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EVOLUTION OF HEALTH INSURANCE IN INDIA- A CONCEPTUAL APPROACH

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ABSTRACT:

Healthcare industry will unanimously tell you that health insurance is the best care for the India's healthcare problems and the recent surge in premium for health insurance policies certainly conforms to that view. In spite of being a loss making proposition for most insurers, for an industry that is only a couple of decades old in India there is certainly a lot of optimism about its future prospects. Though health insurance came to India in the form of Central Government health Insurance Scheme for government employees and the Employees State Insurance Scheme for employees in the private sector

KEYWORDS: *Health care, Insurance, future prospects, government employees.*

INTRODUCTION:

Allopathic medicine in India dates back to the 1600s when medical officers arrived in India with the British East India Company ship surgeons. After the reigns of the Indian Subcontinent or Erstwhile India were taken over by the Company in 1757, the first medical department was setup in Bengal presidency, present day West Bengal and Bangladesh. Subsequently, Madras, present day South India, and Bombay, present day Western India, which was the two other presidencies, formulated their own medical departments. It was not until 1869 that India had a centralized medical system. A Public Health Commissioner and a Statistical Officer were appointed to the Government of India.

For ease of understanding, three milestones have been identified in the insurance literature on the evolution of health insurance in India. The pre independence era, when life insurance was started, the early decades of the independence era, where life insurance gained more popularity and health insurance was more popular as government sponsored insurance programs, and lastly, the liberalization period of the early 1990s when the markets were opened to give new life to the dying Indian economy. It is during this period that private and government sponsored health insurance gained maximum popularity.

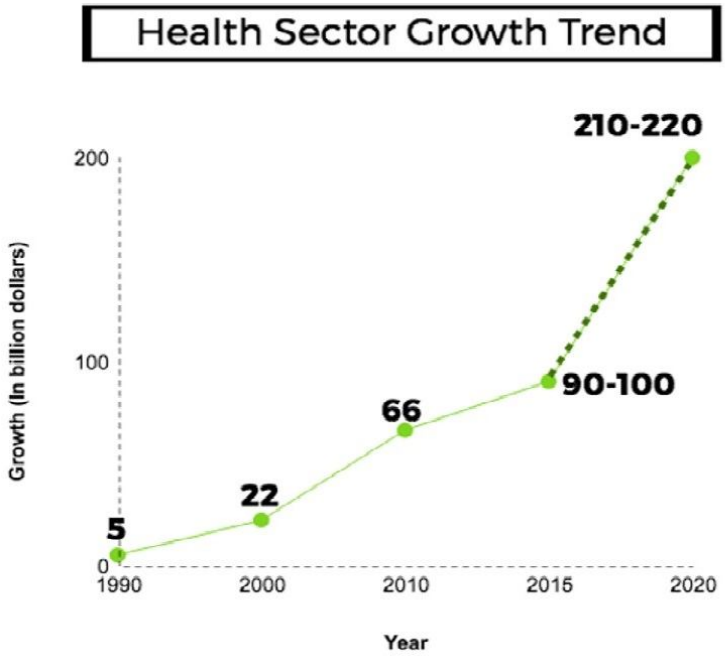
In India health insurance started only as a cover for individual citizens and their families and then it offered reimbursement for hospital treatment only. There were also sub-limits and caps on every single item covered by the policies. But, as health care started to evolve the sub-limits were removed during the 1990s and with increasing number of private hospitals and improved life expectancy more and more people started to buy health insurance policies.

Third party administrators were introduced by the Insurance Regulatory and Development Authority (Irda) in 2001 which acted as the link between the hospitals and the companies and in turn allowed the insurance companies to offer cashless facilities on their products. The advent of the service sector, especially the IT sector contributed to the growth of group insurance and presently the number

of health insurance in India has become more than double of the number of policies sold in the year 2003-04.

However, the cost for health insurance is rising, and with the move toward managed health care, flexibility for someone to choose his own doctors is somewhat limited. To receive adequate insurance and a plan that is right for an individual's needs, it is crucial for one to fully understand his coverage terms. Choosing the wrong plan, or being uninformed about how health care has changed and how it affects each family differently, can be a costly mistake. One way to understand managed health care is to also understand what it is and how it has evolved through the years. It has been a rapidly-changing revolution that has affected everyone from physicians and hospitals to patients and insurance carriers.

HEALTH SECTOR GROWTH TRENDS:



As that happens, in rural areas, mobile technology and improved data services are expected to play a critical role in improving healthcare delivery. Although limited, some companies are also investing in innovative services and creating lucrative yet low-cost digital and device solutions, an example of which would be GE Healthcare's Lullaby Baby Warmer.

The result of this disease burden on a growing and ageing population, economic development and increasing health awareness is a healthcare industry that has grown to $81.3 billion (Rs 54,086 lakh crore) in 2013 and is now projected to grow by 17% (compounded annual growth rate, or CAGR) by 2020, up from 11% in 1990.

