

Factors Affecting the Demand of Health Insurance in India— A Systematic Review

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ABSTRACT

Introduction: Insurance penetration in India is close to 16% which means that only very less percentage of the population is covered under some form of Insurance which includes Government Insurance Schemes, Employer based insurance, Private health insurance and Community based insurance schemes. The condition is pitiful, as a huge part of our population does not use health insurance and pay out of pocket to finance their medical expenditures. Such scenario makes it essential to study factors affecting demand of health insurance in India.

Aim and Objectives: The study aims to bring out various factors affecting the demand of health insurance in India. The objectives include understanding the factors influencing health insurance purchase decision of health insurance.

Methodology: An exhaustive & comprehensive review of literature was carried out from various studies from all across India & developing countries through online electronic databases. The databases included Google scholar, EBSCO, Jstor & website of related nationalised agencies and IRDA.

Results: The major factors affecting health insurance were found to be low awareness, income, education, health seeking behaviour, availability of healthcare facilities and trust in health insurance companies.

Conclusion: To make health insurance spread across all segments of India both supply and demand determinants are important. Demographic factors along with socio economic factors play a major role in health insurance penetration.

Keywords: *Health Insurance, supply and demand of health insurance*

Introduction

Universal healthcare is in the agenda of Indian government since long. Universal healthcare means that appropriate healthcare facilities should be made available to everyone. Such conditions range from ensuring healthy and safe working conditions, nutritious food and availability of affordable and accessible health services.

The total healthcare expenditure in India accounts for a 6% to Gross Domestic Product (GDP) of which 66.9% of its composition consists of Out-of-Pocket (OOP) payments according to the World Health Organization (WHO) report compared with 10-12 % of GDP spent on healthcare by the Developed countries.^{1,2}

The World Bank in a 2012 report says that the healthcare expenditure was one of the major cause of poverty in India. Nearly 65 % of the India's poor get into debt and 3% fall below poverty line each year because related expenses. In such scenario Health insurance is the only viable option to make healthcare available and accessible.

The public health spending in India is equal to 1% of GDP, OOP being the pre dominant mechanism for financing healthcare in the country. Insurance penetration in India is close to 12% which means that only 12% of the population is covered under some form

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of Insurance which includes Government Insurance Schemes, Employer based insurance, Private health insurance and Community based insurance schemes.

Nearly 40% of hospitalised patients sell assets or borrow money to afford treatment and an average of 24% fall further down the poverty trap in this process. One of the reasons for lack of a proper health-seeking behaviour within the poor community is the expensive medical treatment especially at private hospitals and the poor facilities available at public facilities.^{2,3,4} There is a close relationship between the health conditions of the people and the economic growth of the country in which they live.⁵ It becomes necessary for the government to ensure affordable services for the Universal Health Care to improve and maintain their health well-being. Some of these factors prove that health micro insurance is critical to reduce poverty and improve household conditions in poor and developing countries.^{5,6}

Health Insurance is widely accepted as the most important measure towards UHC (Universal Health Coverage). The growing technical and managerial capacity of health insurance is widely recognized. With regulations and increasing role of authorities like IRDA, ROHINI the previously unregulated HI (Health Insurance) market is much regulated now and heading towards standardization. With the growing Indian middleclass, the economic growth of the country by 2020 projects educated and aware population with high purchasing powers.⁷

On the other side with rapid urbanization, rapid expansion of government sponsored health insurance schemes, technology integration and standardization of healthcare processes, the penetration of health insurance is obvious. The factors affecting the consumer’s choice and readiness to purchase insurance play an important

role in the percolation of Health insurance plans. With increasing number of insurance products the buyer having purchasing power will purchase only if the products of his choice are available.^{7,8} Therefore there is a need to study factors leading to purchase of health insurance. The consumers perspective along with the insurers perspective needs to be analysed to develop and deliver insurance products suite to the need of the all segments of population.^{8,9,10}

Awareness about Health insurance products in India is identified as one of the barrier in the in the widening health insurance coverage. The supply and demand sides both the play an important role and are a matter of grave consideration.

Aim and Objectives

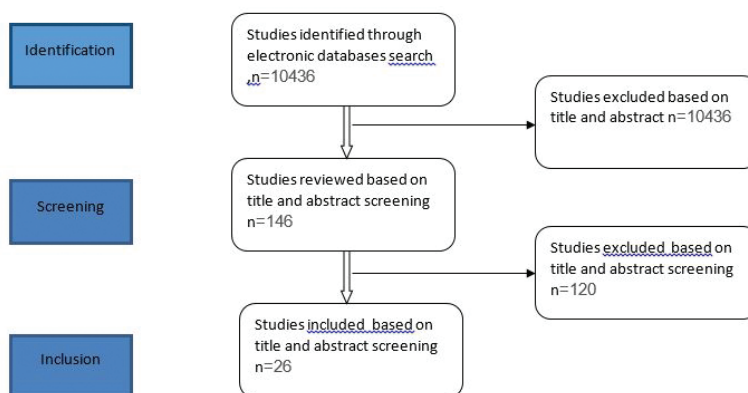
The study aims to bring out various factors affecting the penetration of Health Insurance in India

Objectives of the Study

1. To understand the factors influencing the purchase decision of health insurance policies.
2. To identify the supply and demand determinants affecting the scale up of Health Insurance.
3. To study the factors acting as hindrance to health insurance purchase.

Methodology

An exhaustive & comprehensive review of literature was carried out form various studies from all across India & developing countries through online electronic databases. The databases included Google scholar. EBSCO JStor& website of related nationalised agencies and IRDA.



