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## HEALTH INSURANCE IN INDIA OPPORTUNITIES, CHALLENGES AND CONCERNS

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### ABSTRACT

*Over the last 50 years India has achieved a lot in terms of health improvement. But till India is way behind many fast developing countries such as China, Vietnam and Sri Lanka in health indicators. In case of government funded health care system, the quality and access of services has always remained major concern. A very rapidly growing private health market has developed in India. This private sector bridges most of the gaps between what government offers and what people need. However, with proliferation of various health care technologies and general price rise, the cost of care has also become very expensive and unaffordable to large segment of population. The government and people have started exploring various health financing options to manage problems arising out of growing set of complexities of private sector growth, increasing cost of care and changing epidemiological pattern of diseases.*



**KEYWORDS:** *quality and access of services, private sector growth.*

### INTRODUCTION

The new economic policy and liberalization process followed by the Government of India since 1991 paved the way for privatization of insurance sector in the country. Health insurance, which remained highly underdeveloped and a less significant segment of the product portfolios of the nationalized insurance companies in India, is now poised for a fundamental change in its approach and management. The Insurance Regulatory and Development Authority (IRDA) Bill, recently passed in the Indian Parliament, is important beginning of changes having significant implications for the health sector.

The privatization of insurance and constitution IRDA envisage improving the performance of the state insurance sector in the country by increasing benefits from competition in terms of lowered costs and increased level of consumer satisfaction. However, the implications of the entry of private insurance companies in health sector are not very clear. The recent policy changes will have been far reaching and would have major implications for the growth and development of the health sector. There are several contentious issues pertaining to development in this sector and these need critical examination. These also highlight the critical need for policy formulation and assessment. Unless privatization and development of health insurance is managed well it may have negative impact of health care especially to a large segment of population in the country. If it is well managed then it can improve access to care and health status in the country very rapidly.

Health sector policy formulation, assessment and implementation are an extremely complex task especially in a changing epidemiological, institutional, technological and political scenario.

The institutional complexity of our health sector programmers and the pluralistic character of health care providers, health sector reform strategies in the context of health insurance that have evolved elsewhere may have very little suitability to our country situation. Proper understanding of the Indian health situation and application of the principles of insurance keeping in view the social realities and national objective are important.

### **Economic policy context and imperatives of liberalization of insurance sector:**

There are several imperatives for opening of the insurance and health insurance sector in India for private investment. Here we review some of these imperatives. Economic policy reforms started during late eighties and speeded up in nineties are the context in which liberalization of insurance sector happened in India. It was very obvious that the liberalization of the real (productive) and financial sector of the economy has to go hand in hand. It is imperative that these sectors are consistent with policies of each other and unless both function efficiently and are in equilibrium, it would be difficult to ensure appropriate economic growth.

The financial sector, which consists of banks, financial institutions, insurance companies, provident funds schemes, mutual funds were all under government control. There was less competition across these units. As a result these institutions remained significantly less developed in their approach and management. Insurance sector has been most affected by the government controls. Government had significant control on the policies these insurance companies could offer and utilization of the resources mobilized by insurance companies. One can see that most of the insurance products (e.g., life insurance products) were promoted as mechanisms to improve the savings and tax shelters rather as risk coverage instruments. Other segments of the insurance products grew because of the statutory obligations (e.g., Motor Vehicle, Marine and Fire) under various acts. The management and organization of insurance sector companies remained less developed and they neglected new product development and marketing. Thus one of the hopes in opening of the insurance sector was that the private and foreign companies would rapidly develop the sector and improve coverage of the population with insurance using new products and better management.

### **Health sector and its financing: present scene and issues for the future:**

India spends about 6% of GDP on health expenditure. Private health care expenditure is 75% or 4.25% of GDP and most of the rest (1.75%) is government funding. At present, the insurance coverage is negligible. Most of the public funding is for preventive, promotive and primary care programmers while private expenditure is largely for curative care. Over the period the private health care expenditure has grown at the rate of 12.84% per annum and for each one percent increase in per capital income the private health care expenditure has increased by 1.47%. Number of private doctors and private clinical facilities are also expanding exponentially. Indian health financing scene raises number of challenges, which are:

- increasing health care costs,
- High financial burden on poor eroding their incomes,
- Increasing burden of new diseases and health risks and
- neglect of preventive and primary care and public health functions due to underfunding of the government health care.

### **Health Insurance scene in India:**

Health insurance can be defined in very narrow sense where individual or group purchases in advance health coverage by paying fee called "premium". But it can be also defined broadly by including all financing arrangements where consumers can avoid or reduce their expenditures at time of use of

services. The health insurance existing in India covers a very wide spectrum of arrangements and hence the latter- broader in perpetration of health Insurance is more appropriate.

There are various types of health coverage in India. Based on ownership the existing health Insurance schemes can be broadly divided into categories such as:

- ✓ Government or state-based systems
- ✓ Market-based systems (private and voluntary)
- ✓ Employer provided insurance schemes
- ✓ Member organization (NGO or cooperative)-based systems

### **Mediclaim scheme**

The government insurance companies started first health insurance in 1986, under the name Mediclaim; thereafter Mediclaim has been revised to make it attractive product. Mediclaim is a reimbursement base insurance for hospitalization. It does not cover outpatient treatments. First there is used to be category-wise ceilings on items such as medicine, room charges, operation charges etc. and later when the policies were revised these ceilings were removed and total reimbursements were allowed within the limit of the policy amount. Mediclaim has provided a model for health insurance for the middle class and the rich. Recently various insurance companies are offering cover for COVID-19 pandemic diseases also. It covers hospitalization costs, which could be catastrophic. But given the premium is on higher side it as remained limited to middle class, urban tax payers segment of the population.

### **Health insurance for poor by NGOs:**

With 70 per cent of population in India living in rural areas and 95 per cent of work-force working in unorganized sectors, and disproportionately large percentage of these populations living below poverty line, there is strong need to develop social security mechanisms for this segment of population. This need for security is further increased because the poor are the most vulnerable for ill health, accidents, death, desertion, social disruptions such as riots, loss of housing, job and other means of livelihood. There are some efforts in this direction of providing social security to the poor by a few NGOs. The most prominent among them is that of Self-Employed Women's Association (SEWA).

### **Impact of Health insurance on structure and quality of private provision:**

The experiences in liberalizing the private health insurance suggest that it has undesirable effects on the costs of health care. The costs of care generally go up. Even the present system of fee for service and current scenario of health infrastructure in private sector, the development of insurance will need improvements in quality and change in structure. New additional investments to improve quality will result into high cost and therefore increase in prices of insurance products. There would be developments in the direction of exploring options of managed care, which would help in reducing the costs.

### **CONCLUSION:**

In India there has been limited experience of health insurance. Government has liberalized the Insurance industry and Mediclaim insurance / Health insurance is going to develop rapidly in future. The challenge is to see that it benefits the poor and the weak in terms of better coverage and health services at lower costs without the negative aspects of cost increase and over use of procedures and technology in provision of health care. The experience from other places suggest that if health insurance is left to the private market it will only cover those which have substantial ability to pay leaving out the poor and making them more vulnerable. Given that India does not have large organized sector employment the only option for such social health insurance is to develop it through co-operatives, associations and unions.

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