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Health Insurance in India

Anju

Research Scholar, MDU Rohtak, Haryana, India

Abstract

As everyone knows insurance plays a pivotal role in human life. Though the insurance industry is in existence from a long period, despite of that the level of awareness towards health insurance of the community is very low. The study tries to understand the awareness of the people towards the health insurance after the privatization of the insurance sector. The present study is an effort in the area of health insurance and the peculiar feature of it lies in multi-dimensions. The main objective of this study is to analysis the awareness level of people towards health insurance.

***Keywords**: Health insurance, Importance, Awareness.*

Introduction

The concept of health insurance is new in India but its awareness is growing fast. Health insurance comes in use in case of severe emergencies. The term health insurance popularly known as medical insurance. It is a type of insurance that covers yours medical expenses. Life is unpredictable, insurance can make it safe and secure from bearing huge financial lose. A health insurance policy is a contract between an insurance company and an individual. The contract is renewable annually. The type and amount of health care costs that will be covered by the health plan are specified in advance. Health plans are available in two formats, individual and group plans. In an individual policy, you are personally the owner of the policy while in a group plan, the sponsor owns the policy and the people covered under it are called its members. Insurance is a contract in which an individual pays the insurance company and receives reimbursement against loses from in insurance company. Its means it is a collecting bearing of risk whether the insurance is life or non life, provides people a sense of security and assurance that in the case of hospitalization they will be definitely compensated. Health insurance pays all/ part of a person health care bills that insures you and your family against any medical expenses .There are many types of health insurance such as group health plans, individuals health plans, family floater, workers compensation etc.

The ever rising cost of medical care is becoming the biggest problem in India today. Treatment for a serious illness in a private hospital can wipe out ones entire life’s earnings in one go. Everyone definitely needs health insurance to tackle the situation. Health insurance includes disability and long term medical needs. As everyone knows wealth is very important for human resource development because good health is real wealth of society. Good health plays a pivotal role in enhancing the human efficiency and also helpful in diminishing the private and public expenditure on sickness and diseases. Health insurance is an important mechanism to finance health care needs of the human resources so that the people require an insurance system that pools the risks of unexpected costs when a person fall ill and need hospitalization. A health insurance policy covers expenses during hospitalization, doctors fees, medicine, treatment etc but reimburses after hospitalization and also include money spent for conducting medical test and buying medicine. The expenses covered is to the extent of the sum insured of the policy you have taken. Cover extends to pre- hospitalization and post-hospitalization for periods of 30 days and 60 days respectively if you pay you premium regularly. Domiciliary hospitalization is also covered in that situation when you are not able to go to hospital for treatment. Health insurance is a method to secure or raise life/expectancy. It also help the businessman or individual to protect themselves from hospitalization loses and to anticipate the potential risk problems.

In India, very few people are aware about the health insurance scheme. Even well educated people some time ignore the necessity of having a proper health insurance cover. There are many challenges faced by the people given below:

- Increase in health care costs
- High financial burden on poor eroding their incomes
- Need for long term and nursing care for senior citizens because of increasing nuclear family system
- Increasing burden of new diseases and health risks
- Due to underfunding of government health care, preventive and primary care and public health functions have been neglected

Health insurance in India

In India, people are not much aware about health insurance and very few part of population is taking the advantages of it. Even well educated people some time ignore the necessity of having a proper health insurance cover. Today many countries are shifting over to health insurance as a mechanism of financing their health programme. In the 19th century, Indian insurance system has taken it's roots. It was clear that a better insurance system was needed to promote the economic goals of the indian state. In the late 19th century,"accidental insurance" began which operated much like modern ''disability insurance". It was firstly offered by Franklin Health Assurance Co of US, which was founded in 1850. It provides coverage for the rail, road and steamboat accident. This payment model continued until the start of 20th century in some jurisdictions (like California), where all laws regulating health insurance actually referred to disability insurance (Source: http://en.wikipedia.org/wiki/health insurance). According to World Health Organisation, greater than 80 per cent of total expenditure on health in India is private(figure for 1991-2001[World Health Organisation 2004]) and it pushes 2.2 per cent of the population below the poverty line each year.(Peters et ai.2002) Health insurance can be a viable and feasible financial solution[Churchill et. Al 2006; o'Donnell et al. 2005) on both efficiency and equity grounds. However, health insurance coverage is very low in India. During the last dedcade, the insurance sector has growing very fast. Health insurance is becoming an important supplementary instrument to health care financing in many countries. With the liberlization of health insurance sector, the private providers also have an opportunity to make an entry possible in this sector. The government has also set-up Insurance Regulatory and Development Authority (IRDA) to develop and regulate the health insurance sector nd also protect the interest of policy-holders.

