

Health Insurance in Rural India

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Abstract

Indian Insurance market is broadly categorized into urban and rural markets. The state of affairs of rural market is dissimilar from urban one. For the majority people living in rural India, "Health Insurance" is a unheard word. As per the findings of a contemporary research report by RNCOS, mentality is one the biggest reasons behind the low penetration rate of health insurance in rural India. A majority of them are uncovered although they are exposed to risks similar to or even higher than that of urban population. But to cover the rural population, insurance companies need to spotlight on designing new products as per their needs and requirement and new persuading techniques to convince them. There are more than a few threats in health insurance at rural markets also like near to the ground literacy level and insurance awareness, low earnings of countryside people and their psychology.

Introduction

Healthcare has emerged as one of the fastest growing sectors in India, yet there are people who are still unaware of what benefits health insurance policies can provide them. The healthcare spend in the country is expected to double and touch 2, 250 billion by 2014. And with just three per cent health insurance penetration in the country, a large part of the sum is poised to be paid out of one's pocket. India's insurance market still lags behind other countries in terms of penetration. With the penetration level at three per cent in India, it is far behind UK (12.5 per cent), Japan (10.5 per cent), Korea (10.3 per cent) and US (9.2 per cent). In terms of insurance coverage per capita, India stands at \$ 1.1 as compared to \$ 2313.6 in the US and \$ 31.1 in the UK, informs Antony Jacob, Chief Executive Officer, Apollo Munich Health Insurance , India.

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In agreement with the above statement, Dr. Pervez Ahmed, CEO & Managing Director, Max Healthcare, Delhi, says “it is estimated that only about 12 to 13 per cent of Indians are covered under any form of health insurance (private insurance coverage is approximately three to four per cent only). The Indian health insurance scenario is a mix of mandatory social health insurance (SHI), voluntary private health insurance and community-based health insurance, health insurance is, thus a minor player in the health ecosystem”.¹

Health insurance can be defined in very narrow sense where individual or group. Purchases health coverage in advance, by paying a 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. Policies under this insurance, the insurer undertakes to indemnify the assured in consideration of certain payment, up to certain specified amount insured against for loss arising in respect of hospitalisation or injury sustained by the insured person. Rapid population growth, contamination of food, water and air etc., which makes to hospitalisation are more frequent. To cater to the varying and increasing needs, different forms of cover are available.

History of Health Insurance

Medical Insurance was first offered in the United States in 1850 and insured injuries arising from railroad and steamboat accidents. In India the formal health insurance started with the ESIS (Employees State Insurance Scheme) under the ESIS Act 1948 and with the CGHS (Central Govt. Health Scheme) 1954.

In 1981, a limited cover was devised for individuals and families. This was structured formally in 1986 when 4 subsidiaries of GIC launched the Mediclaim policy (HDH) both for individuals and groups.

Necessity of Health Insurance: Mediflation

¹Dhiraj Jain, Customer awareness and willingness to pay for health insurance. The Journal of Insurance Institute of India, Oct- Dec 2012.

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- ❖ High escalation in medical costs due to advancement & high tech intervention in health, diagnostic & therapeutic procedures, prescription drugs leading to Mediflation.
- ❖ The explosion of knowledge in genetic engineering & Bio technology, Nano-technology, Medical Informatics & Gene therapy will further escalate health care costs beyond the reach of most people in future.
- ❖ *Medical Tourism*: As more and more patients from Europe, the US and other affluent nations with high medicare costs look for effective options, a blend of top-class medical expertise at attractive prices is helping a growing number of Indian corporate hospitals lure foreign patients. Costs would escalate for the Indian insured.
- ❖ Expenses towards medical expenses are the second highest cause of rural indebtedness after agriculture. Major portion of the country's poor (over 45%) had to borrow / sell assets to meet costs of care.
- ❖ This huge out of pocket expenditure does not pass through any pooling mechanism and thus needs to be channeled through Health Insurance

Current Scenario in Health Insurance – India

India has multiplicity of treatment regimes. These range from the allopathic system to traditional home remedies. The advantages of standardization, packing, and storage, documentation methods of dispensation have ensured that allopathic system is more acceptable.

