OLD AGE HEALTH CARE INSURANCE IN INDIA: CHALLENGES OF ACCESS AND AFFORDABILITY

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Focus of the paper

➔ Greying Population
➔ Indian Health Coverage Scene
➔ Challenges of Access and Affordability
➔ Health Insurance for the Elderly
➔ Comparison of Health Insurance Offered By Public And Private General Insurers
➔ Role Of Regulator To Meet The Needs Of Elderly
INTRODUCTION

• Graying population 21st century known as the “age of ageing

• Childhood to youth and from youth to manhood, at every stage

• Responsible role to play the issue of ageing today has international implications

• The require governments and societies to put in place effective public policies for the welfare of aged persons
• Every month, one million persons cross the 60-year threshold to elderly

• Developed nations make significant public fund allocations on the healthcare and welfare of the old since this segment is disproportionately susceptible to multiple causes of morbidity, chronic ailments, longer hospitalization stays, more expensive diagnostic investigations, curative care and rehabilitation procedures
INDIAN HEALTH COVERAGE SCENE

- India’s population is currently around one billion, by the year 2015 1.24 billion

- Prior to 1986, voluntary health insurance

- 1986- Mediclaim benefit covers (defined benefit) such as Hospital Cash and critical illnesses

  health of a nation is indicated by the general standards of health
Indian health financing issues

• Increase in health care costs

• High financial burden on poor eroding their incomes

• Need for long term and nursing care for senior citizens because of increasing nuclear family system

• Increasing burden of new diseases and health risks among aged persons

• Due to underfunding of government health care, preventive and primary care and public health functions have been neglected.

• Since this segment is disproportionately susceptible to multiple causes of morbidity, chronic ailments, longer hospitalization stays, more expensive diagnostic investigations, curative care and rehabilitation procedures
Contd.,

- Less than 15% of India’s 1.1 billion people are covered through health insurance
- Most of it covers only government employees
- 40 to 50 million people are on medication for major sickness
- Public financing in total health care is just about 1% of GDP.
- Over 80% of health financing is private financing—much of which is out of pocket payments
The existing health insurance schemes available in India can be broadly categorized as:

1. **Voluntary health insurance schemes or private-for-profit schemes**

1. **Mandatory health insurance schemes or government run schemes (namely ESIS, CGHS)**

1. **Insurance offered by NGOs/Community based health insurance**

1. **Employer based schemes**
Challenges of access & affordability

• Delivering affordable health care to India's billion-plus people presents enormous challenges and opportunities for the medical community, insurers and other service providers.

• Today, most comprehensive health insurance programmes cover the cost of routine, preventive and emergency health care procedures and also most prescription drugs.

• Four critical, interrelated dimensions of healthcare access. Those components are:
  • physical accessibility and the location of healthcare facilities;
  • availability and capacity of needed resources;
  • quality and functionality of service required for patient treatment; and affordability of treatment relative to a patient's income.
The status of healthcare access

• The provision of healthcare services in India is skewed toward urban centers and the private sector.

• Physical reach of any healthcare facility is a challenge in rural areas, particularly for patients with chronic ailments.

• Private healthcare facilities are being used by an increasing proportion of patients due to gaps in quality and availability of public facilities.
• Availability of doctors is a key reason for selecting private facility outpatient treatments.

• Patients using private facilities face greater affordability challenges

• Medicine costs as a proportion of out-of-pocket healthcare expenses remain high but stable

• Improving the quality and availability of public healthcare facilities would drive the greatest reduction in patient out-of-pocket costs
Advances are underway on several fronts, from expanding health insurance coverage for the poor and building hospitals in smaller towns, to using technology for safer drinking water and improving treatment outcomes.

In 2007 immensely popular Rashtriya Swasthya Bima Yojana, under which health insurance cover is already being provided to around 2.64 crore families.

12th Plan around 7 crore families will be provided health insurance cover.

