



Role of health insurance sector in India

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Abstract

Health Insurance is a crucial instrument that provides everyone to financial security in times of need. Health insurance, which is popularly known as medical insurance is a type of insurance policy that offers comprehensive protection against expensive treatments so a person can get quality treatment whenever required. It protects policy holders from paying heavy medical bills when investors are injured or have fallen ill. When it comes to buying health insurance either for any individual or for family, one will come across many doubts; like how much insurance is sufficient? Where to buy? Whether one can afford it or not? Which one to buy? Which is the best health insurance company? All these issues are addressed in the paper.

Keywords: health insurance, IRDA, private sector

Introduction

Health Insurance is a crucial instrument that provides everyone to financial security in times of need. Health insurance, which is popularly known as medical insurance is a type of insurance policy that offers comprehensive protection against expensive treatments so a person can get quality treatment whenever required. It protects policy holders from paying heavy medical bills when investors are injured or have fallen ill. Just like other insurance policies, one should need to select a plan and agree to pay a definite amount as a premium. In return investor will get several benefits of owning a health policy. Thus, whether an emergency or a planned hospitalisation, a health insurance policy ensures umbrella coverage by helping people pay for the covered medical expenses in case of hospitalisation due to illness or injury.

One can avail tax benefits on the premiums paid towards health insurance under Section 80D of the Income Tax Act, subject to terms and conditions. This makes a health insurance plan a favourable tax-planning tool that adds a feather to the cap on one's investments.

The first health policies in India were Mediclaim Policies. In 2000 government of India liberalized insurance and allowed private players into the insurance sector. The advent of private insurers in India saw the introduction of many innovative products like family floater plans, top-up plans, critical illness plans, hospital cash and top up policies.

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Objectives of the study

- To evaluate the various dimensions of Health Insurance in India.
- To study the functions of private sector Health Insurance

Companies.

- To analyze Government initiatives with respect to Health Insurance Services to the Society.
- To understand various schemes, payment options, different health insurance companies and their plans.
- Precautionary measures while selecting health insurance.

Research Methodology

The Secondary data is collected for the study from various books, journals and websites.

Limitations of the study

The study is based on Secondary data. The paper study only Private sector Health Insurance Sector.

Insurance and Health insurance sector

The insurance industry of India consists of 57 insurance companies of which 24 are in life insurance business and 33 are non-life insurers. Among the life insurers, Life Insurance Corporation (LIC) is the sole public sector company. Apart from that, among the non-life insurers there are six public sector insurers. In addition to these, there is sole national re-insurer, namely, General Insurance Corporation of India (GIC Re). Other stakeholders in Indian Insurance market include agents (individual and corporate), brokers, surveyors and third party administrators servicing health insurance claims.

Out of 33 non-life insurance companies, five private sector insurers are registered to underwrite policies exclusively in health, personal accident and travel insurance segments. They are Star Health and Allied Insurance Company Ltd, Apollo Munich Health Insurance Company Ltd, Max Bupa Health Insurance Company Ltd, Religare Health Insurance Company Ltd and Cigna TTK Health Insurance Company Ltd. There are two more specialised insurers belonging to public sector, namely, Export Credit Guarantee Corporation of India for Credit Insurance and Agriculture Insurance Company Ltd for crop insurance.

The number of lives covered under Health Insurance policies during 2015-16 was 36 crore which is approximately 30 per cent of India's total population. The number has seen an increase every subsequent year as 28.80 crore people had the policy in the previous fiscal.

Government initiatives in health sector

The Central Government announced National Health Protection Scheme. Karnataka government has also decided to provide Universal Health Coverage (UHC) and bringing all government health schemes under one umbrella. Karnataka would be the first State to implement the scheme in the country. Under the UHC, entire population of the State (1.43 crore families) would be brought under the health scheme, irrespective of the income of the families. There would be no cap on the medical expenditure to be incurred by any patient in government hospitals at all levels — primary, secondary and tertiary care hospitalization. The estimated annual expenditure for implementation of the scheme would be ₹1,500 crore.

