



Present status of health insurance in India: An overview

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Abstract

Health Insurance in India is not much familiar among the people, so its coverage also not that satisfactory. But some evidences show that gradually health insurance coverage is increasing. It may be because of the high health care cost, entering of the private players in insurance field, government universal health insurance policy, and intervention of community based health insurance schemes. Health Insurance is more complex than other segments of insurance business because of serious conflicts arising out of adverse selection, moral hazard, unavailability of data and information gap problems. Health sector policy formulation, assessment and implementation are an extremely complex task, especially, in changing epidemiological, institutional, technological and political scenario. Proper understanding of Indian Health situation and application of principles of insurance, keeping in view the social realities and national objectives, are important.

India's healthcare transformation over the past 11 years has been both comprehensive and compassionate. Guided by the vision of "Health for All," the government has made unprecedented strides in expanding access, improving quality, and ensuring affordability. Landmark initiatives like Ayushman Bharat, PM-ABHIM, and e-Sanjeevani have brought medical care closer to the people—especially in rural and underserved regions. Investments in infrastructure, digital health, immunization, maternal and child care, and medical education have created a robust foundation for future health security. This progress is not just about numbers—it is about lives improved, dignity restored, and hope renewed. As India steps into Amrit Kaal, the focus remains firm on inclusive, resilient, and people centric healthcare. The message is clear: every life matters, and a healthier India is a stronger India.

Keywords: Aam aadmi bima yojana, health insurance, hospitalization plans, mental illness, portability

Introduction

Right to Good health is now recognized as an inalienable fundamental right enshrined in the Constitution. Robust health presupposes that one is in the right frame to grow, develop and be able to achieve every goal and milestone, with a reasonable amount of strength and perseverance. Health as the old saying goes is indeed Wealth! Indirectly. With good health and a fit frame of mind, one can use the money saved on hospitals and doctors' treatment etc to good use in pursuits which give us a huge satisfaction.

Good health of a nation translates into greater economic development, much greater levels of productivity. High levels of nutritional strength and overall public health. Hence Between 2000 and 2019, major gains in health have occurred at global level, resulting in the increase in life expectancy and healthy life expectancy at birth, with the fastest improvements in low-income countries, reflecting predominantly the remarkable progress made in reducing child mortality and major communicable diseases. There has also been a steady decrease in mortality from suicide, homicide, unintentional poisoning and road traffic with men at higher risk of dying due to injuries globally.

Since 2020, the COVID-19 pandemic threatens to derail the progress made towards the (sustainable development goals) SDGs over the last 20 years while underscoring existing inequalities in health within and between countries.

Health insurance from being a 'good to have' financial too, is now a 'Must have' for every person, considering the sky rocketing cost of medical treatment (both physiological and psychological). Early documented healthcare systems reveal that ancient Babylon and promulgated laws for taking care of healthcare matters including access to health care services, payment for care and quality control.

Health insurance history in India began with on Employee's State Insurance Scheme (ESIS) in 1948 and was conceived as an umbrella of social security for blue-collar workers of the organized sector. It provides health care services through a network of dispensaries and hospitals that were impanelled with ESIS.

The Indian health system is one of the largest in the world, with the number of people it covers - nearly 1.3 billion potential beneficiaries. The health industry in India has rapidly become one of the most important sectors in the country in terms of income and job creation. in Budget 2021, India's public expenditure on healthcare stood at 1.2% as a percentage of the GDP. Health insurance is gaining momentum in India. Gross direct premium income underwritten by health insurance grew 17.16% y-o-y to Rs. 51,637.84 crore (US\$ 7.39 billion) in FY20.

As earlier mentioned, the right to good health and the obligation to provide it is enshrined in the Fundamental Rights and the Directive Principles of state policy in the Constitution. The Indian government has also launched a variety of health insurance schemes that have low premiums and offer a significant sum insured in the hope to make good healthcare available to all.

