Health Insurance

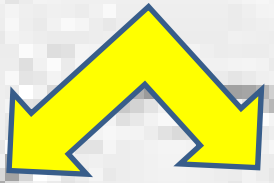
State Institute of Health and Family Welfare, Jaipur

Principles of Health Care Financing

- **Equity**-distribution of the sources of finances and delivery of services
- **Efficiency**-performance of the system
- **Accessibility**- availability of services
- **Affordability**-capacity to pay
- **Fair financing** - Who defines health expenditure as "catastrophic" whenever it is greater than or equal to 40% of the capacity to pay (total household non-subsistence effective income)

Equity

Notion of fairness/social justice



Horizontal

- Equal expenditure For equal needs
- Equal utilization For equal need
- Equal access for Equal need
- Equal health outcomes

Vertical

- Unequal treatment for unequal need
- Unequal payments from those with unequal incomes

Efficiency

- Maximizing well-being at least cost to the society.
- There are two notions of efficiency namely productive/technical and allocative
- Productive efficiency is achieved when a given level of output of a good or service is provided at minimum cost
- Allocative efficiency encompasses the productive efficiency but also measures the extent to which the overall mix of goods and services produced is consistent with consumers preferences(need?)

Accessibility

- **Universal** – health care available any time any where to all the population
- **Partial** – selected facilities available at specific locations
- **Conditional** - facilities and care open to only selected segments of the population (army hospitals & beneficiaries)
- **Optional**- element of choice available in selecting the facility and type of care (alternative system of medicine)

Affordability

- **Free care** – no charges everyone can afford (immunization and primary care)
- **Complete compensation-** the cost of care totally recovered or paid by a third party
- **Partial compensation** - part of the cost incurred is recovered (insurance and schemes like jsy and provision of art)
- **No compensation** - all payments to made by the individual (out –of –pocket payments)

Health Care Financing – Mechanisms

- **Taxation**
  - General taxes
  - Dedicated tax
- **Social health insurance**
  - Employer provided (CGHS)
  - Non –employer provided (RSBY)
- **Private health insurance**
  - Individual (Mediclaim,)
  - Community – profit (Microinsurance) and not for profit (Sewa, Yeshasvini)
- **Out of pocket payments (user charges)**
- **Development assistance (donor aid)**

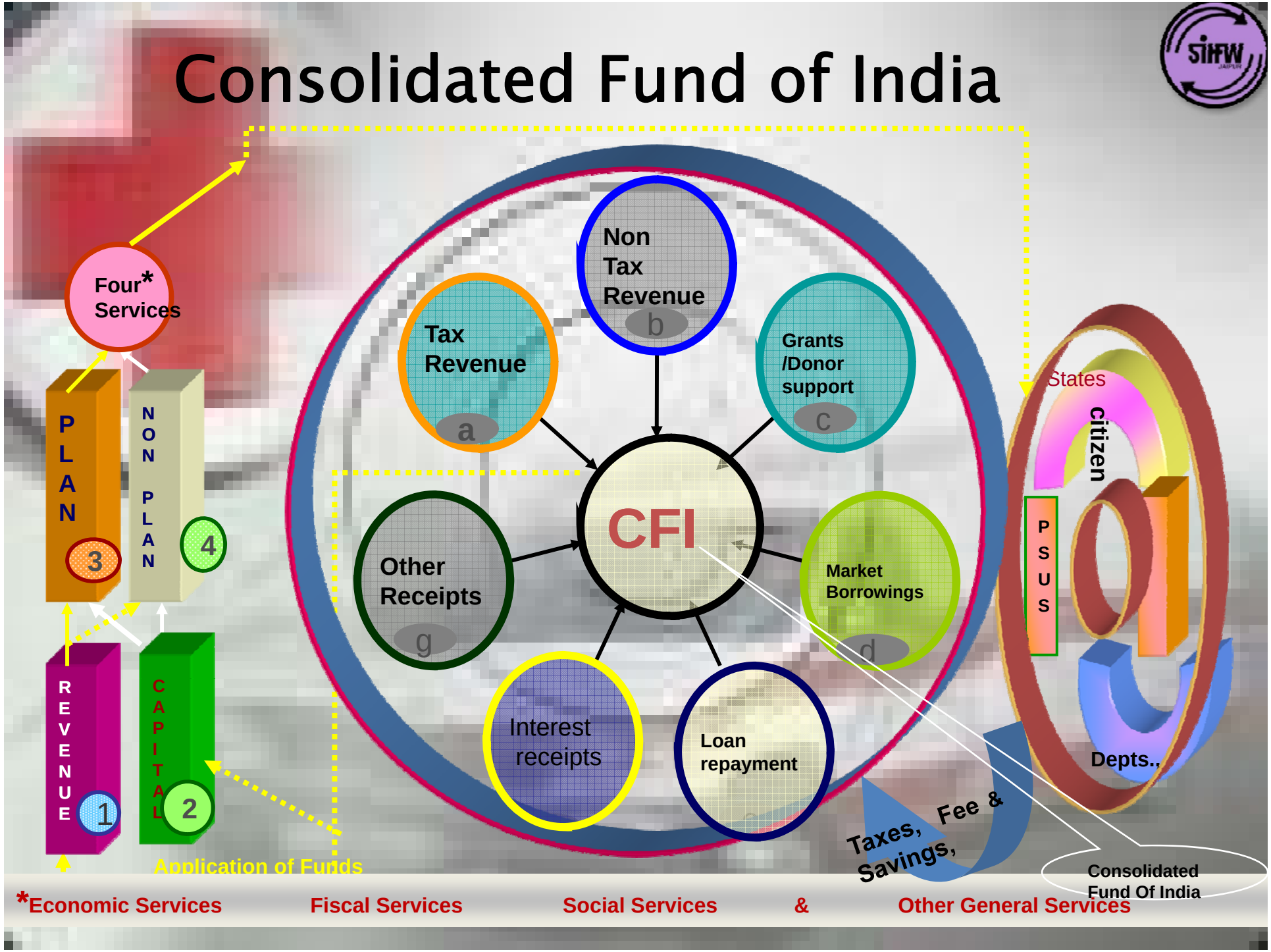
Sources of Health Financing

- Taxation
  - Primary source in UK
  - Secondary source in India
- **Health insurance,**
  - **Social**
  - **Community based**
  - **Private Health Insurance**
- Out of Pocket expenditure (OoPE)
- External support(Donor agencies-Grants/ Loans)

Which Source: Choice Depends on–

- People's capacity to pay,
- Administrative capacities to collect,
- The Nature and quality of services

Consolidated Fund of India



*Economic Services Fiscal Services Social Services & Other General Services

How Can Tax be Used to Finance Health Care?

- Primary source of funding healthcare- UK
- Secondary source of funding healthcare - India
- Tax expenditure subsidies –tax reliefs and exemptions

What is Insurance?

- Protection scheme
- Process of reimbursing or protecting a person from contingent risk of losses through financial means, in return for relatively small, regular payments to insurance company.
- A hedging instrument against future contingent losses.
- Instrument for managing the possible future risks.
- Guarantees payments to a person in the event of sickness or injury.

Health Insurance ?

- Uncertainty pertaining to illness and the cost of treatment
- High out of pocket payments (oops) to be converted into prepayments (element of social security) oops to be kept at 15%
- Issues with insurance – supply side and demand side
  - Demand side – moral hazard , adverse selection
  - Supply side – supplier induced demand , cream skimming, underwriting , exclusions
- Govt. intervention in health insurance market
  - by directly providing subsidizing insurance or
  - by regulation.

Why Health Insurance?

- Increasing Life expectancy:

  India: 62.6 (M); 64.2 (F)

  Rajasthan: 61.5 (M); 62.3 (F) Source: NRHM State Wise Progress (Dec 2011)
- Rising medical costs
- Public sector alone can not cope up with cost
- Sharing of health related risk
- Uncertain hospital bills
- Family health insurance
- Tax benefit
- Removes some of the burden from the state

Why Health Insurance?

Has the potential:

- To increase access
- To provide financial protection
- To improve quality of care
- To control costs
- To regulate the private sector

Downside

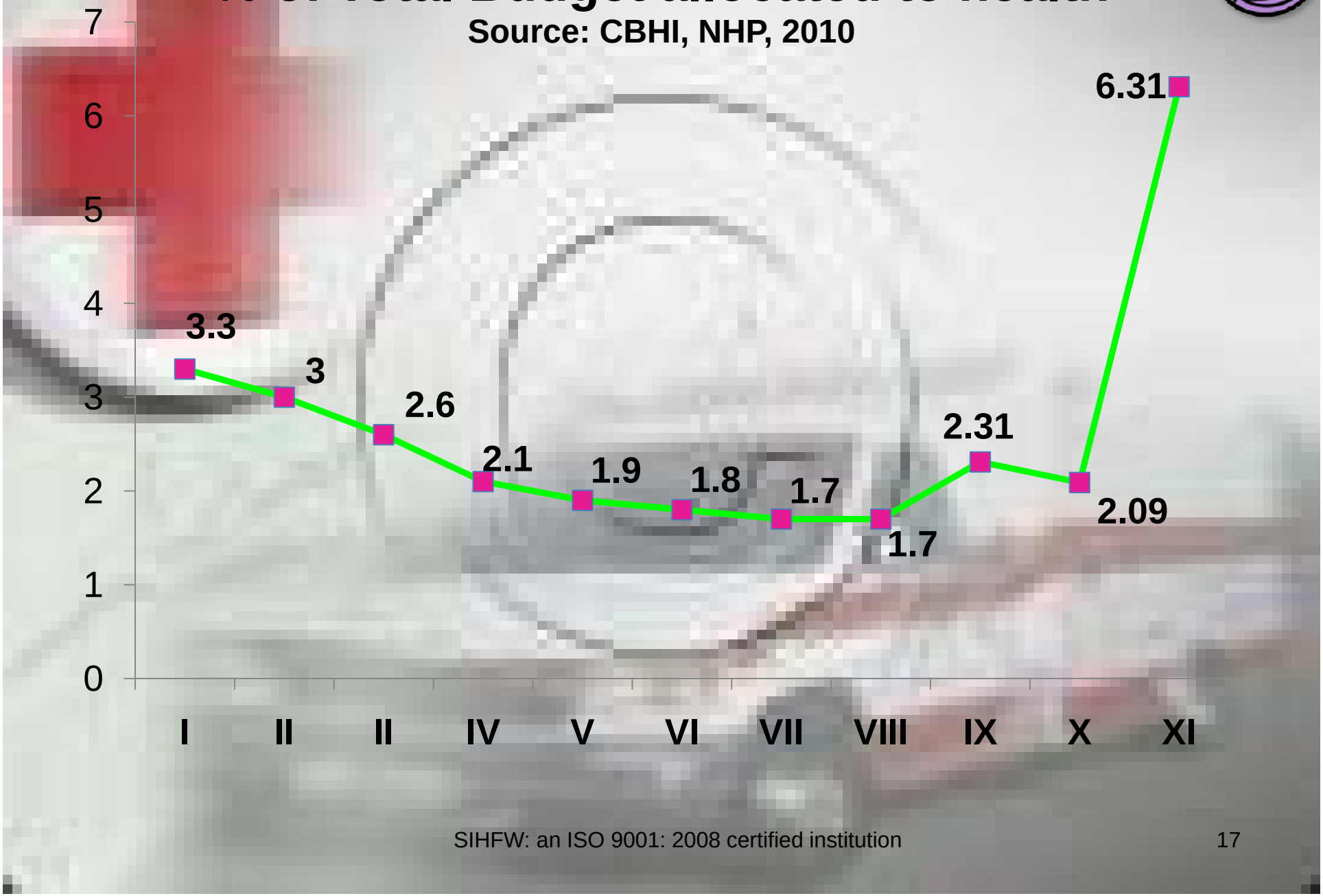
- Has been introduced for wrong reasons
- Is conceptually difficult to explain
- Is administratively more complex
- Needs extra resources

Continued….

