Journal of Positive School Psychology
2022, Vol. 6, No. 3, 7148-7158
Dhruva Sreenivasa Chakravarthi et al.
http://journalppw.com

Health Insurance-It's Potential and Distribution Avenues in India

Dhruva SreenivasaChakravarthi
CEO, Prashanth Hospital & Research Scholar, KL Business School, KoneruLakshmaiah Educational Foundation(KLEF) deemed to be University
Department of Management, Vijayawada, Andhra Pradesh
Dr. Himanshu Barot
Professor, Unitedworld School of Business, Karnavati University,
Gandhinagar, Gujarat
Dr Parag Kalkar
Dean, Faculty of Commerce and Management, Savitribai Phule,
Pune University, Pune
Dr. Kailas Aute
Associate Professor ,Dept. of English,
Smt. CHM College, Ulhasnagar (Affiliated to University of Mumbai),
Dist. Thane, Maharashtra (India)
Dr. Pradeep Gangurde
Head & Associate Professor, Dept. of Sociology,
Smt. CHM College, Ulhasanagar, Maharashtra - 421003

Abstract:
India has one of the highest per capita private healthcare expenditures in the world. Private out-of-pocket expenditures are the primary source of healthcare financing in India. The Indian health insurance industry has emerged as a fresh and profitable development opportunity for both established firms and new entrants. It is one of the country's fastest-growing and second-largest non-life insurance categories. Although the Indian health insurance industry has grown rapidly in recent years, it remains mostly untapped due to a variety of flaws that must be addressed. Furthermore, several private general insurance firms have entered the health insurance market, and the first business devoted solely to health insurance was established in 2006. (Chennai-based Star Health and Allied Insurance Co.) Despite growth in insurance volume, the diversity of health insurance policies has not increased sufficiently. Most packages only cover a portion of the expense of uncommon incidents (hospitalizations & inpatient surgery, with an upper limit). Aside from protecting health insurance consumers and beneficiaries, regulations can be effective instruments for promoting access to healthcare, controlling health coverage costsfor healthcare providers, and improving healthcare quality.

Keywords: Health risk, out-of-pocket expenses, third-party administrators, and insurance products

Introduction:

Everyone needs three types of health care: primary care (including diagnostic tests and imaging), hospital care (including surgery and maternity), and medications and medical equipment. In India, these forms of healthcare services are often supplied through three separate providers: consulting physicians, hospitals, and pharmacies. The development of various healthcare technology, as well as

the rise in healthcare expenses, has forced the investigation of health financing solutions to deal with the challenges that have arisen as a result of rising healthcare prices (Singhand Deshmukh 2022).

Private out-of-pocket expenditures are the primary source of healthcare financing in India. In reality, India has one of the largest per capita private healthcare expenditures in the world. This commercial funding structure creates financial obstacles to care and can have disastrous consequences for families in need of medical care. Health insurance has long been seen as a key tool for addressing healthcare finance issues. It is especially significant in a nation like India, where per capita income is extremely low and a substantial population lives below the poverty line. Health insurance is a financial instrument that protects people against catastrophic financial burdens caused by unforeseen illness or injury (Kumar and Duggirala 2021). A well-functioning insurance system guarantees that resources are pooled to cover risks. The rising prosperity of India's middle class, along with lifestyle-related ailments and rising healthcare expenditures, is driving the need for health insurance in the country today. The establishment of new hospital chains with a focus on holistic health is exacerbating this need, particularly in metropolitan areas.

Literature review:

Need for Health Insurance Policy

According to the February 2003 issue of Money Digest.One in three people will acquire life-threatening cancer.Before retiring, one in every four people will suffer from heart disease.One in every twenty people is at risk of suffering a stroke before the age of seventy.According to the World Bank,In India, 85 percent of the working population does not have Rs. 5,00,000 in cash on hand.14% have Rs. 5,00,000 right now but would have a financial crisis later on.Only 1% can afford to spend Rs. 500,000 quickly and effortlessly.In the event of a catastrophic sickness, 99 percent of Indians will confront a financial crisis.As a result, health insurance becomes necessary (Kar and Navin 2021).