Apollo Hospitals, a Hyderabad-based company network of 50 hospitals contained to 7% of a patient's bill, compared to the U.S. average of 35%.
• Apollo has launched a telemedicine service, with health insurance that costs 2.5 US cents a day for a family of five

• India's National Insurance Corp. and Oriental Insurance Corp. provide coverage for patient care up to US$300

• ICICI Lombard health insurance to India's poor

• 15 million families, and 4,384 hospitals, in 26 of India's 28 states
Health insurance for the elderly

- Due to lack of any worthwhile scheme of social insurance or social assistance these elderly become one of the marginalised and vulnerable sections of the society.

- Health care that passes the Five A’ Test - Availability, Affordability, Accessibility, Acceptability and Accountability - to such a large vulnerable group is a challenge to be confronted.
Penetration of health insurance among the senior citizens 1% of the population of elderly

because health insurance has not been easily accessible for individuals beyond the age of 60 years

Senior citizens often find it difficult to find good health insurance plans
Comparision

• Though Health insurance in the country can be marketed by the life and nonlife insurers, apart from the stand-alone health insurers, it is the non-life insurers who have been selling most of the health insurance policies in the country.

• Some of the senior citizen health insurance plans are
  o Silver Health from Bajaj Allianz,
  o Varistha Mediclaim offered by National Insurance
  o Red Carpet Health Insurance from Star Health Insurance,
  o Optima Restore from Apollo Munich
The elderly health insurance plan covers the following:

- **Hospitalization Cover**: Expenses incurred as a patient after admission of more than 24 hrs. The expenses include room charges, doctor fees, nursing fees, cost of medicine and drugs, etc.

- **Day care expenses**: which arise from use of special equipments or procedures like chemotherapy, dialysis, etc.

- **Medical expenses prior and post of hospitalization**: the number of days will vary across insurers.
- Ambulance charges for transporting the insured subject to maximum limit.

- Pre existing diseases are also covered subject to terms and conditions of the insurer.
<table>
<thead>
<tr>
<th>Company Name</th>
<th>Additional Benefits</th>
<th>Claim Settlement Ratio</th>
</tr>
</thead>
<tbody>
<tr>
<td>National Insurance</td>
<td>Cumulative bonus of 5% increase in SI for every claim free year for a maximum of 10 years provided there are no claims; Certain critical illnesses are covered like Cancer, Stroke, Multiple Sclerosis, etc., The critical illness claim can be paid even without hospitalization. Hypertension and diabetes can be covered from policy inception</td>
<td>NA</td>
</tr>
<tr>
<td>United India Insurance</td>
<td>Discount of 5% on premium if family is covered. Reimbursement of cost of health check up once every 3 claim free years, limited to 1% of SI; domiciliary hospitalization</td>
<td>78%</td>
</tr>
<tr>
<td>New India Assurance</td>
<td>Reimbursement of cost of Health Check once in block of 4 claim-free years; 10% for voluntary excess of Rs.10,000/-; 10% Family Discount in case spouse is also covered; cumulative bonus after a claim free year at 5% of expiring SI, subject to maximum limit of 30%</td>
<td>89%</td>
</tr>
<tr>
<td>Star Health Insurance</td>
<td>Lifelong renewals, pre-existing diseases are covered from the first year itself, 10% discount in premium if certain medical reports are furnished by proposer</td>
<td>61%</td>
</tr>
<tr>
<td>Insurance Company</td>
<td>Benefits</td>
<td>Rating</td>
</tr>
<tr>
<td>------------------------</td>
<td>---------------------------------------------------------------------------------------------------</td>
<td>--------</td>
</tr>
<tr>
<td>Bajaj Allianz</td>
<td>Discount of 5% on premium if family is covered; Reimbursement of cost of health check up once every 4 claim free years, cumulative benefit of 5% of indemnity limit for every claim free year</td>
<td>84%</td>
</tr>
<tr>
<td>Apollo Munich</td>
<td>5% non-cumulative discount on renewal premium after every claim free year; domiciliary treatment; 1 free second opinion from medical panel on critical illnesses, additional discount of 5% for family coverage and 7.5% if 2 year policy is opted;</td>
<td>76%</td>
</tr>
<tr>
<td>Max Bupa</td>
<td>Eligible for health services and products with a market value of up-to 10% of last paid premium; free health check up every second year, additional benefits for gold and platinum plans; all day care procedures covered</td>
<td>65%</td>
</tr>
</tbody>
</table>
SCHEMES OF HEALTH INSURANCE POLICIES FOR ELDERLY

