

# Healthcare in India

## Overview

The opportunity to enter India's healthcare industry is very attractive. The estimated 4.2% of GDP generated from the healthcare market to reach over 1.2 billion denizens is underdeveloped and seems like a great opportunity for growth.<sup>1</sup> However, before rushing into this prospect, there must be an examination of the intricate facets of the current healthcare market in India.

The existing contrast in the availability of India's healthcare seems as large as its population. When it comes to healthcare, the estimated 1,205,073,612 Indians are split into two groups. The middle and upper classes, which generally live in the urban areas of India, have access to quality medical care. However, the majority of India lives below the poverty line in rural areas and has extremely limited access to medical care. Most rely on homeopathic or cultural remedies. The stark inequality of available healthcare has shaped the current market environment and should always be kept in mind when exploring the industry.

Besides the lack of overall healthcare infrastructure, the second most important influence on India's healthcare industry is its lack of a medically insured population and high out-of-pocket expenditure (71.13%).<sup>2</sup> India's insurance industry has fluctuated between public and private ownership for most of the 20<sup>th</sup> century. The Insurance Amendment Act of 1950 ultimately led to the Government of India deciding to nationalize the insurance business. However, in August of 2000, The Insurance Regulatory and Development Act (IRDA) opened up the market with the invitation for registration applications. Today, the major insurance companies in India are: New India (17.9% market share), United India (15.1%), National (14.1%), ICICI Lombard (12.0%) and Oriental (11.9%)

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<sup>1</sup> Total health expenditure as percentage of G.D.P 2009 estimate from World Health Organization

<sup>2</sup> 2005 report from World Health Organization Article: "National Health Accounts in India"

with ICICI Lombard being the only private company of the five.<sup>3</sup> However, these public and private insurance options only cover a small minority of the population.<sup>4</sup> The rest of India is subject to self-funding medical expenses not covered by the government's universal healthcare (See footnote for coverage details and figure 2 for expenditure breakdown).<sup>5</sup>

While the insurance industry is limited in the number of people it reaches, it does make up some ground in terms of sophistication. There is a public reinsurer, general insurance company (GIC), which is the sole reinsurance company of India. There are also over 12,000 registered actuaries with the Institute of Actuaries of India who are involved in the pricing, reserving and other analytical roles in health insurance companies.<sup>6</sup> Through the Actuaries Act of 2006, these professionals are governed by a myriad of regulations mandated by a collection of councils, committees and advisory groups.

## Major Health Concerns

The World Health Organization's 2000 global healthcare profile ranked India's healthcare system 112<sup>th</sup> out of 190 countries. This survey highlighted four major health concerns for India that still are prominent today. The first concern is the high vulnerability of young children. Among children under five, 43.5% are underweight (the highest percentage in the world) and have 6.6% die before their fifth birthday (which is quite high compared to United States' rate of 0.8%).<sup>7</sup> The second major concern is poor sanitation. Only about 30% of the population uses improved sanitation facilities and this figure dips below 20% when focusing solely on the rural population.<sup>8</sup>

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<sup>3</sup> Based upon 2010-2011 IRDA data

<sup>4</sup> 2005 article from Ministry of health and family welfare Government of India "Financing and Delivery of Health Care Services in India

<sup>5</sup> National Health Policy 1983 was aimed to achieve the goal of 'Health for All' through: creation of an infrastructure for primary healthcare; improved nutrition, drinking water supply, sanitation, the provision of essential drugs and vaccines. The policy was updated in 2002 to include reduced insurance premiums for citizens below poverty line.

<sup>6</sup> For more information on Actuaries in India, refer to <http://www.actuariesindia.org/>

<sup>7</sup> Pulled from 2009 World Health Organization Health Profile

<sup>8</sup> *ID*

The final concern is disease. The top three are malaria, tuberculosis, and diarrhea.<sup>9</sup> Combined, these health concerns have hindered India's life expectancy: 63 for males and 66 for females, which is considerably lower than the United States life expectancy of 69 and 75 respectively.<sup>10</sup>

## Social Health Initiatives

It is both challenging and expensive to try to attain the goal of universal health coverage in a country where most of its people are unemployed or employed informally. From 1948 to now, the Indian government has launched a series of social health insurance schemes to ensure healthcare access to the middle and upper classes as well as the poor and other special populations. The following table is a summary of the schemes launched.