InsuranceIndustry Regulations

Insurance companies can provide either life or general insurance; either type can provide health insurance. The Insurance (Amendment) Act of 2002 specifies four categories of insurance providers:

a. Companies registered under the Companies Act of 1956
b. Provident societies, etc.
c. Mutuals that offer insurance plans, and
d. Cooperative societies that offer life insurance.

Mutuals and cooperatives are also governed by state legislation; the Insurance (Amendment) Act of 2002 specifies specific governmental obligations in this regard.

Health Insurance in India

During the last decade, the insurance industry has seen substantial growth. It depicts the important stakeholders in private health insurance and their interdependence. According to the graphic above, there are three major players in the health insurance system. Customers, insurance companies, and healthcare providers are all included. Aside from this, two more significant and engaged stakeholders in the process are third-party administrators (TPA) and the regulator.

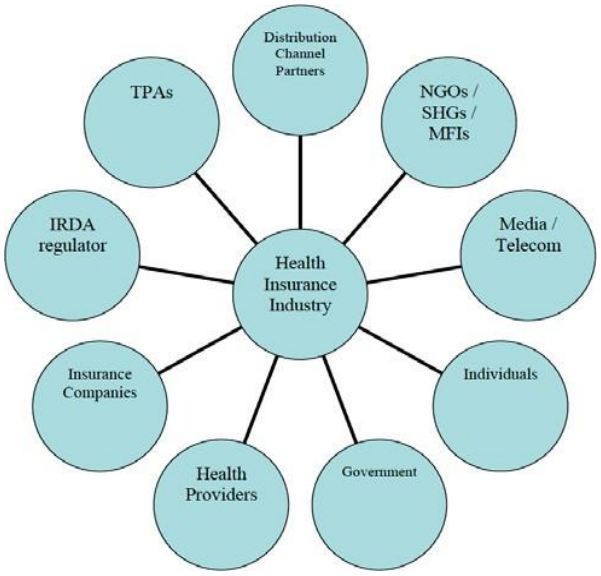

Figure 1: Stakeholders of health insurance company
(Source: Ashwini2022, p.812)

Distribution Channel Partners: These organizations resell the core organization's products and services for a fee, subject to certain terms. The core organization is the one that creates the products and services. NGOs and MFIs are commonly used as distribution channel partners for community-based health insurance systems.

Health Providers: Institutions that provide health care services for a fee, such as hospitals, clinics, primary health care centers, and so on.

Private: refers to private insurance firms that market health insurance policies, such as United India Insurance Company Ltd's Mediclaim Policy.
The term "**social**" refers to government-managed programs such as the Universal Health Insurance Scheme, Employee State Insurance Schemes, and so on.Microfinance Institutions (MFIs) or non-governmental organizations (NGOs) that engage in the purpose often conduct **community-based schemes**. These schemes are based on group insurance, and the establishment of groups is commonly classified as SHGs (Self Help Groups).

	Private	**Public**
For-Profit	PrivateInsuranceCompanies	GeneralInsuranceCompany
NotforProfit	Community-BasedHealthInsurance	EmployeeStateInsurance

Table 1: TypesofInsurancecompanies
(Source: Joshi et al. 2021, p.92)

There are several types of insurance schemes, and they differ in terms of ownership and profit orientation. However, the fundamental principle of risk-sharing remains the same. Insurance systems are implemented differently in different nations in terms of how money is collected, who pays, who buys services, and from whom.

