Introduction
CHAPTER I
INTRODUCTION

“What can be added to the happiness of a man, who is in health, out of debt, and has a clear conscience? – Wealth of Nations – Adam Smith”

“Health is a state of physical, mental, social, well-being and not nearly the absence of disease or infirmity”.1

According to the oldest definition health is “The absence of disease”. An older definition of health is “The ability to function effectively within one’s environment”.2

(“Health and development have a two-way relationship while in the process of economic development health forms an important variable; the development spreads its effect upon the health of the people”.3)

( Two key elements of human capital are the extent to which the labour force is educated, and the level of its health. Recent empirical work has sought to assess the association between human capital and aggregate economic performance and found that, given labour and capital, improvement in health status and education of the population lead to higher output. The role of health in influencing economic outcomes has been well understood at the micro level.

Healthier workers are likely to be able to work longer, be generally more productive than their relatively less healthy counterparts, and consequently be able to secure higher earnings than the latter. All else being the same; illness and disease shorten the working lives of people, thereby reducing their lifetime earnings. Better health also has a positive effect on the learning abilities of children, and leads to better educational outcomes (School completion rates, higher mean years of schooling, achievements) and increase the efficiency of human capital formation by individuals and households.

1 World Health Organization official records (No. 2 Pp. 10)
There is evidence from more than a dozen cross-country studies and all these studies with a single exception show that health has a positive and statistically significant effect on the rate of growth of GDP per capita. Modern growth literature includes, in addition to the standard labour and capital variables, indicators of human capital - the stock of education and health-among the determinants. The tenth five-year plan report has given some deeper insight into the healthcare financing status in India. The report states that in India financing of healthcare is mostly from out-of-pocket in both public and private-funded hospitals.

Private healthcare expenditure is four times that of public healthcare and there is little preference for the government health delivery system vis-à-vis the private. This is because of the poor quality services in the government managed facilities. Further, in India, the poorer segments of population have less access to both public and private sector curative services than the better off sections. The out-of-pocket expense on both public and private facilities for the lowest quintile is about one-fifth that of the highest quintile population.

It means that the richest quintile utilize both the private and public facilities more than the poorest quintile. On further analysis of the sources of finances for healthcare, the tenth plan report reiterated that out-of-pocket is the most common method of payment for the private healthcare services. The poorest 20% of the population spend 12% of the non-food expenditure on healthcare, while the richest about 14%. The out-of-pocket spending for private healthcare is also dependent on the availability and accessibility to quality healthcare.

Hospitalization for major illnesses is a cause of indebtedness in all income groups. These include borrowings, sale of assets, savings, and also current incomes. Thus, it is clear that undertaking health costs may ultimately ruin an individual financially. Hence, it is also imperative on the part of the government to come to the rescue of some segments of the population which cannot look after its healthcare needs on its own.
The healthcare sector,\(^4\) in India is fragmented between the center and the states, and the overall legal framework related to the regulation of healthcare is not simple. The public health system is not able to keep pace with the changing needs of population due to rapid urbanization. It is to be noted that insurance falls under the union list (Item No. 47). Public health and sanitation, hospitals and dispensaries fall under the state list (Item No. 26). Drugs (pharmaceuticals) fall under the concurrent list (Item 19).

In pursuance\(^5\) of the recommendations made by the commission on Macro Economics and health, WHO, India established the National Commission on Macro Economics and health (NCMH) in March, 2004. The main objective of the NCMH was to establish the centrality of health to development and makes an evidence-based argument to increase investment in health. The principal focus was on critically evaluating the current status on the health system - its organizational structure, financing mechanism, regulatory frameworks etc. The key drivers of health costs - namely human resources, drugs and technology were specially studied in detail as the main concern for the future is going to be the rapid escalation of cost. Such analysis highlighted and reiterated several shortcomings in the country's health system which are well known and have been recognised for long. Financing\(^6\) is the most critical of all determinants of a Health system. The nature of financing defines the structure, the behavior of different stakeholders and quality of outcomes. Health financing is by number of sources.

- The tax based local, state, central government spending.
- Private sector spending directly or through insurance.
- Households to out of packet expenditure.

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\(^4\) K Praveen Kumar, Assistant Professor, Apollo Institute of Hospital Administration, in the article “Health Insurance in India” for “Insurance Chronicle The ICFAI University Press”, January 2006. Page 38.

\(^5\) P Duraisamy, Department of Econometrics, University of Madras and Ajay Mahal, Harvard School of Public Health Department of Population and International Health Boston USA, in the article titled “Health, Poverty and Economic Growth In India” for “National Commission on Macroeconomics and Health” background papers Ministry of Health and Family Welfare, Government of India September 2005.

\(^6\) K Sujatha Rao, Secretary and S Sakhivel, Institute of Economic Growth, University of Delhi Enclave, in the article titled “Financing of Health In India” for “National Commission on Macroeconomics and Health” background papers Ministry of Health and Family Welfare, Government of India September 2005.
➢ Other social and community based insurance
➢ External financing through grants and loans.