Minister for Health and Family Welfare K.R. Ramesh Kumar told that UHC cards would be issued to all families/individuals in government healthcare utilities. Separate cards would be issued to the people suffering from non-communicable diseases. Shortly launch the scheme and it would be implemented fully across the State. Other departments such as Rural Development and Panchayat Raj, urban local bodies, and the Bruhat Bengaluru Mahanagara Palike (BBMP) would be involved in the execution of the UHC. The government would reimburse the expenditure to private hospitals through the Suvarna Arogya Suraksha Trust (SAST).

Nowadays based on the recommendations of government hospital doctors, patients would be referred to private hospitals. Owing to lack of treatment facilities at the tertiary care level, patients are largely dependent on private healthcare utilities for surgeries. Initially Rs.2000 crores will be sanctioned. Gradually it may increase by phases wise. Central Government should not have any hidden agenda in this scheme specially coming parliamentary elections in India.

The health insurance sector covers around 10% in density calculations. One of the main reasons for the low penetration and coverage of health insurance is the lack of competition in the sector. The Insurance Regulatory Authority of India (IRDA) which is responsible for insurance policies in India can create health circles, similar to telecom circles to promote competition.

Health insurance plans in India today can be broadly classified into following categories:

Hospitalization

Hospitalization plans are indemnity plans that pay cost hospitalization and medical costs of the insured subject to the sum insured. The sum insured can be applied on a per member basis in case of individual health policies or on a floater basis in case of family floater policies. In case of floater policies the sum insured can be utilized by any of the members insured under the plan. These policies do not normally pay any cash benefit. In addition to hospitalization benefits, specific policies may offer a number of additional benefits like

maternity and newborn coverage, day care procedures for specific procedures, pre- and post-hospitalization care, domiciliary benefits where patients cannot be moved to a hospital, daily cash, and convalescence.

There is another type of hospitalization policy called a top-up policy. Top up policies have a high deductible typically set a level of existing cover. This policy is targeted at people who have some amount of insurance from their employer. If the employer provided cover is not enough people can supplement their cover with the top-up policy. However, this is subject to deduction on every claim reported for every member on the final amount payable.

Family floater health insurance

Family health insurance plan covers entire family in one health insurance plan. It works under assumption that not all member of a family will suffer from illness in one time. It covers hospital expense which can be pre and post. Most of health insurance companies in India offering family insurance have good network of hospitals to benefit the insurer in time of emergency.

Pre-existing disease cover plans

It offers covers against disease that policyholder had before buying health policy. Pre-Existing Disease Cover Plans offers cover against pre-existing disease e.g diabetes, kidney failure and many more. After Waiting period of 2 to 4 years it gives all covers to insurer.

Senior citizen health insurance

This is a kind of health insurance plans are for older people in the family. It covers and protection from health issues during old age. According to IRDA guideline, each insurer should provide cover up to age of 65 years.

Maternity health insurance

Maternity health insurance ensures coverage for maternity and other additional expenses. It takes care of both pre and postnatal care, baby delivery (either normal or caesarean). Like Other Insurance, The maternity insurance provider have wide range of network hospitals and takes care of ambulance expense.

Hospital daily cash benefit plans

Daily cash benefits is a defined benefit policy that pays a defined sum of money for every day of hospitalization. The payments for a defined number of days in the policy year and may be subject to a deductible of few days.

Critical illness plans

These are benefit based policies which pay a lumpsum (fixed) benefit amount on diagnosis of covered critical illness and medical procedures. These illness are generally specific and high severity and low frequency in nature that cost high when compared to day to day medical / treatment need. Eg. heart attack, cancer, stroke etc

Some insurers have come up with option of staggered payment of claims in combination to upfront lumpsum payment.

▪ **Pro active plans**

Cigna TTK offer Pro active living programs. These are designed keeping in mind the Indian market and provide assistance based on medical, behavioral and lifestyle factors associated with chronic conditions. These services aim to help customers understand and manage their health better.