Government Health Insurance Scheme

A Government health insurance scheme is a health insurance policy sponsored by a state or the central government. The aim of such schemes is to offer affordable health insurance to the common man and improve healthcare facilities in different strata of society. The names of several such are listed below:

- Aam Aadmi Bima Yojana,
- Ayushman Bharat Scheme,

- Awaz Health Insurance Scheme,
- Central Government Health Scheme (CGHS),
- Chief Minister's Comprehensive Insurance Scheme,
- Bhamashah Swasthya Bima Yojang,
- Employees State Insurance Scheme etc.

Whilst this is the need of the hour for those who may not be able to afford separate health insurance, it must be mentioned that a number of health insurance plans are now offered by standalone health insurers and also be non-life / general insurance companies. Individuals as well as employees of companies are covered under individual/group health insurance plans.

All Insurance presupposes an element of risk that is the outcome is not inevitable, the probability of a peril operating or a risk undergone may result in 50% chances of loss and 50% in gain hence the outcome is fortuitous. Health Insurance operates under the same concept as other general or non-life insurance- where the outcome is a probability.

A health insurance policy or a plan is a contract between an insurance provider (e.g. an insurance company or a government) and an individual or his/her sponsor (e.g. an employer or a community organization). Usually, health insurance policies are renewable after 1 year though there are certain products offered by insurers which may have a term extending beyond one year. The type and amount of health care costs that will be covered by the health insurance provider are specified in writing, in a policy schedule and contract or "Evidence of Coverage". Generally, in case of health insurance schemes provided by the governments, membership of the particular community insured (e.g. Fisherfolk or MNREGA card holders. or of a particular village or taluk) is not evidenced by a separate contract, as the terms and conditions are much more simplified and standardized.

Health Insurance in India

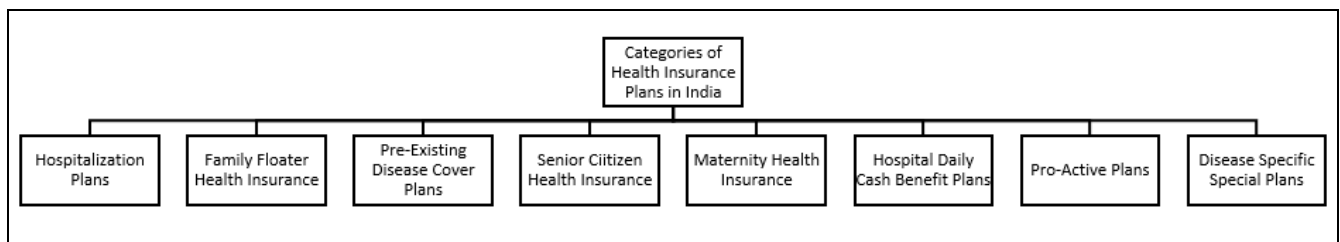
Health Insurance in India is a growing segment of India's economy in 2020 the health segment overall growth was 9.2% y-o-y. It might be due to COVID 19 ravaged throughout India. In 2011, 3.9% of India's gross domestic product was spent in the health sector. According to the World Health Organisation (WHO), this is among the

lowest of the BRICS (Brazil, Russia, India, China, South Africa) economies. Policies are available that offer both individual and family cover. Out of this 3.9%, health insurance accounts for 5-10% of expenditure, employers account for around 9% while personal expenditure amounts to an astounding 82%. In the year 2016, the NSSO released the report "Key Indicators of Social Consumption in India: Health" based on its 71st round of surveys. The survey carried out in the year 2014 found out that, more than 80% of Indians are not covered under any health insurance plan, and only 18% (government funded 12%) of the urban population and 14% (government funded 13%) of the rural population was covered under any form of health insurance. Launched in 1986, the health insurance Industry has grown significantly mainly due to liberalization of economy and general awareness. According to the World Bank, by 2010, more than 25% of India's population had access to some form of health insurance. There are standalone health insurers along with government sponsored health insurance providers. Until recently, to improve the awareness and reduce the procrastination for buying health insurance, the General Insurance Corporation of India and the Insurance Regulatory and Development Authority (IRDA) had launched an awareness campaign for all segments of the population.