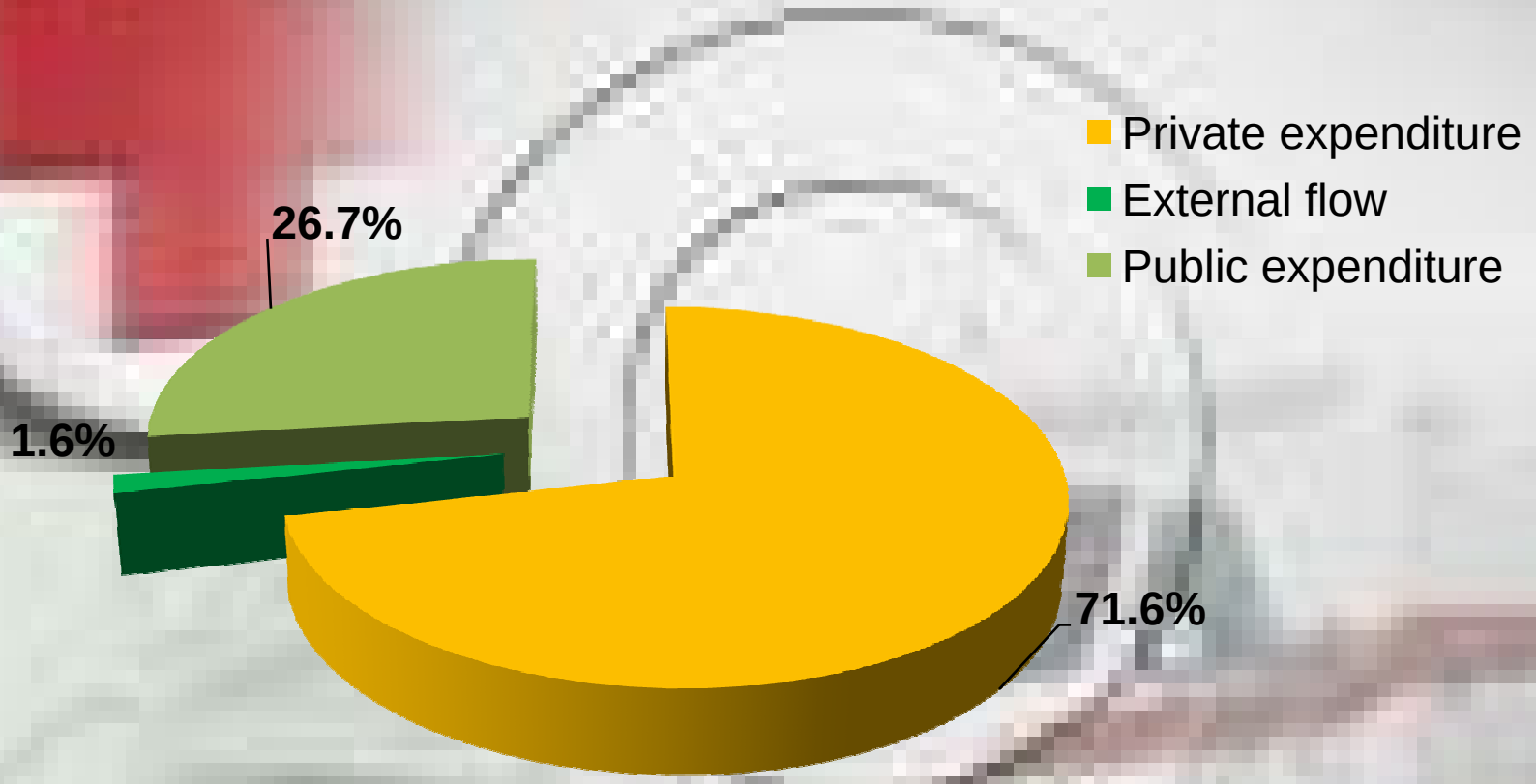
- Proportion of Total Health Exp.: Govt-20%
- Private health exp.:
  - 80% : of total health cost
  - 97% : OOP
- One hospitalization: 60% of annual income
- Outpatient care accounts for 61 per cent of private healthcare spending
- People spending a lot even while accessing services from public providers
- Private Healthcare spending is around 80% of total Health Expenditure

% of Total Budget allocated to health

Source: CBHI, NHP, 2010



Share in health care spending

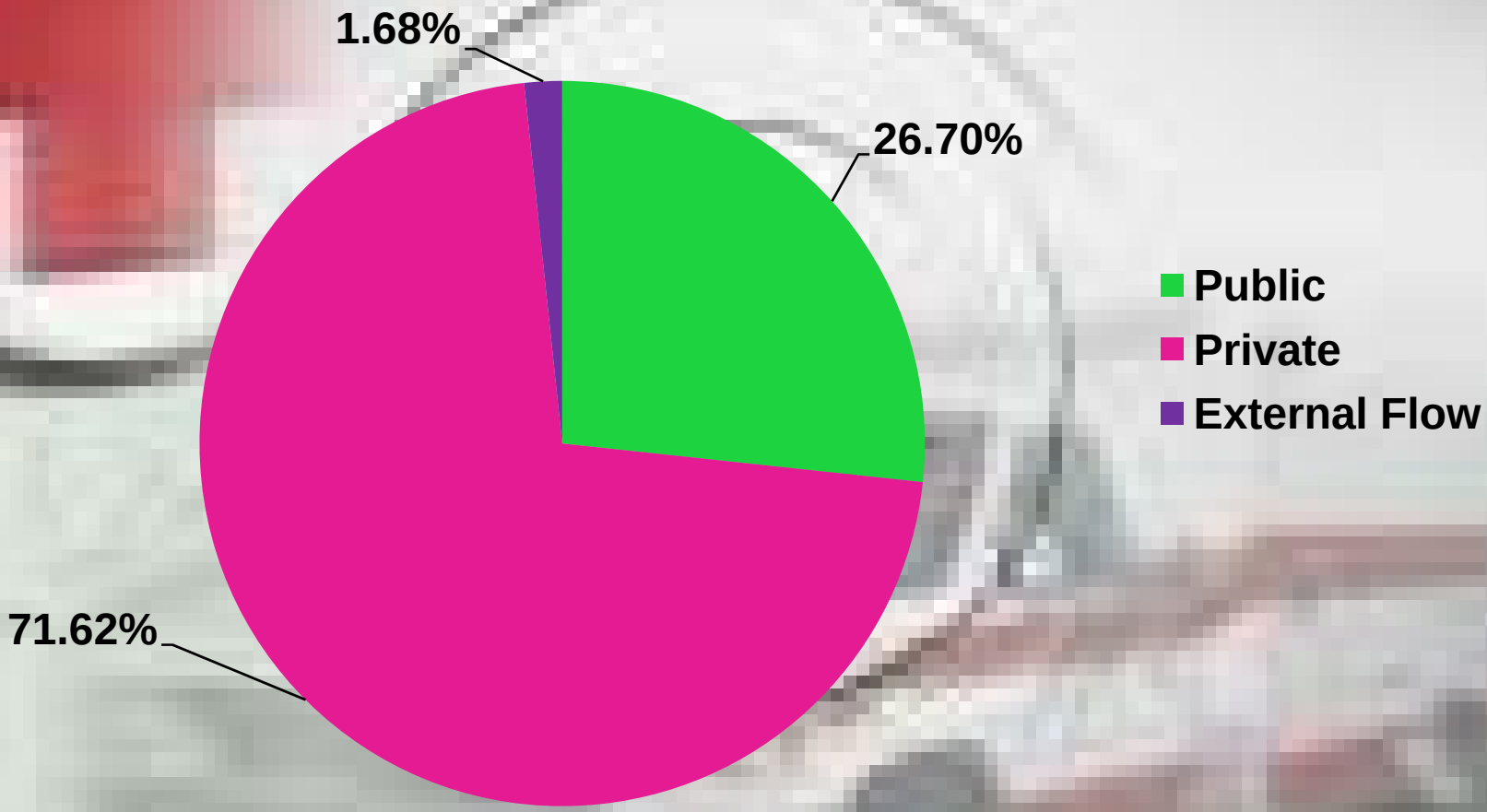


Source: NHP 2010

Health Expenditure in India

2008-09

Source : CBHI NHP,2010

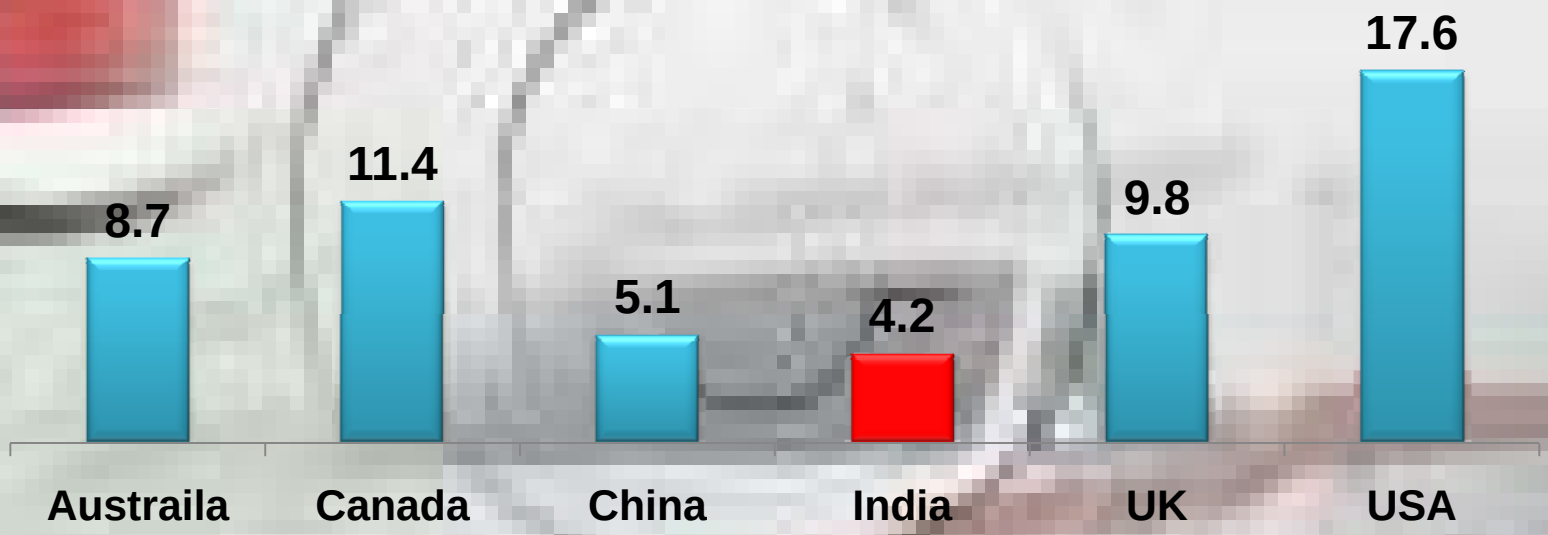


Health Expenditure-India

Health Expenditure-India	2008-09	2009-10	2010-11
Govt. expenditure on Health and family welfare(Rs crore)	17661	21680	25154
Govt. expenditure on Health and family welfare as % of GDP	.32	.35	.36
Govt. expenditure on Health and family welfare as % of Total Exp. From Union Budget	2.0	2.1	2.3

