

Behind the Numbers: Emerging Trends in Health insurance in India

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ABSTRACT

In India health insurance was introduced in the year 1986. Since then this sector has grown rapidly driven by various factors such as increase in the average life expectancy and average income level, rising awareness about health insurance and also due to opening up of insurance sector to private players as part of liberalisation. Over the years, the number of health care scheme meant for poor and BPL categories as well as community based schemes sponsored by Government also increased. But still a major part of Indian population is outside the preview of health insurance coverage which in turn leads to huge out of pocket expenses and large proportion of people either sells their assets or takes loans in order to settle their huge medical bills. In this backdrop this paper analyses mismatch between growth in health insurance sector and disproportionate growth in health insurance penetration in the context of India.

1. Introduction

Health is the real wealth of the society, because it helps to increase the human efficiency. But now a days due to change in life style, high level of stress, unhealthy diets, low-levels of exercise as well as alcohol and tobacco, health related issues are common. Cost of medical treatment has also escalated which in turn leads to financial insecurity.

Health insurance cover is one of the way to address the issue that pays for all or part of person's health care expenditure. It is a financial mechanism which provides protection to individuals and group against health care cost incurred as a result of unexpected health shocks.

Indians have registered 50 per cent increase in the prevalence of heart deceases over the period from 1990 to 2016 with the number of diabetic cases increasing from 26 million to 65 million (India state level decease burden initiative report 2018). BRICS countries are the growing economies in the world. The total health expenditure as a Percentage of GDP is lower in each of the BRICS countries. Government of India spends 1.3% of GDP for public health care which is less than the global average of 6%.

Government public health expenditure is one of the important determinants of human capital development. In the case of government sponsored health care system, quality and accessibility is the major concern. There is a well-developed private health care market in India. Nearly two third of health care providers are private which has caused high out of pocket expenditure. Financing health care expenditure through out of pocket payment causes catastrophic health cost and impoverishment in many developing countries like India.

So the government and public are exploring various health financing options which solve the problems arising out of increased cost of health care and changing pattern of diseases. India ranks 145th among 195 countries in terms of quality and accessibility of health care (Hindustan Times 2019).

2. Research problem

In India health care cost is enormously high and is on continuous rise. NSSO envisages that this escalating medical expense is the main reason for the indebtedness among the poor and middle class people (Economic Times 2018). Though health insurance sector in India has made a rapid growth over the last years, comparing to other developing economies health insurance penetration in India is low and out of pocket health care expense is high. The present study is focused to analyse the mismatch between growth in health insurance sector and disproportionate growth in health insurance penetration

3. Literature review

India is one of the countries having highly privatized health system with increased cost of health and ranks third among South Asian countries in terms of out-of-pocket expenses. (pArokiasami et al., 2006). Out-of-pocket expenditure has a terrible impact on households as they are forced to borrow or sell their asset to meet these health expenditure (Joe W 2015). More than 80% of the health expenditure is met through private financing, which lead to huge financial burden. Health shocks along with catastrophic expenditure push the house holds into Below Poverty Line (Arokiasamy 2006, Garg CC 2009, Selvaraj S 2009, Berman P 2010.) As health plays significant role in the development process these problems are to be addressed

Over the last 50 years India has attained huge improvements in terms of health. But still india is a long way behind many developing countries like China, Vietnam and Sri Lanka in health indicators (Satia et al 1999). According to the National Sample Survey, 80% of Indian population is not covered under any health insurance scheme (The Financial Express, July 19, 2016). Lower income level group is the people who faces maximum health related issues. (Sbarbaran 2000). Because of liberalisation health insurance is going to develop rapidly in future by realising the challenges and growth is depending on the capacity to convert the challenges into opportunities. If health insurance is left to the private parties it

will cover only those who have able to pay substantial amount. (Mahesh Bhatt et. al.2010) .