▪ **Disease specific special plans**

Some companies offer specially designed disease specific plans like Dengue Care. These are designed keeping in mind the growing occurrence of viral diseases like Dengue in India which has become a cause of concern and thus provide assistance based on medical needs, behavioural and lifestyle factors associated with such conditions. These plans aim to help customers manage their unexpected health expenses better and at a very minimal cost.

Key payment options of health insurance

▪ **Direct payment or cashless facility**

Under this facility, the person does not need to pay the hospital as the insurer pays directly to the hospital. Under the cashless scheme, the policyholder and all those who are mentioned in the policy can undertake treatment from those hospitals approved by the insurer.

▪ **Reimbursement at the end of the hospital stay**

After staying for the duration of the treatment, the patient can take a reimbursement from the insurer for the treatment that is covered under the policy undertaken.

Cost and Duration of the policy

▪ **Policy price range**

Insurance companies offer health insurance from a sum insured of Rs. 5000/- for micro-insurance policies to a higher sum insured of Rs. 50 lacs and above. The common insurance policies for health insurance are usually available from Rs. 1 lac to Rs. 5 lacs.

▪ **Duration**

Health insurance policies offered by non-life insurance companies usually last for a period of one year. Life insurance companies offer policies for a period of several years.

Tax benefits

Under the Income Tax Act, under Section 80D, the insured person who takes out the policy can claim for tax deductions. Rs. 25,000 for self, spouse and dependent children and Rs. 30,000/- for parents.

There are many health insurance companies, it becomes quite difficult to choose the best out of them. Here, the investor should get guidance through the top 5 health insurance companies in India based on their past performances and claim settlement ratios. Most of the health insurance companies offer separate policies for individual, family, senior citizen, etc. When one select health insurance policy, investor must select the best health insurance company in India with favorable reviews. The policy should compulsorily cover hospitalization expenses, surgery fee, medicines cost, day care treatment, nursing allowance etc.

• **Apollo Munich Health Insurance**

Apollo Health Insurance Company provides much acclaimed health insurance policies and best cashless facility. On choosing the individual health insurance plan, the consumer will get benefits like restore benefits, no claim bonus and for family health insurance, there are family plans that cover the entire family under a single policy.

Other features include no additional loading at the time of renewal, 100% no claim bonus and great sum insured. For senior citizens, the company is providing insurance cover with features of lifelong cover for self and spouse, 5% discount for every claim free year, cashless coverage across network hospitals and no claim based loadings on renewals. The company is a JV between Apollo Hospitals Group and Munich Health, which is a leading organization when it comes to health insurance.

▪ **ICICI Lombard**

ICICI Lombard is basically a joint venture between ICICI Bank Limited and Fairfax Financial Holdings Limited. This organization was established in 2001 by Hargav Dasgupta. It is one of the largest general insurance companies in the private sector. The company products include policies such as ICICI Lombard Health Insurance, ICICI Lombard Overseas Student Medical Insurance, International Travel insurance, ICICI Lombard Home Insurance and ICICI Lombard Car Insurance.

ICICI Lombard provides a great range of healthcare products like ICICI Lombard Complete Health Insurance, Personal Protect and Health Care Plus. The company aims at providing maximum coverage through their health plans.

▪ **Max Bupa Health Insurance Company**

Max Bupa Health Insurance Company Ltd. (Max Bupa) is basically a joint venture between Max India Limited and the UK based healthcare services, Bupa. It is one of the fastest growing health insurance companies in India. It provides a wide array of health insurance policies, with maximum sum insured and budget deals. It has different types of health plans starting from the coverage of heart ailments to complete hospitalization cover. The plans of Max Bupa carry unique features and benefits that are hard to get in any other company. Apart from the basic cover, the company also provides coverage for maternity expenses, new born baby, vaccination expenses and much more. The best thing about this company is that they settle claims directly without any third party involvement. It also provides unique Health Relationship Program that is especially designed for its dedicated customers who renew their policy without any break.