Health Expenditure Pattern

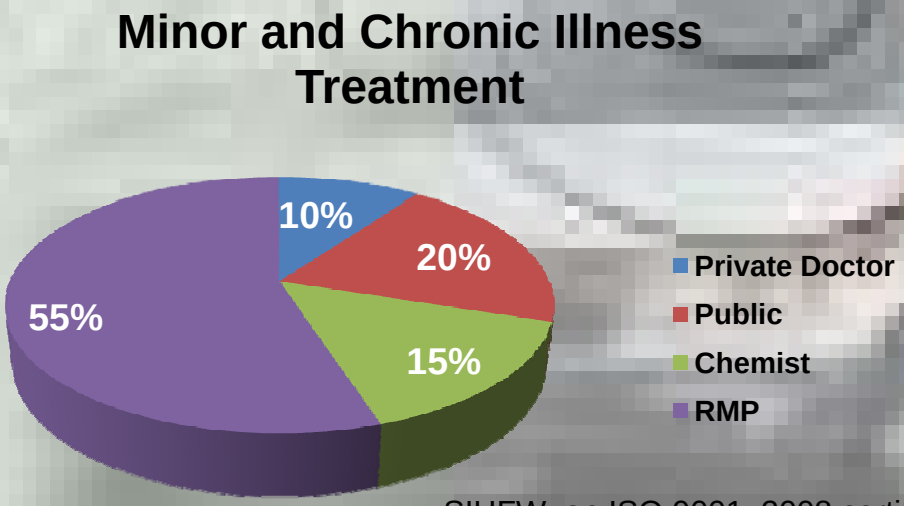
Total expenditure on Health as % of GDP-2010



Source : WHO ,World Health Statistics-2012

How Much People are Spending?

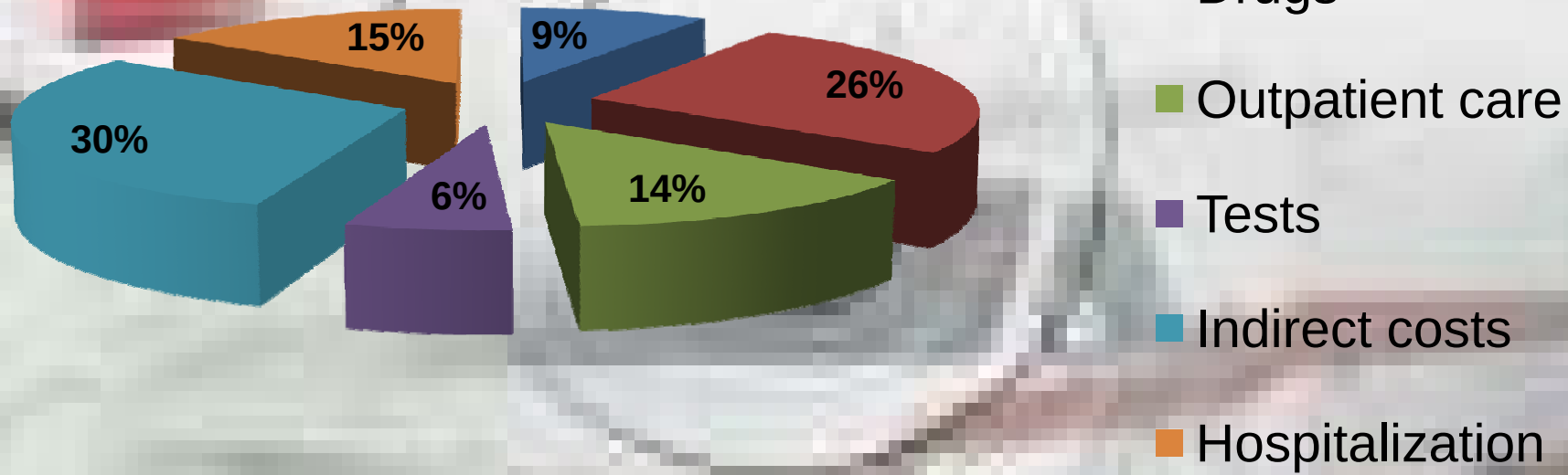
- Hospitalized:14% of Households spend 14.6% of yearly income
- Non-hospitalized:96.3% of HH spend 8% of annual income
- On an average, for hospitalization in Public sector, 91% HH spend 3200-3800/-(9% spend 3700-7408 in Private)
- Rs. 972/- per HH/Yr. are spent on drugs



- Every year 3% of population goes below poverty line because of health expenditures

Distribution of Actual Medical Costs

Source: ECCP HH survey, India 2005



History of Health Insurance

- Proposed in 1694 by Hugh the Elder Chamberlen.
- 1912: First insurance act in india.
- 1938: Current version of the Insurance Act
- 1972: Insurance industry nationalized
    - 107 private insurance companies came under GIC
- Mediclaim introduced in Nov. 1986 by GIC
- 1999: IRDA ; Private and foreign entrepreneurs allowed .

- In India, while 4.2% of GDP spent on health, the government contributes only 50 (PPP int.$) Per capita total Exp. on Health.(Source : WHO, World Health Statistics -2012)
- 30 % of the government health budget is used by the richest quintile while poorest quintile gets only 10 % [peters et al 2002]

What does Health Insurance Cover?

- Cost of
  - Doctor
  - Surgery and other interventions
  - Hospitalization
  - Laboratory & Imaging
  - Pharmacy costs





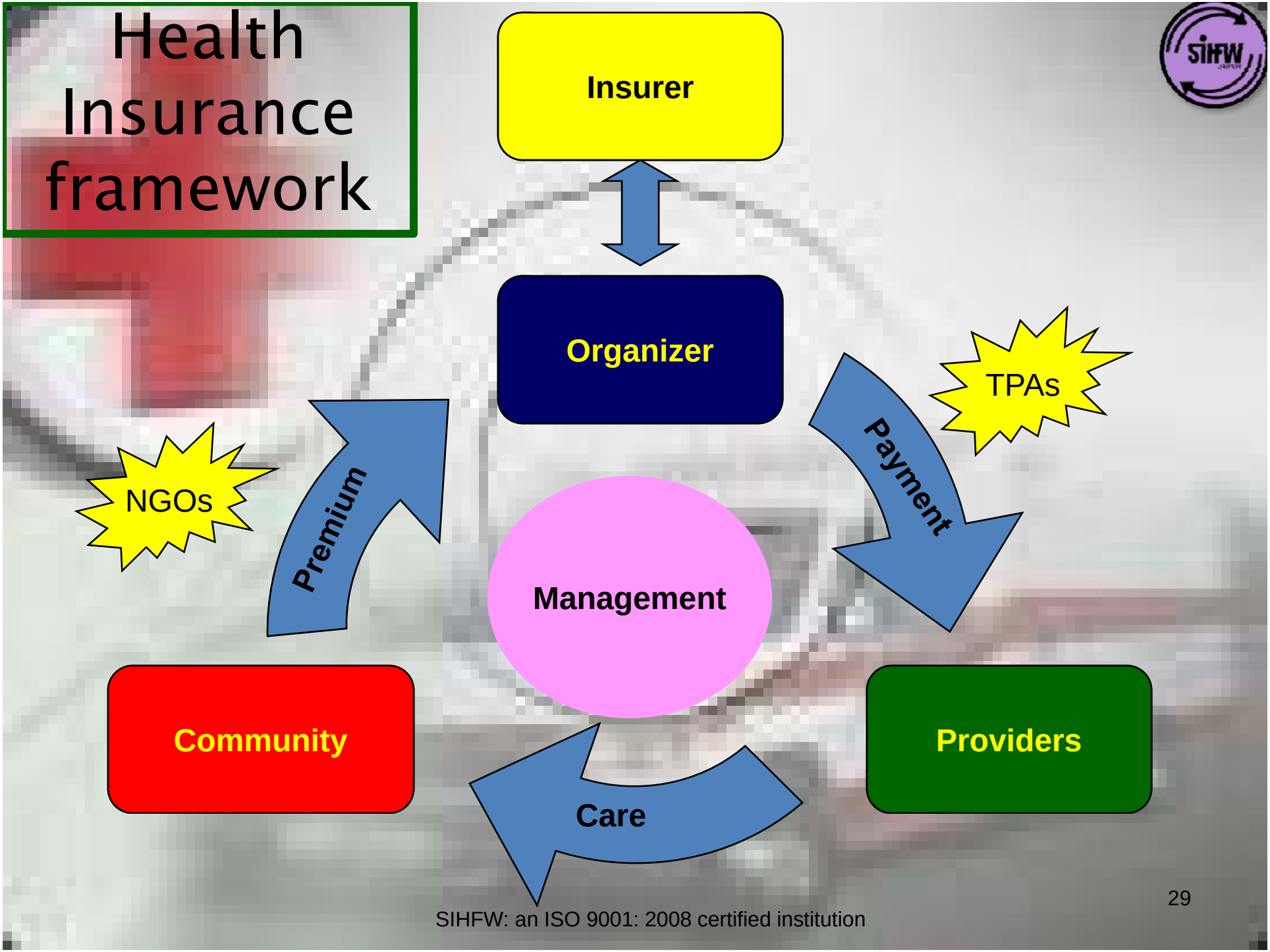

Basic Concepts in Health Insurance

- Risk ?
- Risk pooling: law of large numbers, low & high, rich & poor, young & old
- Risk avoidance: LPG go down
- Risk mitigation: preventive
- Adverse selection vs risk selection
- Moral hazard Vs induced demand (deductible & co-payment)

