Medical Insurance – Trends and Scope in District Yamunanagar

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Abstract

The preamble to the constitution of the World Health Organization (WHO) as adopted by International Health Conference, define health "as a state of complete physical, mental and social well being and not merely the absence of disease or infirmity." It is an acknowledged fact that the real wealth of a nation is its people. So, ensuring their health and well being become one of the primary duties of those governing the nation. Hospitals with adequate medical services including paramedics, ambulance services, etc. dissemination of information on various diseases, their causes and preventive measures, immunization initiatives, availability of medicines at a reasonable price, and an ongoing health education in general form part of a well –planned healthcare implementation.

Advancing quality healthcare to the one billion plus population in India is no doubt a formidable task what with the geographic, economic, and social diversity that are part and parcel of this century. Adding to the woes are poor infrastructure, declining quantum government spend and lack of awareness amongst the masses – to name few. However, seen from a more positive point of view, these very factors along with the opening up of the Medical Insurance sector to private participation may be seen as a terrific opportunity to improve the healthcare standard in India.

In this paper we discuss the current state of Medical Insurance in India, the impact of regulations on this sector, privatization of the industry and the concomitant opportunities and challenges, the issues facing the industry and suggestions for the future.

Key Words: Medical Insurance, Healthcare, LIC, IRDA, Policy Holder

Medical Insurance in India

Nationalization lent a structure to the insurance industry by bringing the various extant companies within the purview of the Life Insurance Corporation Act. 1956. Regulations before nationalization were pre-occupied with administrative and control measures (limits on sales and management expenses, monitoring investment, etc).

The period between the nationalization of Life Insurance industry in 1956 and the passage of the Insurance Regulatory and Development Authority Act, 1999 saw the healthcare system in India profiting due to availability of modern healthcare facilities and better medical personnel. However, the development of this sector during this period left a lot of room for improvement.

The Pre-Liberalization Era

During the 40 odd years since nationalization of life Insurance Industry the Government has played a major role in the management, administration and delivery of healthcare in India. A network of central and State Government-backed hospitals, primary health centers and specially medical services form the

backbone of healthcare delivery. The Central Government is in charge of planning and financing these facilities, whereas the state Government who own the delivery system take care of the operational costs. These facilities are to be available to all at little or no costs.

However these governments sponsored healthcare facilities suffer from a variety of ills, the main being dismal service, non availability of drugs and specialty service, interminable response times, etc. Not wanting to take a chance with anything to do with their health, many people take recourse to these facilities only as a last resort. The Central Government Health Scheme (CGHS), the Employee State Insurance Scheme. (ESIS) and Mediclaim policy of GIC are the major insurance schemes providing healthcare in India.

The CGH Scheme

Introduced in 1954, the CGHS strives to provide comprehensive Medical Insurance coverage to current and former government servants. The scheme offers separate dispensaries and clinics for the exclusive use of Central Government employees. In addition, a percentage of out of pocket expenses incurred by these employees is also reimbursed under this scheme. The scheme's coverage has considerably increased over the year, with the inclusion of new branches of medicine and also the opening of new dispensaries and clinics. The treatment under CGHS has often been criticized as being inaccessible and time consuming. Another persistent complaint has been that the facilities are not hygiene-conscious. Absence of trained staff, low utilization ratio, attitude of the staff, high out of pocket expanse component, etc. are some other drawbacks pointed out in this scheme.

The ESI Scheme

The ESIS is managed by the Employees State Insurance Corporation, a wholly government-owned organization. ESIS was set up 1948 and its coverage was extended in the late 1980s to include all factories "not using power" and having at least 20 employees on their rolls. As it was introduced as a compulsory social security benefit for workers in the formal sector, the number of people covered under this scheme is much higher than that under the CGHS. The eligibility to participate in this scheme is decided on the basis of basic salary of the employee. The scheme provides both cash and medical benefits. This being a contributory scheme, pay roll taxes are levied both on the employer and the employee towards premium payment. The scheme also funds expenses for specialty treatment necessitated due to lack of treatment facilities in hospital under the scheme. The facilities under this scheme, however, pale in comparison with those provided by private medical clinics. In addition to the usual complaints regarding poor service and indifferent attitude of the ESIS staff, there are also inherent operational and administrative issues in the scheme resulting in lack of awareness amongst employees of the benefits available to them. In many instances, the employers have also been found to be information-hoarders. All this has led to the scheme being rejected to a large extent by both the employees and the employers.