Despite health insurance sector in India is growing rapidly and government spending on health is also increasing (The Economic Times 2018), there is huge out of pocket cost comparing to other developing nations.

4. Objectives

- To give an overview of health insurance sector in India.
- To analyse general trend of health insurance sector in India

5. Methodology

All data used for the study is secondary in nature. Data in respect of health insurance premium, number of persons covered etc. are taken from official website of IRDA and values of out of pocket expense is taken from the website of World Health Organisation

6. Health insurance sector in India- an overview

In India, health insurance was introduced in the form of medi claim health policy during the year 1986 by four public sector general insurance companies namely United India Insurance Company, The Oriental Insurance Company, New India Assurance and National insurance companies. These four companies are holding 58 per cent of total market share in the health insurance sector(Annual report, IRDA 2018) . In 1999 IRDA Act was passed which opened the insurance market to the private players and foreign companies. It caused

drastic changes in the health insurance sector. At present there are twenty six private health insurance companies in India. Out of which eighteen are private general insurers, six are stand-alone insurance companies and two are specialized insurers. Private insurers introduced many innovative products like family floater plans, critical illness plans, hospital cash and top up policies. They are holding 21 per cent of market share (Annual report IRDA 2018)

Again, health insurance business is divided into four categories such as government sponsored health insurance schemes, health insurance coverage provided by public sector insurance companies, schemes offered by private sector insurers and health insurance products provided by stand-alone health insurance companies. Central government sponsored schemes include Central Government Health Scheme (CGHS), Rashtriya Swasthya Bima Yojana (RSBY), Employee State Insurance Scheme (ESIS), Aam Aadmi Bima Yojana etc. Most of the government sponsored schemes are focussed to low income groups of the country.

Now health insurance plans in India can be classified into the various categories such as Hospitalisation, Family Floater Health Insurance, pre-existing disease cover plan, Senior citizen health insurance, Maternity health insurance, Hospital daily cash benefit plan, Critical illness plans, Disease specific *special plans etc.. Insured people can claim health expenses in the following two ways. They are Cashless benefits and Reimbursement*

Table 1: Sector- wise health insurance premium over the past 8 years (in crore)

Market share	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18
Public Sector Non-life Insurers	8015 (61%)	9580 (62%)	10841 (62%)	12882 (64%)	15591 (64%)	19227 (63%)	21509 (58%)
Private Sector Non-life Insurers	3445 (27%)	4205 (27%)	4482 (26%)	4386 (22%)	4911 (20%)	5632 (19%)	7689 (21%)
Stand-alone Health Insurers	1609 (12%)	1668 (11%)	2172 (12%)	2828 (14%)	3946 (16%)	5532 (18%)	7831 (21%)
Total Non-life industry	13,070	15,453	17,495	20,096	24448	30392	37029
Annual Growth Rate	18.5	18	13%	15%	22%	24%	22%

Source: Annual report IRDA

Annual growth rate of health insurance premium has an increasing trend over the last eight financial years. But there was a decline in the growth rate during the financial year 2013-14. During the financial year 2017-18, the general and health insurance companies registered a growth of 21.8% over the financial year 2016-17 by collecting Rs37,029 crores. During the last 3 financial years, health insurance premium continues to grow over 20%. In the financial year 2017-18 the four public

sector companies have been holding large market share (58%). But there is a decline in the market share from 63% in FY 2016-17. On the other hand the market share of the private sector has increased from 19% in the FY 2016-17 to 21% in the FY 2017-18 and the market share of the stand-alone health insurance companies has increased from 18% in the FY 2016-17 to 21% in the FY 2017-18

Table-2: Trend of health insurance premium of public sector insurance companies

Year	Premium (y)	X(t-2)	XY	X ²	Trend
2011	8015	-3	-24045	9	7035.79
2012	9580	-2	-19160	4	9340.29
2013	10841	-1	-10841	1	11644.39
2014	12882	0	0	0	13949.29

2015	15591	1	15591	1	16253.79
2016	19227	2	38454	4	18558.29
2017	21509	3	64527	9	20262.79

Source: compiled from various Annual report published by IRDA

We can see that the trend of health insurance premium collected by public sector is increasing rapidly. The reason may be the service quality regarding claim settlement, grievance handling, transparency in dealings etc.

are better than private sector. So people's confidence in the public sector is more than that of private sector (Abdul Azees 2016).

