

AN ANALYSIS OF HEALTH INSURANCE PERFORMANCE IN INDIA

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Abstract

Health insurance is a significant driver of growth in the general insurance industry in India, accounting for approximately 29% of the total general insurance premium income. However, this sector faces numerous challenges that impact its performance. This paper explores the performance and policies of the health insurance sector in India, aiming to analyze premium rates and market share. The study employs the Compound Annual Growth Rate (CAGR) methodology. The findings indicate an increase in both premium rates and market share for health insurance.

Key words: health insurance, Premium, policies, general insurance

Introduction

In India, health insurance is becoming increasingly important to the economy. With a population of approximately 1.3 billion, India's healthcare system is among the largest globally. The healthcare sector has rapidly evolved into one of the country's most crucial industries in terms of income and employment generation. In 2018, there were 100 million Indian families (equivalent to 500 million people) without health insurance. In 2011, the health sector accounted for 3.9% of India's Gross Domestic Product (GDP), which was among the lowest in the BRICS economies (Brazil, Russia, India, China, South Africa), according to the World Health Organization (WHO).

Health insurance constitutes 5-10% of this 3.9%, with employers contributing about 9% and consumer spending making up a substantial 82%. The NSSO's 71st round of surveys produced the report "Key Indicators of Social Consumption in India: Health" in 2016. According to a 2014 survey, over 80% of Indians were uninsured, with only 18% of the urban population (12% government-financed) and 14% of the rural population (13% government-funded) having any form of health insurance.

The health insurance premium for the fiscal year 2014-15 was \$20,440. In 2019, the government's total net healthcare spending was \$36 billion, or 1.23% of GDP. By 2020–21, India allocated 1.8% of its GDP to health. According to the World Bank, overall healthcare spending as a percentage of GDP was 3.89% in 2015, with government health spending at 1.8% of this and out-of-pocket expenses making up 65.06% of total health spending in 2015. Health insurance policies offered by non-life insurance companies typically last for one year, whereas life insurance companies offer policies for several years.

HISTORY OF HEALTH INSURANCE

Since 1986, the health insurance sector in India has experienced significant growth, driven by economic liberalization and increased public awareness. By 2010, more than a quarter of India's population had access to health insurance, according to the World Bank. The sector includes both private and government-sponsored insurers. Recently, the General Insurance Corporation of India and the Insurance Regulatory and Development Authority of India (IRDAI) have conducted awareness campaigns to promote health insurance and reduce delays in purchasing policies.

The Ministry of Health oversees the National Health Insurance Program (Rashtriya Swasthya Bima Yojana - RSBY), which was launched in 2007 and adopted by 29 states by 2014. This program is funded 75% by the federal government and 25% by the states. It provides health insurance to workers and their dependents who live below the poverty line, with a yearly registration fee of \$30 for coverage of up to \$30,000 per family.

On September 25, 2018, the Indian government introduced a new health insurance scheme for the poorest populations, known as "Modicare," named by Prime Minister Narendra

Modi. This initiative aims to cover over 500 million people and is part of a broader effort to achieve universal social security in the country.

OBJECTIVES OF THE STUDY

1. To study the concepts and policies of health insurance in India.
2. To examine the premium rates and market share of health insurance in India.
3. To assess the impact of health insurance on the public.

RESEARCH METHODOLOGY

The present study is descriptive and based on the analysis of secondary data collected from sources such as the Insurance Regulatory and Development Authority (IRDA), articles, published journals, and annual reports of various health insurance providers available on company websites. The researcher has utilized the Compound Annual Growth Rate (CAGR) for the analysis.

TYPES AND POLICIES OF HEALTH INSURANCE

In India, health insurance traditionally covers only inpatient hospitalization and treatment at hospitals, with outpatient services generally excluded. Mediclaim policies were the first type of health insurance introduced in the country. Following the liberalization of the insurance sector in 2000, which allowed private companies to enter the market, a variety of new products emerged, including family floater plans, top-up plans, critical illness plans, and hospital cash and top-up policies.

