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THE PRIVATE HEALTH INSURANCE MARKET IN INDIA

Current evidence and policy implications

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BACKGROUND

- Out-of-pocket payments: 86% of private health expenditure
- Prior 1999: nationalised insurance market (life and non-life)
 - Mediclaim (hospitalisations): started in 1986 and 3.5 million covered by 1998/99
- Insurance Regulatory and Development Authority (IRDA) Act 1999 opened the insurance market to the pvt. and foreign firms.
- Health insurance market in India is rapidly increasing
 - Growing at a rate of 25% per year (USAID 2010)
- Government sponsored PHI
 - Rashtriya Swasthya Bima Yojana (RSBY), Rajiv Aarogyasro (AP), Kalaingar (TN)...

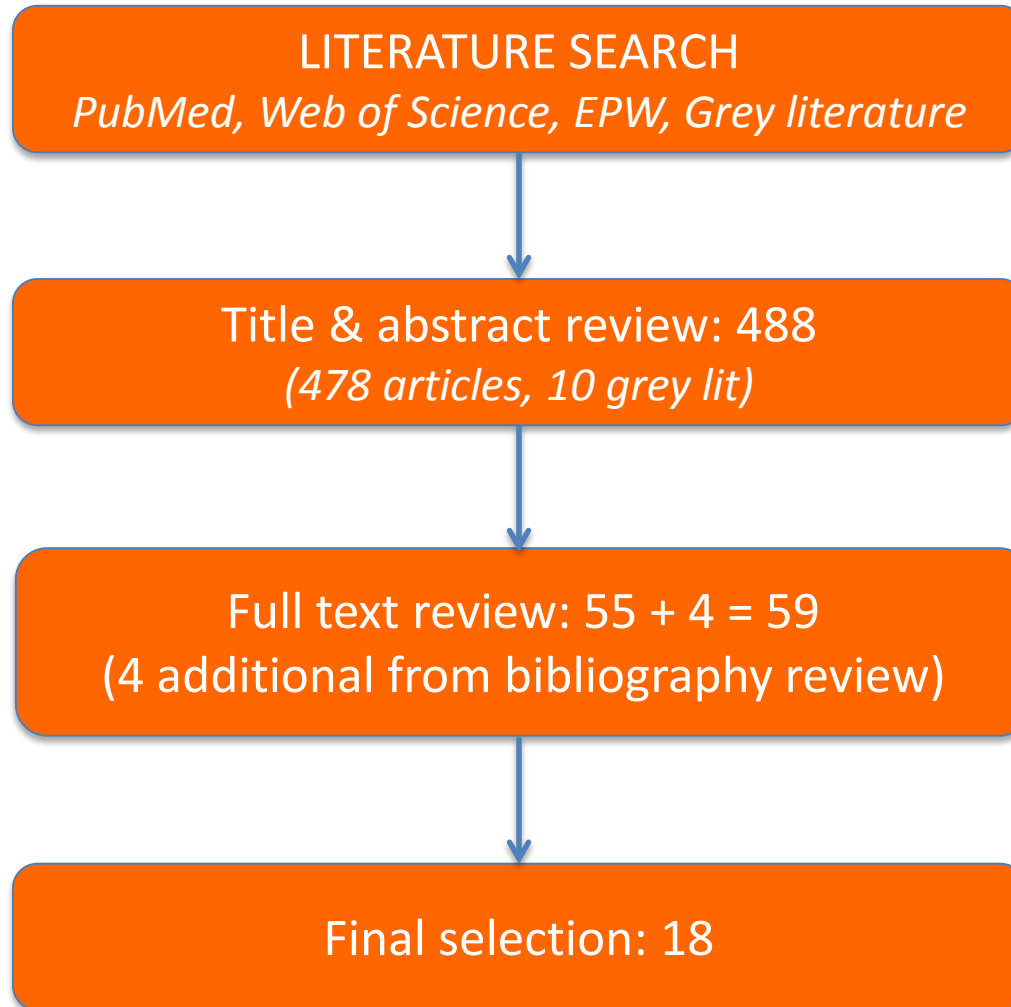
METHODOLOGY

Literature review

- PubMed, Web of Science
 - Economic & Political Weekly (EPW) journal
 - Grey literature: regulatory agencies, PHI firms, international organisations
- Search terms
 - Private*, voluntary, insur*, Region (India, all States), Language (English), date (March 2012)

INCLUSION	EXCLUSION
<ul style="list-style-type: none">• Private health insurance (for profit)• India• March 2012• English	<ul style="list-style-type: none">• Disease-specific• Not-for profit voluntary health insurance (CHI)