The Role of the State in Social Protection

The Employee State Insurance Program (ESIS), established in 1948, is another formal insurance provider that operates as a social health insurance scheme. When a specific number of employees are exceeded, ESIS becomes mandatory in some industries. Contributions received as a proportion of gross pay are used to fund the system. Employees contribute 1.75 percent of their salaries, while the company contributes 4.75 percent. The system is subsidized by general taxes levied by the Indian states.The Central Government Health Scheme provides health care services to central government

personnel and their dependents (CGHS). The system, which was introduced in 1954, is supplied by the government for its employees, i.e. individuals obtain health care without having to make payments (Liddell, J.L. and Lilly 2022).

Insurance is a policy between two gatherings wherein one attempts to accept the gamble of the other in return at a cost known as an expense and vows to remunerate the other assuming an obscure occasion happens. The primary benefit of protection is that it spreads the gamble of a couple of individuals across a major gathering who are presented with similar dangers.

Protection has been viewed as a promising region by India's monetary organizers. The protection market in India has a ton of potential to create, infiltrate, and serve the general population. The reason for protection is to give assurance. A policyholder needs two types of insurance: life and non-life. Health care coverage is a subset of the overall protection area, which manages non-life security for the guaranteed (Mistryand Vyas 2021).Health care coverage is a subset of general insurance that records for around 29% of all payments gathered. Nonetheless, there are a few issues in this industry, which is the catalyst for this examination. This study will help protection firms in understanding their exhibition as well as the greatest of misfortunes that this industry has caused throughout the long term.Health care coverage alludes to an arrangement that covers or offers the expenses of medical services bills. These plans are delegated business health care coverage since they are provided by government, private, and independent health care coverage organizations.In India, medical coverage ordinarily covers just long-term hospitalization and therapy at Indian emergency clinics. Short-term administrations are not covered by Indian health care coverage inclusion. Mediclaim Policy was India's most memorable well-being strategy. The Government of India changed protection in 2000, permitting private organizations to enter the market. With the appearance of private safety net providers in India, various novel items including family floater plans, basic sickness plans, clinic money, and top-up approaches were presented.Afterlife and engine protection, medical coverage is a growing protection business in India. The ascent of the working class, rising hospitalization costs, costly medical care, digitalization, and an expansion in mindfulness level are a portion of the critical variables for the development of the Indian health care coverage industry.

The predominance of the way of life sicknesses is expanding. Our being has been penetrated by an inactive presence. Actual work is less predominant today than it was already, and there is not a great explanation to trust that this won't proceed. The outcome is the rise of the way of life constant sicknesses like coronary illness and diabetes.One could check out at it the two different ways with regards to the Indian medical coverage area. This industry's possibilities are hampered by unfortunate infiltration and an awful client assessment of its worth. Then again, we have recently started to expose the valuable open doors that lay ahead. It's like the glass is simply mostly filled. Many remaining parts are to be survived, as well as substantially more to be finished.Medical coverage firms should be positive and valiant to present new items, administrations, and dissemination frameworks. Carry it into the overlay as a security net that shrewdly covers and makes a medical coverage plan that addresses the issues of the clients (Watson et al. 2021).

Classification of medical coverage plans in India

In India today, health care coverage strategies are generally assembled into the accompanying classes:

Hospitalization. Hospitalization plans are repayment designs that compensate for the hospitalization and doctor's visit expenses up to the total covered. A top-up approach is one more kind of hospitalization inclusion. Top-up arrangements with a high deductible frequently layout a degree of current inclusion.

Medical coverage for the whole family. A family medical coverage plan covers the whole family under a solitary health care coverage strategy. It works on the idea that not all individuals from a family would become unwell simultaneously (TWO-DECK 2021).

Plans for previous disorder inclusion. It gives inclusion to illnesses that the policyholder had preceding buying a health care coverage strategy. Prior infection inclusion plans give inclusion to previous illnesses like diabetes, renal disappointment, and some more. It gives inclusion to the protected following two to four years of delay.

Medical coverage for the older. This type of health care coverage inclusion is for the family's older individuals. It gives inclusion and insurance against health challenges in the previous lifestyle. Maternity medical coverage is accessible. Maternity medical coverage covers maternity and other related costs.

