

A Review on Challenges and Opportunities in Health Insurance

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ABSTRACT

In Indian economy health insurance is one of the growing segment, 1.4% of India's gross domestic product was spent in the health sector in 2017-18 and India's per capita public spending on health increased from ₹621 (2009-10) to ₹1,112 (2015-16), in comparison to the US and UK which spent \$4802 and \$3500 respectively. 58 Insurance Companies offer health Insurance plans in India along with this Government is also taking many initiatives like "Ayushman Bharat Mission" health insurance scheme to improve the health of Indian population. Despite this health insurance penetration is very low in India. This study is mainly focused on challenges faced by health insurance segment and growth opportunities for health insurance service providers. At the end it is concluded that delay in claim settlement, high claim ratio, low awareness etc. are the main challenges faced by health insurance companies. Companies also focus on new opportunities like tie-up with new channel partners (Amazon, Policy Bazaar); innovative Schemes, complete online services that will help to increase the number of customers. Companies should try to adopt new advertisement campaigns with new models to provide knowledge towards the key benefits of health insurance policies.

1. Introduction

Health insurance is a contract between the Insurer & the Insured where the former agrees to pay hospitalization expenses to the latter to the extent of an agreed sum assured in the occurrence of any medical treatment out of an illness or an injury. Health Insurance is a policy which covers policy holder & his/her family against medical expenses because of sickness, accident etc. The Insured has to pay a regular premium to the insurer in return. An insurer can develop a routine economic structure, such as a periodical premium or payroll tax, to ensure that money is available to pay for the health care benefits specified in the insurance agreement [20].

Current scenario of health insurance in India

Health insurance is one of the growing segment of Indian economy as 1.4% of India's gross domestic product was spent in the health sector during 2017-18 [35]. India's per capita public expenditure on health services increased from ₹621 in 2009-10 to ₹1,112 (around \$16) in 2015-16, whereas the US has spent \$4802 and UK has spent \$3500 [22]. During 2016, the Indian non-life insurance sector observed a growth of 12.9% (inflation adjusted) and the growth in global non-life premium was 3.7%. However, the share of Indian non-life insurance premium in global non-life insurance premium was small at 0.83% and India ranked 15 in global non-life insurance markets. Insurance sector is the fastest growing market in India, approximately 58 companies offer health insurance products in which there are 7 health insurance companies, 27 General insurance companies and 24 life insurance companies. The market share of private sector companies in the non-life insurance market increased from 13.12% in FY03 to 50.01% in FY18-19 (upto September, 2018) [27]. The registering growth of 25.75% of premium collection in Health segment at ₹34,527 crore in 2016-17 from ₹27,457 crore of 2015-16 [19]. Standalone health insurance companies Premium

collection grown by 41% to ₹776.80 crore in July 2018 from ₹551.82 crore in July 2017 [24].

In India only 69% of the total health insurance premium collected from five states namely Maharashtra, Tamil Nadu, Karnataka, Delhi UT and Gujarat, the rest 31 States/UTs have contributed 30% of the total Health insurance premium. Maharashtra state alone contributed ₹972378 lakh (32%) of total health insurance premium [19]. Health insurance service provider offers Critical Illness, Senior Citizen, Mediclaim, Family Floaters, and Maternity Insurance policies to Public in Indian market.

There are different types of Government or State run health insurance schemes are working successfully in market like Rashtriya Swasthya Bima Yojana (RSBY), Employees State Insurance Scheme (ESIS), Central Government Health Scheme (CGHS), and Universal Health Insurance Scheme (UHS). To provide free Health Insurance to 10 crore families, Government of India started National Health Protection Scheme under "Ayushman Bharat Mission". State Governments are also taking many initiatives in health insurance schemes to provide better health to the population, like in Punjab "Punjab Government Employees & Pensioners Health Insurance Scheme", "Bhagat Pura Singh Sahet Bima Yojana" running successfully.

2. Review of literature

There is a great scope and potential for the business and market for health Insurance in India as more than 80% population is uninsured. The urgent need to develop a public health insurance mechanism to protect the people from changing pattern of costly lifestyle disorders mixed with new resistant strains of infective communicable diseases [9]. Promotion of Group Insurance, Micro insurance for BPL