1. Name of the Scheme: Varistha Medicalim
   2. Minimum entry age and Maximum entry age: Min 60yrs, Max: 80yrs
   3. Maximum age on renewal: ≤ 90 years

SCHEMES

1. Name of the Scheme: Silver Age Plan
   2. Minimum entry age and Maximum entry age: Min 61 yrs, Max: None
   3. Maximum age on renewal: ≤ NA

SCHEMES

1. Name of the Scheme: Heartbeat Individual-Silver Plan
   2. Minimum entry age and Maximum entry age: - No limit
   3. Maximum age on renewal: - No limit

1. Name of the Scheme: New India Assurance
   2. Minimum entry age and Maximum entry age: Min 60 yrs, Max: 80 yrs
   3. Maximum age on renewal: ≤ 90 yrs

1. Name of the Scheme: United India Insurance
   2. Minimum entry age and Maximum entry age: - Min 60yrs and Max: 80yrs
   3. Maximum age on renewal: ≤ NA

1. Name of the Scheme: Star Health Insurance
   2. Minimum entry age and Maximum entry age: - Min 60 yrs, Max: 75 yrs
   3. Maximum age on renewal: - No limit

1. Name of the Scheme: Bajaj Allianz
   2. Minimum entry age and Maximum entry age: - No limit
   3. Maximum age on renewal: - No limit

1. Name of the Scheme: Max Bupa
   2. Minimum entry age and Maximum entry age: - Min 61 yrs, and Max: None
   3. Maximum age on renewal: - No limit

1. Name of the Scheme: Apollo Munich
   2. Minimum entry age and Maximum entry age: - Min 60 yrs, and Max: 80 yrs
   3. Maximum age on renewal: - No limit

1. Name of the Scheme: Max Bupa
   2. Minimum entry age and Maximum entry age: - Min 61 yrs, and Max: None
   3. Maximum age on renewal: - No limit

1. Name of the Scheme: United India Insurance
   2. Minimum entry age and Maximum entry age: - Min 60yrs and Max: 80yrs
   3. Maximum age on renewal: ≤ NA
Health Claim

- Table 2 shows the Average claim paid and Average persons insured per policy and per Member during the period 2003-04 to 2010-11.
- It reveals that the health insurance awareness among the public is increasing and they begin to buy health insurance policies.
- The table indicates that the premium paid per policy increased thrice in the eight years.
- The claim paid per member has increased from Rs 939 to Rs 2056 in the past decade.
<table>
<thead>
<tr>
<th>Period</th>
<th>Premium per policy (in Rs.)</th>
<th>Premium per insured Member (in Rs.)</th>
<th>Number of persons insured per policy</th>
<th>Claim paid per policy (in Rs.)</th>
<th>Claims paid per insured member (in Rs.)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2003-2004</td>
<td>4,166</td>
<td>1,129</td>
<td>4</td>
<td>3,465</td>
<td>939</td>
</tr>
<tr>
<td>2004-2005</td>
<td>4,792</td>
<td>1,098</td>
<td>4</td>
<td>4,606</td>
<td>1,055</td>
</tr>
<tr>
<td>2005-2006</td>
<td>4,892</td>
<td>1,146</td>
<td>4</td>
<td>4,642</td>
<td>1,040</td>
</tr>
<tr>
<td>2006-2007</td>
<td>9,067</td>
<td>1,575</td>
<td>6</td>
<td>7,066</td>
<td>1,227</td>
</tr>
<tr>
<td>2007-2008</td>
<td>7,275</td>
<td>1,143</td>
<td>6</td>
<td>7,661</td>
<td>1,204</td>
</tr>
<tr>
<td>2008-2009</td>
<td>8,689</td>
<td>1,216</td>
<td>7</td>
<td>8,932</td>
<td>1,249</td>
</tr>
<tr>
<td>2009-2010</td>
<td>11,333</td>
<td>1,421</td>
<td>8</td>
<td>10,910</td>
<td>1,368</td>
</tr>
<tr>
<td>2010-2011</td>
<td>14,120</td>
<td>2,082</td>
<td>6</td>
<td>13,946</td>
<td>2,056</td>
</tr>
<tr>
<td>Age- band (years)</td>
<td>Number of claims</td>
<td>Claim paid (Rs.)</td>
<td>Average Claim paid ( Rs.)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>------------------</td>
<td>------------------</td>
<td>------------------</td>
<td>--------------------------</td>
<td></td>
<td></td>
</tr>
<tr>
<td>41-60</td>
<td>11,06,026</td>
<td>2,685</td>
<td>24,274</td>
<td></td>
<td></td>
</tr>
<tr>
<td>61-65</td>
<td>2,43,676</td>
<td>729</td>
<td>29,911</td>
<td></td>
<td></td>
</tr>
<tr>
<td>66-70</td>
<td>1,69,911</td>
<td>535</td>
<td>31,544</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Above 70</td>
<td>1,55,990</td>
<td>547</td>
<td>35,097</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>1675603</td>
<td>4496</td>
<td>120826</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Claim paid