The health insurance industry accounts for approximately 10% of the total insurance density. With around 18% of the urban population and 14% of the rural population covered by some form of health insurance, India has one of the lowest health insurance penetration rates globally. One major factor contributing to this low uptake is the lack of market competition. To address this, the Insurance Regulatory and Development Authority of India (IRDAI) could consider developing health insurance circles similar to telecom circles to foster competition.

Hospitalization

Hospitalization plans are indemnity plans that cover the insured's hospitalization and medical expenses up to the insured amount. For individual health insurance, the sum insured applies per person, whereas, in family floater policies, the coverage amount can be utilized by any member of the plan. Typically, these policies do not offer cash benefits. In addition to hospitalization, some plans may include maternity and infant coverage, day care procedures for specific treatments, pre- and post-hospitalization care, domiciliary benefits for patients unable to be moved to a hospital, daily cash allowances, and convalescence benefits.

Top-up policies are a different type of hospitalization coverage. They usually come with a high deductible and are designed to supplement existing coverage. These policies are intended for individuals who have some form of employer-provided insurance. If the coverage from the employer is insufficient, a top-up policy can be used to enhance it. However, the total amount payable under a top-up policy is subject to deductions for each claim reported for each member.

Family Floater Health Insurance:

A family health insurance plan provides coverage for the entire family under a single policy, operating on the premise that not every family member will require medical attention simultaneously. This type of plan covers both pre- and post-hospitalization expenses. In India, most health insurance companies offering family plans have a comprehensive network of hospitals, ensuring that policyholders have access to emergency care when needed.

Pre-Existing Disease Cover Plans:

Pre-Existing Disease Coverage Plans provide insurance coverage for conditions that policyholders had before purchasing the health insurance policy. These plans cover pre-existing conditions, such as diabetes, kidney failure, and other illnesses, but typically only after a waiting period of 2 to 4 years.

Senior Citizen Health Insurance:

According to IRDAI standards, health insurance plans for family members above the age of 65 are specifically designed to cover and protect against health issues associated with aging. Insurers are required to provide coverage up to the age of 65 years.

Maternity Health Insurance:

Maternity health insurance covers expenses related to maternity, including prenatal and postnatal care, and the costs associated with childbirth, whether normal or caesarean. These plans also cover ambulance charges and typically come with access to a wide network of hospitals.

The Maternity Benefit Act regulates these services, applying to women employed in factories, mines, circuses, plantations, shops, or other establishments with at least 10 employees. It also covers women working in establishments under the Employees' State Insurance (ESI) scheme but whose salaries exceed the ESI ceiling.

Since 2010, the Indira Gandhi Matritva Sahyog Yojana (IGMSY), administered by the Ministry of Women and Child Development, has been implemented in select districts (52 as of 2017). This program benefits pregnant women aged 19 or older during their first two pregnancies. Eligible women receive a total of ₹6,000 in three installments, provided they complete the required medical examinations for both the mother and the child.

- at the end of the 2nd trimester of pregnancy
- at birth
- to 6 months of the child

Hospital daily cash benefit plans:

A defined benefit policy that provides a specific amount for each day of hospitalization is known as a daily cash benefit policy. Payments are made for a predetermined number of days within the insurance year and may be subject to a small deductible.

Critical illness plans:

These are benefit-based insurance policies that provide a lump-sum (fixed) benefit amount when a covered catastrophic illness or medical procedure is diagnosed. Such illnesses are typically severe, infrequent, and costly compared to routine medical or therapeutic needs. Examples include heart attacks, cancer, and strokes. In addition to upfront lump-sum payments, some insurers now offer the option of staggered claim payments.

Pro active plans:

Some companies offer proactive living programs tailored to the Indian market. These programs provide support based on medical, behavioral, and lifestyle factors related to chronic

illnesses. They are designed to help clients gain a better understanding of their health and manage it more effectively.

Disease specific special plans:

Some companies offer disease-specific plans, such as Dengue Care, tailored to address the increased prevalence of viral infections like Dengue fever in India. These plans are designed to provide support based on medical needs, behavioral factors, and lifestyle variables associated with such ailments. They aim to help consumers manage unexpected medical expenses related to these specific diseases at a low cost.

