Analyzing the Indian Healthcare Insurance Market

InfoSphere
A Centre for New Economics Studies Initiative

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The Universal Health coverage became the prominent discourse in the global health scenario. With it, there was a shift in the Indian context to analyze financial protection.

In this *InfoSphere* Issue, we analyze the healthcare insurance sector in India from a structural view point.

The Issue will feature the team’s analysis on:

1. The structure of healthcare insurance
2. Schemes on healthcare insurance
3. The analysis of healthcare insurance base on
   1. Age structure
   2. Gender and Group
   3. State-wise
4. Out-of-Pocket Expenditure – as a measure of exclusion
Structure of Health Insurance

Health is a subject under the concurrent list, so policies of both state and center are implemented.
Evolution of Health Insurance Sector

- **Employee State Insurance Scheme (ESIS)** - [1952]
- **Central Government Health Scheme (CGHS)** - [1954]
- **Mediclaim Voluntary health Insurance** - [1986]
- **Privatisation of Health Insurance** - [1999]
- **Rashtriya Swastha Bima Yojna (RSBY)** - [2008]
- **Health Insurance schemes by many states** - [2008-18]
- **Ayushman Bharat - PMJAY** - [2018]
EVOLUTION OF CENTRAL HEALTH INSURANCE SCHEMES

Employees State Insurance Scheme (1952)

Central Government Health Scheme (CGHS) (1954)

Universal Health Insurance Scheme (2003)

Rashtriya Swasthya Bima Yojana (2008)

Ayushman Bharat Scheme (2018)

Healthcare for people Below Poverty Line (BPL)

Healthcare Cost Coverage for low income households
Healthcare Financing Models

- Predominantly Tax Funded:
  Funds are raised through general or dedicated taxes and these funds are transferred to regional authorities who act as third-party payers by financing health service providers.

- Predominantly Social Insurance Based:
  Membership of Social Insurance Programs (often called Sickness Funds) is compulsory for all or most citizens. Sickness Funds reimburse health service providers via negotiated contracts.

- Predominantly Voluntary Insurance Based:
  Health Care Finance is Raised by competing Private Insurance Companies which then reimburse providers for services delivered to their members.
Penetration of Health Schemes in India

1. The nationally representative RSBY was one of the largest pro-poor GFHI in India, before the launch of PMJAY

2. around 41% of the targeted families, consisting of many states, could not be covered under the RSBY scheme within the stipulated time period. (by March 2016)

3. found to be operational only in 99 districts in the first year of its launch in 2009–10

See more: https://cegh.net/article/S2213-3984(20)30081-6/fulltext#secsectitle0090
### Average Claim Paid by Age

<table>
<thead>
<tr>
<th>Age Band</th>
<th>Proportion of total average claim</th>
</tr>
</thead>
<tbody>
<tr>
<td>&lt;1</td>
<td>~1.60</td>
</tr>
<tr>
<td>1 - 5</td>
<td>~1.50</td>
</tr>
<tr>
<td>6 - 15</td>
<td>~1.40</td>
</tr>
<tr>
<td>16 - 25</td>
<td>~1.30</td>
</tr>
<tr>
<td>26 - 40</td>
<td>~1.20</td>
</tr>
<tr>
<td>41 - 60</td>
<td>~1.10</td>
</tr>
<tr>
<td>61 - 65</td>
<td>~1.00</td>
</tr>
<tr>
<td>66 - 70</td>
<td>~0.90</td>
</tr>
<tr>
<td>Above 70</td>
<td>~0.80</td>
</tr>
<tr>
<td>Age not specified</td>
<td>~0.70</td>
</tr>
</tbody>
</table>

**Change in Premium Structure according to Age**

Age is one of the prime elements in health insurance premium calculation.

Generally, as Age increases the risk premium will also increase. This is mostly indicative of the increasing trend of claims paid.

**Source:** Insurance Information Bureau
Age Structure to Insurance

Not enough young lives

Percentage (%)

Age Band

73%

Age distribution of Population

47%

Age distribution of Retail Health Insurance

24%

Skew of older lives. As portfolios’ age, premiums will rise unsustainably

Source: Insurance Information Bureau
Average Gross Premium and Variation for State and UT (FY2017-18)

Source: Report - State-wise_Health_Insurance_Business1718
Insurance Claims by Group and Gender

Source: Insurance Information Bureau
1. Indians are the 6th biggest out-of-pocket health spenders in the low-middle income group of 50 nations.