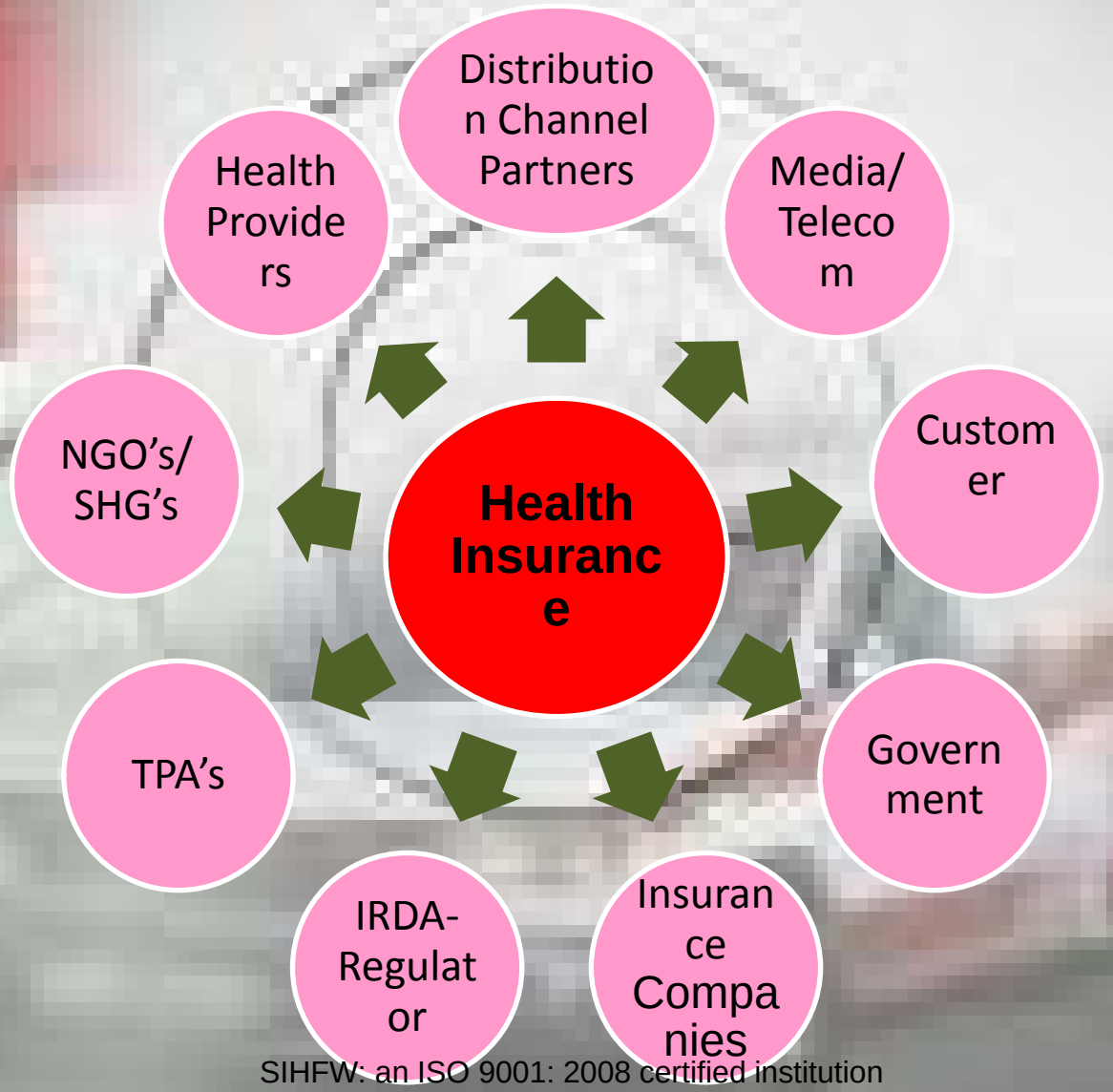
- Studies have shown that more than 40% of hospitalization patients borrow money or sell assets to meet medical costs.

- In the process, an average of 24 % of hospitalized patients become impoverished [Peters et al 2002].

Health Insurance framework



Health Insurance: Key Stakeholders



Health Insurance Coverage

- Major Types of Health Care Coverage
  - Basic health insurance
    - Hospital insurance
    - Surgical insurance
    - Medical expense insurance
  - Major medical insurance

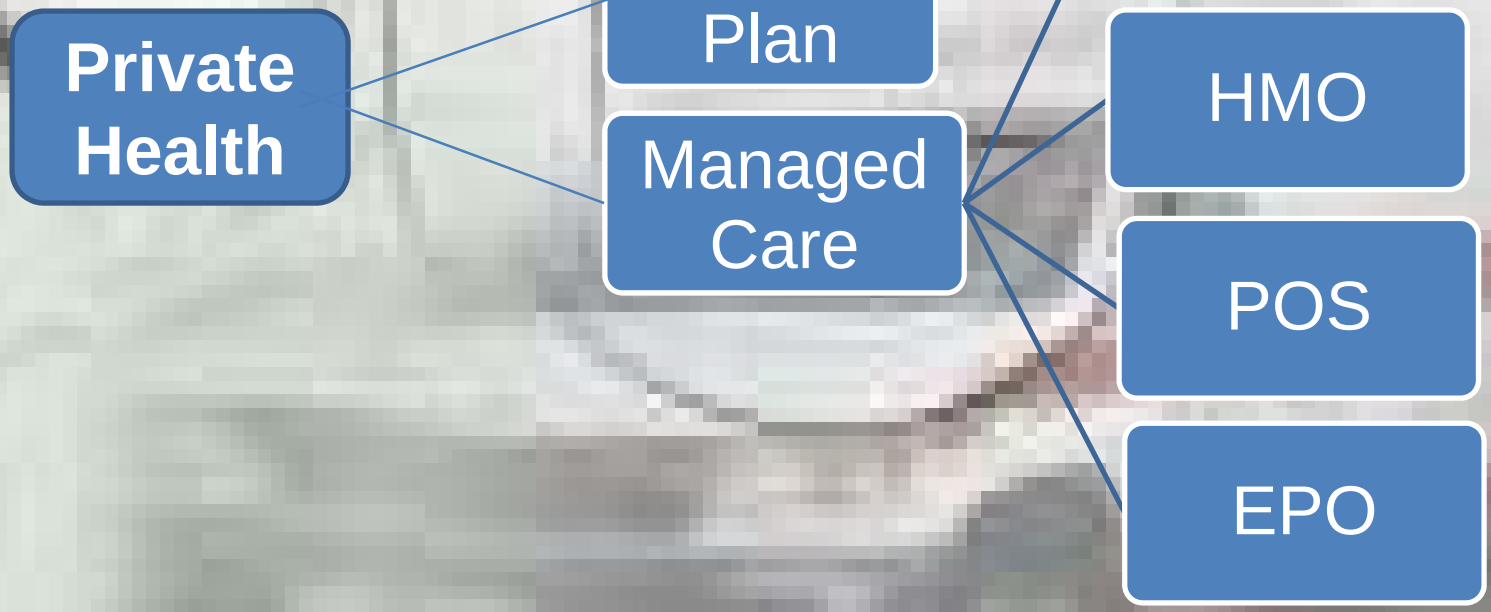
Types of Health Insurance Plans

- Private Health Care Plans
- Non-group coverage plans
- Government-Sponsored Health Care Plans

Private Health Care Plans

- Insurance plans that are sold by private insurance companies to individuals and employers.
- Act as a part of benefits package.

Types of Private Health Care Plans



Indemnity Plan

- Also known as traditional or fee-for-service plans
- Allow you to choose any doctor or hospital you want.
- Doctors bill patients directly; the insurance company then reimburses a specific percentage or set amount of the bill to the patient.
- They define what percentage of each claim the policy will cover and what percentage the patient must cover.

- The plan will pay for charges for medical tests and prescriptions as well as from doctors and hospitals.
- It may not pay for some preventive care, like checkups.
- The insurer generally pays 80 percent of the usual and customary costs and you pay the other 20 percent, which is known as coinsurance

Managed Care Plans

- Provide prepaid health-care plans for employers and individuals.
- There are fours types or managed care plans:

1. **Health maintenance organizations (HMOs)**
   - Provide prepaid insurance plans that entitle individuals to the services of specific doctors, hospitals, and clinics.
   - Low costs.

2. Preferred Provider Organizations (PPOs)

- PPOs negotiate with a group of doctors and hospitals.
- These doctors and hospitals provide care to PPO participants at reduced rates.
- Option of choosing either “plan” or “non-plan” doctors.
- Assess an additional fee if the participant uses a non-plan doctor or medical center.

3.Point of Service Plans (POS's)

- Have a network of contracted doctors, hospitals and clinics.
- Fees for contracted doctors is less.
- Also have the option to go outside the network for additional or other medical specialists if you are willing to pay a larger out-of-pocket fee.

4.Exclusive Provider Organizations (EPO's)

- Similar to HMO's, but they operate through an insurance company.
- Funded through an insurance company.
- Health-care is provided by contracted providers.
- Only care received from contracted providers is covered, unless there is an emergency situation.

Non-group Coverage Plans

- Also called individual health-care plans.
- Health insurance plans that cover individuals on a case-by-case basis.

Government-Sponsored Health Care Plans

- **Medicaid**
  - Medicaid is health care for low- income, blind and elderly persons.
  - Free to those who receive it.
  - Funded through federal and state tax dollars.

- **Medicare**
  - Covers medical benefits to the disabled and to those 65 years and older.
  - Part of the cost is covered through the Medicare tax.
  - Medicare recipients pay a premium for Medicare Part B and the prescription drug coverage.