Health Insurance in India typically pays for only inpatient hospitalization and for treatment at hospitals in India. Outpatient services were not payable under health policies in India. The first health policies in India were Mediclaim Policies. In Year 2000, Government of India liberalized insurance and allowed private players into the insurance sector. The advent of private insurers in India saw the introduction of many innovative products like family floater plans, top-up plans, critical illness plans, hospital cash and top up policies.

The health insurance sector hovers around 10% in density calculations. One of the main reasons for the low penetration and coverage of health insurance is the lack of competition in the sector. IRDA which is responsible for insurance policies in India can create health circles, similar to telecom circles to promote competition.

Health insurance plans in India today can be broadly classified into these categories:



Hospitalization Plans

Hospitalization plans are indemnity plans that pay cost of hospitalization and medical costs of the insured subject to the sum insured. The sum insured can be applied on a per member basis in case of individual health policies or on a floater basis in case of family floater policies. In case of floater policies, the sum insured can be utilized by any of the members insured under the plan. These policies do not normally pay any cash benefit. In addition to hospitalization benefits, specific policies may offer a number of additional benefits like maternity and newborn coverage, day care procedures for specific procedures, pre and

posthospitalization care, domiciliary benefits where patients cannot be moved to a hospital, daily cash, and convalescence.

There is another type of hospitalization policy called a top-up policy. Top up policies have a high deductible typically set a level of existing cover. This policy is targeted at people who have some amount of insurance from their employer. If the employer provided cover is not enough people can supplement their cover with the top-up policy? However, this is subject to deduction on every claim reported for every member on the final amount payable.

Family Floater Health Insurance

Family health insurance plan covers entire family in one health insurance plan. It works under assumption that not all member of a family will suffer from illness in one time. It covers hospital expense which can be pre and post. Most of health insurance companies in India offering family insurance have good network of hospitals to benefit the insurer in time of emergency.

Pre-Existing Disease Cover Plans

It offers covers against disease that policyholder had before buying health policy. Pre-Existing Disease Cover Plans offers cover against pre-existing disease e.g., diabetes, kidney failure and many more. After Waiting period of 2 to 4 years it gives all covers to insurer.

Senior Citizen Health Insurance

As name suggests these kinds of health insurance plans are for older people in the family. It provides covers and protection from health issues during old age. According to IRDA guidelines, each insurer should provide cover up to the age of 65 years.

Maternity Health Insurance

Maternity health insurance ensures coverage for maternity and other additional expenses. It takes care of both pre and post-natal care, baby delivery (either normal or caesarean). Like other Insurance, the maternity insurance provider has wide range of network hospitals and takes care of ambulance expense

Hospital Daily Cash Benefit Plans

Daily cash benefits are a defined benefit policy that pays a defined sum of money for every day of hospitalization. The payments for a defined number of days in the policy year and may be subject to a deductible of few days.

Critical Illness Plans

These are benefit-based policies which pay a lump-sum (fixed) benefit amount on diagnosis of covered critical illness and medical procedures. These illnesses are generally specific and high severity and low frequency in nature that cost high when compared to day to day medical/treatment need. e.g., heart attack, cancer, stroke etc. Now some insurers have come up with option of staggered payment of claims in combination to upfront lump-sum payment.

Pro Active Plans

Some companies like Cigna TTK offer Pro-active living programs. These are designed keeping in mind the Indian market and provide assistance based on medical, behavioural and lifestyle factors associated with chronic conditions. These services aim to help customers understand and manage their health better.

Disease Specific Special Plans

Some companies offer specially designed disease specific plans like Dengue Care. These are designed keeping in mind the growing occurrence of viral diseases like Dengue in India which has become a cause of concern and thus provide assistance based on medical needs, behavioural and lifestyle factors associated with such conditions. These plans aim to

help customers manage their unexpected health expenses better and at a very minimal cost.