Clinic cash benefit plans consistently. Everyday money benefits are a kind of characterized benefit inclusion that pays a specific measure of cash for every day of hospitalization (Kurni and Mrunalini 2021).

Plans for the basic disorder. These are benefit-based protection that pays a singular amount installment in case of a devastating ailment, for example, a respiratory failure, disease, or stroke.

Exceptional techniques for specific sicknesses. A few firms give sickness explicit strategies, for example, Dengue Care and the Corona Kavach inclusion.

Strength, shortcoming, opportunity, and danger investigation of medical coverage area (SWOT examination)

The qualities, shortcomings, potential open doors, and dangers (SWOT) examination is an exploration directed to recognize the medical coverage area's inner assets and shortcomings as well as outer open doors and dangers.

Qualities. The medical coverage business in India is supposed to grow quickly because of rising per capita pay and the development of theworking-class bunch. Different protection firms are sending off new arrangements in this space that will help to address the issues of clients. Clients would benefit significantly when all protection suppliers offer credit-only types of assistance throughout the country (Puteh et al. 2022).

Shortcomings. This area's monetary health is poor because of restricted speculation. On account of their prevalent framework, public area insurance agencies keep on overwhelming this business. This industry has a high case proportion, and numerous false cases are delivered.

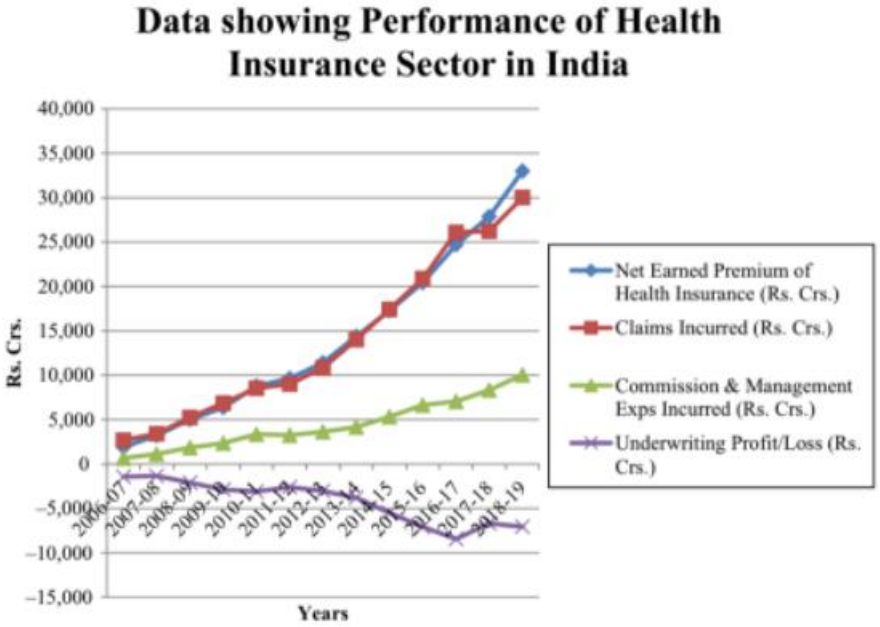

Figure 3: Performance of health insurance sector in India
(Source: Ashwini 2022, p,912)

Potential open doors. Since the provincial entrance is low, this industry has a solid potential for future development. The headway of innovation and the use of the web are helping this industry to create in size and progress toward a harmless the ecosystem paperless system.The most genuine danger to this industry is an adjustment of government rules. This area's productivity is being hurt by rising spending and claims. The financial slump and downturn in the economy could adversely affect the development of this industry. The heightening misfortunes and interest for protection might arrive at a final turning point, driving protection firms to deny inclusion.