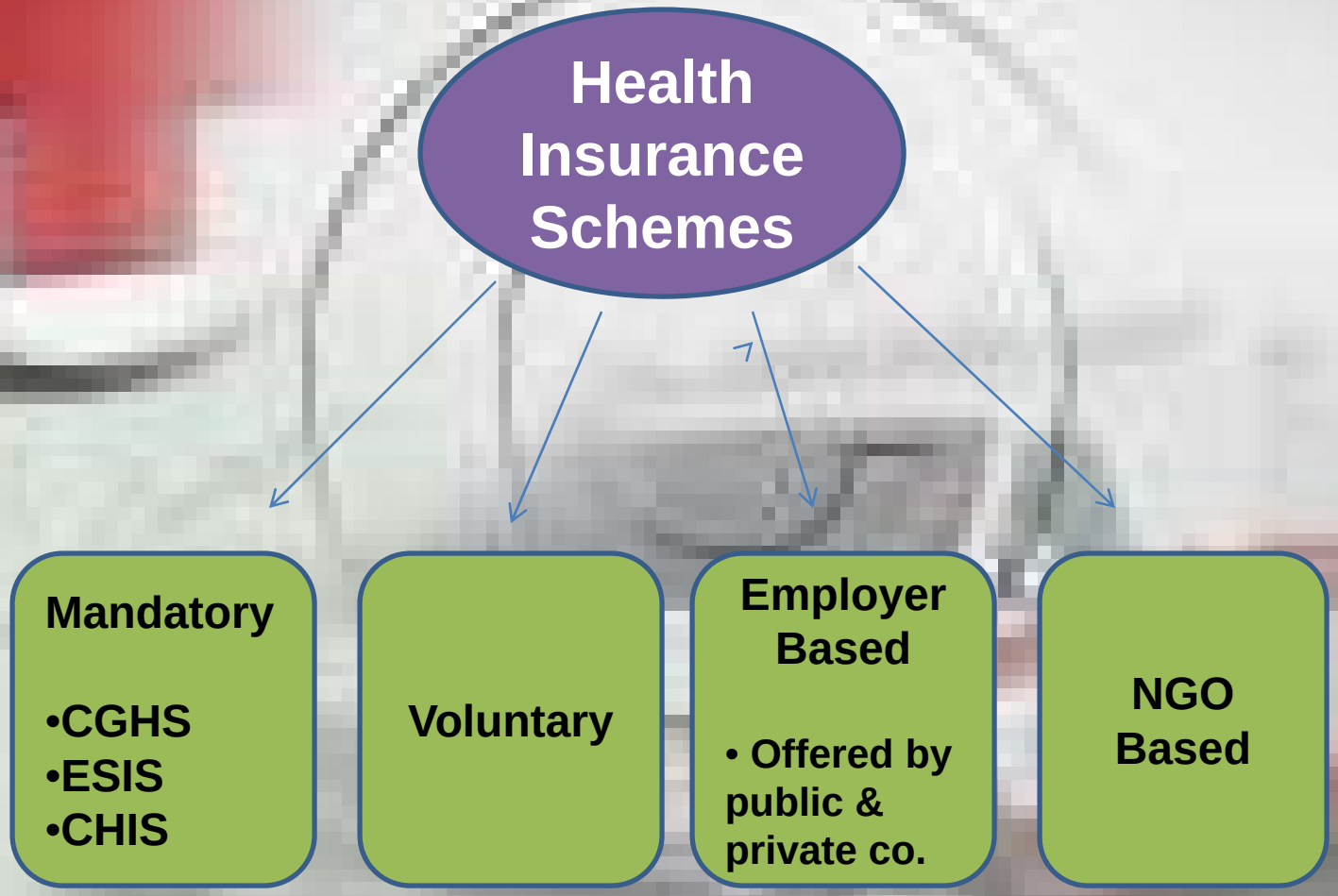
- **Worker's compensation insurance**

  - Covers workers injured on the job.
  - Because it covers work-related accidents and illnesses only, it is still important to have disability income insurance, so you would be covered if your illness or injury was not work-related.
  - Coverage is determined by state law and varies by state.

Disability Insurance

- Replaces 60 - 80 % of your income if you are unable to work due to an illness or injury.
  - Own versus any occupation
  - Residual clause
  - Benefit period
  - Elimination (waiting) period
  - Short-term versus long-term disability

Health Insurance Schemes in India



Mandatory Insurance

Central Government Health Scheme:

- Started in New Delhi in 1954.
- Provides comprehensive health care facilities for the Central Govt. employees, pensioners and their dependents residing in CGHS covered cities.
- 248 allopathic dispensaries, 19 polyclinics, 78 AYUSH dispensary/ units, 3 Yoga centers, 65 Laboratories,17 Dental Units

CGHS: Components

- Dispensary including domiciliary care
- F. W. & M.C.H. Services
- Specialists consultation facilities both at dispensary, polyclinic and hospital.
- Level including X-ray, ECG & lab examinations.
- Hospitalization
- Organization for the purchase, storage, distribution and supply of medicines
- Health education to beneficiaries.

Employee's State Insurance Scheme (ESIS)

- ESI ACT, 1948 Act is applicable to the factories employing 10 or more persons.
- The existing wage-limit for coverage is Rs.15,000/- per month (with effect from 01.05.2010).
- Employee's contribution rate (w.e.f. 1.1.97) is 1.75% of the wages and that of employer's is 4.75% of the wages paid/payable in respect of the employees in every wage period.

ESIS: Benefits

Benefits through section 46 of the Act

- Medical Benefit
- Sickness Benefit(SB)
  - Extended sickness Benefit(ESB)
  - Enhanced Sickness Benefit
- Maternity Benefit(MB)
- Disablement Benefit
  - Temporary disablement benefit(TDB)
  - Permanent disablement benefit(PDB)
- Dependants' Benefit(DB)
- Funeral Expenses

ESIS

Coverage (As on 31st March, 2010)	
No. of Insured Person family units	1,43,00,000
No. of Employees	1,38,91,650
Total No. of Beneficiaries	5,54,84,000
No. of Insured women	26,00,250
No. of Employers, etc	4,06,499

Comprehensive Health Insurance Scheme (CHIS)

- Sponsored by State Government.
- Eligibility criteria (a) those belonging to the BPL (Poor) list of the State Government but not to the list as defined by the Planning Commission and (b) the APL families that belong neither to the State government list nor to the list prepared as per guidelines of the Planning Commission.
- To avail : The beneficiary contribution will be Rs.30 / family / annum for RSBY families, Rs.100 for families belonging to category (a) and the entire amount for families belonging to category (b).

Voluntary Health Insurance Schemes

- Are for individuals and corporations.
- Available mainly through the General Insurance Corporation (GIC) of India and its four subsidiaries- a government owned monopoly.
- Financed from household and corporate funds.
- GIC offers medi claim policy for groups and individuals and the Jan Arogya Bima scheme to individuals and families, mainly to cover poor people.

- Policies have had only limited success in India covering only 1.7 million people in 1996.
- With Insurance Regulatory and Development Act 1999 and the liberalization of insurance more private voluntary health schemes are expected to be introduced soon.

Mediclaim

- Main product of GIC.
- Introduced in November 1986
- Covers individuals and groups aged 5 – 80 yrs. Children (3 months – 5 yrs) are covered with their parents.
- Now offers cashless scheme.
- Premiums are calculated based on age and the sum insured.

Employer based schemes

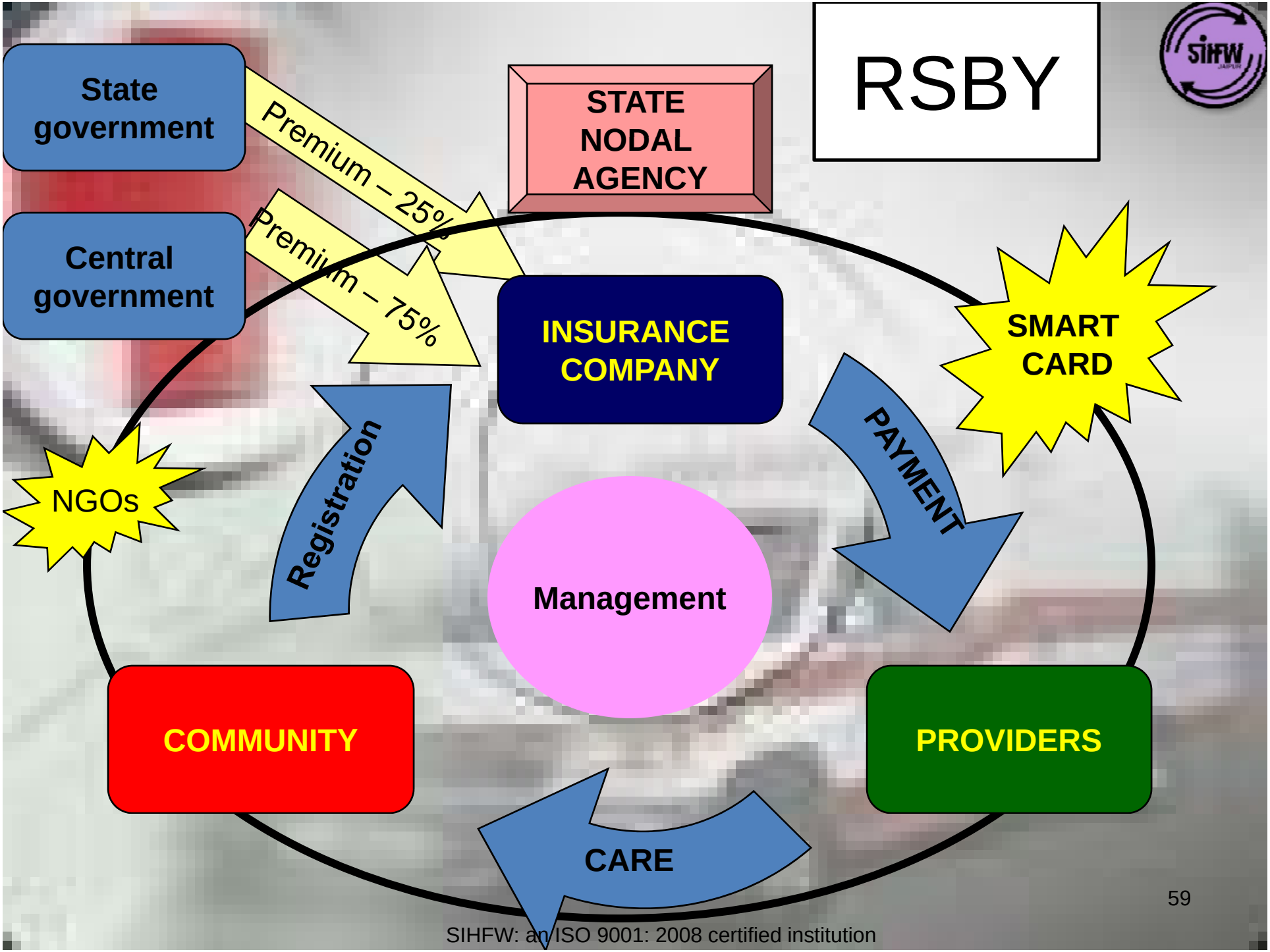
- Offered both by public and private sector companies through their own employer managed facilities.
- Mode lump sum payments, reimbursements of employee's health expenditure or covering them under the group health insurance policy with one of the subsidiaries of GIC.
- Workers buy health insurance through their employers taking insurance in lieu of wages.
- Ellis (1997) estimates roughly 30 million are covered under the employer based scheme.

