



**PROSPECTS AND PITFALLS OF
HEALTH INSURANCE
IN INDIA**

Dr. Rati Chandra

Himalaya Publishing House

ISO 9001:2015 CERTIFIED

Prospects and Pitfalls of Health Insurance in India

Dr. Rati Chandra

MBE, Ph.D

Asst. Professor

Sri Balaji University Pune

Maharashtra



Himalaya Publishing House

ISO 9001:2015 CERTIFIED

© **Author**

No part of this publication may be reproduced, stored in a retrieval system, or transmitted in any form or by any means, electronic, mechanical, photocopying, recording and/or otherwise without the prior written permission of the author and the publisher.

First Edition : 2020

-
-
- Published by** : Mrs. Meena Pandey for **Himalaya Publishing House Pvt. Ltd.**,
"Ramdoot", Dr. Bhalariao Marg, Girgaon, Mumbai - 400 004.
Phone: 022-23860170, 23863863; **Fax:** 022-23877178
E-mail: himpub@bharatmail.co.in; **Website:** www.himpub.com
- Branch Offices** :
- New Delhi** : "Pooja Apartments", 4-B, Murari Lal Street, Ansari Road, Darya Ganj, New Delhi - 110 002. Phone: 011-23270392, 23278631; Fax: 011-23256286
- Nagpur** : Kundanlal Chandak Industrial Estate, Ghat Road, Nagpur - 440 018. Phone: 0712-2721215, 3296733; Telefax: 0712-2721216
- Bengaluru** : Plot No. 91-33, 2nd Main Road, Seshadripuram, Behind Nataraja Theatre, Bengaluru - 560 020. Phone: 080-41138821; Mobile: 09379847017, 09379847005
- Hyderabad** : No. 3-4-184, Lingampally, Besides Raghavendra Swamy Matham, Kachiguda, Hyderabad - 500 027. Phone: 040-27560041, 27550139
- Chennai** : New No. 48/2, Old No. 28/2, Ground Floor, Sarangapani Street, T. Nagar, Chennai - 600 017. Mobile: 09380460419
- Pune** : "Laksha" Apartment, First Floor, No. 527, Mehunpura, Shaniwarpeth (Near Prabhat Theatre), Pune - 411 030. Phone: 020-24496323, 24496333; Mobile: 09370579333
- Lucknow** : House No. 731, Shekhupura Colony, Near B.D. Convent School, Aliganj, Lucknow - 226 022. Phone: 0522-4012353; Mobile: 09307501549
- Ahmedabad** : 114, "SHAIL", 1st Floor, Opp. Madhu Sudan House, C.G. Road, Navrang Pura, Ahmedabad - 380 009. Phone: 079-26560126; Mobile: 09377088847
- Ernakulam** : 39/176 (New No. 60/251), 1st Floor, Karikkamuri Road, Ernakulam, Kochi - 682 011. Phone: 0484-2378012, 2378016; Mobile: 09387122121
- Cuttack** : New LIC Colony, Behind Kamala Mandap, Badambadi, Cuttack - 753 012, Odisha. Mobile.: 9338746007
- Kolkata** : 108/4, Beliaghata Main Road, Near ID Hospital, Opp. SBI Bank, Kolkata - 700 010. Phone: 033-32449649; Mobile: 07439040301
- DTP by** : Pravin/Nilima
- Printed at** : SAP Print Solutions Pvt. Ltd., Mumbai. On behalf of HPH.

PREFACE

Health is and always has been the most important element in every person's life. The growing realization of this fact is compelling all the stake holders of society to give a serious thought towards health insurance.

Health financing is a critical component of discussion and worry. Health insurance has an important role in this area. A serious and detailed discussion is needed to provide coverage against the cost of basic treatment in case of ill-health of each and every individual of society irrespective of his/her economic standing.

The Indian government today is bringing in exclusive opportunity to develop financial inclusion in India. In parallel, there is also a need to improve the health care system in India, especially in the rural part of the country.

The abundant availability and under utilization of health insurance products gave the author an opportunity to make an inquiry in this field. The results motivated her to write this book.

The aim of this book is to make everyone aware of the recent trends in the insurance market and to present the ideas which might be fruitful to the society.

To bring in health inclusion among the rural poor, a model is proposed in this book which would help the post office, postal banks, health insurance company and banks to work in coordination.

For suggestions, questions and comments the author can be contacted at ratichandra@gmail.com.

Author

ACKNOWLEDGEMENTS

I would like to express my sincere gratitude to *Dr. Suresh Dharane*, for the continuous support and motivation; *Dr. Sanjay Kaptan*, ex-HOD DCRC Pune University for his insightful comments; *Dr. Y. Mithare*, for teaching me research techniques.

I owe a deep sense of gratitude to *Mrs. Malini Bansal*, ex-Chief general manager IDBI who advised and encouraged me to take up academics.

It is my privilege to thank *Dr. (Col) A. Balasubramanian*, founder of Sri Balaji University, Pune, to provide me the platform of progress.

I acknowledge with special thanks, the kind patronage, inspiration and timely guidance of *Dr. Sudhir Chandra*.