Under a system dominated by out of pocket expenditure, the poor who have the greater probability of falling ill due to poor nutrition, unhealthy living conditions etc... pay disproportionately more on health than the rich. Access to health is dependent on healthcare to pay. Health spending in India is estimated to be 4.5% to 6% of GDP. 71% of the private budget is contributed by private sector of which households alone spend 69%. The dominant role of the private sector in the Indian healthcare system is well known.

The out of pocket expenditure is alone responsible for the failure of many families and business houses and causing serious indebtedness among the lower and poor income group. Health Insurance is a system of assurance to meet the contingencies of healthcare expenses. The primary objective of health insurance is to provide protection against financial losses caused by unforeseen health problem and at the same time relieve anxiety and mental tension. It is also called “Healthcare Insurance”.

➢ Health Insurance can protect everyone from the risk of uncertain bills for Healthcare.
➢ Without Health Insurance one may not be able to afford expensive medical services.
➢ Health Insurance can pay for services that one can often use.
➢ Health Insurance can help anyone to get better quality care as a member of coordinator health plan than he would get on his own.
➢ With Health Insurance one need not have to worry about the cost of care when he is sick.
➢ The additional money provided by health insurance may be more valuable than money earned when he is well.
➢ If there are more dependents in the family than one may get more out of a family policy for health insurance.
➢ If the dependents of the family have more healthcare needs than most people the family pays an average premium and gets more from health insurance.
➢ There is no need to pay income tax on health insurance benefits so it is more a value added benefit.
STATEMENT OF THE PROBLEM

India, with a population of 1000 million, experiences a vast inequity that exists in the healthcare industry, with barely 3.1% of the population covered by some form of health insurance, either social or private. The guiding principle of Bhore Committee, in 1946, that “No individual should fail to secure adequate medical care because of his inability to pay for it”, looks unreachable even after 57 years of Indian independence so there is a need to analyze the importance of health insurance towards healthcare spending of both government and private sectors. Article 47 of the Directive Principles of State Policy states: “Duty of State is to raise the level of nutrition, the standard of living and to improve public health”.

Though the government of India was a partly 1978 WHO declaration and commitment of “Health for all by 2000 AD”, precious little was attained by the target date. Until 1978, 70% of the hospital beds were in the public sector and in 1998, 80% of the hospital beds were private sector. The gradual dwindling of the role of the public sector in healthcare does not augur well for a country like India where a sizeable segment of the population lives below poverty line.

The human life value being the predominating economic element in everyone’s business and family affairs should be accorded the same careful and scientific treatment usually accorded to our physical possessions. Health is a human right, which has also been accepted in the constitution. Its accessibility and affordability has to be insured. The well-to-do segments of the population both in rural & urban areas have acceptability and affordability towards medical care. People who belong to the poor segment of the society always suffer from inadequate funds and lack of knowledge for various medical services and health insurance.

The excessive financial burden on households has been attributed to India’s public healthcare system. i.e., plagued with under-funding, poor quality service that is normally ascribed to every public t o utility and the non-availability of the appointed medical and paramedical staff at the respective primary health centers, which are cumulatively driving the consumers to private treatment. The study will clearly explain the availability of health insurance as a practical and convenient means to be applied to the organization and management of our life values.
The essence of risk management\(^7\) lies in maximizing the areas where we have some control over the outcome while minimizing the areas where we have absolutely no control over the outcome. Risk is inherent in all walks of life. Although inevitable, the financial consequences of risks can be minimized if one is aware of the risk in the first place. Prudent risk management principles advocate the minimization of the impact of uncontrollable losses. Insurance is one of the most scientific, rational, and practical risk management tool for personal property, life, health and liability risk exposure for an individual, as well as a society, based on the fundamental principles of risk sharing and risk pooling.

Insurance is a form of financial intermediation whose ultimate contributors could be households. Insurance could be both social and individual and about 3.1% of expenditure in India is Insurance supported, where substantial amount of health insurance is not covered by health insurance. The growth of health insurance market will solve the problem of healthcare expenditure and will be a more supportive mechanism for healthcare funding by government. So there is a need to study and analyze the growth of health insurance market in India.

The study will also emphasize the economic services of health insurance and its sizeable contribution to the welfare of the individual and the community as a whole. It is well known that more then 75% of the population utilizes private sectors for medical care unfortunately medical care becoming costlier day by day and it has become almost out of reach of the poor people. Today there is need for injection of substantial resources in the health sectors to ensure affordability of medical care to all. Health insurance is an important option, which needs to be considered by the policy makers and planners.

