

The Ballooning Effect Of The Indian Health Insurance Sector

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Abstract

Insurance plays a very important role in any growing economy. Health insurance in India by low infiltration and negative customer observations about utility, the industry is most likely a troublesome one. The other side however is that we have scarcely touched the most superficial layer of the opportunity which lies in front of us. In this paper the general perspective of the consumer is portrayed by their perceptions of the health insurance industry. The general problems existing in the industry have been stated and different innovative solutions have been suggested including mandatory insurance education as the key solution to all problems.

Keywords- *Health Insurance in India, low infiltration, opportunity, mandatory insurance education*

I. Introduction

Health is a basic human right. It should be necessarily made accessible and affordable to the common man including the poor sections of the society and not just the segment belonging to the Urban and Rural areas of the population. In straightforward terms, health protection can be characterized as an agreement where an individual or group purchases in advance health insurance by paying an expense called "premium". Health protection alludes to a wide assortment of approaches. These range from strategies that spread the expense of specialists and medical clinics to those that meet a specific need, for example, paying for long term care. If you are unable to work due to any illness or accident, it is considered under medical insurance, even though it is not specifically for medical expenses. Health insurance is very well established in many countries, however in India despite everything it remains an undiscovered market. Under 15% of India's 1.1 billion individuals are secured through health protection which in majority covers only government workers. The advent of the IT sector in India along with the introduction of better technology has raised the healthcare costs exponentially in the last few decades. Initially, medical insurance started only as a cover for individual citizens and their families. It offered reimbursement only for hospital treatment and levied sub-limits and caps on every individual product offered. The government and people have begun investigating different health financing alternatives to oversee issue emerging out of expanding cost of healthcare and changing epidemiological array of ailments. During the most recent 50 years, India has accomplished a great deal in the health insurance sector. Since Independence, there has been a surge in the primary healthcare provided and we gained extensive ground in improving the wellbeing status of the nation. Yet at the same time, India is far behind many advancing nations, for example, China, Vietnam and Sri Lanka in wellbeing ratings.

Health insurance was first introduced in 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. However, it was in 1986 when 'Mediclaim' was first launched by the Indian government that the first health insurance product was launched in the country. It started by offering health coverage ranging between INR 15,000 and INR 5 Lakhs. Slowly Medical insurance, which remains an underdeveloped sector in the economy, is emerging as a way of managing and financing medical needs. The liberalization process pursued by Government of India since 1991 started the privatization of health insurance sector in India. The Insurance Regulatory and Development Authority (IRDA) bill was the essential start of changes having noteworthy ramifications for the health segment in the economy. Today, there are 20 private sector insurance companies operating in India and the minimum sum covered is INR 1 Lakh for the private insurance companies while its INR 50,000 for public sector. Healthcare in India has undoubtedly been in a constant state of enormous transition expanded salary and health awareness among most of the classes, a more balanced pricing policy, reduction in bureaucracy and red tape-ism, and the advent of private healthcare financing drive the change.

However, India still has a long way to go in terms of realising the potential opportunity which has presented itself in the form of the Health Insurance Sector which will require careful and significant efforts to tap Indian health insurance market with proper understanding and training.

II. Review of Literature

1. Emerging Health Insurance in India – An overview

The author in her article expressed that few elements like rising pay levels and wellbeing awareness alongside medicinal services financing by private division has expanded the extent of 'Health Insurance'. She held the conclusion that the job of IRDA was extremely essential to guarantee that privatization of medical coverage ought not have unfavourable outcomes. She stressed on developing an administrative component.

(Anita , Emerging Health Insurance in India – An overview, 2008)

2. Tracing the evolution of the health insurance sector in India

As per a recent article by Aegon Life, health insurance companies have been making a loss in the proposed premium. However, there is a lot of optimism about the health insurance industry. The cost of healthcare in India has increased exponentially over the past decade and hence the reason for obtaining a health insurance has become more prominent. As per a report by Marsh India, people who had initially taken a cover of Rs One lakh are now willing to pay one lakh as premium for a coverage amount of 1 crore. Health Insurance entered the Indian market through mediclaim offered by Indian government for the government employees. Eventually even private companies started offering group health covers. The introduction of TPA (Third Party Administrator) in the year 2001, played a very important role in the faster process of health insurance claim and facility. (Team, 2018)

3. **The Problems with Health Insurance Sector in India –** The dimension of medicinal services spending in India presently is extensively higher and more than 75% of this spending incorporates private 'out-of-pocket expenses'. Regardless of such a high offer of consumption by people, the arrangement of social insurance, that is insufficient as far as quality and access, is ending up increasingly dangerous. This features the requirement for elective wellspring of financing social insurance cost that might be medical coverage. This is a standout amongst the most developing section of protection industry. Despite this there are a few bottlenecks conspicuous, for example, absence of item advancement, low mindfulness among individuals, high claim paid - out proportion of safety net providers, wastefulness of Third Party Administrator and so on. Some different difficulties relate to the interest conditions, rivalry in the part, conveyance and circulation frameworks and so forth. So present investigation is an exertion in the territory of medical coverage to discover its issues and a few arrangements also. (Devi & Nehra, 2015)