Name of Scheme	Year of Enactment	Target	Objective	Means of Financing
ESIS: Employee's State Insurance Scheme <sup>11</sup>	1948	Employees with income less than Rs 15000/month and dependents	To achieve universal health coverage	Financed by state government, employers and employees
CGHS: Central Government Health Scheme	1954	Government employees and families	To achieve universal health coverage	Financed by state government, employers and employees
ICDS: Integrated Child Development Services <sup>12</sup>	1975	Malnutrition children under age 6	To improve nutrition and health status to children	The government, the United Nations Children's Fund (UNICEF) and the World Bank
RSBY: Rashtriya Swasthya Bima Yojana <sup>13</sup>	2009	The poor below the poverty line	To provide affordable healthcare to the poor	Financed by Federal (75%) and State (25%) Government
NPHCE: National Programme for the Health Care of the Elderly <sup>14</sup>	2011	Seniors	To provide the elderly an easy access to primary healthcare	Ministry of Health & Family Welfare

<sup>9</sup> For detailed statistics on disease refer to <http://www.indiahealthprogress.in/major-diseases-india-0>

<sup>10</sup> Pulled from 2009 World Health Organization Health Profile

<sup>11</sup> Reference from <http://wcd.nic.in/icds.htm>

<sup>12</sup> Reference from [http://www.unicef.org/earlychildhood/files/india\\_icds.pdf](http://www.unicef.org/earlychildhood/files/india_icds.pdf)

<sup>13</sup> Reference from <http://www.rsby.gov.in/>

<sup>14</sup> Pulled from the national program for the health care of the elderly operational guidelines

## Public and Private Health Insurance

“Health insurance is really a minor player in the health ecosystem.” The very candid statement from the Report of the National Commission on Macroeconomics and Health of India (2005) goes on to say that only 3% to 5% of Indians are covered by health insurance policies.<sup>15</sup> In the barely developed health insurance market, the Indian government plays an important role by launching social health insurance schemes and regulating private health insurance companies.

The major public health insurers in India are the government-run General Insurance Corporation (GIC) and its four former subsidiaries: New India Assurance Company, United India Insurance Company, National Insurance Company, and Oriental Insurance Company. GIC was converted into a reinsurer in year 2000.

The main health insurance product sold in India is the GIC Mediclaim policy which was originally offered in 1986. This indemnity plan is designed so that the insured is responsible to pay out-of-pocket expenses to the doctors and then files a claim to get reimbursed. This costly reimbursement policy favors a wealthier clientele. As a result, most Mediclaim policy holders are from the middle and upper class. In contrast, the poor are not able to afford the premium and pay the medical fees up front (The premiums are roughly 30 US dollars a month for policy holder and one dependent).<sup>16</sup> Over time, “Mediclaim” has become a colloquial term to refer to all similar policies sold by different private insurance companies in India. Today’s typical Mediclaim policy has a general coverage in which reimbursements of hospitalization expenses are paid for the following:

- a.) Room and board expenses provided by hospitals, nursing homes, Nursing expenses
- b.) Specialist Fees from a surgeon, anesthetist, medical practitioner or consultant
- c.) Medical treatment, diagnostic material, X-rays, dialysis, chemotherapy, radiotherapy, pacemakers, artificial limbs, and transplants<sup>17</sup>

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<sup>15</sup> 2005 article from Ministry of health and family welfare Government of India “Financing and Delivery of Health Care Services in India”. However, today, the percentage of India that is insured is closer to 15% according to a 2011 New York Times article. <http://www.nytimes.com/2011/11/21/business/cigna-to-sell-health-insurance-in-india.html>

<sup>16</sup> Based upon figure from New India’s Premium Mediclaim chart converting Rupees to U.S dollars at a rate of 52.5 to 1.

<sup>17</sup> List of Healthcare coverage pulled from <http://www.nationalinsuranceindia.com/nicWeb/nic/PolicyServlet?id=9999&name=4810.html>

## Regulation

After the Insurance Regulatory and Development Authority Act was passed in 1999, a governing body under the same name (IRDA) was set up to regulate insurers and protect the insured's interests.<sup>18</sup> IRDA's objectives include setting and enforcing standards, ensuring speedy settlement, preventing claim frauds and building information systems. These regulations have accelerated the growth of the insurance industry and the economy in India.

## Urban versus Rural

There is a large gap in the healthcare system between urban and rural areas. The inequity among regions is due to a lack of healthcare resources and infrastructure in the rural region. Compounding the issue, most of the population resides in rural part of the country (68.84%)<sup>19</sup>. Consequently, only a quarter of the Indian population has access to allopathic medicine, and most of them live in urban areas. The majority of the hospitals are privately owned and located in cities due to the sector's awareness of the health related issues and financial viability. However, the disadvantaged urban population can't afford the private facilities in the cities. In response to this lack of availability, the Indian government has launched the National Urban Health Mission. Its principal mission is to ensure adequate resources and to reduce health problems for the vulnerable poor urban sector.<sup>20</sup> Under this mission, the government pays the insurance premium for select individuals and works in conjunction with the private sector.