LITERATURE REVIEW



RESULTS

- Regulation
- Benefit packages
- PHI market
- Premiums
- Profits

REGULATION

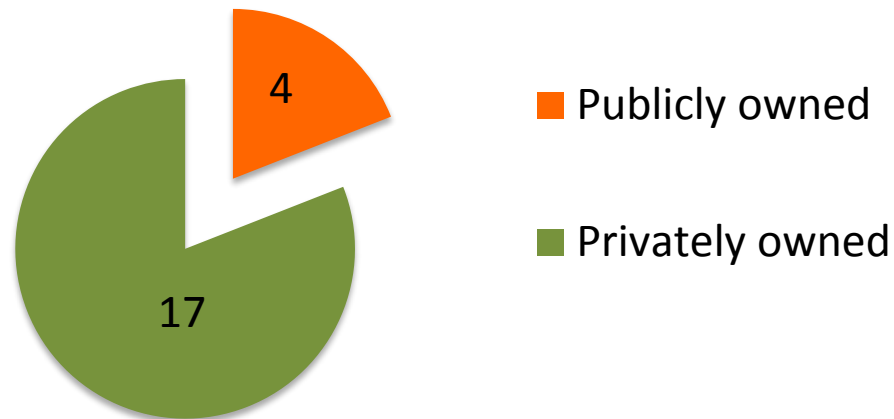
- Insurance Regulatory and Development Authority (IRDA)
 - Regulation
 - Development
- Third Party Administrators (TPAs)
 - Emerged in 1996 and since 2002 come under the IRDA
 - Back office services like claims management and enrolment
 - ... benefit package designs, pricing, provider network management
 - 29 IRDA-licensed TPAs
- Portability and standardisation of insurance packages

BENEFIT PACKAGE

- Mostly based on Medclaim
 - Hospitalisations
 - Excluding pre-existing diseases
 - Preventive treatments e.g. vaccinations
 - AIDS
 - Maternity
 - 5-85 years (after 45 years need a medical check-up)
- Coverage for critical illnesses e.g. cancer, diabetes
- RSBY
 - Hospitalisations up to Rs 30,000 (\$ 483)
 - Cover pre-existing diseases
 - No age limit

PHI MARKET

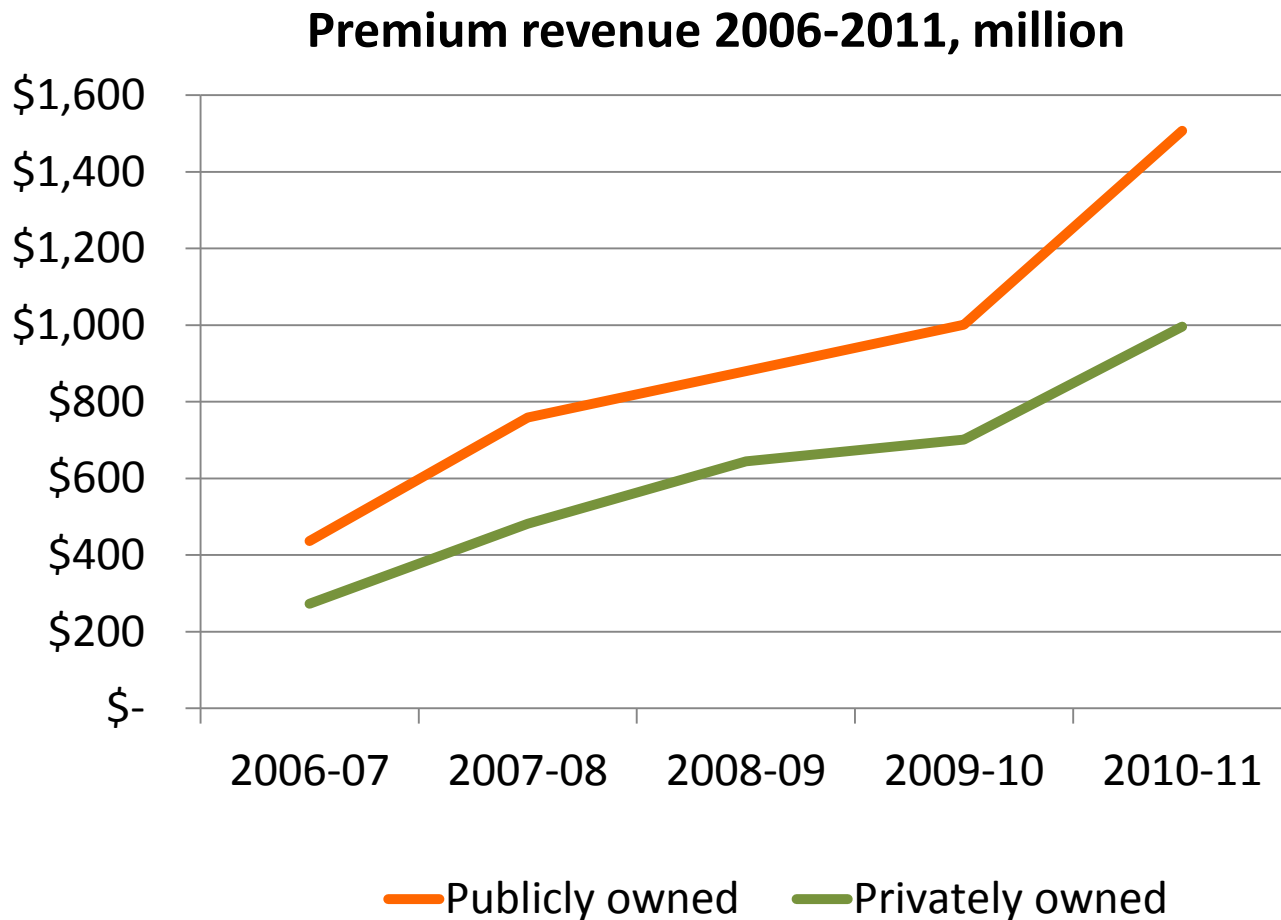
Ownership, 2010-11



- 21 firms offering PHI
 - 3 privately owned provide only health insurance
- Market share
 - Privately owned: 2% to 24% from 2001/2 to 2005/6
 - 2002 tax subsidy
 - 219 million persons enrolled in 2010-11