Methods and techniques:

Health insurance is a key contributor to the expansion of the general insurance market in India. It contributes to around 29 percent of total general insurance premium income in India. The expansion of this sector is significant in terms of the overall expansion of the general insurance industry. At the same time, there are several issues in this industry that are harming its performance.The study gives insight into the performance of India's health insurance market. This research seeks to determine how much claims, commission, and administrative expenditures must be incurred to earn a specific amount of premium. The investigation depends on optional information assembled from the Insurance Regulatory Development Authority's (IRDA) yearly reports, as well as various distributions, research articles, and sites. An endeavor has been made to evaluate the presentation of India's medical coverage framework. Suitable exploration devices were used in light of the concentrate's necessities and nature (Wang et al. 2021). The material accumulated has been arranged, gathered, and dissected as per the review's objectives.

Data analysis and findings:

The figure displays the country's prevalence of private health insurance. These figures exclude people covered by health insurance schemes in the unorganized sector.

Year	Net earned premium of health insurance (Rs. Crs.)	Claims incurred (Rs. Crs.)	Commission and management exps incurred (Rs. Crs.)	Underwriting profit/loss (Rs. Crs.)
2006–2007	1909.59	2687.49	662	−1440
2007–2008	3224.27	3422.43	1139	−1337
2008–2009	5017.47	5256.19	1849	−2088
2009–2010	6351.82	6857.31	2362	−2867
2010–2011	8783.61	8546.18	3350	−3113
2011–2012	9660.52	9013.42	3239	−2592
2012–2013	11413.76	10834.29	3630	−3051
2013–2014	14373.7	14007.22	4167	−3801
2014–2015	17260.69	17405.79	5343	−5488
2015–2016	20456.57	20900.18	6629	−7073
2016–2017	24709.75	26088.59	7059	−8438
2017–2018	27875.24	26247.22	8329	−6701
2018–2019	33010.89	30027.26	10049	−7065

Table 2: Health insurance statistics

(Source: Njegomir and Bojanić 2021, p.811)

It is thought to be a basic guideline that as the exceptional ascents, so will the benefit. This lays out that benefits are dependent upon premium pay. Accordingly, assuming that the premium will in general ascent, the benefit procured is additionally expected to rise. The's review will likely decide whether the medical coverage area's endorsing benefit is rising or whether there is a guaranteeing misfortune.

The issue proclamation is dealt with by utilizing relapse investigation to decide the connection between the premium acquired and the endorsing benefit or misfortune. It is expected to be that assuming the endorsing benefit expansions couple with the exceptional got, the example shapes typical dissemination and a substitute theory can be acknowledged; notwithstanding, on the off chance that this example of reliability isn't found, the invalid speculation will be acknowledged, expressing that there is no connection between the premium and the guaranteeing misfortune or benefit by area. Nonetheless, in this industry, an expansion in premium is causing an expansion in endorsing misfortune. Accordingly, the premium is impacting endorsing benefit, which is an uncommon event and the substance of the area's quandary (Hassan and Salman 2021).

Endorsing benefit/deficit = net premium procured –all-out premium paid (guarantee settled commission and the executive's costs brought about). In the insurance area, guaranteeing benefit alludes to how much procured installment that remaining parts after claims have been settled and commissions and managerial costs have been paid. It takes out benefits from speculations made on the organization's premium. It is the benefit made by the protection firm in the normal course of business.

Medical coverage expenses have ascended from Rs.1910 crores in 2006-2007 to Rs.33011 crores in 2018-2019. In any case,

claims brought about related to the commission and authoritative consumptions expanded from Rs. 3349 crores to Rs. 40076 crores within a similar time frame. Thus, the cases and organization consumptions spent all in all surpass the medical coverage expense produced throughout our examination, bringing about guaranteeing misfortune.The case shown above is the consequence of the gamble protected against which the expense is gathered, as well as the commission and authoritative charges caused to get the insurance policy. Both of these expenses are essential for protecting organizations to create new business, as savage competition has existed in this industry since its origin in the year 2000.