While the National Urban Health Mission has had some success, it does not address India's biggest healthcare concern. The rural regions have less access to modern medical treatments and depend more on traditional treatment such as unani and acupuncture. The rural population has significantly less financial capital and relies heavily on government funded medical facilities. The

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<sup>18</sup> See <http://www.irda.gov.in> for details

<sup>19</sup> Figure from India Census 2011 [http://www.censusindia.gov.in/Census\\_Data\\_2001/India\\_at\\_glance/rural.aspx](http://www.censusindia.gov.in/Census_Data_2001/India_at_glance/rural.aspx)

<sup>20</sup> Mission pulled from National Urban Health Mission: An analysis of strategies and mechanisms for improving services for urban poor

National Rural Health Mission was launched in 2005 to improve the accessibility of health services in rural regions by adding more healthcare facilities in these areas<sup>21</sup>. In doing so, this mission also aims to help remove some of the burden on healthcare facilities in cities.

## **Comparison of India and U.S healthcare system**

To gain a better understanding of the healthcare system in India, a comparison can be drawn to a more familiar system: the United States. Like American Medicare, India also has health care plans for senior citizens, but their criteria used to determine qualification differs. In India, the minimum age to apply for health care plans is 60, five years earlier than its US counterpart.<sup>22</sup> Indian policies are regulated by state-sponsored insurance companies while the US Federal Government regulates Medicare. In accordance to National Policy on Senior Citizens in 2011, the Indian Government also pays more attention to specialty groups including women seniors and poor seniors.

India has some additional healthcare plans aimed at special populations. Central Government Health Scheme (CGHS) and Employee State Insurance Scheme (ESIS) are two plans that are regulated by Public-Sector employers to provide benefits for employees. The CGHS is available to Central Government employees and their family members as well as employees of the railways, national defense, police, mining, post, telecommunications, and education. ESIS is another low-income program that is regulated by Public-Sector employers. Although India has a wide-spread health system, the benefits these plans can provide are very limited compared to the plans of US

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<sup>21</sup> Mission pulled from National Rural Health Mission (NRHM): Will it make a Difference?

<sup>22</sup> See Figure 1 for Population Distribution

COUNTRY	PLAN NAMES	Requirements	REGULATORS
India	Central Government Health Scheme (CGHS)	For central government officials and their families	Public-Sector Employer
India	Employee State Insurance Scheme (ESIS)	For all regular employees earning less than Rs15000/month	Public-Sector Employer
India	the General Insurance Corporation (GIC)	For Seniors who are over 60 years old	State-sponsored insurance company
India	Life Insurance Company (LIC)	For Seniors who are over 60 years old	State-sponsored insurance company
India	Community Health Insurance (CHI)	For those who are below the poverty level	Central and State Governments
USA	Medicare	For low income citizens	Federal Government
USA	Medicaid	For Seniors who are over 65 years old	State and Federal Government

## Shortcomings

Some of the most appealing growth opportunities in the Indian healthcare industry are what the country needs the most. First, 70 percent of the Indian population lives in rural areas while only two percent qualified medical doctors are available in these areas.<sup>23</sup> Indian health care today is urban-centric. It needs to be reformed through growth of medical infrastructure and professionals. Next, state-sponsored or community health insurance plans provide coverage for inpatient primary care. However, secondary/tertiary and outpatient care is very underdeveloped and is need of improvement. Thirdly, the insurance payment structure is almost exclusively retroactive. Beneficiaries need a plan which can cover medical costs up front instead of paying out-of-pocket and waiting long periods of time to get reimbursed. Lastly, India has been limited to critical illness coverage for inpatient surgical procedures and often one-time lump-sum payouts. The lack of clarity in the government's insurance and health care regulatory policies has had a limiting effect on the growth of private health insurance in India. An organization that can understand the current environment of India's healthcare system and can come up with practical solutions to its inadequacies can help a lot of people and can generate quite a worthwhile venture.

