

## A STUDY ON ROLE AND IMPORTANCE OF HEALTH INSURANCE AWARENESS IN INDIA AND ITS PROBLEMS

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### ABSTRACT

For most people living in developing countries and especially in rural areas “Health Insurance” is still an unknown word. Exception of the upper classes, people cannot afford such type of social protection. For most people living in poor developing countries illness still represents a permanent threat to their income earning capacity. Beside the direct costs for treatment and drugs, indirect costs for the missing labour force of the ill and the occupying person have to be shouldered by the household. India is the second most populous country of the world and has changing socio-political-demographic and morbidity patterns that have been drawing global attention in recent years. In India, challenges faced by the country to spread awareness on health insurance are well defined and government’s initiatives to overcome these obstacles are discussed. Government investments and plans have attracted further investment and developments from private sector and foreign investments. It provides a clear update on growth and future development of Health insurance industry in India and clarifies the requirement of more awareness in India.

**Keywords:** Health, Insurance, Awareness, Society, household, problems.

### 1.1. INTRODUCTION

Health is a human right. Its accessibility and affordability has to be insured to all sections of the community. Man is exposed to risks from the time of conception. Risks are inevitable which have to be met by minimizing their effects or by decreasing the risks. Awareness on Health insurance has risen greatly after the current pandemic for Covid-19. Almost every Indian is aware that medical and surgical expenses of the insured person can be availed or reimbursed through health insurance products. But this basic level of awareness does not stimulate people to buy or subscribe the available Health Insurance plans. Indian common public requires an affordable insurance plan to suit their financial situations.

In India, It is still looked upon as a means of tax benefits and not as a necessity for continued well-being. According to the 2020 data of the National Health Profile, there are only 7,13,986 government hospital beds for a population of approximately 137 crore people, which amount to 0.5 beds per 1,000 people. Even if beds from private, general, specialized hospitals and rehabilitation centers are considered, the number goes up to 0.7 beds per 1,000 people. India has one doctor for 1,457 people, which is far lower than the World Health Organization norm of 1:1000. With regards to details published by Statista Research Department on Mar 25, 2021, the market size of the Indian health insurance sector was about 370 billion Indian rupees in financial year 2018. This was projected to cross over two trillion rupees by financial year 2030. This growth was projected taking into account the rising income levels, increasing awareness in urban areas and growing lifestyle related health

demands. Market size of the health insurance sector was calculated by taking into account the number of lives covered and the price per life.

**1.2 IMPORTANCE OF HEALTH INSURANCE AWARENESS**

Lack of health insurance awareness leads to people paying for the cost of medical treatment themselves. While this seems like a normal thing, it can become a serious issue if the medical bill burns a hole in your pocket. This issue is topped with the increasing costs of medical treatments. Getting treatment for a simple medical procedure may need thousands of rupees if performed in a private hospital. Choosing the right health insurance plan can combat this issue. People can enroll under government health schemes like ArogyaSanjeevani to get holistic coverage at affordable premiums.

**1.3 CHALLENGES TO SPREAD HEALTH INSURANCE AWARENESS IN INDIA**

As per National Survey Organization (NSSO), the continuous increase in cost of medical services and treatments is major challenge faced by citizen of India. It clarifies that Indians spend 58% of their total annual expenditure/savings on hospitalized care. According to their reports, over 40% of the rural population of India ends up borrowing heavily or selling their assets to cover medical expenses. It also concludes that the major cause for indebtedness amongst the poor and middle class is the rising cost of medicine and medical treatments.

On the other hand, spreading adequate awareness about health insurance faces a major obstacle from the fact that people view it as a means of availing tax benefits. Though tax benefit is one of the major reasons for taking insurance, people should not downplay the importance of this insurance. Insurance is more than just tax exemption, and thus we need to possess necessary knowledge about how to avail and secure of wellbeing through health insurance policies and not just reviewing it as some tax saving scheme.