• The above table 3 highlights the fact that when the age band increases the average claim paid also increases and the claim paid is highest among the age group 41-60 and it declines when the age band increases.

• The following table 4 illustrates that among 41-60 years band the sum insured towards health is huge comparing to other age bands. Naturally the claim paid and the number of members was also high up to 60 years aged persons.
<table>
<thead>
<tr>
<th>Age – Band (in years)</th>
<th>Number of Members</th>
<th>Total amount of</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Members (in lakhs)</td>
<td>Claims (in lakhs)</td>
</tr>
<tr>
<td>41-60</td>
<td>37.24</td>
<td>4.90</td>
</tr>
<tr>
<td>61-65</td>
<td>4.08</td>
<td>1.33</td>
</tr>
<tr>
<td>66-70</td>
<td>2.40</td>
<td>9.38</td>
</tr>
<tr>
<td>Above 70</td>
<td>1.93</td>
<td>.79</td>
</tr>
<tr>
<td>Age Not Specified</td>
<td>.70</td>
<td>-</td>
</tr>
<tr>
<td>Total</td>
<td>46.36</td>
<td>79.62</td>
</tr>
<tr>
<td>Age Band (in years)</td>
<td>Number of claims</td>
<td></td>
</tr>
<tr>
<td>---------------------</td>
<td>------------------</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Male</td>
<td>Female</td>
</tr>
<tr>
<td>61-65</td>
<td>1,36,397</td>
<td>93.268</td>
</tr>
<tr>
<td>66-70</td>
<td>1,00,594</td>
<td>59.231</td>
</tr>
<tr>
<td>Above 70</td>
<td>96,829</td>
<td>50.876</td>
</tr>
<tr>
<td>Age and Gender not provided</td>
<td>96,829</td>
<td>50.876</td>
</tr>
<tr>
<td>Total</td>
<td>333820</td>
<td>203375</td>
</tr>
</tbody>
</table>
### Table 6: Disease -mean value/age

<table>
<thead>
<tr>
<th>Disease Name</th>
<th>41-60</th>
<th>61-65</th>
<th>66-70</th>
<th>Above 70 year</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>ARTHROPATHIES</td>
<td>0.2674</td>
<td>0.4212</td>
<td>0.5308</td>
<td>0.5266</td>
<td>0.1689</td>
</tr>
<tr>
<td>BLOOD DISEASES</td>
<td>0.0454</td>
<td>0.0934</td>
<td>0.1181</td>
<td>0.1373</td>
<td>0.0349</td>
</tr>
<tr>
<td>DIGESTIVE</td>
<td>0.9053</td>
<td>1.2495</td>
<td>1.4474</td>
<td>1.3315</td>
<td>0.6655</td>
</tr>
<tr>
<td>EAR</td>
<td>0.0575</td>
<td>0.0607</td>
<td>0.0641</td>
<td>0.0594</td>
<td>0.0471</td>
</tr>
<tr>
<td>EYE</td>
<td>0.8423</td>
<td>3.1268</td>
<td>4.5212</td>
<td>3.8558</td>
<td>0.5139</td>
</tr>
<tr>
<td>MALFORMATIONS/DEFORMATIONS</td>
<td>0.0142</td>
<td>0.0167</td>
<td>0.0265</td>
<td>0.0205</td>
<td>0.0163</td>
</tr>
<tr>
<td>MENTAL DISORDERS</td>
<td>0.0094</td>
<td>0.0149</td>
<td>0.0209</td>
<td>0.0268</td>
<td>0.0118</td>
</tr>
<tr>
<td>NERVOUS</td>
<td>0.1219</td>
<td>0.2524</td>
<td>0.3658</td>
<td>0.4601</td>
<td>0.0947</td>
</tr>
<tr>
<td>RESPIRATORY</td>
<td>0.4475</td>
<td>0.6938</td>
<td>1.0220</td>
<td>1.2698</td>
<td>0.4588</td>
</tr>
<tr>
<td>UROLOGY</td>
<td>0.7688</td>
<td>1.6394</td>
<td>1.8984</td>
<td>1.8753</td>
<td>0.5410</td>
</tr>
</tbody>
</table>
Table 6