With an annual growth rate of 25%, health insurance is the fastest-growing sector. In 2009-2010, the health premium increased to Rs. 8100 crores. This sum was Rs 6600 crores last year, thus there has been a 23 percent increase this year. Overall, the General Insurance Industry grew by 10% in 2009-10, therefore it is encouraging to see that the Health portfolio has significantly contributed to the overall expansion of the General Insurance Industry. According to recent projections from different authorities, the health sector has the potential to grow to Rs. 30000 crore by 2015.

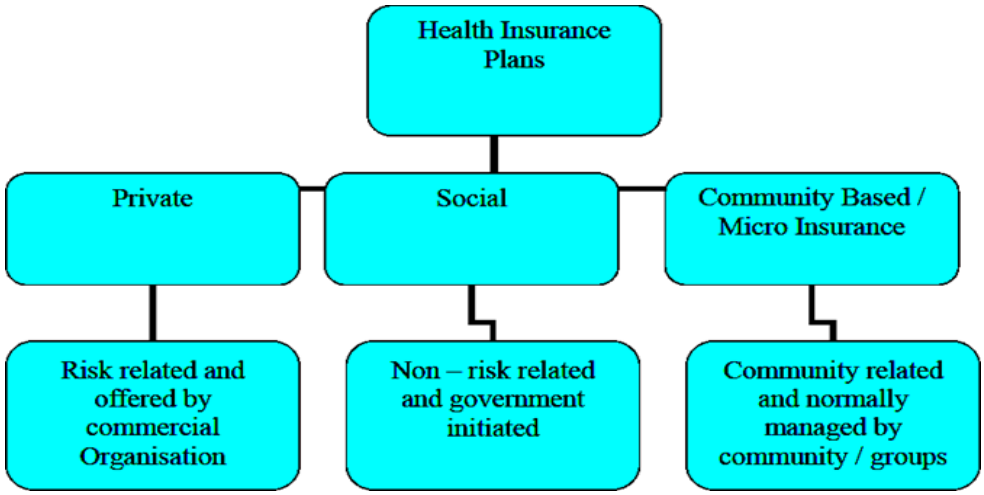

Figure4:HealthInsurancePlans
(Source: Luo and Guan2022, p.91)

India's initial introduction to medical coverage started in the last part of the 1940s and mid-1950s, when government authorities (Central Government Health Scheme) and formal area laborers (Employees' State Insurance Scheme) were signed up for contributory yet essentially sponsored health care coverage programs. Because of the economy's progression from the mid-1990s, the public authority opened up the private area (counting medical coverage) in 1999. This headway made it feasible for those with higher wages to get predominant consideration from private tertiary consideration foundations. Nonetheless, over the most recent a long time (starting around 2007), India has seen a large number of new endeavors, both by the public government and a large number of state legislatures getting on board with the medical coverage fad. One of the inspirations for sending off such drives is the responsibility of Indian state-run administrations to increment public spending

on medical care. Our invulnerable frameworks have been harmed by low-quality food, putting us at a higher gamble of creating contaminations.Interesting noncommunicable ailments are turning out to be more predominant. Stoutness, hypertension, strokes, and respiratory failures, which were previously remembered to be extraordinary, are presently influencing a developing number of metropolitan Indians.Intriguing noncommunicable ailments are turning out to be more common. Weight, hypertension, strokes, and coronary episodes, which were previously remembered to be extraordinary, are currently influencing a developing number of metropolitan Indians.Insufficient monetary arranging Most of us have protection on our homes, vehicles, kids' schooling, and, surprisingly, our retirement years. In any case, unexpectedly, we have not ensured our health. We disregard the way that ailments strike without notice, unleashing destruction on our funds and exhausting our assets without even a trace of satisfactory health care coverage or clinical protection inclusion (Hassanand Salman 2021).