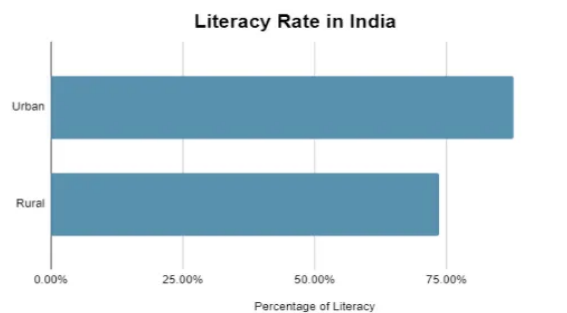
**1.4 MAJOR DIFFICULTIES IN SPREADING HEALTH INSURANCE AWARENESS**

Apart from a large population and lack of reach, the following are the major challenges of health insurance awareness in India.

**1.4.1. ILLITERACY**

According to a report of the Ministry of Statistics & Programme Implementation, the literacy rate in India stands at 77.7% in the year 2020-21. A significant part of the Indian population is still illiterate. Additional efforts must be made to specially design awareness programmes for people who are not sufficiently educated. They need to be made aware that health insurance can help mitigate the financial issues while availing of health care facilities.

**FIGURE 1.1**



As the chart indicates, the illiteracy issue is not limited to the rural areas but is present in the urban sections also. Thus, illiteracy and lack of awareness about health insurance are issues faced by people in cities as well.

**1.4.2. DEEP-ROOTED MISCONCEPTIONS ABOUT HEALTH INSURANCE**

One of the most common misconceptions about buying health insurance is that healthy people don't need it. The seriousness is felt only while facing a medical contingency. However, by this time, the waiting period clause of the insurance plan activates and thus fuels another major misconception

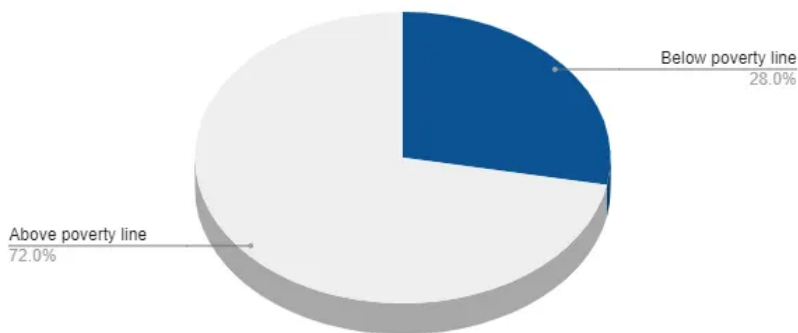
related to claim rejection. People believe that health insurance companies reject most claims. But in reality, health insurance claims are accepted when they are raised as per the terms and conditions of the policy.

**1.4.3 POVERTY**

As per the United Nation's report, India is estimated to have nearly 364 million people that fall below the poverty line. This is nearly 28% of the Indian population. This section of the society fights with more pressing issues like lack of food and sanitation. Thus, spending money on health insurance is probably not on their priority list.

**FIGURE 1.2**

**Percentage of Poverty**



**1.4.4. THE STATE OF PUBLIC HOSPITALS**

Public hospitals are the prime location where health insurance awareness can be magnified. However, the lack of basic facilities has led people to rely more on private hospitals in spite of higher costs. Public hospitals are also dependent on government funds to operate, but these funds prove to be insufficient. On the other hand, medical technology is changing rapidly but is fueled by high costs. Thus, public hospitals lag and cannot offer the latest medical treatment available in private hospitals. State-run health insurance awareness programs can help in educating the masses about its importance. Public hospitals must tie-up with health insurance companies on a local level to ensure better reach in places that lack medical facilities.

**1.4.5. LACK OF HEALTHCARE PROFESSIONALS**

Health care workers play a pivotal role in spreading awareness about proper health care and possibly the importance of health insurance. If an adequate number of people are available to provide medical facilities, then these professionals can contribute towards educating patients as well.