<sup>23</sup> Data from National Health Accounts in India

Figure 1: Age Distribution of India

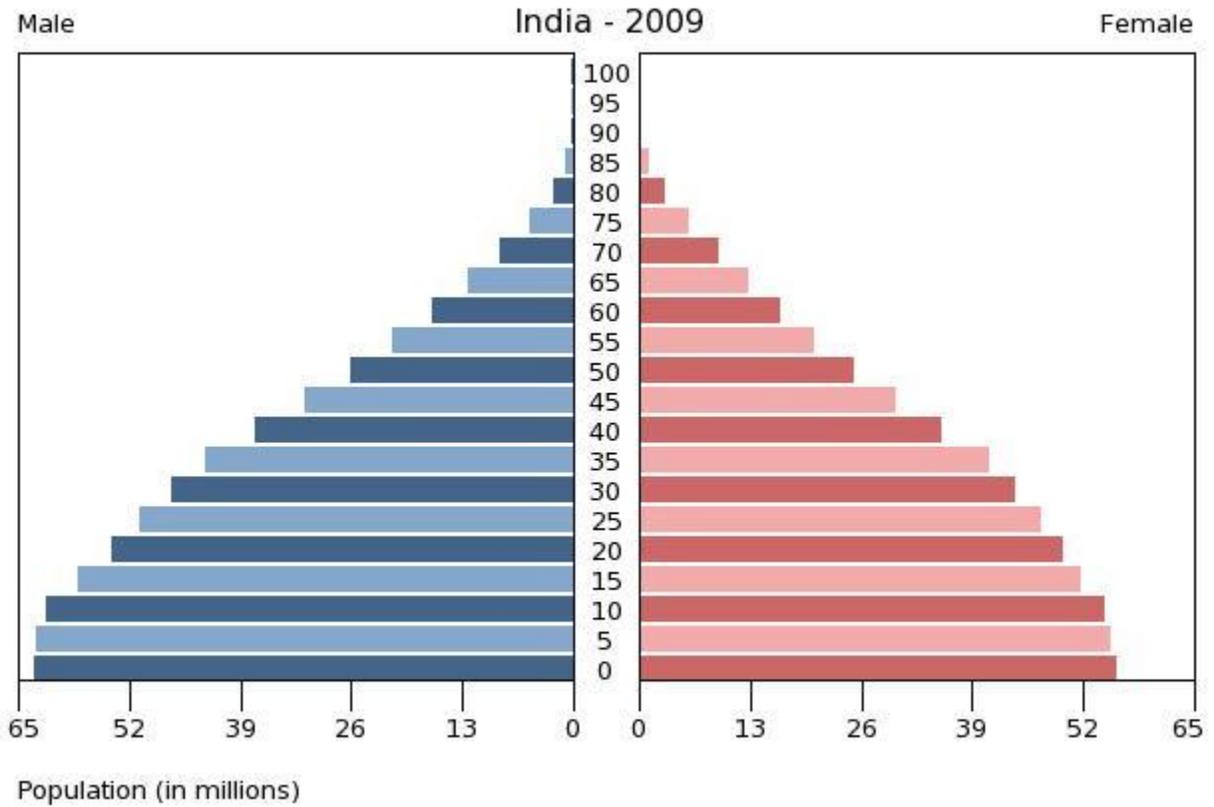
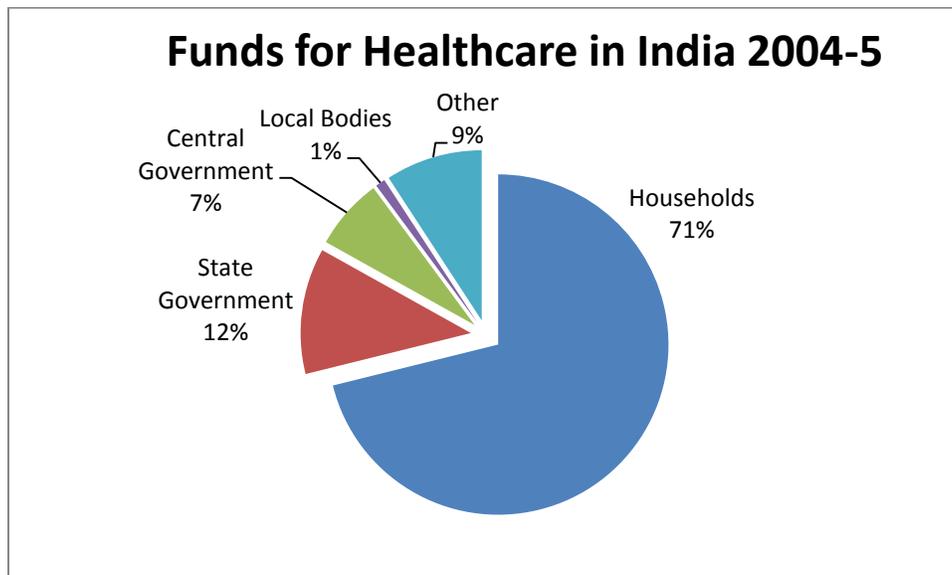


Figure 2: Healthcare Expenditure Breakdown



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