Loving thanks to my family and friends for continuous support and encouragement.

Author



CONTENTS

Chapter No.	Title	Page No.
1	Introduction	1 - 3
2	History of Health Insurance	4 - 8
3	Evolution of Insurance in India	9 - 13
4	Health Insurance and its Dimensions	14 - 22
5	Need of Health Insurance in India	23 - 26
6	Availability and Status of Various Health Insurance Products Offered by Different Health Insurance Companies	27 - 62
7	Performance Evaluation of Health Insurance Business of Different Health Insurance Companies in India	63 - 73
8	The Pricing Structure of Various Health Insurance Products in the Relation to their Features and Benefits to the Customers	74 - 93
9	The Premises of Health Insurance in India Today	94 – 117
10	Rashtriya Swasthya Bima Yojna (RSBY)	118 – 121
11	New Horizon of Health Insurance	122 – 132
12	Ayushman Bharat Pradhan Mantri Jan Arogya Yojana, 2019	133 – 146
	Bibliography	147 – 152
	List of Abbreviations	153 – 154



Chapter 1

Introduction

Health insurance is a vast area of Insurance business which provides a wide range of covers to secure health related risk. Health insurance mainly covers two types of benefits. The first is reimbursement of medical expenses and the second is hospitalization. Around the world, health insurance is of two types - cashless and cash reimbursable.

This insurance, which protects the insured against the risk of health hazards, has changed the way medical care is dispensed globally. In India, its impact is felt by only few privileged ones. The introduction of the new famous cashless “Mediclaim” policy has made a huge difference to how hospitals bill the patient (with and without insurance).

Risk managers perceived insurance as an economic model for reducing but not eliminating the risk. This model brings together an adequate number of homogeneous groups so that the loss arising out of the risk becomes predictable. In practice, each member of the group contributes a small part of the certain cost, called premium to manage any uncertain financial loss that would exist during the contract of insurance.

Insurance is a promise of compensation for particular estimated future losses in lieu of a small contribution in regular intervals of time. Insurance gives protection and financial well-being to the Insured in case of unexpected or sudden loss. In India some Insurance policies are mandatory by the orders of law, while others can be opted by the choice. Insurance is a contract between the Insured and the Insurer. The Insurer is under obligation to pay the pre-decided sum of money upon the occurrence of a specific event of loss in exchange for a regular or single payment.

Key Definitions

- **Insurance:** Insurance is risk management majorly used to hedge (investment intended to offset future potential losses) against the risk of an expected but uncertain loss.
- **Insurer:** An Insurer is an Insurance carrier which is primarily an Insurance company.
- **Insured:** The Insured or the policyholder is the person or group like company or even a family buying the Insurance policy.
- **Policy:** Insurance can be explained as an economic institution that facilitates the reduction and transfer of financial and personal risk from an entity to a pooled group of risks through a contract called policy.

According to IRDA (Insurance Regulatory and Development Authority of India), “A collective pool is generated through premium paid by Insured to protect them from common risk. Premium is collected by Insurance companies which are also responsible to manage the collective pool of money collected, any loss to the Insured in case of occurrence of an uncertain event is paid out of this pool”. Insurance works on the basic principle of risk-sharing.

According to LIC (Life Insurance Corporation), “A basic function of Insurance is that it distributes the risk of a few people over a large group of people exposed to risk of similar type”.

What is Health Insurance?

Health Insurance is an insurance that give protection against health Risks. Health Insurance is the protection against the financial loss that may arise due to the high cost of medical care.

Mainly there are four types of health insurance that prevail across the world:

- (A) **Disability Income Insurance:** This covers the risk of loss of income due to disability due to ill health.
- (B) **Long Term Care:** Insurance covers the risk of living too long.
- (C) **Critical Care policy:** This covers the risk of serious illnesses that may be terminal in nature.

In India, health insurance prevails in its fourth form.

(D) Medical Expense Insurance: It covers mainly the cost of medical treatment that the Insured incurs in the hospital.

Health insurance in India was popularized as a brand “Mediclam” by four Government Insurance companies in 1986.

- National Insurance Company Limited.
- The New India Assurance Company Limited.
- The Oriental Insurance Company Limited.
- United India Insurance Company Limited

The health insurance business has three basic pillars. They are:

1. **Third Party Administrators (TPAs):** A TPA is not a party to the contract of Insurance. They serve as a bridge between the health care, Insurer and Insured. It is a one point of contact for policy holder or an easy access point to claim the benefits from Insurance company. The TPAs are required to maintain all the records pertaining to the individual and group covered by the medical Insurance. At times, they may also settle the claims.
2. **Preferred Provider Organisations (PPOs):** PPOs are the organisations that enter into the agreement with select healthcare Insurers to offer healthcare services to their clients. They provide at the rates that are lower than the prescribed rate in return for prompt and timely payments.
3. **Health Maintenance Organisations (HMOs):** A combination of TPAs and PPOs is HMO. It is an organization that provide comprehensive and wide range of health care services to the policy holder at a prescribed fee.

☒☒☒