Bright Future of Health Insurance Marketing in India-amongst BRICS –A Study

Dr.Sangeeta Mittal[1] Mr.Vipin Mittal[2]

Assistant Professor, Haryana School of Business, Guru Jambheshwar University of Science & Technology, Hisar[1]

Assistant Professor, Department of Management Studies, Vaish College of Engineering, Rohtak[2]

ABSTRACT

The BRICS are both the fastest growing and largest emerging market economies. They account for almost three billion people, or just under half of the total population of the world. In recent times, the BRIC have also contributed to the majority of world GDP growth.Brazil, the Russian Federation, India, China and South Africa are the 40% of the world's population.[1] These five nations face several common health challenges: burdens from communicable and non-communicable diseases, inequitable access to health services, growing health-care costs, substantial private spending on health care, and large private health sectors. Over the last two decades, BRICS have undertaken – or have committed to – substantial health. In a country where less than 15 per cent of population has some form of health insurance coverage, the potential for the health insurance segment remains high. It seems that there is an urgent need to ramp up the health insurance coverage in the country as out-of-pocket payments are still among the highest in the world. India's expenditure on health is paltry, even when compared to other BRICS nations.

Health care spending and BRICS

In Brazil, the Unified Health System – the *Sistema Único de Saúde* – is a single publicly funded system that covers the whole population and is financed through general taxation. Health services are free at the point of use. By constitutional sanction, each level of government has to earmark a minimum portion of its revenues for health.

The per capita gross domestic product of the Russian Federation is approximately sevenfold higher than that of India. Although the health reforms of BRICS are also diverse – especially in terms of the health-system issues that they have attempted to correct – they share a central and common aim: the strengthening of the government's role in health and, particularly, in financing health care.

Reforms in the Russian Federation established a system of mandatory health insurance. In this system, payroll taxation is used as a complementary source of funding for a health sector that is predominantly financed through general taxes. Funds from payroll taxes are pooled by subnational insurance schemes and health services are purchased via insurance companies.

The Indian reforms strengthened the government's role in health by increasing the funding of the public sector – via the National Rural Health Mission, with a focus on primary care – and by establishing government-sponsored insurance for the poor, government insurance schemes cover hospital care at empanelled public and private hospitals for the poor and by creating an important role for the government in the health sector.

The health reforms in China marked a substantial departure from the old system of health care. One aim was to move away from using patients as a source of financing. The reforms focused on strengthening primary care services and increasing insurance coverage

South Africa's National Health Insurance Fund will be funded from taxes and – through active purchasing – should ensure that health services of good quality are available to all citizens. The Fund's purchasing should enable the government to draw on human resources located in both the public and private health sectors.

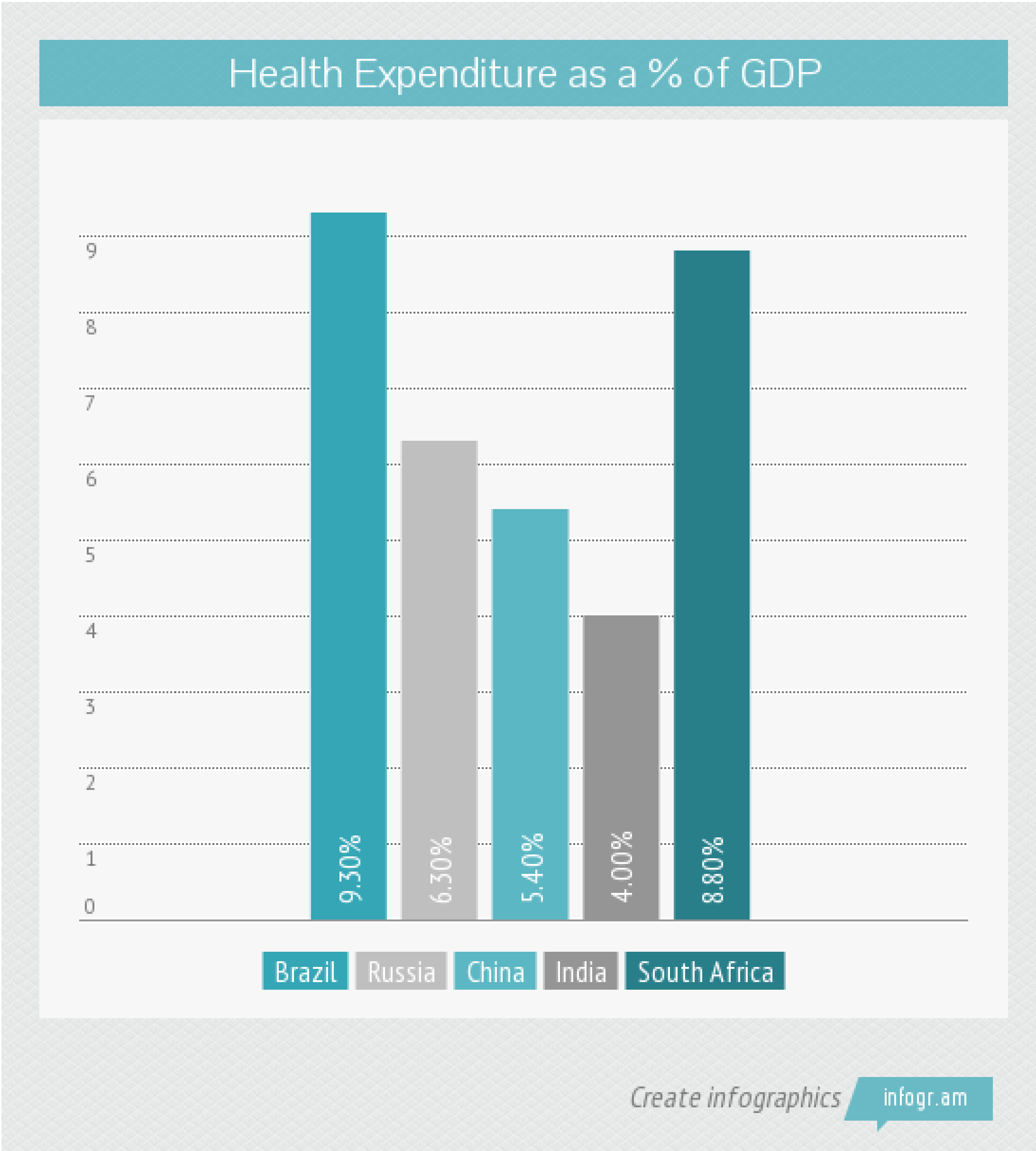
In India – where constitutionally health is a state responsibility,central schemes such as the National Rural Health Mission offer funding to states to induce them to follow the national reform's vision.