Healthcare has become one of India's largest sectors - both in terms of revenue and employment. Healthcare comprises hospitals, medical devices, clinical trials, outsourcing, telemedicine, medical tourism, health insurance and medical equipment. The Indian healthcare sector is growing at a brisk pace due to its strengthening coverage, services and increasing expenditure by public as well private players.

Indian healthcare delivery system is categorised into two major components public and private. The Government, I.e., public healthcare system comprises limited secondary and tertiary care institutions in key cities and focuses on providing basic healthcare facilities in the form of Primary Healthcare Centres (PHCs) in rural areas. The private sector provides majority of secondary, tertiary and quaternary care institutions with a major concentration in metros, tier I and tier II cities. India's competitive advantage lies in its large pool of well-trained medical professionals. India is also cost competitive compared to its peers in Asia and Western countries. The cost of surgery in India is about one-tenth of that in the US or Western Europe.

Health Insurance Underwriting Policy

Underwriting in insurance means acceptance of risk on a Proposal for insurance cover. It is the decision of the insurer to accept or reject or postpone or make a counteroffer after assessment of the risk on the Proposal for insurance cover submitted by a customer.

An insurance company selling health insurance products shall have a Board approved Health insurance Underwriting Policy which shall provide the broad framework for underwriting of health insurance proposals. Among other things, the Policy shall include the parameters for risk categorisation and approach towards disposing of Proposals from Standard and Sub-standard lives. A Standard Life denotes a customer whose risk parameters are normal and who can be offered normal premium rates and terms and conditions, whereas a Sub-standard Life denotes a customer whose risk parameters are adverse and therefore will have to be offered special premium rates and terms and conditions, subject to further assessment of risk based on medical examination. In extreme cases, a Proposal for insurance cover may be denied by the insurer and in such cases, the reasons shall be communicated by the Insurer to the Customer.

Disclosures to Customer

Every Customer taking a Health insurance policy shall be provided with a Customer information sheet by the Insurer.

Website Disclosures

Website of the Insurer shall disclose the following information

- Product-wise and Geography-wise location of TPAs.
- Product-wise cashless services offered.

In Policy document, the following details shall be disclosed

- Portability clauses (in Policy documents as well as brochures, pamphlets).
- Procedure for Claims submission and timelines.
- Sub-limits for any of the insurance covers.
- Penal interest provisions.
- TPA details

In respect of Pilot products (Products which are launched on a test basis by an Insurer with the approval of IRDAI for a limited period), the product brochures, leaflets, pamphlets etc. shall specifically disclose the period up to which the Product will be available for sale and option to migrate to another product upon discontinuance of Pilot product.

Portability of Health Insurance Policies

Portability is the right accorded to the Policyholder to transfer the credit gained for pre-existing conditions and time-bound exclusions from one insurer to another insurer or from one plan to another plan of the same insurer. In simple words, it is the right conferred on a Policyholder who decides to move from one General or Health insurer to another or to another plan of the same General or Health insurer.

Portability is not applicable to fixed benefits payable under Health insurance policies issued by a Life insurer. The advantage of portability is the carry forward of the credits accrued on account of having a Policy with the previous Insurer. Portability form shall be submitted to the old insurer who shall send it through a portal to the new Insurer. New insurer may request the claims history and other details from the previous insurer who shall submit the required details within a period of 7 days from the date of receipt of request.

An insurer may reject the request for portability if the Policyholder approaches 60 days before or within 45 days of the date of expiry of the insurance policy. However, an insurer may at their option consider the request for renewal even outside the above period. New insurer is under obligation to accept or reject within a period of 15 days from the date of receipt of the Portability form. If the new insurer does not convey any decision within the aforesaid 15 days, the new insurer is deemed to have accepted the request for portability. No charges for portability can be levied either by the previous insurer or the new insurer. No commission shall be paid to any Agent or Intermediary for the policy which is ported from one insurer to another insurer.

Mental Illness and Health Insurance

As per the Mental Healthcare Act, mental illness means a substantial disorder of thinking, mood, perception, orientation or memory that grossly impairs judgement, behaviour, capacity to recognise reality or ability to meet the ordinary demands of life. It also includes mental conditions associated with the abuse of alcohol and drugs, but does not include mental retardation which is a condition of arrested or incomplete development of mind of a person. The Act further states that every person with mental illness will be treated as equal to persons with physical illness when it comes to healthcare, including health insurance.