Community Based Insurance Schemes

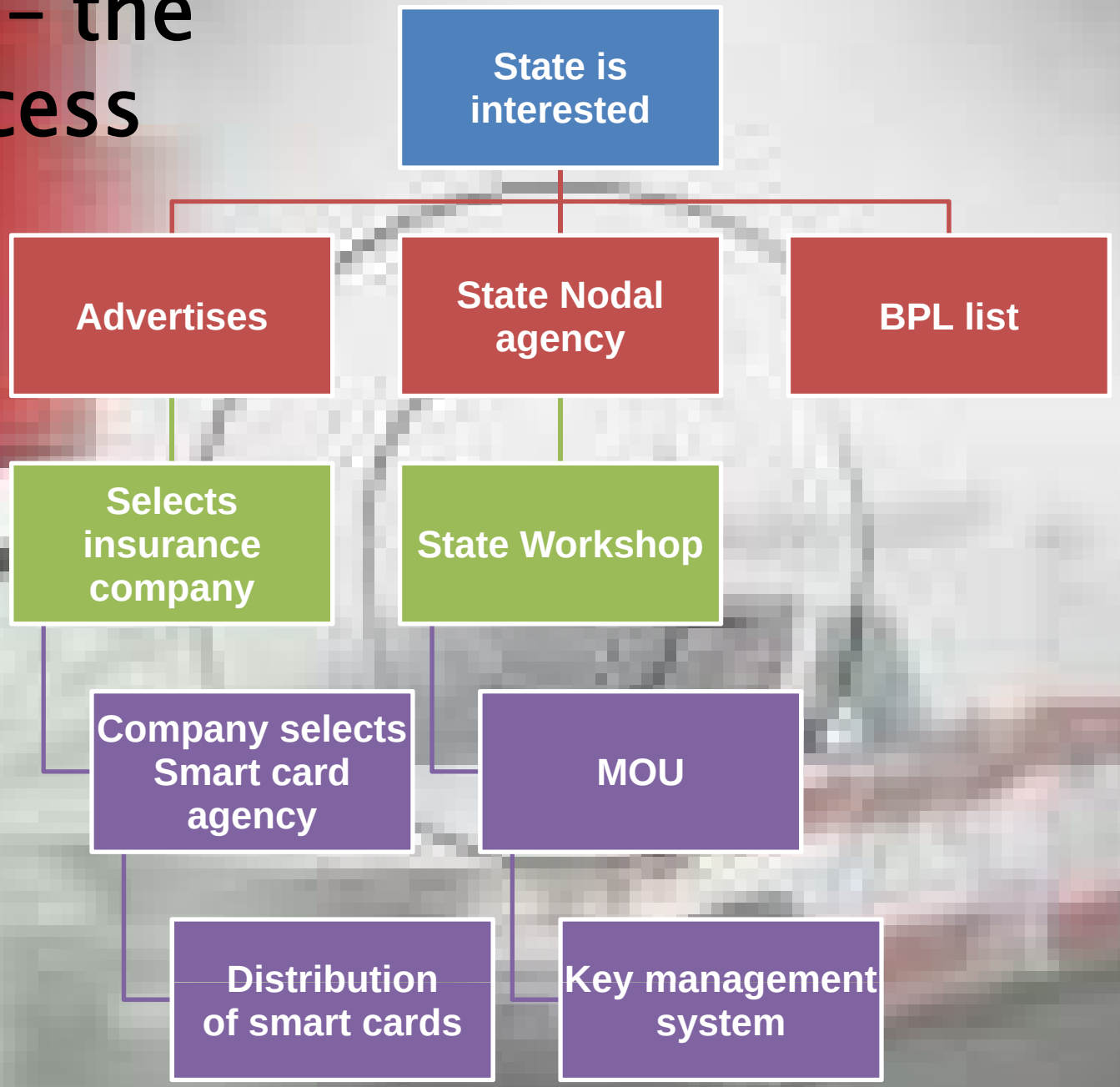
- Primarily for informal sector.
- Tends to cover all insured members of the community for all available services but have emphasis on primary health.
- Most financed from patient collections, government grant, donations, and such miscellaneous items as interest earnings or employment schemes.
- Most NGOs have their own facilities or mobile clinics to provide health care.
- Total coverage is estimated to be about 30 million people (Ellis 1997).

Rashtriya Swasthya Bima Yojana Benefits

- Total sum insured: Rs 30,000 per BPL family on a family floater basis.
- Pre-existing diseases to be covered.
- Coverage of health services related to hospitalization and services of surgical nature which can be provided on a day-care basis.
- Provision of Smart Card.
- Cashless coverage of all eligible health services.
- Provision of pre and post hospitalization expenses.
- Transport allowance @ Rs.100 per visit.


RSBY
State government
Central government
Premium – 25%
Premium – 75%
STATE NODAL AGENCY
INSURANCE COMPANY
SMART CARD
NGOs
Registration
PAYMENT
Management
COMMUNITY
PROVIDERS
CARE

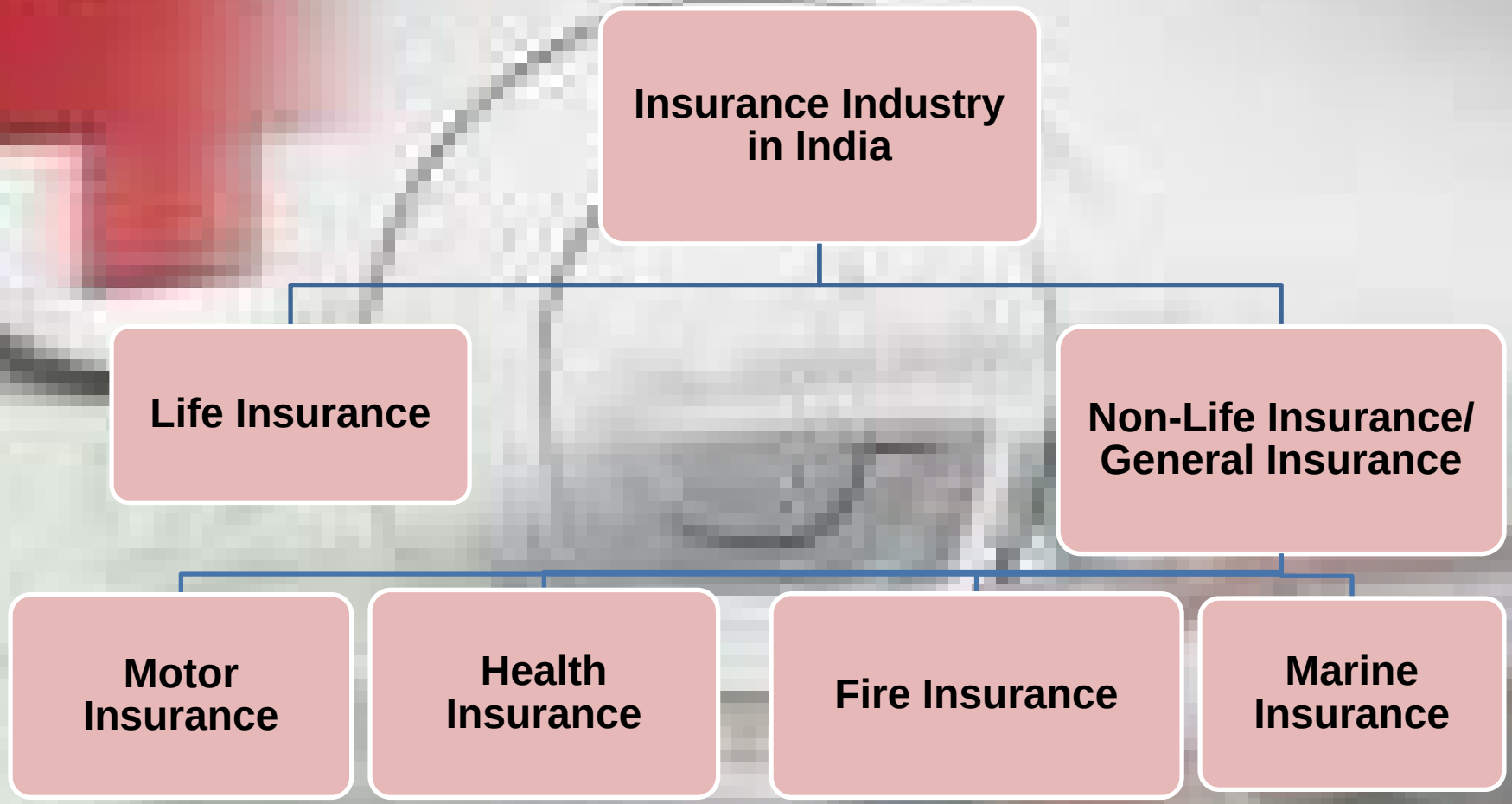
RSBY – the process



Indian Health Insurance Sector

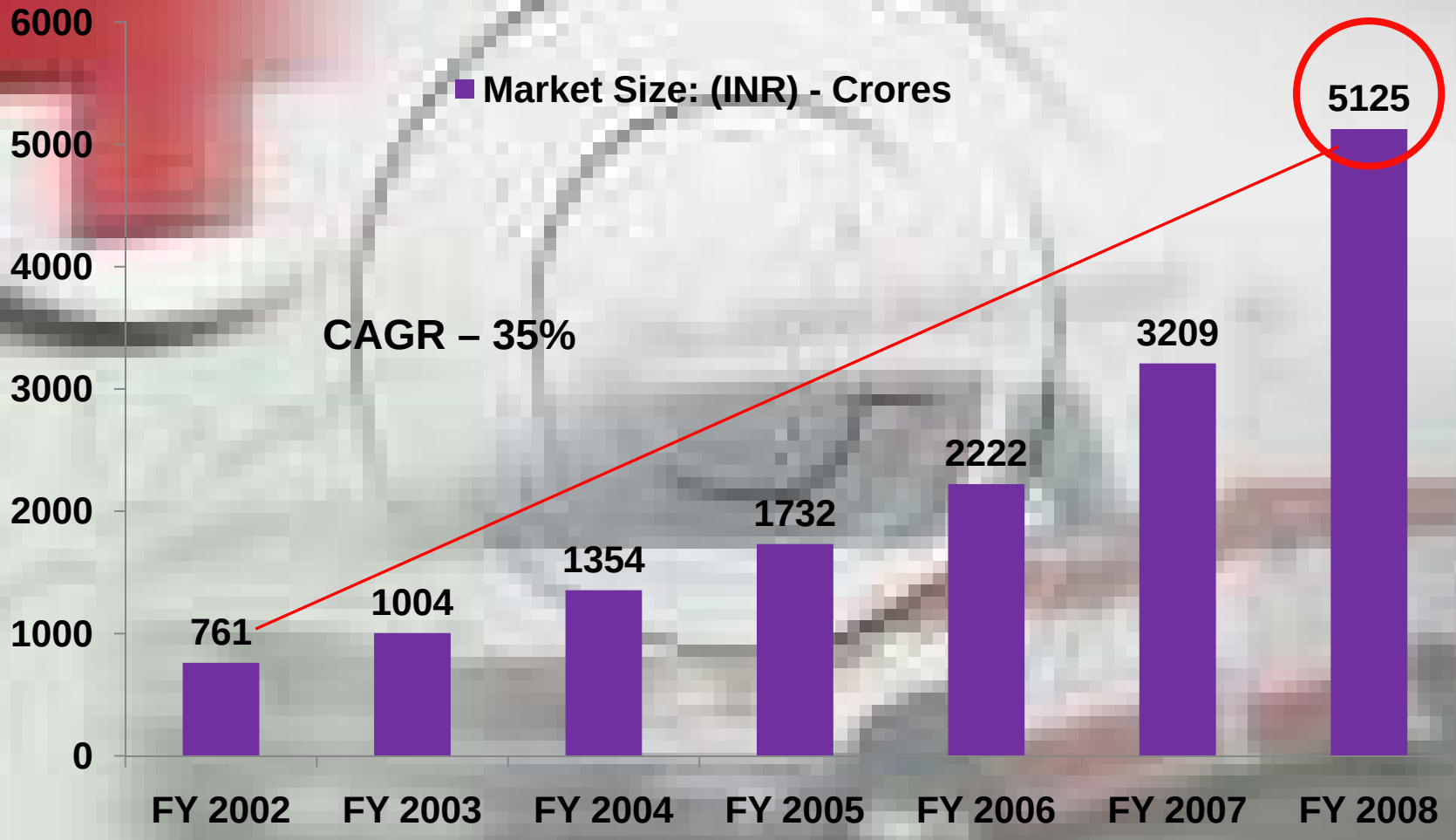
- Most of the health care providers are in private sector and are on fee for service basis.
- Indian health insurance industry stands at INR 5,125 crores with only around 2% pop. being covered so far.
- CAGR of around 37% (FY 2002-08).
- Fastest growing segments.