It is clear that the government needs to allocate more resources towards creating an affordable health care system especially for the poor.

Status of India amongst BRICS regarding health expenditure

India's expenditure on health is partly, even when compared to other BRICS nations. Furthermore, according to the statistics of the World Health Organization (WHO), in 2014, India has spent only 4.0 per cent of gross domestic product (GDP) on the health sector which is the lowest amongst the BRICS (Brazil, Russia, India, China, South Africa) member countries pack.

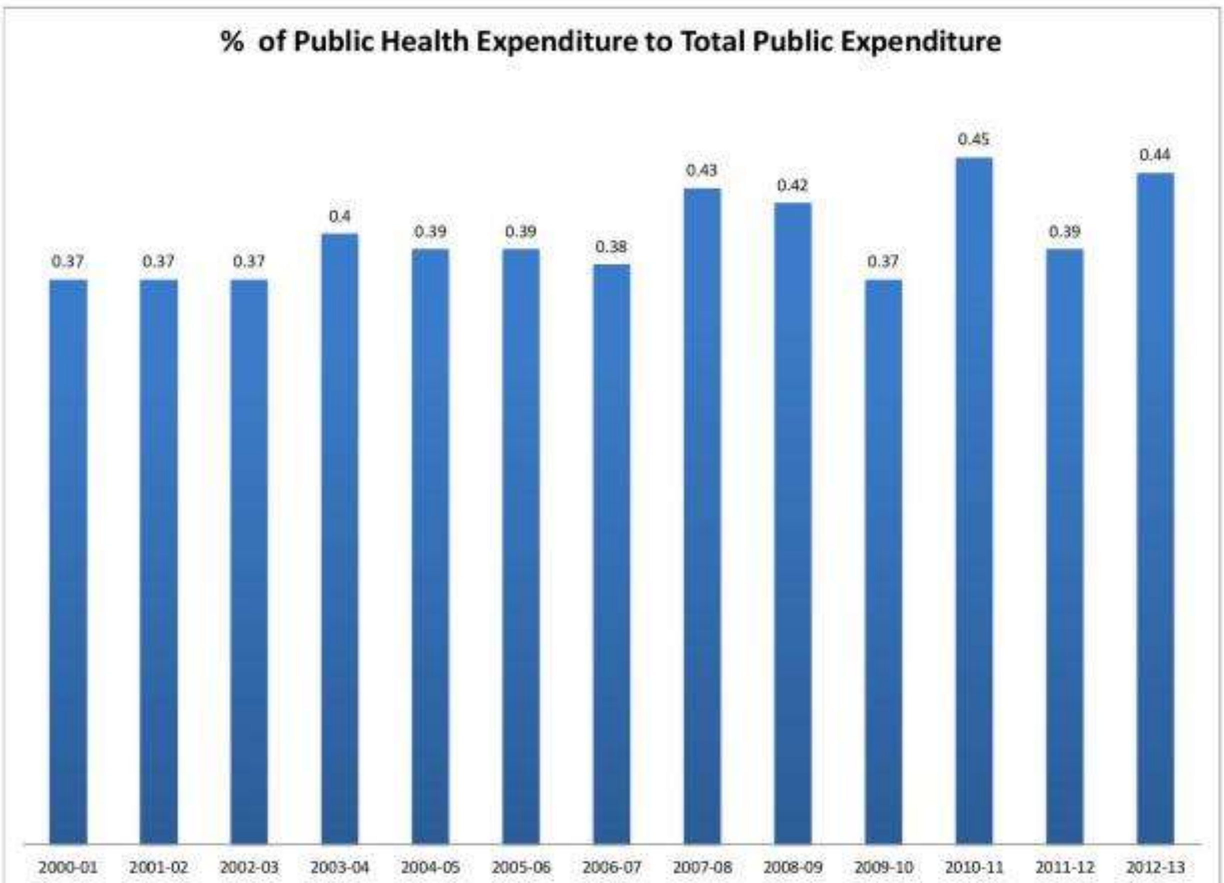
Following figure shows the health expenditure of BRICS as percentage of GDP



