 80% 'out-of-pocket' expense burden on the consumers, the market is ripe for health insurance entities including global players.¹² The entire healthcare financing and delivery system is poised for a major change.

Healthcare transformation must focus on the three key goals of access, cost, and quality. Entities will encounter multiple challenges in catering to the needs of the 1.3 billion population, stratified on culture, economy, and means. Private entities need to complement public initiatives to develop a comprehensive healthcare delivery and financing system. Targeted product development, proximity to the consumer, and championing efficiency will be the critical success factors. A focused approach encompassing public and private sectors, and leveraging emerging technology will play a disruptive role in the healthcare transformation ahead.

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