4. **In India, Health Insurance Doesn't Work in a Desirable or Sustainable Manner**

The protection controller just as insurance agencies appear to sidestep their commitments under the current directions with no repercussions. The article weights on estimating proficiency through the claims proportion, measuring quality through the grievances rate and litigation rate of India conversely with different nations, typology of issues including absence of administrative oversight, poor enforcement of existing directions and essential lacks in the structure of the insurance ombudsman. In the end the article discusses the system for change. (Malhotra, Patnaik, Roy, & Shah, 2018)

5. **The problems with health insurance**

This article mentions the different problems and solutions, existing in the health insurance industry of India. Starting with 'Third Party Administrators' (TPAs)- associated with them is the long turnaround time (TAT), hospitals charge higher tariffs for insured patients leading to a higher pay out for the insurance companies which, in turn, leads to higher premiums then other consumer and company problems. (Jawahar, 2010)

III. **Research Design**

- **Statement of Problem**

There is a lack of awareness among the consumers about health insurance. People are reluctant to invest into it as they don't have relevant information to make a conscious decision regarding the best suitable policy for them. There is a need to fill the gap in the anticipated growth and actual growth of health insurance sector in India.

- **Objective of Study:**

Objective1. To study the impact of maturity (Age) on rating the Indian Health Insurance

Companies,

Objective2. To understand if there was compulsory Insurance Education, will the individual own any Health Insurance Policy.

• Sources of Data:

Primary data collected by using a questionnaire to study the general perception the population by taking a sample of 250 respondents belonging to different age groups consisting of -Below 25, 25-45, 46-60 and Above 60 years old ages.

• Hypothesis:

1. H_0 – There is no significant impact of age on the rating of the Insurance Companies.

H_1 – There is a significant impact of age on the rating of the Insurance Companies.

2. H_0 – There is no impact of compulsory education of Health Insurance on the decision of buying a Health Policy.

H_1 - There is an impact of compulsory education of Health Insurance on the decision of buying a Health Policy.

• Data Analysis Tools:

Paired Sample T Test and Linear regression were mainly used to understand the significance of the relationships between the different variables as defined under the objectives of the paper.

• Limitations

- a) The research is limited to the private sector health insurance companies
- b) The research does not contain specific information regarding the insurance companies and policy selected by the respondents
- c) The survey conducted had a very limited scope and was targeted only to the general public without considering the perception of the industry experts

2) Further Scope of Study

The study had just taken the perception of Insurance consumers. There are two more angles that are yet to be considered for the study i.e.; Insurance companies operating in India and the IRDA. The conclusion of the project is that there is a need for mandatory insurance education in India. How this education process should be rolled out and how the syllabus should be designed is also a very integral part. At what level should this education be provided is also another question that needs to be analysed.

IV. Data Analysis and Interpretation

Table 1**ANOVA^a**

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	1.185	1	1.185	1.521	.219 ^b
	Residual	212.030	272	.780		
	Total	213.215	273			

a. Dependent Variable: Q1) Your Age

b. Predictors: (Constant), Q5) How would you rate Indian health Insurance Companies?

As shown in Table 1, the resultant P-Value is equal to 0.219 which is greater than benchmark p-value 0.05. Hence, we accept the (H_0) Null Hypothesis and reject the (H_1) Alternate Hypothesis.

Table 2**Paired Samples Test**

		df	Sig. (2-tailed)
Pair 1	Q3) Have you taken any Health insurance policy? - Q10) Do you think that compulsory insurance education during your high school/college years could have made this scenario/experience better for you.	272	.000

From the Paired Samples Test we can see that the resultant p-value 0.000 is less than the standard p-value 0.05. Therefore, we reject the (H_0) Null Hypothesis and accept the (H_1) Alternate Hypothesis.

v. Findings and Suggestions

Objective1. As can be seen in **Table 1**, the calculated p-value is greater than the standard p-value, therefore, we accept the (H_0) Null Hypothesis and consequently, reject the (H_1) Alternate Hypothesis which means that the maturity of the individual in terms of age has no role in deciding the ratings of the Indian Insurance companies.

Objective2. In **Table 2** the resultant p-value is less than the benchmark p-value, hence, we reject the (H_0) Null Hypothesis and accept the (H_1) Alternate Hypothesis.

This means that the action of taking a health insurance policy is directly related to people's perception on deciding if compulsory insurance education is helpful or not.