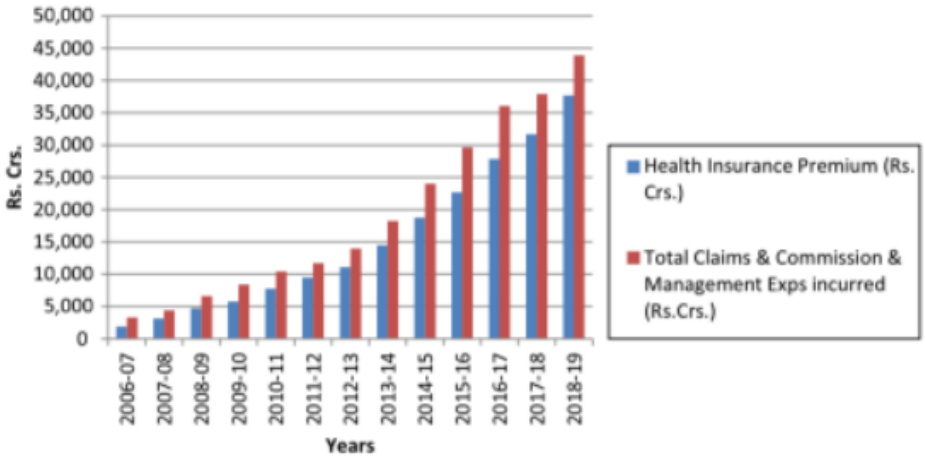

Figure 5: Health Insurance Premium earned & Claims & Management Exps. Incurred
(Source: Karand Navin 2021, p.92)

The current structure encourages cost-based reimbursement, which leads to excessive healthcare costs. This exposes insurance systems to excessive costs and jeopardizes the profitability of schemes. The income of a hospital is a function of its cost. They get more if they spend more and if their insurance pays. As a result, health insurance will incentivize excessive resource usage, risinghealthcare costs. This also leads to patients being exploited for monetary advantage by healthcare practitioners. Delays and difficulties in evaluating health insurance claims, result in an increased time gap between the dates of discharge and the actual date of reimbursement. There is an urgent need for an insurance regulating agency and a healthcare regulatory authority, such as the Medical Council of India, or a premier healthcare giving organization, such as AIIMS, to develop a set of norms and standards for illness nomenclature standardization. Disease nomenclature diversity makes it extremely difficult for other medical practitioners and health insurance agencies to assess the type, severity, and/or complexity of a specific disease diagnosis, resulting in an inability to assess the validity

of insurance claims in terms of the necessity of hospitalization, several days hospitalized, and cost of treatment accruing therefrom. Third, administrators confront a problem in regulating healthcare expenses in the insurance system. The MCI and recognized healthcare organizations might create and implement a standardized number of days of hospitalization for each illness category, as well as a set payment for the same. This motivates healthcare providers to decrease expenses and deliver high-quality care at a low cost.Another approach for introducing the items in India is to create customized health insurance coverage. As indicated by similar information, the medical coverage business had a guaranteed misfortune in every single monetary year. There is no way to see an example; it has filled in certain years and declined in others. Endorsing misfortune is assessed by deducting cases, commission, and authoritative uses from medical coverage expenses created over these periods (Njegomirand Bojanić 2021).

The cases brought about, incorporating with commission and organization uses paid, expanded by more than a unit for each unit ascend in premium pay. Therefore, the main concern is raised. Thus, rather than benefitting from a more grounded business through more top-notch pay, it has endured misfortunes.Guaranteeing standards should be smoothed out so a satisfactory assessment of every strategy is completed, permitting this area's presentation to move along. There has been a huge expansion in premium produced throughout the long term, however, claims, commission, and regulatory consumptions have likewise expanded relatively and aggregately outperformed procured premium. Thus, the net effect brought about a shortfall in this area, as found in the figure. It has likewise been seen that misfortune is ascending with time. Therefore, development in income benefits as a premium is prompting an expansion in misfortunes around here, which isn't ordinarily found in some other areas.