PLANS OF HEALTH INSURANCE SCHEMES

i). Central Government

ESI scheme:

The Employees' State Insurance (ESI) Scheme in India provides comprehensive social security benefits to workers in the organized sector. It covers employees working in factories, mines, and other establishments with at least 10 employees, as well as those working in certain other sectors specified by the scheme. The coverage includes medical care, maternity benefits, disability benefits, and compensation for work-related injuries. The ESI Scheme is funded through contributions from both employers and employees, ensuring access to a range of services such as hospitalization, outpatient care, and rehabilitation. Additionally, the scheme provides financial support during periods of sickness or maternity leave, aiming to safeguard the well-being of workers and their families.

The Central Government Insurance Scheme in India encompasses several programs aimed at providing financial protection and support to different segments of society. Key components of the scheme include: The Central Government Insurance Scheme covers approximately 3 million individuals, including central government employees and retirees. This scheme provides them with comprehensive health insurance and financial protection, ensuring access to medical care, hospitalization, and other healthcare services.

1. Central Government Employees Insurance Scheme: This program provides health insurance and financial support to central government employees and their families. It covers medical expenses, including hospitalization, treatment, and other healthcare needs. The scheme is designed to offer comprehensive benefits, including cashless treatment at designated hospitals and reimbursement for out-of-pocket expenses.

2. Pradhan Mantri Jan Arogya Yojana (PMJAY): Under the Ayushman Bharat scheme, this program offers health insurance coverage of up to Rs. 5 lakh per family per year for secondary and tertiary care hospitalization. It targets low-income families and aims to improve access to quality healthcare services across the country.

3. Central Government Health Scheme (CGHS): This scheme provides medical care to central government employees, pensioners, and their dependents. It offers a range of services, including outpatient consultations, hospitalization, and medicines, through a network of hospitals and dispensaries.

4. Employees' State Insurance (ESI) Scheme: Although primarily a state-run program, it is also supported by the central government. It provides social security benefits, including medical care, maternity benefits, and compensation for work-related injuries, to employees in the organized sector.

ii) State government

Andhra Pradesh: This scheme covers families below the poverty line or with annual income below ₹75,000. It represents 70 million beneficiaries.

Tamil Nadu: This scheme finances families below the poverty line or with annual income below ₹72,000, which represents about 40 million beneficiaries.

Karnataka: this scheme covers members of rural cooperatives, more than 3 million people. The following table 1.1 Premium of health insurers and market price of health insurance in India

TABLE 1.1

PREMIUM OF HEALTH INSURERS AND MARKET PRICE OF HEALTH INSURANCE IN INDIA

S.No	YEAR	Premium (₹crore)	Premium Percentage (%)	Market Share (%)
1	2011-12	11777	22.27	12%
2	2012-13	13975	22.19	11%
3	2013-14	15663	22.18	12%
4	2014-15	2943	31.07	7.89%
5	2015-16	4153	41.12	4.31%
6	2016-17	5857.83	41.06	4.57%
7	2017-18	8,314.28	41.93	5.52%
8	2018-19	11,354.03	36.56	6.70%

9	2019-20	14,472.89	27.47	7.66%
10	2020-21	15,755.19	8.86	7.93%
Average		10426.522	CAGR = 99.96%	CAGR = 93.39%
S.D		4809.2382		
CV		46.12		

The tables above display data on health insurance premiums and market prices in India. Over the past decade, the average premium was 10,426.52, with a standard deviation of 4,809.23 and a covariance of 46.12. The compound annual growth rate (CAGR) of the premium is 99.96%, and the market share stands at 93.39%.

CONCLUSION

The health insurance market in India remains largely unsaturated, presenting numerous opportunities as highlighted by the data in the table above. The analysis indicates that a significant portion of the population remains uninsured. Despite this, the sector has experienced substantial growth in recent years. Several private health insurers, particularly those with international partnerships, have successfully increased their market share by capitalizing on this potential. Although the market share of domestic public sector insurers has diminished, their activity—measured by the number of policies and total premiums—has grown significantly. Innovation in health insurance products could be crucial for the sector's future growth and development in India.

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