The Mediclaim Insurance Scheme

The Mediclaim Insurance Scheme was introduced by the General Insurance Corporation (GIC) of India in 1987 and is marketed by its four subsidiaries with no price, benefits or eligibility conditions differentiation. Enrollment trends indicate that Mediclaim enjoys more popularity than both the

schemes discussed above. Due to paucity of morbidity data or data regarding susceptibility of individuals towards particular diseases, GIC employed a simplified procedure for pricing its Mediclaim product. In 1996, however, a premium rate differentiation along age groups was introduced. The main drawback of this scheme is that it covers only hospitalization and domiciliary expenses. Thus, out patient care related expenses, which are more frequent in nature, are totally left out. Further, the eligibility conditions are many times embedded in so much of fine print that the policy holder realizes that he is ineligible for a particular coverage only at the time of claim. The scheme has also been criticized for being too costly, for the features it offers.

Other Available Schemes

Among the other Medical Insurance schemes available in the country, The work done by NGOs, like Self – Employed Women's Association(SEWA), Child in Need Institute(CINI), etc. need special mention. While their coverage may not be very vast, they are often the exclusive providers of health services for the population they serve. The NGOs view health care as being part of the whole social development schemes to be promoted and this holistic approach has been endorsed by the government also through separate allocations for the NGO sector under the five- year plans.

Large public and private enterprises-like the railways or defense or large private companies with a substantial employee base- also extend medical facilities for their employees through their own hospitals, dispensaries and clinics. Some other autonomous organizations and employers in the private sector allow reimbursements to their employees for out of pocket expenses, subject to certain limits.

The Life Insurance Corporation (LIC) of India also contributes its mite toward Medical Insurance with its products like "Asha Deep" and "Jeevan Asha". The products, replete with exclusion clauses, cover specific diseases and surgeries. Other than these products, LIC, has also introduced some health "riders"-benefits covering illnesses and surgery that can be added to the basic policy, thereby expanding its coverage. As such, the scope of these is very limited and hence, their contribution to the health care sector is also considered as vary modest.

OBJECTIVES OF THE STUDY

More specifically the research endeavor to seek answer to the following questions.

1. To know consumer awareness regarding medical insurance.
2. To know the relationship between income level and medical insurance.
3. To know the degree of competition among different insurance companies.
4. To know the seriousness of consumers towards their medical insurance policies.
5. To get the knowledge of need of medical insurance.
6. To know the satisfaction level of consumers.
7. To get the knowledge of dealing of insurance companies towards consumers.
8. To study the effectiveness of the privatization in the insurance sector.

To fulfill the above objectives, following hypothesis have been used and tested

Hypothesis – 1:

Consumers are not well aware of medical insurance.

Hypothesis – 2:

There is not any relationship between income level and medical insurance.

Hypothesis – 3:

Consumers are less serious towards their medical insurance policy.

Hypothesis – 4:

Privatization is not much effective in insurance sector.

ANALYSIS OF DATA

A sample of 80 (100%) respondent have been taken which is categorized into four parts i.e. Rural, Professionals, Serviceman, Businessmen. 25% of total sample belongs to Rural, 25% of total sample belongs to Professional, 25% of total sample belongs to Servicemen & 25% of total sample belongs to Businessmen.

1. Out of 80% (100%) respondents 5(6.25%) Professional are medically insured, 10(12.50%) of Servicemen & 5(6.25%) of Businessmen has taken medical insurance policy. As far as labour segment is concerned nobody has taken this policy.

2. There were 20 respondents from which 15(75%) users come in the category of Rs. 1,00,000 to 5,00,000 and 5(25%) users come in the category of above 5 Lac.

3. The table shows that above the age of 30 years take more insurance policy as compare to bellow 30 years.

4. Out of 20 (100%) respondent 15(75%) users got the information from agents and 5(25%) from friend out of 60(100%) non users 30(50%) got the information from the agent, 10(16.67%) from the friends & 20(33.33%) did not have such type of information.

5. Out of 20(100%) respondents, 15(75%) users got the policy from LIC & 5(25%) from HDFC.

6. Out of 20(100%) respondent 5(25%) users renewed their policy 2 times 10(50%) users renewed their policy 3 times & 5(25%) renewed their policy 5 times.

7. For 60% users the premium was very high and for 40% it was an average.

8. Consumers think that the medical policy is very beneficial for them.

FINDINGS

In a country with a population of more than one billion, if a vast majority is deprived of the basic standards of health, it calls for a close scrutiny of the state of affairs. Although there are hospitals provided by the Government situated even in the remotest corners of the country, how many people are really able to access these hospitals and what is the quality of the services rendered by them? One fears, the scenario is not really bright. Statistics reveal that just about 3% of the total population is cover under any sort of health provision scheme.