Conclusion and recommendations

Several community-based organizations in India have spent the last decade building community-based insurance plans. The majority of these community-based insurance plans (CBHI) are also referred to as micro health insurance programs. Microinsurance is a type of health, life, or property insurance that provides restricted coverage for a modest investment (thus the name "micro"). It is aimed at the poorest segments of the community and is intended to assist them in collectively covering themselves against dangers (thus the term "insurance"). In India, micro health insurance is growing as a tool for providing health insurance. The function of these CBHI projects in extending the reach of cheap healthcare to the poor would be critical. Many of these initiatives' success, albeit on a lesser scale at the moment, provides vital lessons for policymakers. It demonstrates that if a local organization offers an insurance plan that is suited to local requirements and provides acceptable coverage at a modest charge, it has a fair chance of success.

Future scope

Current blanket insurance plans can be replaced with tailored insurance policies in which consumers select from a menu of diseases and illness remedies, with risk premiums altering based on individual morbidity and treatment costs. Of course, rigorous screening is required for the execution of such customized items. There are additional opportunities to use treatment and illness information to make clinical choices in

conjunction with policyholder health care coverage selections.

References

1. Ashwini, D.N., 2022. Progress of banking and insurance sector in India–an economic overview.
2. Hassan, R. and Salman, S., 2021. Innovative Nature of the Takaful Industry in Malaysia: Are We with The Conventional Insurance Industry? Overview. *Hassan, R., & Salman, SA (2021). Innovative nature of the Takaful industry in Malaysia: Are we with the conventional insurance industry*, pp.01-11.
3. Joshi, R., Chauhan, V. and Choudhary, V., 2021. Marketing of Life Insurance to the Indian BOP Segment: A Literature Review Using the 4A Framework. *IUP Journal of Marketing Management*, *20*(4), pp.208-226.
4. Kar, A.K. and Navin, L., 2021. Diffusion of blockchain in insurance industry: An analysis through the review of academic and trade literature. *Telematics and Informatics*, *58*, p.101532.
5. Kumar, R. and Duggirala, A., 2021. Health insurance as a healthcare financing mechanism in India: Key strategic insights and a business model perspective. *Vikalpa*, *46*(2), pp.112-128.
6. Kurni, M. and Mrunalini, M., 2021. 11 Managing Health Insurance Using Blockchain Technology. *Blockchain in Digital Healthcare*.
7. Liddell, J.L. and Lilly, J.M., 2022. Healthcare experiences of uninsured and under-insured American Indian women in the United States. *Global Health Research and Policy*, *7*(1), pp.1-11.
8. Luo, T. and Guan, Z., 2022. Public health insurance and migration of farm workers in the US. *Applied Economics*, *54*(15), pp.1672-1687.
9. Mistry, D.S. and Vyas, P.C., 2021. Consumer buying behaviour towards health insurance in Gujarat. *D. Nilkant, V. Agarwal, & BK Sunitha, Sustainable Marketing*, pp.136-157.
10. Njegomir, V. and Bojanić, T., 2021. Disruptive Technologies in the Operation of Insurance Industry. *Tehničkivjesnik*, *28*(5), pp.1797-1805.
11. Puteh, S.E.W., Aizuddin, A.N. and Al Salem, A.A., 2022. Feasibility of National Health Insurance for Saudi Healthcare Services: Qualitative Study.
12. Singh, R.K. and Deshmukh, A.A., 2022. Comparison Between Offline and Online Distribution Practices for the Insurance Industry in India. *International Journal of Asian Business and Information Management (IJABIM)*, *13*(1), pp.1-19.
13. TWO-DECK, S.O.A., 2021. Digital Technologies for Government-Supported Health Insurance Systems in Asia and the Pacific.
14. Wang, H., Zhang, D., Guariglia, A. and Fan, G.Z., 2021. 'Growing out of the growing pain': Financial literacy and life insurance demand in China. *Pacific-Basin Finance Journal*, *66*, p.101459.
15. Watson, J., Yazbeck, A.S. and Hartel, L., 2021. Making health insurance pro-poor: lessons from 20 developing countries. *Health Systems & Reform*, *7*(2), p.e1917092.