IRDAI has taken cognisance of the law, and asked insurance companies to implement its provisions. One of the rationales of the Act is to not discriminate between mental illness and physical illness in coverage. Now, if an alcohol-induced physical illness leading to hospitalisation like in the case of cirrhosis is not covered, in a similar manner alcohol-induced mental illness too will also not be covered. A point to be remembered, is the circular only states that there should be no discrimination between the two illnesses, mental and physical. That doesn't change anything for the insurers in terms of their underwriting decision.

Even now, the insurer can altogether deny health insurance to a person suffering from a physical illness, say cancer or heart disease, as per its underwriting norms. The same underwriting criteria should apply to individuals with a pre-existing mental illness. However, if the insurer agrees to insure them, then after the waiting period on pre-existing ailment, these conditions would need to be covered.

Market Size

The healthcare market was expected to increase three-fold to Rs 8.5 trillion (US\$ 133.44 billion) by 2022. There is a significant scope for enhancing healthcare services considering that healthcare spending as a percentage of Gross Domestic Product (GDP) is rising. Rural India, which accounts for over 70 per cent of the population, is set to emerge as a potential demand source. In 2017, the Government of India has provided grant-in-aid for setting up of AYUSH educational institutions in States and Union Territories.

Investment

The hospital and diagnostic centers attracted Foreign Direct Investment (FDI) worth US\$ 4.99 billion between April 2000 and December 2017, according to data released by the Department of Industrial Policy and Promotion (DIPP), some of the recent investments in the Indian healthcare Industry are as follows.

- India and Cuba have signed a Memorandum of Understanding (MoU) to increase cooperation in the areas of health and medicine, according to Ministry of Health and Family Welfare, Government of India.
- Fortis Healthcare has approved the de-merger of its hospital business with Manipal Hospital Enterprises. TPG and Dr. Ranjan Pal could invest Rs. 3,900 crore (US\$ 602.41 million) in Manipal Hospital Enterprise.

Government Initiatives

Some of the major initiatives taken by the Government of India to promote Indian healthcare industry are as follows:

- India's first ever 'Air Dispensary', which is based in a helicopter, will be launched in the Northeast and the Ministry of Development of Northeast Region (DONER) has already contributed Rs. 25 crore (US\$ 3.82 million) for its funding.
- The Intensified Mission Indra Dhanush (IMI) has been launched by the Government of India with the aim of improving coverage of immunisation in the country and reaches every child under two years of age and all the pregnant women who have not been part of the routine immunisation programme
- The Union Cabinet approved setting up of National Nutrition Mission (NNM) with a three-year budget of Rs 9,046.17 crore (US\$ 1.40 billion) to monitor, supervise, fix targets and guide the nutrition related interventions across the Ministries. had aim
- The Government of India had aim to increase the total health expenditure to 2.5 percent of Gross Domestic Product (GDP) by 2025 from the current 1.15 percent.

Summing-up

India is a land full of opportunities for players in the medical devices industry. India's healthcare industry is one of the fastest growing sectors and in the coming 10 years it is expected to reach \$300 billion. The country has also

become one of the leading destinations for high-end diagnostic services with tremendous capital investment for advanced diagnostic facilities, thus catering to a greater proportion of population. Besides, Indian medical service consumers have become more conscious towards their healthcare upkeep.

Indian healthcare sector is much diversified and is full of opportunities in every segment which includes providers, payers and medical technology. With the increase in the competition, businesses are looking to explore for the latest dynamics and trends which will have positive impact on their business.

India's competitive advantage also lies in the increased success rate of Indian companies in getting Abbreviated New Drug Application (ANDA) approval. India also offers vast opportunities in R & D as well as medical tourism. To sum up, there are vast opportunities for investment in healthcare infrastructure in both urban and rural India.

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