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**Citation:** Haber, N., Parmar, D., Pitchforth, E., Thomson, S., Ghosh, S. & Mladovsky, P. Private health insurance market in India: current trends and policy implications. Paper presented at the Health Systems in Asia 2013, 13-12-2013 - 16-12-2013, Singapore.

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# THE PRIVATE HEALTH INSURANCE MARKET IN INDIA

## *Current evidence and policy implications*

Noah Haber, **Divya Parmar**, Emma Pitchforth, Sarah Thomson,  
Soumitra Ghosh, Philipa Mlaovsky



THE LONDON SCHOOL  
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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), Kalaighar (TN)...

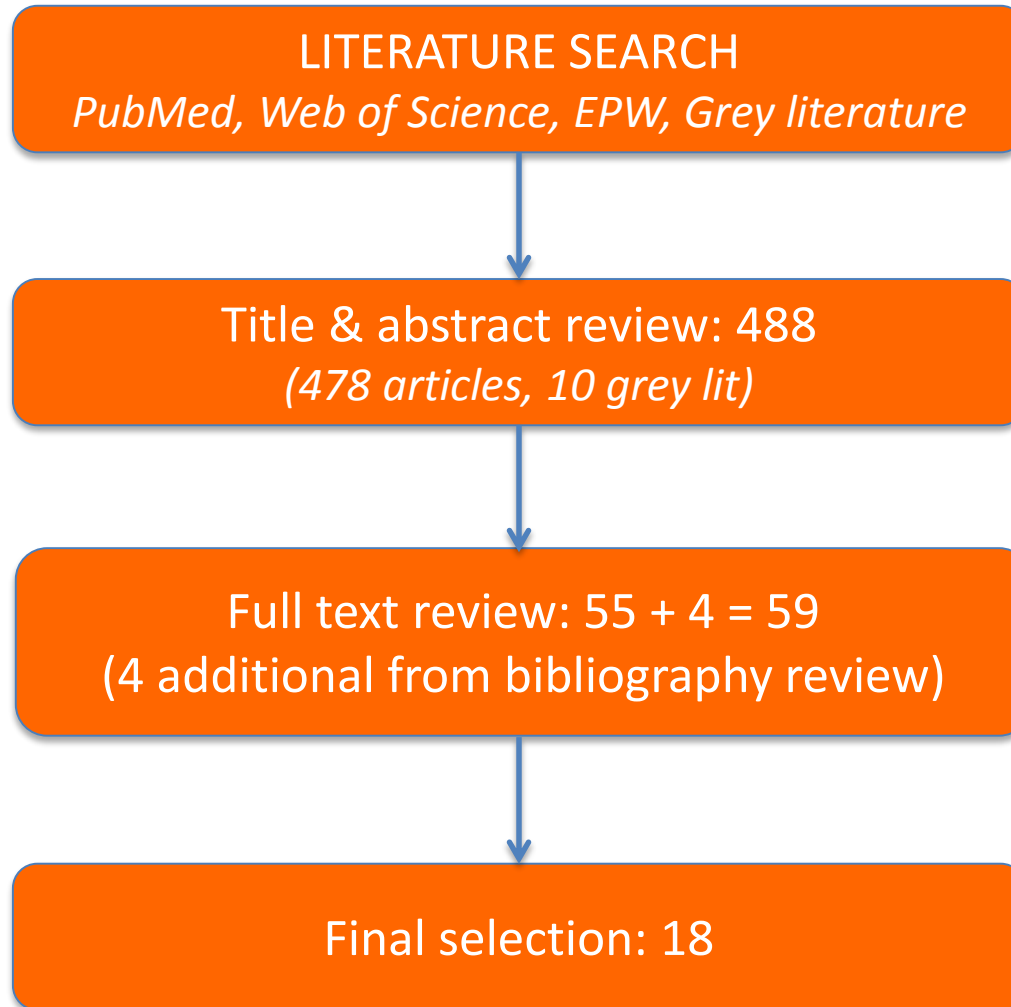
# METHODOLOGY

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

# 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

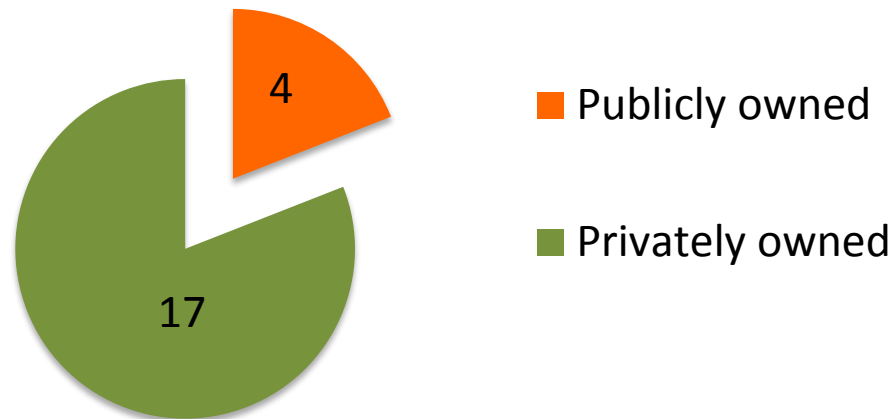


# BENEFIT PACKAGE

- Mostly based on Medicaclaim
  - 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