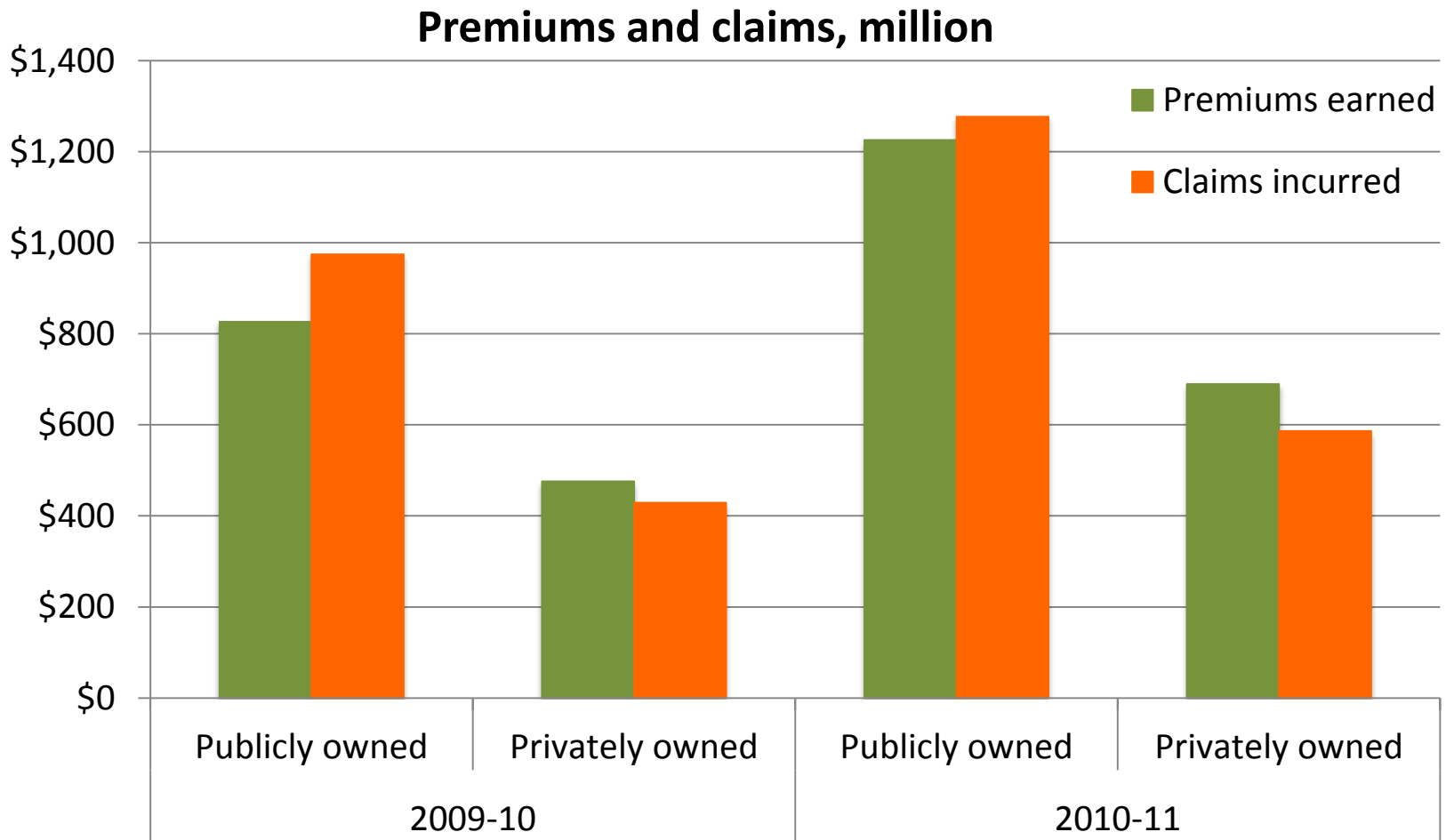
PREMIUMS

- \$2.5 billion in premium revenue in 2010/11
- Average premium \$11 per person per year



PROFITS

- Overall, health insurance is provided at a loss
 - Publicly owned: loss
 - Privately owned: profit



CONCLUSIONS

- PHI publicly owned market is large but making an loss
- Historical pricing, cross-subsidisation and poor management seem to contribute to insurers absorbing losses (public-owned)
- Poor incentives to improve quality of care
- No evidence on impact on financial protection
 - Limited coverage
 - OOP – drugs 45% and out-of-patient care 30%
- Further evidence / quality of data

Thank you

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