Insurance Industry

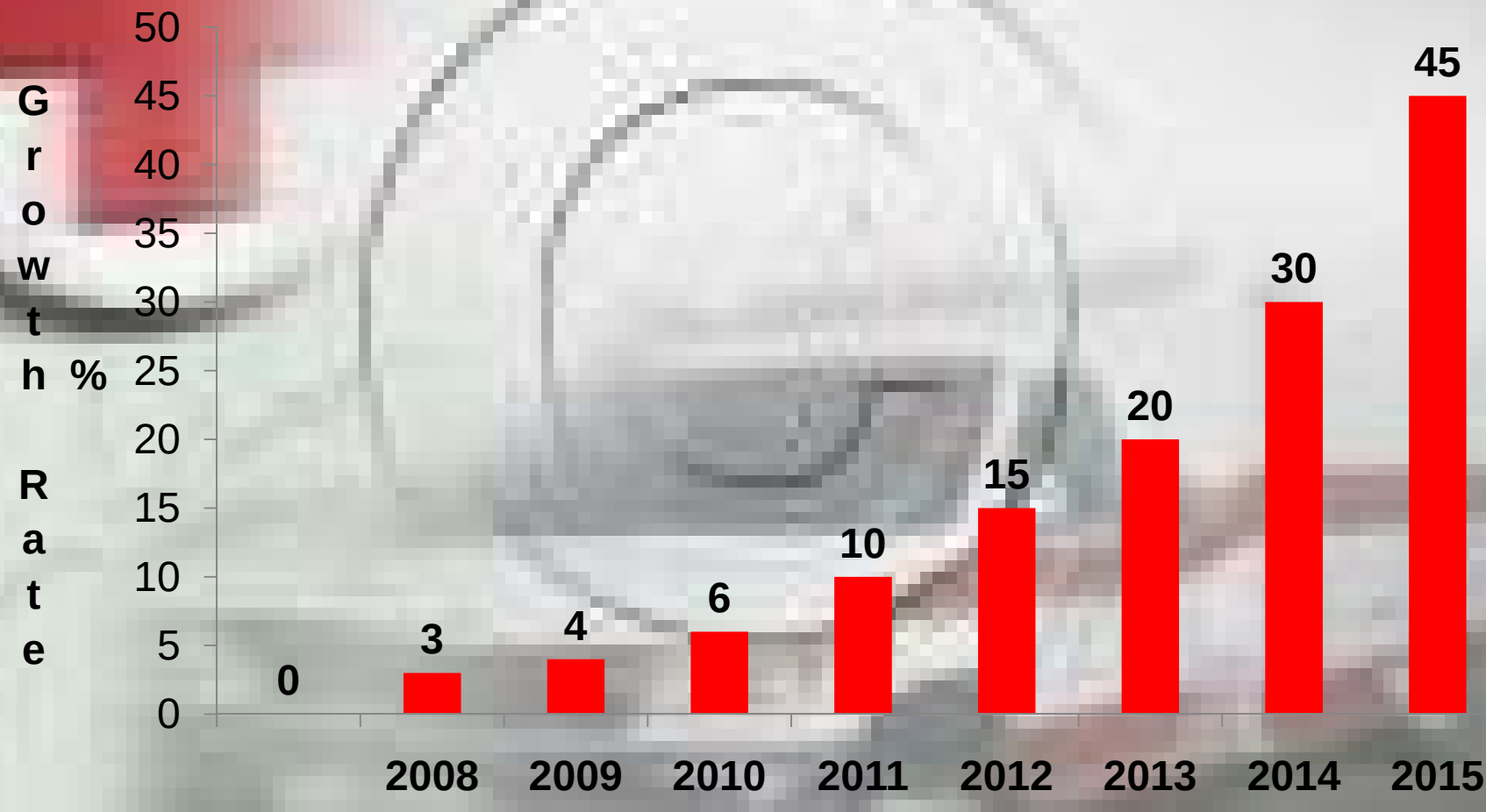


Indian Health Insurance market: Size & Growth

Source –IRDA



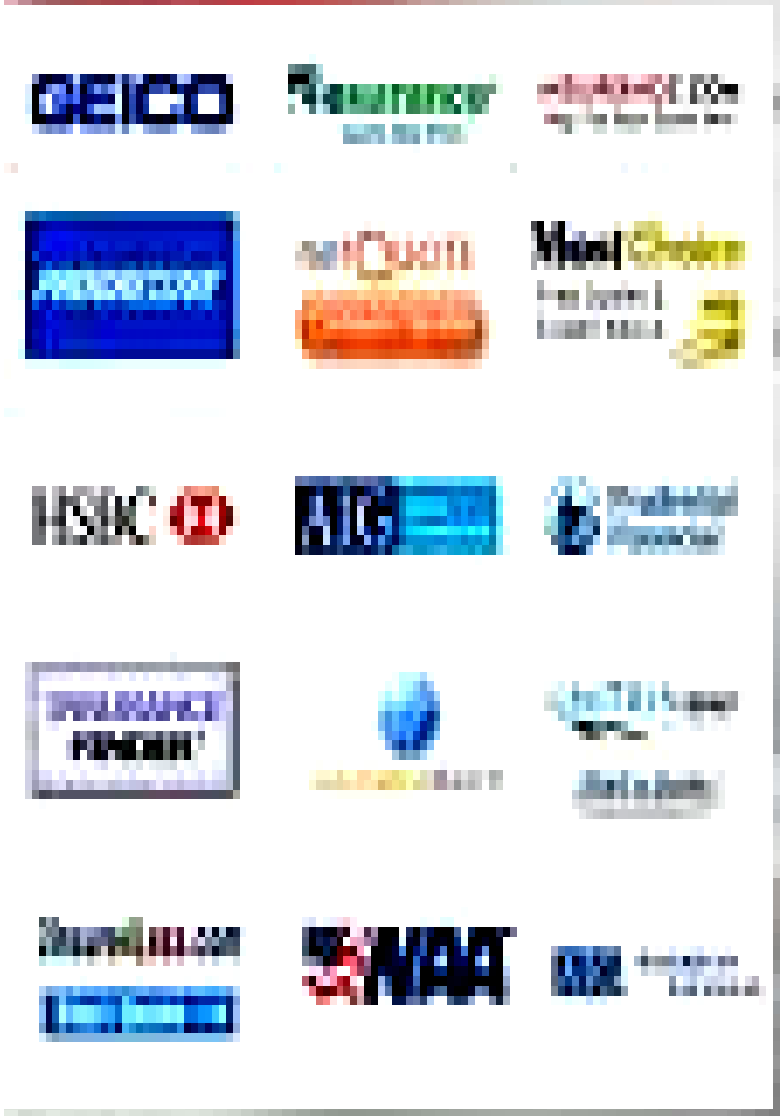
Indian Health Insurance market: Growth projections 2008-2015



How Much Does a Health Insurance Cost?

- The costs of health insurance can be influenced by…….

Health Insurance Companies in India



- National Insurance Company
- New India Assurance
- United India Insurance
- ICICI Lombard
- Tata AIG
- Royal Sundaram
- Cholamandalam DBS
- Bajaj Allianz Apollo
- AG Health Insurance
- Star Allied Health Insurance

Coverage Under Health Insurance 2009-10

Company (Private/Public)	Policies
National Insurance Company	1150405
New India Assurance Company	1446268
United India Insurance Company	3253338
ICICI Lombard	633007
Tata AIG	293905
Royal Sundaram	255136
Bajaj Allianz	1588019
Star Allied Health Insurance	562386
IFFCO Tokio	69603
Reliance	973004
Apollo DKV	1301201

Source: CBHI NHP,2010

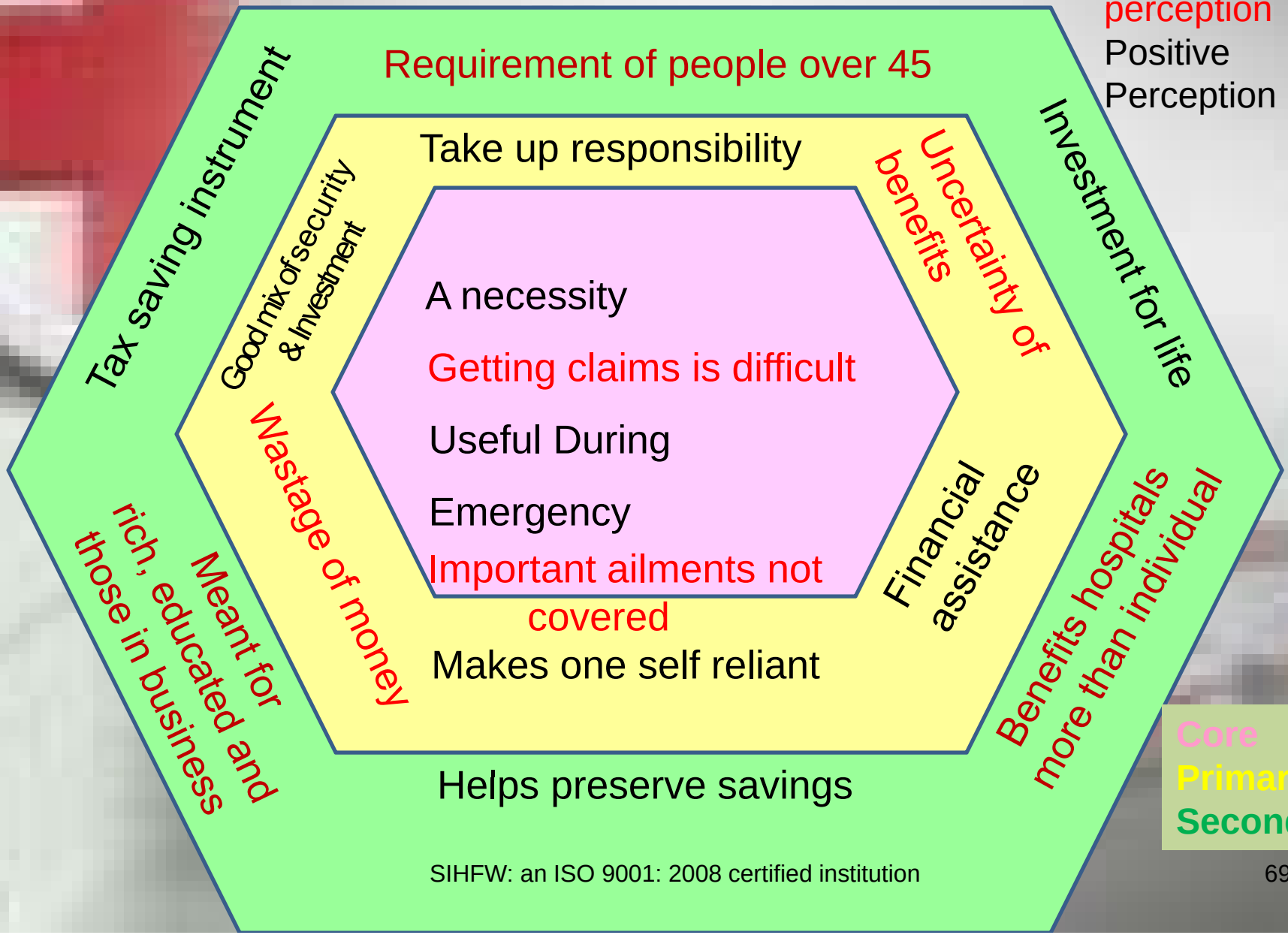
Funding

- Contribution by GOI : 75% of the estimated annual premium of Rs 750, subject to a maximum of Rs. 565 per family + Cost of Smart Card (Rs. 60 per beneficiary).
- Contribution by the State Governments: 25% of the annual premium and any additional premium beyond Rs 750.
- Beneficiary to pay Rs. 30 per annum as Registration Fee/ Renewal Fee.
- Administrative cost to be borne by State Govt.