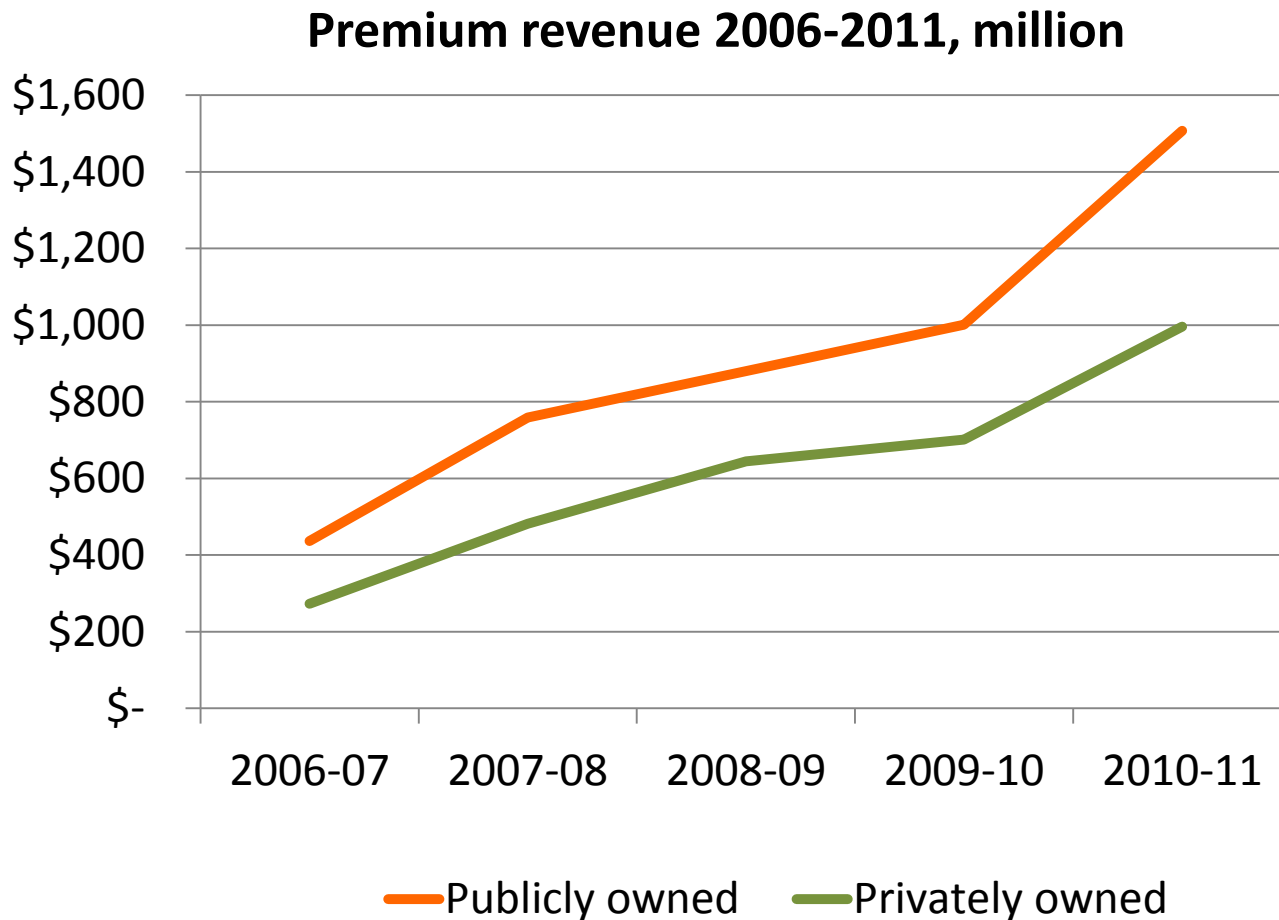
## Ownership, 2010-11



- 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