families will be significantly helpful for increasing the growth of this Insurance industry. Insurance agents also have to be equipped enough to enroll more policies and to serve better for the customers as and when need arises[2]. Development and innovation in Products has become very important to acquire customers and increase the market share. Many international companies have expanded their operations in the Indian market in recent years and established local operations[1]. Technology becomes a driving force for health insurers interacting with customers having new expectations like to be able to manage transactions how, when and where they want[11]. The major factor tax rebate, security, risk coverage, economies, plan features compensation and credit lifestyle and expenses, savings were mainly affecting on choice of health insurance[17]. Comprehensive coverage provided with least cost then majority of the Indian population will be ready for purchase health insurance. Advertisement on television is major source of information provider to population [4]. Insurance agents are a major source of information in rural as well as urban areas. In addition, friends and relatives and the visual media, are also important. Agents seem to play an important role to influencing the households decision to take an insurance policy [14]. India and China both countries have been facing challenges from the chronic illnesses such as diabetes, heart disease, and hypertension and sustainable health care have the priority in their political agenda. For those have been covered by some form of health insurance, coverage is shallow and heterogeneous, and insurance plans payment terms have been similarly structured in China and India[12]. Information and awareness to consumer plays important role in health insurance. That in country like India awareness and information provider plays important determinant in purchasing health insurance Household income has been found the main determinant of health insurance purchase, higher income increases the probability of health insurance [6]. The consumer preference for hypothetical health plans which differed in 12 characteristics Like premium, deductibles, no-claim discount, extension of insurance and financial services, medical help-desk, choice of family physicians and hospitals, dental benefits, physical therapy benefits, benefits for prescription of drugs and homeopathy [10].

3. Materials and methods

The need of hour is to observe the established marketing practices of leading health insurance companies and to make them aware of the major challenges in health insurance subscription as well as opportunities to improve the penetration of untouched Indian health insurance market. The objectives of the present study are to present the health insurance current scenario, immense opportunities and challenges faced by the health insurance sector in India. The present study is mainly based on the secondary sources such as reports, Internet search, books, journals, reports, and articles.

4. Opportunities in health insurance industry

Health insurance sector is facing many problems in this era; On the other hand, more opportunities are coming in this sector. Health insurance Business has maintained double digit growth from last few fiscal year. During 2016-17 growth of 21.9% as compared to previous year the general and health

insurance companies have issued 1.31crore health insurance policies covering a total of 43.75crore persons. 1/4th of policy holders covered by group and individual policies issued by general and health insurers in terms of number of persons covered under health insurance[19]. According to this data a large market was untapped in health insurance sector which is a biggest opportunity for health insurance service provider. Health Insurance has been witnessing a rapid expansion and has significant growth potential for future as well. While multiple factors drive this growth, innovation in health insurance products would be a significant factor. Following are the opportunities which are giving boost to health insurance Market:

- The demand for better and quality health care is increasing as population is getting vastly educated and more health conscious. Private hospitals are growing and are providing services as five star hotels. So with these kinds of services health care sector are growing and helping insurance sector to hold this opportunity. With all kind of quality services health care are becoming costly so customers started taking health insurance[7].
- Health plus Life Combi-products are permitted to be offered by integrating any Life Insurance cover offered by Life Insurance Company and Health Insurance cover offered by General or Health Insurance Company. This facilitates policyholders to buy and continue both life and health insurance policies as a combi-policy instead of taking and maintaining two individual policies which helps Life and General/Health insurers to leverage the strengths of each other to improve the penetration of Insurance[8].
- Companies are trying to use innovative approach to differentiate themselves by providing wide range of products with unique features like United India Insurance launched "Workmen Medicare Policy" to cover hospitalization expenses arising out of accidents during and in the course of employment [25]; Apollo Munich launched "Dengue care plan" in 2016[28]; MaxBupa cover OPD consultations and 12.5% less premium for 2 year plan[26].
- IRDAI has obligatory having an E-insurance account to purchase insurance policies from October 2016. Most of the Players in industry are investing in Information Technology sector to automate various processes and cut costs without affecting service delivery. It is estimated that digitisation will reduce 20-30% cost for non-life insurance section[19].
- Web Aggregators are providing the perfect answers and comparative analysis of different kind of insurance policies by the upgradation of business models. Companies like PolicyX, policy bazar, coverfox, EasyPolicy provide better services to consumers with new IRDAI (Insurance Web Aggregators) Regulations, 2017. PolicyBazar offer just ₹500/- pm for health insurance policy of ₹5 lakhs to promote the health insurance products [21].
- IRDAI started "Insurance Literacy and Consumer Awareness" program under the theme "Right Buying" to raise the insurance products and to increase more awareness regarding suitable products for existing

policyholders and prospective policyholders need. IRDAI spent ₹22.21 crore towards consumer Education initiatives during 2016-17 in the favour of health Insurance companies [19].