Perceptions about Health Insurance in India

Negative perception

Positive Perception



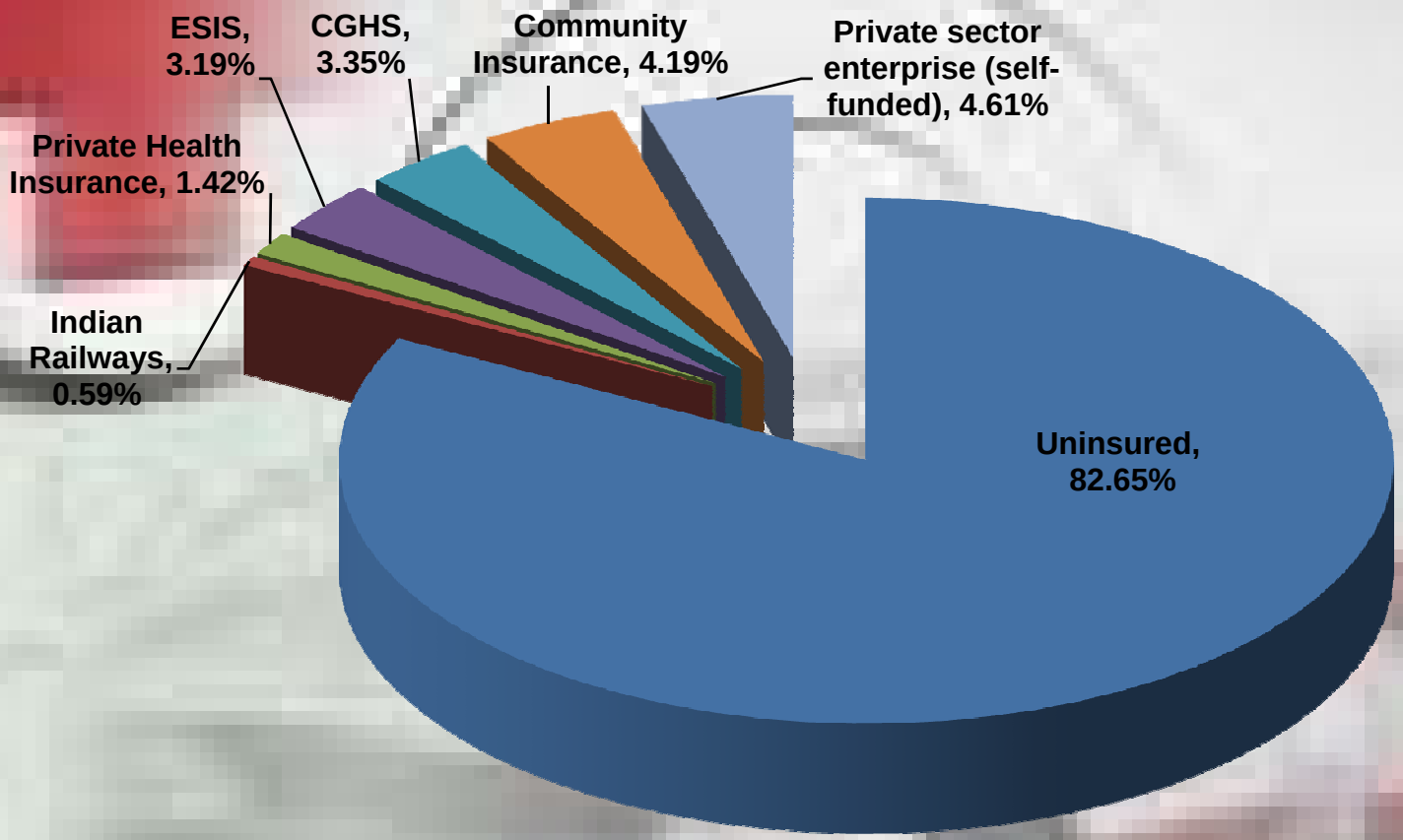
Core

Primary

Secondary

Health Insurance Penetration in India

Source: Business World (India) – Oct 2007



Low penetration of Insurance and Low Govt. expenditure in India has resulted in high Out-of-Pocket spend

How to Improve Health Insurance Penetration?

- **Regulator/Government**
  - Enhance customer awareness
  - Enhance client confidence - real value benefits in the event of a claim
  - Effective supervision
  - Compulsory percentage of total business towards health
  - Compulsory savings towards health
  - Tax incentives to employers for promoting group health coverage.

- **Insurer**
  - Clients confidence - warrantable claim will be paid out in a reasonable time frame
  - New clients have to be reached
  - Value for money
  - Design products as per clients needs
  - Product transparency
  - Cost efficiency
  - Affordability
  - Wellness programmes

Impediments to Provide Health Insurance….

- Lack of Data
- Moral Hazard/Adverse Selection
- Complex nature of the product
- Medical Inflation
- New treatments
- Unnecessary treatments
- Difficulty in pricing
- Government provision of health care
- Long term nature
- Changing life style
- Misselling/fraud……

Challenges in Health Insurance

- Medical advance, both a challenge & also impediment
- Increase in health care cost
- Ageing population

- Acute shortage of trained personnel ranging from doctors to health care administrators
- New emergence and resurgence of old diseases

Regulatory Initiatives to Promote Health Insurance

- IRDA has set up a separate department for health insurance.
- It has recommended the govt. to bring down capital requirements for standalone health insurance companies to INR 500 millions from INR 1000 millions.
- The govt. is going to raise budgetary support of INR 1360 billion for the health sector during Eleventh Five Year Plan (2007-12).

TPA for Health Insurance

- Were introduced by IRDA in 2001.
- Intermediary between the insurer and the insured and facilitate cash less service at the time of hospitalization.
- A minimum capital requirement of Rs.10 million and a capping of 26% foreign equity are mandatory requirements for a TPA under IRDA.
- License usually granted for three years.

Community Based Initiatives

Initiated by NGOs

- **Objectives**
  - To increase access to health care.
  - To protect families from high medical expenditure.
  - For the sake of solidarity.
- **Target** – Poor
  - Usually the ‘organized sections e.g. SHGs, unions, co-operative societies, students
- Premiums are quite reasonable (<100/person/year).
- Most of the time premium is not subsidized.
- Different ways of managing risks.

Community Based Initiatives

- **Pros**
  - Credibility because of the Institutions involved.
  - Premiums are quite reasonable.
  - Most of the time premium is not subsidized.
  - Testing ground for different types of health insurance models.
- **Challenges**
  - Limited reach in terms of numbers and geographical spread.
  - Difficult to reach poor who are not organized
  - Lack of management capacities

Government Initiatives

Initiated by different State and/ or Central Government

- **Objectives**:
  - To increase access to health care
  - To protect families from high medical expenditure
  - To provide options in terms of health care providers
  - To improve quality of public health care system.
- **Target** – Poor (Sometimes only BPL).
- Premiums are heavily subsidised (upto 100%)
- Risk managed by Insurance company or Govt.

Government Initiated

- **Pros**
  - Can reach millions of people in one go.
  - Government shares a major portion of premium.
  - People get options to choose between providers.
  - Can improve quality of public health care system.

- **Challenges**
  - Not looking Health Insurance as part of health system.
  - Lack of trained manpower to manage, monitor and evaluate.
  - Sustainability.
  - Monitoring and Evaluation control.

Rajasthan Initiatives in Health Insurance

Rajasthan State Dairy Development Corporation (RSDDC)

- **Eligibility:** open to all registered milk producers and their families. The age group covered is 3 months – 65 years only. (children first two only)
- **Plan Benefits:** covers hospitalization for illnesses/disease or injuries sustained up to a sum of Rs 100,000.
- **Premium Rate:** Rs 357 per family
- Partner-ICICI Lombard
- No of insured 384,000

Rajasthan-NRHM

- Enrolment of families by Health Card on BPL Data.
- Pilot project in 5 District.
- Premium Rs 480 + ST
- Cash less facilities.
- Beneficiaries 8 lakh BPL Families
- Sum Insured - Primary Cover Rs 30,000 and 7 critical surgeries for Rs 1,35,000.
- Use of Government and private hospitals both
- Serviced by State Health Insurance Fund Agency.
- 100% premium by Govt. for BPL families.

MMJRK: Addressing Health Care Needs of the Poor

- Mukhyamantri Jeevan Raksha Kosh Scheme from 1.1.2009.
- 100% treatment cost bearing by the State Govt.
- Launching of grievance redressal system.
- Issue of referral has been addressed.
- Float amount to government health facilities.
- Online monitoring mechanism and monthly reviews to examine the progress.

Beneficiaries of the Scheme

- 1000000 State BPL Families
- 5000 Astha card holders
- People living with HIV/AIDS
- Selected widows, elderly & handicapped pensioners
- 21000 Beneficiary families of “Antyodaya Scheme” from Baran district.
- 100000 elderly benficiaries of “Annpurna Scheme”
- Beneficiaries of “Navjeevan Scheme” from Jodhpur district
- Thalessimia and Hemophilia patients

MMJRK: Achievements

- From April – Dec. 2011,
  - Total patients – 31.29 lakh
  - Total expenditure – Rs. 2961.09 lakh
  - OPD – 28.73 patients (Rs. 1553.53/- spent)
  - IPD – 2.56 patients (Rs. 14.07.56/-)

Other policies in Rajasthan

- Mediclaim Insurance Policy 07-08
- Policy for Vidyut Nigam
- Student Safety Accidental Insurance Policy
- Uniform Police Employees Policy
- Civil Defence and Home Guards Rajasthan Policy
- Particulars of Policy for State Govt. Employees

Thank you

For more details contact

Director at sihfwraj@yahoo.co.in

Or

log on to: www.sihfwrajasthan.com