Quality of life in relation to health can be gauged by morbidity information. NCAER's study shows that both short-term morbidity (diarrhoea, cough, unspecified fevers) and major morbidity (epilepsy, heart disease, hypertension, diabetes, mental disorders and leprosy) are disproportionately high among the vulnerable population including wage earners and those with low levels of income. About 20 per thousand children in the 0-5 age groups and 29 per thousand children in the 5-12 age groups suffer from physical disabilities such as hearing impairment, speech impairment and loco motor disability.

Almost 80% of the diseases in India are waterborne or caused by water bodies – typhoid, hepatitis A, malaria, filarial, etc. It is primarily the rural poor who are most affected.

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About half of India does not have any source of protected drinking water. Clearly, quality of health is far behind the level of satisfaction

Health Insurance Products in India

| SL. NO | NAME OF THE INSURER | NAME OF THE PRODUCT |
|--------|--|--|
| 1. | Apollo Munich Health Insurance Company Limited | Optima Senior |
| | | Optima Restore |
| | | Easy Travel Individual Travel Health Insurance |
| 2. | Bajaj Allianz General Insurance Company Limited | Personal care Insurance Policy |
| | | Tax gain |
| 3. | Cholamandalam MS General Insurance Company Limited | Chola MS Family Healthline Insurance Policy |
| | | Chola MS Hospital Cash Benefit Insurance |
| | | Chola Top Up Insurance Policy |
| | | Chola MS Tax Plus Insurance Policy |
| | | Chola Arogya Bima Health Insurance Policy |
| | | CholaSwasthaParivar |
| 4. | Future Generali India Insurance Company Limited | Future Health Surplus |
| | | Future Travel Suraksha – Schengen Travel |
| | | Student Travel/Student Suraksha |
| 5. | ICICI Lombard General Insurance Company Limited | Complete Health Insurance |
| | | Complete Health Insurance – Group |
| | | Personal Protect |
| | | Hospital Cash Plan |
| | | Tax Gain Health Insurance |
| | | Group Travel Insurance - Overseas |
| 6. | L&T General Insurance Company Limited | My:JeevikaCash@hospital Micro Insurance |
| | | My:JeevikaMedisure Micro Insurance |
| | | My:HealthMedisure Prime Insurance |
| | | My:Health Personal Accident Insurance |

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| | | |
|-----|---|---|
| | | My:Health Group Medisure Insurance |
| | | My:Health Group Personal Accident Insurance |
| 7. | Max Bupa Health Insurance Company Limited | SwasthParivar Health Insurance Product |
| | | Health Companion – Health Insurance Plan |
| | | Employee First Health Insurance Plan – Addition of Plan (Classic) |
| | | Heartbeat |
| | | Health Assurance |
| 8. | Royal Sundaram Alliance Insurance Company Limited | Master Product |
| | | Accident Protection Plus |
| 9. | Religare Health Insurance Company Limited | Care (Individual Health Insurance Product) |
| 10. | Raheja QBE General Insurance Company Limited | Cancer Insurance Policy |
| 11. | Star Health and Allied Insurance Company Limited | Netplus (Old name HIV Care Policy) |
| | | Medi Classic Insurance (Senior Citizen Red Carpet Insurance) |
| | | Family Health Optima Accident Care Policy - Individual |
| | | Mediclassic Accident Care Policy - Individual |
| | | Family Health Optima Accident Care Policy - Individual |
| 12. | Shriram General Insurance Company Limited | Overseas Travel Insurance |
| 13. | SBI General Insurance Company Limited | Critical Illness Insurance Policy |
| | | Hospital Daily Cash |
| | | Health Insurance Policy – Retail |
| | | Group Personal Accident |
| | | Micro Insurance Policy |
| 14. | Tata AIG General Insurance | Wellsurance Executive |

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| | | |
|-----|---|--|
| | Company Limited | Wellsurance Women |
| | | Wellsurance Family |
| | | Wellsurance Senior |
| | | Medi Prime |
| 15. | United India Insurance Company Limited | UniCriti Care Policy |
| 16. | Universal Sompo General Insurance Company Limited | Universal SaralSurakshaBima (Micro) |
| | | Universal SampurnaSurakshaBima (Micro) |
| | | K Bank Family Care Health Policy |
| | | Group Personal Accident |

