

## An Overview Study of Health Insurance in India

Vijayaraddi Vandali Vice-Principal, School of Nursing, P P Savani University

Rekha B Biradar Community Health Officer, TQ-Devadurga, Karnataka

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*Corresponding author:* Vijayaraddi Vandali, Email: vijayvandali84@gmail.com

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### ABSTRACT

Health insurance is a mechanism by which a person protects himself from financial loss caused due to accident and/or disability. The chairman of Insurance Regulatory and Development Authority (IRDA) has mentioned that low consumer awareness and insufficient healthcare infrastructure are the major hindrances to widen the reach of healthcare insurance in India. Healthcare costs have witnessed a phenomenal rise in the current times. This has led the customers to insure not only themselves but their family members for any future medical expenses and other related requirements. The need to insure assumes is more importance for older generations who are either retired or will be retired in near future. Given high health cost, it is important for us to get covered for health risks. With this, a good insurance policy is needed to cover doctor's visit, laboratory tests, hospital stays and diagnostic tests. There are quite a few companies covering health risks with good insurance policies. Health insurance (popularly known as Mediclaim) offers protection in case of unexpected medical emergencies. In case of a sudden illness or accident, the health insurance policy takes care of the hospitalization, medical and other costs incurred. Thus, health insurance to be introduced to all consumers in India to protect them from financial loss caused by unfortunate incidents.

### 0 Introduction

Health sector is one of the most vital and crucial sectors in any kind of economy. There are many studies which were conducted on the different aspects of health services and related areas. The present study focuses on the health insurance in India.

Health insurance is a mechanism by which a person protects himself from financial loss caused due to accident and or disability. Although disability is not fixed, but

precise and immutable state have been affected by numerous influences, both objective and subjective. Its significance to society is that condition of ill health arising from disease or injury that prevents the individual from pursuing his normal routine of living. The universality of the hazard of disability is everywhere recognized; just as—uncertainty is one of the fundamental facts of life (Knight 1921). It is may be because of this reason why the earlier society looked into health insurance as a mechanism to reduce the uncertainty attached to disability [5].



**Figure 1**

### **Health insurance scenario in India**

In India, after opening of the insurance sector in 2001, there are many insurance companies enrolled. We as customers are having a wide choice /range of over 300 products available from 3 different groups of companies comprising of;

- General Insurance Companies
- Health Insurance Companies
- Life Insurance Companies

All of them are trying to cater to different needs of the customers with different pricing/benefits<sup>[4]</sup>.

### **Health insurance in india is provided in three forms;**

a. Commercial insurance (covering health, maternity, accidental covers, etc.)

b. Government welfare schemes, which are completely taken care by the government where the

Beneficiary does not have to pay to avail the benefits of the scheme (Tamil Nadu Chief Minister's Health Insurance Scheme)

c. Health schemes, which are part of an insurance and a welfare where the beneficiary must pay

Some nominal premium to avail the benefits (Rashtriya Swasthya Bima Yojana)<sup>[11]</sup>.

### **What it covers?**

Health Insurance Policy covers the curative treatment in hospital. In addition to these expenses covered 30 days prior to hospitalization on diagnosis and 60 days after hospitalization are also covered. If a person is admitted to a hospital and nothing is detected/diagnosed even after many tests (over 1 day of hospitalization), the beneficiary will not get any payment according to the policy as nothing is cured<sup>[7]</sup>.

## **1 Review of literature**

### **1.1 Health insurance studies in India**

A study jointly conducted by Nielsen and Max Bupa Health Insurance Co. Ltd in 2014-15, covering 1,500 consumers across India, demonstrated many important insights. Nearly 70% of the respondents considered health insurance to be more important than life insurance. While nearly 60% of the aware consumers realized that their employer-provided health insurance plan might be inadequate. Importantly, consumers are moving from individual covers to family covers, going for higher coverage amounts and are looking beyond price while choosing their policy<sup>[9]</sup>.

With the liberalization and entry of private companies into insurance sector, Indian insurance sector has started showing signs of significant change. Within a short span of time, private insurance has acquired 13% of the life insurance market and 14% of non-life market (Bhat et al., 2005). Health insurance has gained importance since the privatization of the insurance sector in India. The entry of standalone insurance company has triggered the growth and focus in this area. Comparatively, only about 2% of total health expenditure is funded by public/social health insurance while 18% is funded by government budget in India (Bhat & Mavalankar, 2000)<sup>[5]</sup>.

### **1.2 Development of health insurance in India:**

1912: Health insurance introduced when the first insurance act was passed.

1947: The "Bhore Committee Report" – make recommendations for the improvement of health care services in India.

1948: The central government introduced the employees' State Insurance Scheme (ESIS) for blue-collar workers employed in the private sector.

1954: The Central Government Health Scheme (CGHS) for central government employees and for their families.

1986: Mediclaim was introduced. Started by government insurance companies in 1986.

1999: Marked the beginning of a new era for health insurance in Indian context. With IRDA, the insurance sector was opened to private and foreign participation.

2003: Introduction of UHIS – early attempts by government to introduce health insurance for informal sector. UHIS was a hospitalization indemnity product voluntarily purchased from any state-owned insurer at a heavily subsidized price (e.g., Rs. 165, less than US\$4 a year)<sup>[6]</sup>.

## 2 Objectives of the study

- a. To study the growth of health insurance industry in India.
- b. To study the health insurance trend.
- c. To study challenges of health insurance industry.

## 3 Methodology

This study has based on the secondary data. The secondary data are various reports, such as newspapers, journals, thesis and past published data.

## 4 Analysis of the objectives

- Challenges of health insurance industry in India.
- Poor response by State Government
- Lack of awareness among peoples, because still millions of people's not have idea at all
- Lack of universal health policy by Government of India.
- Less focus

## 5 Interpretation

The health insurance industry grew about 16% in 2015, which is more than twice the rate at which India's gross domestic product (GDP) is growing. The industry has seen year-on-year growth of more than 27% in direct premium collections. These numbers indicate that the foundation has been laid to make 2016 a year of inflection<sup>[2, 3]</sup>.

## 6 Findings

- a. Over the period of time, the health insurance industry has developed. It was started with limited scheme and now it reached to different kinds of schemes with different offers.
- b. Most of health insurance are based on client oriented.
- c. The mobilization of funds also the good for the health insurance.

## 7 Suggestions

- a. There is a lack of education among the investors/population in the health insurance industry.
- b. There is a need of a strong distribution channel for the health insurance for capturing the market.
- c. Government also needs to establish a health insurance to all citizens in the country irrespective of religion, gender, creed and economy, etc. like US and UK.

- d. Make involvement of everybody and try reducing financial burden with regard to health.

## 8 Conclusion

Health insurance industry is the most important and must need part of life investment, and it helps the investor to invest in the diversified areas. In addition, it also helps the consumers to have a better life style in advanced and risky life. The industry has growth over the period of time. The health insurance industry grew about 16% in 2015, which is more than twice the rate at which India's gross domestic product (GDP) is growing. Many companies have provided better life insurance policy schemes, such as Apollo Munich, IFFCO, Star Health, LIC, Birla Sun life & Reliance etc. in India. Also, a few states' government also provide similar life insurance policy schemes, but with many rules/restrictions. Despite all these, there is still a large population in India do not aware about health insurance, thus government and private insurance sectors should motivate the people for the same to lead better life and to avoid life risk.

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