2. These expenditures cover doctor’s fees, medicines, bed charges, etc.

For more: https://www.mospi.gov.in/sites/default/files/NSS75250H/KI_Health_75th_Final.pdf
1. Inadequate medical coverage by the government leads to increased OOP health care expenditures by the poor on medicines.

2. More than 80% of the population pays out of their own pockets in India.

| Income/ Consumption on OOP expenditures |

For more:
https://www.mospi.gov.in/sites/default/files/NSS75250H/KI_Health_75th_Fin al.pdf

### Out-of-pocket expenditures (in INR#) for healthcare payments and catastrophic health expenditures by insurance status and by type of health insurance scheme for illness in last 15 days and hospitalization in last 1 year.

<table>
<thead>
<tr>
<th>Insurance Status</th>
<th>Out-of-pocket expenditures</th>
<th>Catastrophic Health Expenditure</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Mean (INR#)</td>
<td>SE*</td>
</tr>
<tr>
<td><strong>Illness last 15 days</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Insured</td>
<td>961</td>
<td>88</td>
</tr>
<tr>
<td>Non-Insured</td>
<td>840</td>
<td>39</td>
</tr>
<tr>
<td>Total</td>
<td>858</td>
<td>36</td>
</tr>
<tr>
<td><strong>Insurance Scheme</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>RSBY</td>
<td>1035</td>
<td>92</td>
</tr>
<tr>
<td>Social Health Insurance</td>
<td>1027</td>
<td>355</td>
</tr>
<tr>
<td>State Govt. Schemes</td>
<td>405</td>
<td>71</td>
</tr>
<tr>
<td>Private Insurance</td>
<td>717</td>
<td>112</td>
</tr>
<tr>
<td>Total</td>
<td>968</td>
<td>89</td>
</tr>
<tr>
<td><strong>Hospitalizations last 1 year</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Insured</td>
<td>32573</td>
<td>5516</td>
</tr>
<tr>
<td>Not Insured</td>
<td>24788</td>
<td>1325</td>
</tr>
<tr>
<td>Total</td>
<td>26417</td>
<td>1560</td>
</tr>
<tr>
<td><strong>Insurance Scheme</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>RSBY</td>
<td>15687</td>
<td>1345</td>
</tr>
<tr>
<td>Social Health Insurance</td>
<td>30272</td>
<td>6144</td>
</tr>
<tr>
<td>State Govt. Schemes</td>
<td>47150</td>
<td>15829</td>
</tr>
<tr>
<td>Private Insurance</td>
<td>73508</td>
<td>31484</td>
</tr>
<tr>
<td>Total</td>
<td>32697</td>
<td>5640</td>
</tr>
</tbody>
</table>

*SE = Standard error
# = Indian National Rupee

Source: https://doi.org/10.1371/journal.pone.0211793
Proportion of population spending more than 10% of household consumption or income on out-of-pocket health care expenditure (%)
1. Every year, around 3.2 – 6.5% of the population is pushed into poverty due to OOP expenditures.

2. In line with the previous out-of-pocket expenditure analysis, as OOP declines the rise in poverty gap is also declining.

For more: Yadavar, S., (2018) Rs 3: Amount India Spends Every Day On Each Indian’s Health. IndiaSpend

Source: World Bank
Incidence of catastrophic health expenditure among insured patients in SEWA, India (2003–2004)

Source: https://www.ncbi.nlm.nih.gov/pmc/articles/PMC1852553/
1. The structure of the healthcare insurance has been evolving, the most crucial stage was its privatization.

2. Still the predominant discourse is around tax funded healthcare insurance. There is very little shift towards voluntary insurance.

3. The shift can be seen in the central policy regarding healthcare insurance schemes but not in state level policies.

4. The central policy has these inferences –
   1. low-income people can make small periodic contributions
   2. health insurance can be used to promote certain desirable behaviour like- reduced dependency on public welfare systems.

5. But the existing mismatch is one of the causes of dependency on tax-funded insurance which comes with problems of exclusion. This exclusion is especially scene in the low income (GSDP) states.

6. The requirement of out-of-pocket expenditure and catastrophic health expenditure is corelated to poverty levels as expenditure on health is a huge percentage spending for a low income households.
For any inputs, comments or clarifications please contact The Centre for New Economics Studies at cnes@jgu.edu.in.

Thank you!