It is clear that the health care system in the country is ill equipped to care of the population. The state's unwillingness to invest in health infrastructure is difficult to understand, given India's consistently poor records in health outcomes. It is clear that the government needs to allocate more resources towards creating an affordable health care system, especially for the poor.

Public expenditure spending and India

India seems to spend a minuscule amount of public expenditure on health outcomes, with expenditure on health not even touching 0.5% of total public expenditure.



Reflection of low health insurance in india and future prospects of tapping the market

High out-of-pocket expense is exactly the reflection of low health insurance coverage in India. Sudip Bandyopadhyay, President, Destimoney Securities, opined, “We don’t have the insurance to cover and thus we end up paying from our own pockets. Once the penetration of health insurance increases, out of pocket payments will come down. In US and all, health insurance coverage is around 80 per cent.”

Reasoning out the low health insurance coverage in India, Antony Jacob, CEO, Apollo Munich Health Insurance, said, "Only about 12-13 per cent of population has some form of health insurance coverage, including those who are covered through some form of government schemes. People are yet to accept health insurance as a financial tool for medical emergencies. They usually procrastinate when it comes to buying health insurance unless they are faced by a challenging situation."

Although the Indian health insurance market still lags behind other countries in terms of penetration yet the health insurance segment is rising. It continues to be one of the most rapidly growing sectors in the Indian insurance industry with gross written premiums for health insurance increased by 16 per cent from Rs 13,212 crore in 2011-12 to Rs 15,341 crore in 2012-13. The health insurance premium has registered a compounded annual growth rate (CAGR) of 32 per cent for the past eight financial years.

Exhibit 2: Out-of-pocket expenses and total expenditure on health as a percentage of GDP across nations

Country	Out-of-pocket expenditure as a percentage of private expenditure on health (2011)
Russia	87.9
India	86
China	78.8
Brazil	57.8
United Kingdom	53.1
USA	20.9
South Africa	13.8

Source: WHO

Most medical expenditure is paid out-of-pocket making this a huge financial shock to the patients and their families. Given the vast numbers of rural and urban poor who can ill-afford such a shock, this is particularly worrying. Poor levels of health insurance and low state protection need to be addressed.

Moreover, amongst the BRICS nations, in 2011, Russia's out-of-pocket expenses stood highest at 87.9 per cent closely followed by India (86 per cent), China (78.8 per cent), Brazil (57.8 per cent), and South

Africa (13.8 per cent). On the other hand, these expenses in developed economies of US and UK were comfortably poised at 20.9 per cent and 53.1 per cent respectively.

Conclusion

Health insurance segment still remains an unexplored territory in India. Jacob at Apollo Munich Health Insurance asserted, “Health insurance has become one of the most prominent segments in the insurance space today and is expected to grow significantly in the next few years. As spending on healthcare in India is expected to double in a couple of years, we believe that health insurance will eventually become the biggest contributor in the non-life segment.”

Furthermore, in the present scenario, the health insurance industry is dominated by four public sector entities (National, New India, Oriental, and United India) that together have 60 per cent market share. The rest of the share is with 17 private sector players, of which four are standalone health insurance players (Star Health, Apollo Munich, Max Bupa, and Religare Health). ICICI Lombard continued to be the largest private sector non-life insurance company, with market share of 9.74 per cent.

Standalone health insurers have got a boost by the move taken by Insurance Regulatory and Development Authority (IRDA) in early 2013. Bandyopadhyay averred, “Few months back, IRDA has classified health insurance as a separate category and has permitted the insurers to tie-up with banks. All the four exclusive health insurance companies will be tying with the banks across the country and that will help them to move to the next level. The penetration of health insurance is now expected to increase with banks pushing for it through bancassurance tie-up.”

References

1. WHO reports, the World Bank database and McKinsey Report.
2. Http://theindianelectionblog.wordpress.com/2014/07/05/budget-2014-a-look-at-public-health-expenditure/
3. Global Health Observatory Data Repository [Internet]. Geneva: World Health Organization. 2014. Available from: http://apps.who.int/gho/data/node.main?lang=en [cited 2014 Mar 25].
4. Reports of WHO Place: New Delhi | Agency: Zee Research Group