Compare the above scenario with the one existing in a developed country where one can just walk into a hospital to obtain treatment for any ailment, irrespective of the likely expenses. Obtaining treatment in the absence of a proper insurance scheme would be so expensive that people are automatically driven to buying a suitable health insurance policy. Can we afford to look forward to such a situation at least in the distant future? What is it that makes health insurance such a poor business proposition in India, when it is such a big success elsewhere? First and foremost, it is the approach

towards maintenance of health that is the biggest dampener. A certain amount of fatalistic approach cannot be totally ruled out, at least in certain section of the population.

A NEW CHALLENGES FOR HEALTH INSURANCE

The lesson for health insurance companies is that medical care is entering an era where large number of currently healthy people can be identified as being at risk for serious chronic conditions and encouraged to make appropriate life style changes or being prophylactic drug used to delay or avoid future problems. Consequently, medical insurance risk classification is becoming increasingly heterogeneous, which creates the potential to undermine this beneficial medical trend by causing there people concerns about the adverse consequences to their health insurance of their taking preventive measures. Resolving these issues is a serious challenges for medical insurers.

SUGGESTIONS FOR THE FUTURE

Health insurance is a complex subject and its management is even more so. Solutions to the ills that plague this sector can neither be simple nor foolproof. The following are some of the suggestions we think can help the sector in the long run.

- **Extensive Market Research And Introduction Of New Products:**

This would help in measuring the market potential, consumer needs, target market, products potential, pricingstrategy, etc.

Dissemination Of Knowledge:

The government should take a lead in this by being more proactive in spreading valuable information on the potential health impacts of substance abuse, various addictions, lack of exercise, etc. and the importance of a healthy lifestyle.

- **Focus On Preventive Healthcare:**

The country's per capita health expenditure is relatively high for a developing country like India. Part of this can be attributed to the increased proportion of expenditure for curative healthcare as opposed to "preventive" healthcare. The need for more spend on preventive healthcare measures is also borne out by the frequent outbreaks of epidemics like cholera, dengue fever, plague, etc. in different parts of the country.

- **Improved marketing of Medical Insurance products:**

This can be a program co-sponsored-by the government and the medical insurance providers. Detailed and relevant information about the products available in the health sector, a comparative analysis of these and a comparison of various risk management measures available (like avoidance, self insurance, transfer, etc.) should be freely available to the general public.

- **Distribution Issues:**

Currently, insurance agents form the major distribution channel for Medical Insurance products. Health insurance can also be purchased directly by the consumer. However, distribution of products to the far flung rural areas is still fraught with accessibility issues. We feel that giving a prominent role to the local governing bodies at the panchayat level would go a long way in making healthcare facilities accessible to people at the grassroots level.

- **Shift from predominantly indemnity-based products:**

India's Medical Insurance market is still dominated by pure indemnity insurance. One consequence of this is that in a reimbursement scheme, the patient is not unduly concerned about either the cost or the

quality of treatment received as he is assured of reimbursement within his limits. Secondly, the provider may also tend to administer more medical care than what is appropriate or necessary.

- **Coinsurance:**

As mentioned above, a pure reimbursement Medical Insurance program runs the risk of being over-utilized by the consumers with the aid of medical personnel. A way out of this situation would be to introduce coinsurance to make the consumer also responsible for bearing a portion of the claim amount by restricting to percentage of reimbursement made.

- **Promoting Coverage of the Unorganized Sector:**

Here again, the government should lead from the front. We can consider including mandatory provisions in the regulations to bring unorganized sector within the Medical Insurance net by stipulating that a certain percentage of the business originate from that sector. Penalties of non-compliance with these provisions should be so stringent that non-compliance (and consequent payment of the penalty) should not be seen as an alternative at all. On a positive note, introducing incentive scheme for providers who meet or exceed their target in this sector is one way of motivating the providers. The government can also take the help of NGOs, gram panchayats, cooperatives, etc. in the marketing and delivery of health schemes to the financially weaker and unorganized sections of the society.

There is very little doubt that Medical Insurance is going to develop even more in the current liberalized atmosphere. But, a completely unregulated or very less regulated Medical Insurance sector tends to concentrate its attention only on those who have the ability to pay for the insurance cover they receive. So, the challenge is in helping the benefits percolate to the economically weaker section of the population. The current practice of drawing the poverty line and treating those above and below it differently could also do with a re-look.

"Health coverage to all'' should be the motto of this sector. There should be easy access to healthcare facilities and cost control measures should be in place. Transparent and accountable government and non-government participation should be encouraged. Developing and marketing social Medical Insurance schemes through cooperatives and rural association would go a long way in benefiting the vast unorganized employment sector currently neglected under the existing scheme, Also, a thorough revamp of scheme like ESIS and Mediclaim is also necessary for them to be more purposeful and efficient.

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