Source: IRDA

Structure of Health Insurance in India

The health insurance sector has not made much headway in India. Overall, only a small percentage (less than 9) of Indian population is covered by some form of health insurance. The ESIS covers only the organized industrial workforce, the General Insurance Corporation has introduced voluntary coverage for hospitalization under Mediclaim and Jan Arogya Bima Policy. Also, all Central Government employees are covered under the Central Government Health Scheme (CGHS) through a network of hospitals and dispensaries in large cities and state capitals.

Rashtriya Bima Yojana Policy Health Insurance for the Poor

- RSBY has been launched by Ministry of Labour and Employment, Govt of India to provide health insurance coverage for Below Poverty Line (BPL) families.
- RSBY started rolling from 1st April 2008.
- *The objective of RSBY is to provide protection to BPL households from financial liabilities arising out of health shocks that involve hospitalization.*
- Beneficiaries under RSBY are entitled to **hospitalization coverage up to Rs. 30,000/-** for most of the diseases that require hospitalization. Government has even fixed the package rates for the hospitals for a large number of interventions.

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- Pre-existing conditions are covered from day one and there is no age limit. Coverage extends to five members of the family which includes the head of household, spouse and up to three dependents.
- Beneficiaries need to pay only Rs. 30/- as registration fee while Central and State Government pays the premium to the insurer selected by the State Government on the basis of a competitive bidding.

Unique Features of RSBY

- ❖ **Empowering the Beneficiary** - Freedom of choice to BPL Policy holder to choose hospitals and be treated as a significant provider of revenue
- ❖ **Business Model for all Stakeholders** - Insurers/Hospitals/ Intermediaries/Govt.: Incentives have been built for all stakeholders. Conducive both in terms of expansion of the scheme as well as for its sustainability.
- ❖ **IT intensive** - Every beneficiary family is issued a biometric enabled smart card containing their photographs and fingerprints. All hospitals empanelled under RSBY are IT Enabled and connected to the server at the district level.
- ❖ **Safe and Foolproof** - The use of the biometric card and a key management system makes this scheme safe and foolproof.
- ❖ **Portability** - A beneficiary will be able to use his/her smart card in any RSBY empanelled hospital across India. This is of great help to migrant workers
- ❖ **Cashless and Paperless transaction** - No payment is to be made by the beneficiary and participating providers may send online claims to the insurer and get paid electronically.
- ❖ **Robust Monitoring and Evaluation:** - An elaborate data management system is being put in place which can track any transaction across India and provide periodic analytical reports. This should allow for mid course improvements in the Scheme.

RSBY Facts

- More than 376 districts in 29 states in India are covered under this scheme
- There are 8096 private and public hospitals empanelled as Health Care Providers

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- As of April 2011 the number of Active smart cards issued is 2,33,46,929 .
- National Insurance, Oriental Insurance and United India Insurance are the 3 major non life insurance players with ICICI leading the private non life insurer group.

Conclusion

India has a grand opportunity to spearhead a feasible and spirited health insurance sector and encourage the development of a sound high quality health delivery system. What is required is a good understanding of the actuarial and other risks in the business, a long term vision for those entering it, simple product design, supportive regulation and sustained customer education.

It is fact that, availability of improved health services to the poor is one of the important priorities before the Government. Since government means are limited, private sector involvement in providing health services to rural areas is necessary. However, private health care is costly and in majority of the cases it is beyond the means of the average rural household. Under such circumstances, health insurance coverage of rural people can be a viable and vital means for getting health care services. In order to implement successfully health insurance coverage to the rural household, it is necessary to understand basic dynamics of consumer preferences, acceptability and pricing of health insurance products.

Finally, we can say that there is an immense need for massive propaganda to develop consciousness among the people regarding the need for financing health care in context of high out-of-pocket expenses on health. If we can successfully use insurance in covering our health hazards we might create a headway in front of the entire south-east Asia to come up with a solution to this formidable challenge to the society.

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