Table-3Trend of health insurance premium of private sector insurance companies

Year	Premium (y)	X(t-2)	XY	X ²	Trend
2011	3445	-3	-10335	9	3248.41
2012	4205	-2	-8410	4	3820.37
2013	4482	-1	-4482	1	4392.33
2014	4386	0	0	0	4964.29
2015	4911	1	4911	1	5536.25
2016	5632	2	11264	4	6108.21
2017	7689	3	23067	9	6680.17

source: compiled from various Annual report published by IRDA

Health insurance premium collected by private sector is also growing. But the growth is at a lower rate comparing to public sector and stand -alone insurers

Table-4:Trend of health insurance premium of stand-alone insurance companies

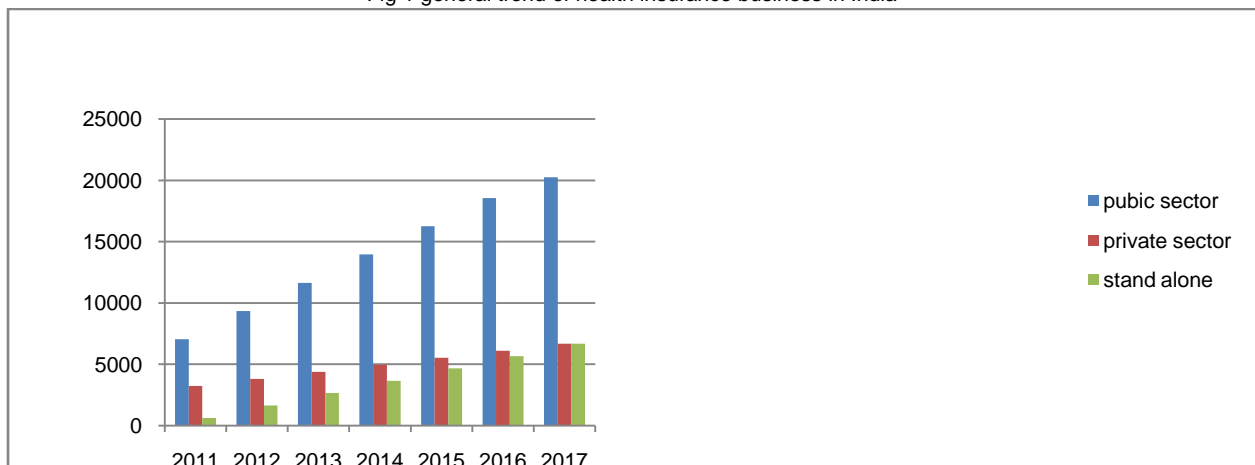
Year	Premium(y)	X(t-2)	XY	X ²	Trend
2011	1609	-3	-4827	9	637.14
2012	1668	-2	-3336	4	1643.14
2013	2172	-1	-2172	1	2649.14
2014	2828	0	0	0	3655.14
2015	3946	1	3946	1	4661.14
2016	5532	2	11064	4	5667.14
2017	7831	3	23493	9	6673.14

Source: compiled from various Annual report published by IRDA

In the case of stand-alone health insurers trend of health insurance premium is better than that of other private sector

general insurers. It may be because of their main area of business is health insurance.

Fig 1 general trend of health insurance business in India



From the above fig 1 the general trend of health insurance business in India is growing. The premium collected by public

sector insurers is increasing drastically from the financial year 2011-12 to the financial year 2017-18. Insurance premium

earned by stand- alone insurance companies also shows an increasing trend than that of private sector insurers.