- The total frequency value of the above table proves that when the age increases naturally the total frequency also increases.

- It is also found from the above table that among various diseases the eye defect has high frequency rate and next high frequency is found among the elderly with Urology and Digestive diseases.
Physical status and medical Claims by elderly

• Public Sector General Insurers are charging less premium to senior citizens when compared to private general insurers. It is also to be noted that only Oriental Insurance Company sell policies to senior citizens are above 80 years of age.

• As the physiological condition deteriorates it responds only slowly to medication

• most of the public health care centers are snowed under with many problems like improper hygiene, overcrowding and inadequate infrastructure in terms of health, human power, medicines and the necessary medical equipment.
• The common ailments are hypertension, heart diseases, cancers, osteoarthritis, hearing impairments, cataract, respiratory problems, nutritional problems, diabetes, tuberculosis, and mental morbidities.

• 20% of doctor’s visits, 30% of hospital days and 50% of bedridden days are related to elderly patients.
ROLE OF REGULATOR TO MEET THE NEEDS OF ELDERLY

• As on date, there is/are no separate Act/s, Regulations, Rules, Notifications, Guidelines etc dealing specifically with Health Insurance, except the ‘Insurance Regulatory and Development Authority(Third Party Administrators—Health Services ) Regulations, 2001.

• The first set of companies were given TPA licences by IRDA in March, 2002.

• Presently, there are 27 licensed Third Party Administrators (TPAs).

• A Third Party Administrator acts as a link between the insurer and the hospital in terms of the contract that the TPA has entered into with the insurer.
IRDA

- IRDA is sensitive to the special needs of Senior Citizen Policyholders. It has been intervening proactively with regulatory actions such as:
  - In 2006/2007 when some insurers drastically raised hospitalization policy premiums, it laid down a cap for such revision
  - A Committee on Health insurance for Senior Citizens was constituted to go in to special requirements
  - A large number of recommendations of this committee were implemented
  - IRDA has also issued the following instructions about health insurance for senior citizens to insurers:
    - Individuals should be allowed to buy a new health insurance policy up to the age of 65
    - Any rejection of a proposal for health insurance of a senior citizen should be in writing with reasons
• A senior citizen policyholder should be given an option to change his TPA wherever practicable
• At least 50% of the cost for pre-insurance medical examination may be reimbursed where the risk is accepted by the insurer
• No insurer can refuse the renewal of a health insurance policy except on grounds of Fraud, Moral hazard or Misrepresentation
CONCLUSION

• India seems to spend the least in healthcare spends and there is need to invest more for the same.

• The healthcare spend in the country is expected to double and touch 2,250 billion by 2014.

• Finally, the healthcare spend examined on a per capita basis, both in terms of USD (at average exchange rate conversion) and in terms of Purchasing Power Parity (PPP), is amongst the lowest globally.

• Health insurance to elderly is like a knife.
• In the surgeon’s hand it can save the patient, while in the hands of the quack, it can kill.

• Unless steps are taken to bring them all into the fold of a viable health insurance system and foster healthy ageing, instead of leaving to the uncertainties of family or public care, eventually, healthcare for the aged would snowball into a major socio-economic problem.
THANK YOU