▪ **Bajaj Allianz Health Insurance**

It is a joint venture between Bajaj Finserv Limited and Allianz SE. Both enjoy a status of expertise, stability and strength. This insurance company received the Insurance Regulatory and Development Authority (IRDA) certificate of Registration on 2nd May, 2001 to perform various business activities (including health insurance business) in India. The company has an authorized and paid up capital of Rs 110 crores. Bajaj Finserv Limited holds 74% and the remaining 26% is held by

Allianz SE. Health insurance policies offered by them include Health Guard (Mediclam), Silver Health (Senior Citizen) and Star Package (Family Floater). There are other policies also like Hospital Cash that gives a fixed sum on every day of hospitalization and Critical Illness that offers a lump sum in case the policyholder contracts one of the critical illnesses listed for e.g. cancer, during the policy period. Bajaj was the first company to come up with a confined TPA with ensuing efficiencies.

▪ **Religare Health Insurance**

Religare Health Insurance Company Limited is one of the leading providers of health insurance policies in India. The shareholders of this company comprise of three strong entities; Religare Enterprises Limited, a chief diversified financial services group based out of India, Union Bank of India & Corporation Bank. Religare was started by the founders of Fortis hospitals that manage 68 hospitals all over the India.

SRL Diagnostics, Asia's largest network of diagnostic labs with around 1100 collection centers and Religare Wellness, a countrywide chain of stores providing pharmacy and wellness products are also part of the company. This allows people an in-depth access to various healthcare services. Religare Health Insurance Company was started in the year 2012 and in a short span it has earned the trust of people by providing helpful policies with great features. It allows consumers to get quality treatment at more than 4000 hospitals in the country.

Precautions in selection of Best Health Insurance Company

When it comes to health insurance, there are few things that should keep in mind while selecting the insurance company. As the insurer is the only one who will pay for insurer's investment at the time of claims. Hence it becomes necessary to choose the right one out of all.

▪ **Price Tag**

Value to any life is not possible but when it is about selecting a health insurance company, it is necessary to do a bit of research and some number crunching. It will help in knowing exact price of the policy, its features, exclusions and disadvantages among others and allows to compare different health insurance policies by top insurers. One should ensure that the insurance company one can shortlist offers a pricing that is within the person's budget.

▪ **Details of Insurance Company**

An insurance company may attract investors with fancy publicity, but it is essential for investor to check company's history. The investor should track company's records as it plays a vital role in making an effective decision while buying appropriate health insurance. Collect information about the company's claim ratio from Insurance Regulatory and Development Authority (IRDA) and the ratings that are available on the websites of almost all companies. Collect past records, claim ratios, pending claims, complaints among other things that will directly help investors in choosing the right policy.

The Investor should check out some essential numbers that

include market share, total assets, growth ratio, and financial ability etc. while choosing the appropriate plan which can provide the desired results.

▪ **Service Quality**

This is another important factor while making investor's purchase decision. Check how the insurer treats their customers. Investor can take a call based on the type of service that the insurance companies have towards potential customers. Investigate attitudes and behaviour from authorities of Insurance Company pre investment and real claim situation.

▪ **Complaints and Reviews**

It is vital to look for the reviews by other people about the company and its products. Even though a few of it might be falls information, but most of the complaints and reviews should not be ignored. This will surely provide a fair idea about which company to believe and which should keep away. Selecting an insurance company is very important as it pay attention to many factors and need to do proper research before short listing any one company. If investors face difficulties in selection take the help of experts in this field that will help investor in making a purchase decision.

Conclusion

Health insurance in India typically pays for only inpatient hospitalization and for treatment at hospitals in India. Outpatient services were not payable under health policies in India. Just like financial planning is person-specific, so are individual insurance needs. Health insurance cover can be optimised considering the various factors and tailoring the policy according to individual's needs. Hospitals should not exploit the beneficiaries/investors from unnecessary charges/bills/diagnosis, and psychological tortures, etc. Policy makers should take a strong decision on even the poor rural people/common man can get best service with government free investment schemes on health insurance in reputed private sector hospitals.

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