Literature Review

The first evidence of liberalization of insurance sector was seen in 1986 where private players entered into the market. The private insurance plans were initially launched by public non-life insurance companies. Further in 1999 the health insurance market was opened for foreign private players. Later in 2001, a regulation was passed which approved the entry of private non-life insurance companies to venture into the health insurance business in India. With the introduction of TPAs in 2007 the administrative processes related to hospitalisation have become more standardised and convenient. Parallel to the traditional claim settlement procedure, direct cashless facility is attracting customers more in the empanelled hospitals by the insurance companies for the health claims.¹¹

As the number of products and companies are expanding there is a dire need to study determinants of health insurance. Thompson and Rao list the most prevalent variables: gender, marital status, Religion/ethnicity, education, income level, age, geographical mobility, and family size.^{12,13}

Studies carried out in various part of India as well as globally have shown that the major contributing factors to the health insurance are the age, gender, income marital status and occupation. On the supply side of health ease of reimbursement and other administrative processes play a dominant role. Studies from the developing countries show that income, education and health risks are the major factors affecting purchase of health insurance, Several studies support this fact.^{14,15} Researchers found low awareness about the health insurance among the insured as well as the insured categories. Furthermore, he states that on the supply side the suppliers of health insurance are less motivated which can be directly correlated with the less incentive for the insurance advisors.¹⁶

Healthcare expenses, coverage of illness and the premium are the significant factors affecting the purchase of plan among the aware group. Eight qualitative factors which affect health insurance purchase decision are mainly cost, quality, accessibility, coverage of illness, coverage of services, trust, illness and knowledge about Health Insurance. Studies showed a positive association between Health Insurance purchase decision and healthcare expenditure.¹⁷

With respect to Community based health Insurance, India's experience with a large CBHI (Community based health Insurance scheme) Programme Yeshawini scheme being run by Karnataka is significant. The analysis based on the primary survey of 4109 households studied education, gender equity, social equity and economic equity. Social equity and education were found to be the most significant factors. This study also emphasized that a well designed marketing package is necessary to promote enrolment and renewal.¹⁷

In a study on Customers perception towards health insurance in Bardoli and Mandvi region studies correlation between income and interest of an individual towards purchase of health insurance. Study demonstrated a strong association between income and interest.²⁰ Researchers studied willingness to pay for health insurance in the city of Coimbatore. The study also explored various factors which act as impediments to join health insurance. Majority out of the 225 respondents were willing to join Health Insurance. Moreover, significant association exists between age, education, monthly income and willingness. The study also states that the tax exemption component of the health insurance along with the premium greatly affects buyer's behaviour.²¹

The studies carried out in the developing country as well as in the developed country show variation in some aspects. In developing countries the findings showed that the level of out of pocket expenditure as well as affordability play a crucial role in penetration of Health Insurance.^{21,22} Francis Mhere, Midland State University studied health insurance determinants in Zimbabwe. The study revealed that relation between employment status of the household head as well as the type of job one performs as in white collar or blue collared was insignificant. However, there was a strong correlation between health insurance purchase and education. Age & income were another parameters which significantly impact Buyer behaviour.²³

Studies also revealed seven major factors, which act as barrier to the subscription of health insurance. These factors were lack of funds, lack of awareness, lack of willingness, poor network of intermediaries, lack of trust and inaccessibility of healthcare services. This were in addition to the other demographic factors.²³

Findings & Discussion

This review brings out important determinants affecting penetration of Health Insurance and reveals factors that affects the purchase of health insurance

The major factors affecting health insurance were found to be

- Awareness and understanding of health insurance
- Income
- Education
- Health seeking behavior
- Availability of healthcare facilities
- Trust in health insurance companies

The study included in the review were from various part of India and differed slightly in the methodology. Age & sex were found to be significantly related to uptake of the scheme. Also, the review suggests younger individuals were more willing to pay compared to older individuals. Similarly, males were more willing to purchase health insurance as compared to females.

Awareness and understanding of health insurance was gain found to be the significant determinant. Low awareness regarding the policy and benefits act as hindrance.²⁶

Trust: Many a times the insurance claims are rejected due to some small technical reasons. Also the conditions included in insurance policy contracts is not negotiable and these are binding on consumers. There is no analysis on fair and unfair price. Given that insurance companies are large, almost monopoly setting the consumers is treated as secondary, and they do not have opportunity to negotiate the terms and conditions of a contract.²⁶

Need of Ethnographic Research: There is also a need of ethnographic research through case studies to find out the major factors acting on supply and demand side of the health insurance²⁶.

Role of Regulators: The use of modern medicine is also an important factor for enrolling into CBHI since the scheme requires the regular use of conventional means of treatment; hence those who use modern medicine have been found to be more willing to pay than those who use other means of treatment.^{27,28}

Product Innovation: Health insurance is typically annual and has to be renewed yearly. Policy, which is not renewed in time lapses and a new policy has to be taken out. Medical conditions detected during the interim period are treated as pre-existing condition for the new policy, which is not fair.

One of the planks on which the insurance has been deregulated is the gain in efficiency and passing on these benefits to the consumers. Providing complete information to the consumer and dealing with claims in a just and expeditious manner is the minimum expected outcome. Consumer organizations have to play very active role in development of the health insurance sector in India.

There are several social issues such as exclusions of sexually transmitted diseases, AIDS, delivery and maternal conditions etc. The companies may charge additional premium for certain conditions. Secondly, the premiums are high and do not differentiate between people living in urban and rural areas where the costs of medical care are different. Thus, the present policy is less attractive to poor and rural people. The tax subsidy provided is also going largely to the rich who are the taxpayers.

Conclusion

The review has brought forth some important determinants in penetration of health insurance. To make health insurance spread across all segments of India both supply and demand side needs to be considered. Demographic factors along with socio economic factors play a major role in health insurance penetration.

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