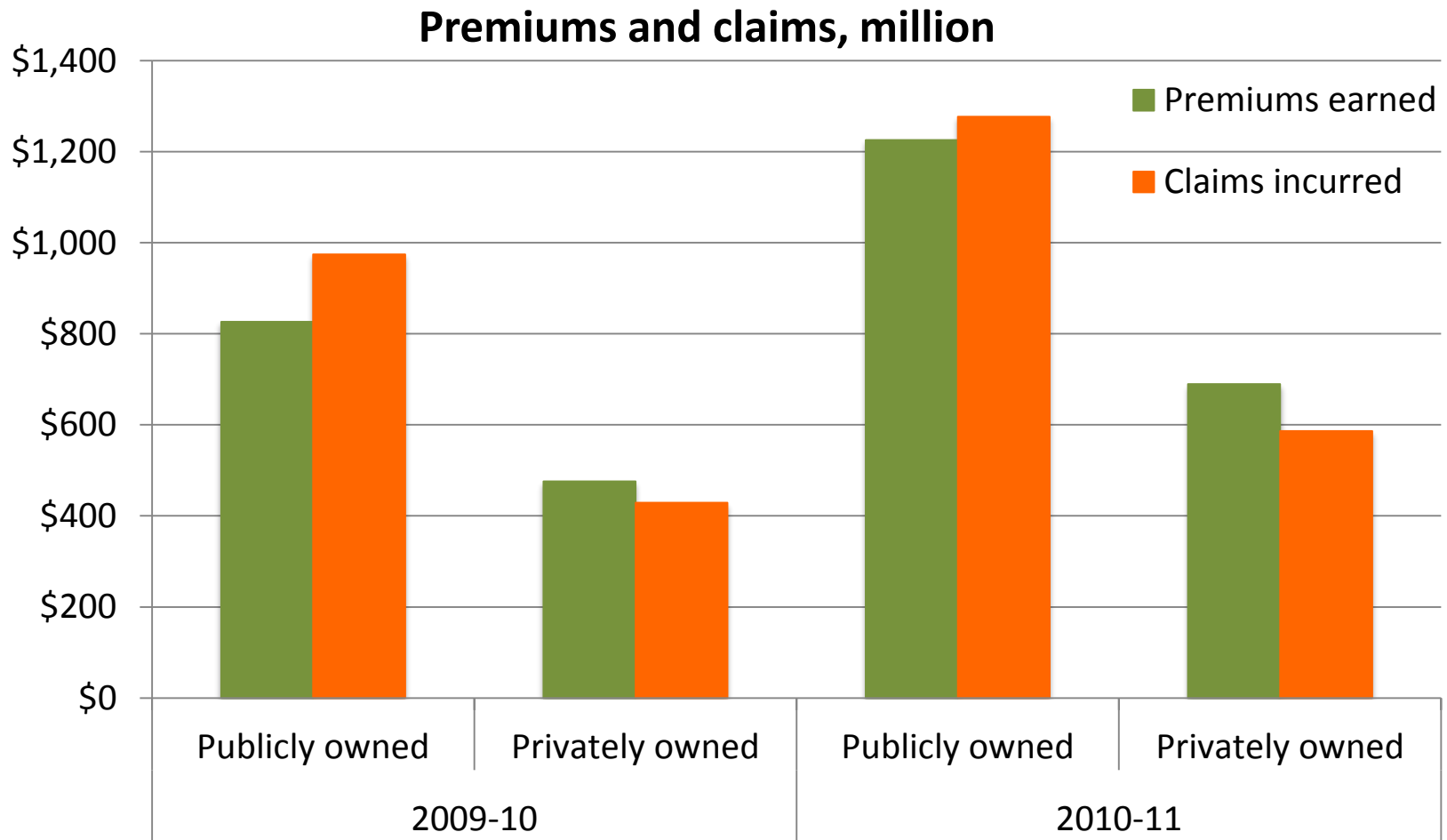
# PREMIUMS

- \$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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