In India, we need to shift from the current situation of out-of-pocket payments to a health insurance programme. The reasons for that are given below:

- Direct -out-of- pocket payments can push families into poverty. So that, health insurance protects the patient from the burden of raising funds at the time of illness.
- Direct- out-of- pocket payments do not provide the facility of taking participation in his/her treatment.
- Direct-out-of-pocket payments are a financial barrier to accessing health services. On the other hand, an insured person can walk into a health facility without the fear of financial burden.
- Direct-out-of-pocket payments make more financial burden on the other's family members.

Most health insurance schemes can be classified into three broad categories: social health insurance, private health insurance and community health insurance. In India, we have a fourth category called government initiated health insurance scheme that do not fit into any of the above three categories. Each has it's own characteristics.

1. Social Health Insurance (SHI):

Social health insurance schemes are statutory programmes financed mainly through wage-based contributions and related to level of income. SHI schemes are mandatory for defined categories of workers and their employers. It is based on a combination of insurance and solidarity. The example of an SHI is the German or Belgian health insurance system. Here, employees and employers contribute to a 'mutual fund(s)' that is then used to finance the healthcare for the entire population. Citizens have to enroll compulsorily in one of these mutual funds. The government also provides significant funding to cover those who are not able to contribute.

In India, 18 per cent of the central government budget is used to finance an SHI for the civil servants who constitute only 0.4 per cent of the population. In India, there are three well-known SHI schemes – the Employees State Insurance Scheme (ESIS), the Central Government Health Scheme (CGHS) and the Ex-servicemen's Contributory Health Scheme (ECHS).

2. Community Health Insurance (CHI):

CHI also known as 'micro health insurance' [Dror et al 1999], 'local health insurance' [Criel 2000]' and 'mutuelles' [Atim C2001]. CHI may be defined as " any not-for-profit insurance scheme that is aimed primarily at the informal sector and formed on the basis of a collective pooling of health risks, and in which the members participate in its management." CHI schemes involve prepayment and the pooling of resources to cover the costs of health-related events. They are generally targeted at low-income populations, and the nature of the 'communities' around which they have evolved is quite diverse: from people living in the same town, to members of a work cooperative or micro-finance groups. Here the most important point is that the local community takes the initiative in establishing a health insurance scheme, usually to improve access to health care as well as protect against high medical expenses.

3. Private Health Insurance (PHI):

PHI is that insurance scheme that is financed through individual private health premiums, which are often voluntary, and risk rated. 'For-profit' insurance companies manage the funds. In low-income countries like India, they provide primary insurance cover, i.e. they insure hospitalization. On the other hand, in high-income countries, they usually provide supplementary secondary insurance cover.

4. Government-initiated Health Insurance Scheme (GHI):

In other countries, this fourth category is not available. In India, this category is available for the poorest and vulnerable sections of the community. In many of the schemes, the premium is totally subsidized by the government (from tax-based revenue) and is paid directly to the insurance company. Rarely, the community may be expected to pay a token amount. The insurance company is the organizer of the scheme.

In India, knowledge and awareness about health insurance could be important factor for health insurance purchase decision. To analyze reasons for low penetration of health insurance in India(Wadhawan 1987, Ellis 2000, Bhat and Mavalankar2001). To analyze community based health insurance in India (Devadasan, Ranson et al. 2004, Ahuja 2005). Health insurance choice essentially entailed a simple decision whether or not to purchase private health insurance (Barrett and Conlon 2003). Health care expenditure is another important variable affecting health insurance purchase(Kronick and Gilmer 1999).

Feldstein(1973) has argued that as the price of health care increases, the demand for insurance should increase as well because this causes an increase in the risk of net worth depletion and thus an increase in the demand for insurance. B. Reshmi et al.(2007), they found that the awareness of health insurance was found to be 64.0 per cent. Ahuja (2004) the study explained that health insurance emerging as an important financing tool in meeting the health care needs of the poor. Gumber and Kulkarani (2000), they found that there was strongly expressed need for health insurance among low-income households in both rural and urban areas.

P.R Sodani (2001), investigated the community's preferences on various aspects of health insurance.the data was collected from a sample of 300 households in Jaipur, Rajasthan. The study revealed a low level of awareness (15%) about health insurance. Quality of care and cost were the two important factors identified by the community as the factor affecting their decision to purchase to any new health insurance plan.

Joglekar (2008) examined the impact of health insurance on catastrophic out-of-pocket health expenditure in India and taken zero percent as threshold level to define and examine such impact. It showed that in India, out-of-pocket health expenditure by households account for around 70% of total expenditure on health and thereby pushes households in to poverty.

Garg and Karan (2009) assessed the differential impact of out-of-pocket expenditure and its components between developed and less developed regions in India. The results showed that out-of-pocket expenditure is about 5% of total household’s expenditure (ranging from about 2% in Assam to 7% in Kerala) with higher proportion in rural areas. Further in order to reduce out-of-pocket expenditure targeted policies are needed which in turn could help to prevent almost 60% of poverty.

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