**1.5. MEASURES WERE TAKEN TO CONTROL THE CHALLENGES**

In India, it has allocated an amount of \$9.87 Billion from the budget (FY 2020-21) which also includes \$915 Million for the PMJAY health scheme. About 8,059 private and 7,980 public hospitals are covered under this scheme and they have been providing treatment to eligible patients under the Ayush programme. Based on these initiatives by the government, the healthcare industries continue to attract more investment from the private and public sectors. The healthcare sector is witnessing an expansion by existing hospitals in terms of new services through technology platforms, the use of next-generation tools for diagnosis, tie-ups with insurance companies, geographical expansion, and a focus on pharma. The Government of India has taken number of initiatives to boost the insurance industry. Some of them are as follows:

- ❖ In February 2021, the Finance Ministry announced to infuse Rs. 3,000 crore (US\$ 413.13 million) into state-owned general insurance companies to improve the overall financial health of companies.
- ❖ Under Union Budget 2021, fund of Rs. 16,000 crore (US\$ 2.20 billion) has been allocated for crop insurance scheme.

- ❖ Union Budget 2021 increased FDI limit in insurance from 49% to 74%. India's Insurance Regulatory and Development Authority (IRDAI) has announced the issuance, through Digilocker, of digital insurance policies by insurance firms.
- ❖ Under the Union Budget 2021, Finance Minister Nirmala Sitharaman announced that the initial public offering (IPO) of LIC will be implemented in FY22, as part of the consolidation in the banking and insurance sector. Though no formal market valuation has been undertaken, LIC's IPO has the potential to raise Rs. 1 lakh crore (US\$ 13.62 billion).

### 1.5.1 CAPITAL AND IMPROVEMENTS

Healthcare sector has witnessed a great increase of awareness of health insurance product and launched several new affordable insurance products in the market. The government of India has also launched the world's largest government-funded healthcare schemes which has attracted lot of investments in Health Insurance sector, Hospital related infrastructures, online consultation to manage the shortfall of medical professionals, medical tourism and Opportunities in tier-2 and tier-3 cities.

In India, the ongoing Covid-19 pandemic has proved to be a testing time for all sections of the economy, including the healthcare sector. Several new implementations and the changes are being brought into the regulatory framework of health insurance industry. It is one of the largest sectors in terms of revenue and employment generation. It includes hospitals, medical devices, health insurance, telemedicine, clinical trials, medical tourism, and medical equipment. Growing cases of lifestyle diseases, the demand for affordable healthcare, technological advancements, and penetration of health insurance are some of the key growth drivers for this sector. Some information from the government's Invest India portal regarding the healthcare sector are as below:

- ❖ The government has allowed 100 per cent FDI for all greenfield projects under the automatic route.
- ❖ Emerging trends are telemedicine, artificial intelligence, mobile and wearable devices, and robotic surgeries.
- ❖ The size of healthcare market is expected to achieve \$372Bn by 2022.
- ❖ The hospital industry is 80 per cent of the total healthcare market, growing at a compound annual growth rate of 16% to 17% and is set to reach \$132 Bn by 2023.

### 1.6. CONCLUSION

Spreading awareness about health insurance is similar to taking part in a relay race. Each team member is of equal importance here. The government, healthcare professionals, health insurance companies, and eventually the population can form the pillars of spreading awareness to the deepest parts of the country. Remember that a suitable health insurance policy will be the ultimate support in case of a medical emergency. Nowadays, health insurance is not limited to hospitalization but includes many other services as well. For the low-income people, insurance was never considered to be an option in the past. They were assumed to be too poor to save and pay premium. Hence, the government assumed the responsibility of meeting health care needs of the poor. The government is continuing to provide free health services to the poor. The strategy of free public health provision has not worked well in most states.

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