PUBLIC HEALTHCARE UNDER-FINANCED, SHORT-STAFFED; RURAL AREAS PARTICULARLY AFFECTED

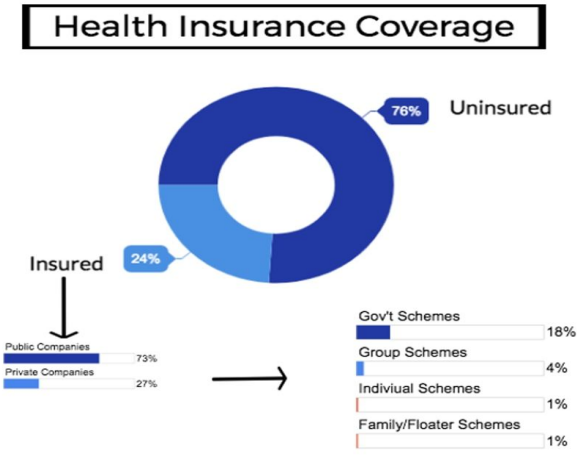
India's existing infrastructure is just not enough to cater to the growing demand. While the private sector dominates healthcare delivery across the country, a majority of the population living below the poverty line (BPL)–the ability to spend Rs 47 per day in urban areas, Rs 32 per day in rural areas–continues to rely on the under-financed and short-staffed public sector for its healthcare needs, as a result of which their healthcare needs remain unmet.

Moreover, the majority of healthcare professionals happen to be concentrated around urban areas where consumers have higher paying power, leaving rural areas underserved, as the table below reveals.

RISING POPULATION, INADEQUATE RESOURCES AND INSURANCE

Some of the key roadblocks, then, for India's healthcare industry:

1. Population: India has the world's second-largest population, rising from 760 million in 1985 to an estimated 1.3 billion in 2015. Migrants from rural areas continue to flock to urban settlements; roughly 32% of them inhabiting cities–although estimates of this migration vary–that are already bursting at the seams.
2. Infrastructure: India's existing healthcare infrastructure is just not enough to meet the needs of the population. The central and state governments do offer universal healthcare services and free treatment and essential drugs at government hospitals. However, the hospitals are, as we said, understaffed and under-financed, forcing patients to visit private medical practitioners and hospitals.
3. Insurance: India has one of the lowest per capita healthcare expenditures in the world. Government contribution to insurance stands at roughly 32%, as opposed to 83.5% in the UK. The high out-of-pocket expenses in India, as we detailed earlier, stem from the fact that 76% of Indians do not have health insurance, according to data from the Insurance Regulatory and Development Authority.
4. Rural-urban disparity: The rural healthcare infrastructure is three-tiered and includes a sub-center, primary health center (PHC) and CHC. Indian PHCs are short of more than 3,000 doctors, with the shortage up by 200% over the last 10 years to 27,421, as IndiaSpend reported in 2016.



There are, however, potential catalysts to improve the quality of healthcare in India.

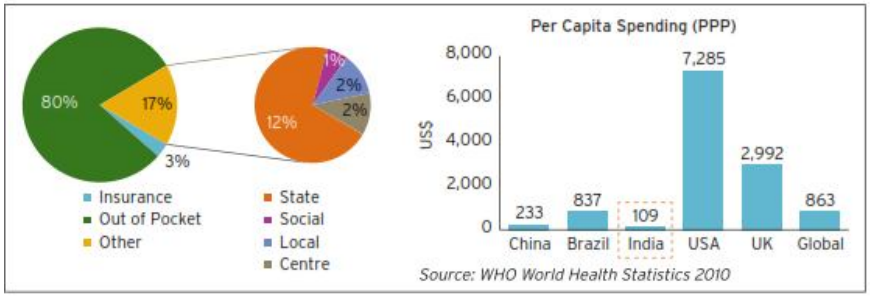
THE GOVERNMENT, INFORMATION TECHNOLOGY AND INNOVATION

The Union Budget 2017–18 includes measures to boost rural development, infrastructure and macroeconomic stability, and although the health budget has been increased 27%, allocations could have been matched more holistically with the government's ambitions, particularly when considering adjustment against inflation and new health-program announcements.

Analysts argue that the national insurance scheme (the Rashtriya Swasthya Suraksha Yojana) is a minor improvement on the existing one, with the annual limit per family increased from Rs 30,000 to Rs 100,000, with an additional "top-up" of Rs 30,000 for senior citizens. Our estimates suggest that enrolling all BPL families in the country in health-insurance programmes would cost anywhere from Rs 2,460 to Rs 3,350 crore, or less than the cost of two French Rafale fighters.

Information Technology (IT) is set to play a big role with IT applications being used for social-sector schemes on a large scale. Beneficiaries are issued a biometric-enabled smart card containing their fingerprints and photographs. Hospitals empaneled under the government insurance scheme are IT enabled and connected to servers in districts. Beneficiaries can use a smart card that allows them to access health services in any empaneled hospital across India.

HEALTHCARE FINANCING AND SPENDING:



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. It is estimated that around 130 million people may suffer from lifestyle diseases such as diabetes and obesity in the next few years, leaving a $160 billion hole in the national economy between 2010 and 2015.The per capita spending of Indians are too low with a statistical value of 109US dollars.

CONCLUSION:

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. Health insurance entities are moving towards complex benefit designs to lower risks and improve their bottom lines. With an enhanced focus on outcomes, we are likely to see membership shift to private insurers. With a larger member base, bargaining power will shift from providers to health insurance players. It is likely that the efficiency chase would lead to a disruption in the ecosystem resulting in a divestment of the public entities

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