The problems and issues of the Indian health insurance sector:

Medical coverage is currently ascending as an instrument to oversee finance related requirements of individuals to look over their wellbeing administrations. Today, different medical coverage plans are accessible in the market and giving advantages from a person to a whole family. Be that as it may, all isn't well in this developing industry – this has raised worries of reasonable play and proficiency.

A large segment of the population in India does not have the willingness or 'trust' on the insurance companies. There are several reasons for it, there is low level of consumer awareness, they believe that health insurance is not a commendable investment and therefore, abstain from purchasing insurance products. Lack of efficiency in terms of claims paid out ratio.

Analysis of the claims ratio shows that the working of the Indian health insurance industry is neither alluring nor feasible. The private independent health insurers, seem, by all accounts, to be cheating its purchasers by overcharging. Between 2013 and 2016, the claims ratio of these insurers tumbled from 67% to 58%. Such low claims would have triggered mandatory refunds if these guarantors were operating in the US. Nonetheless, there are no regulations mandating minimum claims ratio in India. Another problem is related to 'Third Party Administrators' (TPA) and their long turnaround time (TAT). The TAT for the payment of an insured patient's treatment in a partnered hospital is 20 days for cashless treatment. Most TPAs neglect to fulfil the time constraint regardless of whether the insurance agency has made the instalment to them. This is because of the operation involved with taking care of various hospitals and cases. A few medical clinics end up disappointed with the deferral and don't offer cashless treatment offices.

Estimating nature of insurance product through the complaint rate is another measure. The study shows that the India has the highest complaints rate when compared with its counterpart in other countries: Canada, Australia, the UK and California. Even though India is a less litigious country than the other countries, where due to higher literacy, lower poverty and better law and order frameworks, it is much simpler to file complaints. Whereas Indian health insurance policy only covers for the hospitalization cost unlike policy of the other countries which covers for clinical visits, medication etc of their consumers.

Lastly the issue is with the inadequacies in the plan of the insurance ombudsman. Aside from the issue of autonomy (it is operated and run by the insurance industry), the insurance ombudsman likewise experiences poor capacity.

There are just 17 ombudsman workplaces for the whole nation. A portion of these workplaces had been empty for 2-3 years in 2018, bringing about a huge number of pending cases. For instance, the situation of the insurance ombudsman in Mumbai had been empty for a long time, since 2016. All grievances have to be written, no complaints by phone are allowed.

Medical insurance purchasers regularly grumble about the dismissal of genuine cases of claims by insurance agencies, absence of data about partnered clinics, utilization of technical terms by the sales person, and the contrast between the promoted product and the real product.

The solutions for the Indian health insurance sector:

The current scenario tells us that there is still unawareness and mistrust in Insurance companies that is hindering the growth of Indian economy. The standalone solution to most of the general problem for the Indian health insurance sector would be providing mandatory insurance education at plus two or graduation level. There will be a marked change in the current situation of Insurance Industry in India provided the Indian government acts upon it. This will eventually support the rapid growth of Indian Economy.

In India the claims ratio is too low, there are worries about buyer security. It shows that the safety net provider is charging excessively from the buyers. In such circumstances, controllers in different nations, like the US, can expect back up plans to restore some piece of the premium to the purchasers.

For the inefficiencies shown by the third-party administrators the insurance companies ought to decide on direct settlement of cases, wiping out TPAs. Likewise, TPA should work in amicability with all partners. They ought to entirely pursue all the rules and standards commanded by IRDA. They should concentrate on timely instalment of all cases due in the interest of insurance agency.

Prospective customers ought to request for more data. IRDA's mediation in making pamphlets and other special material progressively straightforward will help. The client should read the entire policy document before choosing a policy for themselves. Approach your salesperson for the 'policy wordings'. Don't make a bogus case (of claim) as you will be unable to make a certifiable second case around the same time if the limit has been exhausted. Likewise, the safety net provider may stack future premiums if there should arise an occurrence of a strange case.

Meanwhile, medical coverage brands should be proactive in spreading the correct learning about protection and help the basic masses comprehend the minor nuances of purchasing medical coverage. Helping the crowd translate troublesome clauses and the fine print is what would fill the gap in awareness. Uncomplicating insurance for the regular man is the need of great importance. Rather than focussing on deals, brands need to adjust an attitude of advancement and change that should be achieved by the pioneers in the industry. All things considered, medical coverage isn't simply one more item in the market. It's a guarantee of security against the medicinal costs of things to come.

VI. Conclusion

There is an evident need for mandatory insurance education in India right now. The study suggests that there is a huge potential benefit that this change will bring not only to the insurance industry, but to all the consumers in India as well. This will help in bringing more trust and reducing the malpractices related to insurance which ultimately will benefit the Indian economy. A stronger and bigger insurance sector will be a huge backbone to the developed India in the coming years.

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