- One of the most important factor in Health Insurance product is increase in tax benefit. According to Income Tax 1961, Health insurance policies are qualified for tax benefits under section 80D. The tax deduction for senior citizens has been increased to ₹50,000 from ₹30,000 for FY 2018-19 (Announced in Budget 2018) [33].
- New distribution channels like bancassurance, online distribution and NBFCs have broadened the reach and reduced the costs. Like Indian Post Payments Bank (IPPB) also joined with Bajaj Allianz to distribute their products [32]. Many E-commerce traders like Flipkart, Amazon and Paytm tie up with Insurance companies to sell their health, life insurance products as agents[34]. These companies have many customers in their retail businesses and with these retail businesses they sell more products in future.
- According to IMF Report, Per capita GDP of India is expected to reach US \$3,274 in 2023 from US \$2,135 in 2018. It is expected to sustain the growth of India's strong economy in insurance premiums written. Higher personal disposable incomes would result in higher household savings that will be channeled into different financial savings instruments like insurances. India has the 6th highest number of out of pocket spenders on healthcare according to a report. Healthcare cost rises year by year with double digit, hence it is the main concern for people to buy health insurance product to meet the health care cost.

Government initiatives in health insurance segment

- PradhanMantriSurakshaBimaYojana is a government's accident insurance scheme tie up with public sector insurance companies in India. This type of Government's initiative increase the number of policies in India to provide some economic benefit on accident of the policyholder.
- Another centrally sponsored scheme is RashtriyaSwasthyaBimaYojanawhichprovide health insurance to Below Poverty Line (BPL) families and 11 other defined categories of unorganised workers, namely building and other construction workers, street vendors, licensed railway porters, MGNREGA workers, etc.
- Government has launched a National Health Protection Scheme under "Ayushman Bharat Mission", as per Union Budget 2018-19. This scheme is formed by including multiple Health Insurance schemes including Senior Citizen Health Insurance Scheme (SCHIS), RashtriyaSwasthyaBimaYojana etc. in which over 10 crore poor and vulnerable families providing coverage upto 5 lakh rupees per family per year for secondary and tertiary care hospitalization[23].

5. Challenges in health insurance

The health insurance infiltration is very low in India. There are numerous reasons for not having health insurance policies. In India many authors have conducted a massive number of studies and they found many challenges in purchase of health insurance discussed as below.

- No return on Investment is also a main hindrance in health insurance segment. People think something in return if they don't claim anything from insurance company[4][5].
- Tie-up with less number of Third Party Administrators and hospitals are another challenge faced by health insurance service providers. In modernisation, a few companies offer old reimbursement policies rather than cashless policies. If the Hospitals administration knows that customer have a health insurance policy then they charge very high amount and TPAs take very huge time to settle the claims, this is a major issue in health insurance segment [4].
- Lack of Service is a major problem in the Insurance Sector. Companies are constituting so much effort to establish their brand well in to the minds of their customers but fail miserably because of high attrition in the Industry, as the customer at the time of need, fails to get the opportune help of the sales person who traded the policy[16], [4],[7],[5].
- Lack of appropriate awareness around health insurance policies and insurers is one of the fundamental issues in expansion of health insurance market. People don't know the key advantages of the health insurance policies. Most of the youngsters think they are fit and fine. They don't need any type of health insurance policy[8],[4],[7].
- High claim-paid out ratio of insurer specially of public insurer is the main limitation in the development of health insurance sector as due to high claim paid out ratio, insurer have to face high loss and they lose their interest in this sector [8], [7].
- Claim settlement from Insurance companies is an extremely troublesome Process. Terms and conditions are generally not cleared with the customers so they make false claims. Companies can't satisfy that claim which prompts issues with customers. Sometime, companies deny the claims with no specified reason. There is no specific system to check the status of claims. When these types of problem arise policyholders don't care to renew or buy health insurance policy[8], [7],[5].
- In this century customers are sound educative and well knowledgeable about the market. Technology has offered understanding to the policyholder, for instance customer can compare the plans of various insurance companies within two minutes. For this, insurance companies need to be more equipped for fulfilling the needs of customers and companies have to provide customer specific products to fulfill their needs [7].

6. Conclusion

From the presented discussion, it can be concluded that the marketers in health insurance industry need to understand the real difficulties in health insurance industry and endeavor to receive the new open doors in this era. The health insurance

business is developing quickly with double digit growth. Despite this, delay in claim settlement, no return on low awareness, Investment, high claim ratio etc. are the primary difficulties faced by health insurance companies. The marketers in health insurance industry need to concentrate on these significant difficulties in health insurance industry and try to adopt new technology and techniques to overcome with these difficulties. Companies also focus on new opportunities like tie-up with new

channel partners {Amazon, PolicyBazaar}; innovative Schemes, complete online services that will help in the increase the number of clients. Companies should try to adopt new advertisement campaigns with new models subsequently they provide knowledge towards the key benefits of health insurance policies. These initiatives may result in sustainable success of marketers looking forward to capitalize the opportunity prevailing in Indian health insurance sector.

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