Table-5: Number of persons covered under health insurance (in Lakhs)

Class of business	2011-12	2012-13	2013-2014	2014-15	2015-16	2016-17	2017-18
Government	1612 (76%)	1494 (72%)	1553 (72%)	2143 (74%)	2733 (76%)	3350 (77%)	3593 (74%)
Individual	206 (10%)	236 (11%)	272 (12%)	254 (9%)	287 (8%)	320 (7%)	333 (7%)
Group(other than Govt)	300 (14%)	343 (17%)	337 (16%)	483 (17%)	570 (16%)	705 (16%)	894 (19%)
Total	2118	2073	2162	2880	3590	4376	4820

Source: compiled from various Annual report published by IRDA

According to statistical information published by IRDA from 2011-12 to 2017-18, the number of persons covered under Government sponsored health insurance scheme has increased drastically compared to other schemes of health insurance

But out of pocket expenditure on health care in India is 65% (WHO report 2017) which is higher when compared to

other developing economies. When a family spend 40% or more than 40% of the total income of households for health care, then the condition are called catastrophic health expenditure. Increasing such expenditure among households may lead to financial insecurity which may results in poverty and financial crisis.

Table-6 Out of pocket Expenditure as a percentage of current health expenditure among BRICS countries

Year	Brazil	Russia	India	China	South Africa
2000	36.4	30.2	71.7	59.9	15.1
2001	37.5	30.8	74.1	62.2	14.3
2002	36.1	31.2	73.4	60.1	14.0
2003	35.4	33.3	73.4	58.3	13.4
2004	35.2	33.8	72.5	56.7	12.9
2005	35.8	31.9	73.1	56.7	12.4
2006	34.3	31.1	72.3	52.7	11.8
2007	33.1	31.4	70.8	47.0	11.0
2008	30.8	31.5	69.1	43.1	10.1
2009	31.1	34.6	66.8	40.8	9.3
2010	29.3	35.3	65.2	38.5	8.5
2011	29.2	34.2	62.2	37.7	8.4
2012	29.4	33.4	63.0	37.2	8.1
2013	28.1	34.8	69.1	36.9	8.1
2014	28.1	35.8	67.0	35.2	7.9
2015	28.3	36.4	65.1	32.4	7.7

Source: Global Health Observatory Data Repository, WHO 2017

In India still 65% of the health related expenditure is met through out of pocket payments which are biggest among BRICS countries. Majority of India's poor get into financial crisis each year due to huge out of pocket health care expenditure

7. Conclusion

Despite the growth of health insurance sector within the insurance industry, its penetration remains low. According to NSSO report (2016) more than 80% of Indians are not covered under any health insurance plan and only 18%(Government funded scheme 12%)of urban population and 14% (13% government funded scheme) of rural population was covered under any form of health insurance

According to data published by National Health Profile 2018 out of 4,37,457 persons covered under health insurance, 79 per cent were covered under the scheme offered by public sector insurance companies, only remaining 21 per cent is covered by private players. The reason may be the service quality regarding claim settlement, grievance handling, transparency in dealings etc. are better than private sector (Abdul Azees 2016). Only 27percent of Indian population have health insurance coverage leaving a large portion of the population (around 100 crore) open to huge out-of-pocket health expenses (Indian Express 2019) . Rising medical expense will cause serious financial imbalance in the public life. Health insurance has been ignored by the people for

several reasons such as lack of awareness; insufficient income etc. may be the possible reasons. A detailed study is required to identify the real cause.

So here private players have great potential to tap the market. Similarly, government healthcare spending is more focused on low income and below the poverty line (BPL) segments and the APL segments are still untapped. Hence

the government should launch more health insurance schemes in association with insurance companies to cover the huge population of our country. Enlightening people about the benefits of health insurance in monetary terms and make them aware that health insurance is not just another product in the market, rather it is a promise of protection against the medical expenses of the future will help to achieve our goal in the health front .

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