Though India has experienced a rapid increase of private players in healthcare, facilities at public hospitals are grossly lacking. Public hospitals have failed to provide free and low-cost quality care to people. As a result, there is an increased financial

\(^7\) V Jaya Lakshmi, Faculty Member, International Institute for Insurance and Finance, PGRRCDE, Osmania University, Hyderabad, article titled "An Experiment in Semi-Urban India" for "Insurance Chronicle", April 2006. Page 74,75,76,77.
burden which is found to be one of the important reasons of indebtedness in rural areas. Moreover, public health financing is also inadequate in meeting the rising cost of healthcare. This is due to the focus of public finance on disease control rather than on the well-being of the person. At the same time, due to high-value diagnostics and drugs, the cost of healthcare has gone up drastically. So, health insurance in the form of healthcare financing (Mediclaim) was introduced in India in 1986-1987 by four subsidiaries of General Insurance Company (GIC) to support the ailing healthcare industry.

Nowadays, with a fascination for western lifestyle and food habits, one crucial area often ignored is the side effects of such so-called modern lifestyles. In the whole process, what is visible is that illness and disease of varied natures, not known to the earlier generations, are surfacing in children as well as across all age groups. As far as an individual is concerned, health risks can become catastrophic if one is not prepared for it financially. For the society as a whole, though, there is very little risk unless there is an outbreak of catastrophic events such as epidemics, etc.

Thus, health insurance has become a necessity for the common man, next to food, shelter and clothing. But for the common man, the financing of these expenses, either catastrophic or sometimes even frequently contracted illness, is a major cause of mental agony. The cost of care may sometimes result in the complete erosion of the family savings or may even lead to indebtedness, as many studies on causes of rural indebtedness bear testimony.

Healthcare insurance rightly provides the mechanism for both individuals and families to mitigate the financial burden of medical expenses in the present context. Hence, a well-designed, affordable, health insurance policy is the need of the hour. This again calls for right product, right pricing, and right promotional efforts on the part of insurance companies to meet the growing needs and demands of consumers. Without access to such insurance, many people are unable to obtain treatment and consequently incur debts to pay hospital bills.

Issues concerning health and healthcare, of late, is gaining importance also due to factors such as medical inflation, increasing life expectancies with advancement of preventive healthcare, increasing lifestyle diseases, and uncertainties with regard to
With a virtual absence of a health social security system in India, and a high proportion of national health spending met by households, the need for a widespread health insurance system is urgent and pressing.

All this calls for a good policy on the accessibility and affordability of healthcare, and the government's intervention at appropriate stages and appropriate times. This requires the designing of a public policy to make people aware of what they should do, or to provide them with more of what they ought to get or less of what they should not have than what they desire to have. Such a policy driven mass movement for health insurance will not only augment the quality of life for an average citizen but also provide the economies in bringing down the medical costs, thus, making health insurance affordable in reality.

The researcher believes that there is a need to study and analyze the awareness and usage of health insurance schemes, the pre and post purchase behaviour of consumers, the satisfaction level of consumers using health insurance policies, the views of consumers and marketing executives from health insurance companies on the Strength, Weakness, Opportunities, Threats of health insurance business and to give suggestions to the policy makers, service providers, consumers, etc.

OBJECTIVES OF THE STUDY

- To describe the profile of health insurance services, companies providing health insurance, their customers and other related groups or service providers.
- To study the awareness level of consumers towards health insurance services.
- To study the personal and social factors influencing health insurance purchase.
- To study the purchase pattern, pre and post purchase behaviour towards health insurance policies.
- To discuss the opinion of consumers about the various practices of health insurance marketing.
- To measure and critically evaluate the level of customer satisfaction towards health insurance.
- To recommend or suggest strategies for improvement.
HYPOTHESIS

The Various hypotheses developed for the purpose of study have been clearly explained and proved under chapter IV that is analysis and interpretation.

SCOPE OF THE STUDY

➢ With the most important duty of welfare of the people, the government of India is legally and morally bound to offer better healthcare to the public. Considering the current state of delivery of health services in the government sector and the ongoing debate regulating the quality, efficiency and funding, the study will help the government in understanding the extent of purchase of health insurance policies by the public and the effectiveness of the services rendered, the segment of population which utilizes the health insurance services. This understanding will help the policy formulators for better delivery of health services to the public at large.

➢ The study aims at creating awareness about health insurance among the public. It will also give a clear picture about health insurance penetration and suggest the probable market potential available in the District of Coimbatore. The Insurance companies both private and public will get an idea about customer expectations and preferences towards health insurance services, factors influencing the purchase pattern and pre and post purchase behaviour of health insurance consumers and SWOT as perceived by them, which in turn will help in better customer relationship management, design innovative products, and improve business prospects.

➢ The public will get a clear idea about the profile of health insurance companies and the health insurance schemes and services available in the market. They will understand the need for health insurance and be motivated towards purchasing health insurance policies. They will also subsequently spread the need for health insurance coverage among family members and friends.

➢ There is scope for further research related to health insurance marketing. The financial aspects of health insurance, the marketing of micro health insurance schemes and universal health insurance schemes available to the rural poor, developing innovative health insurance schemes for employees of the unorganized sector and the low income group of the population, pricing and sales promotion for health policies provide scope for further research and study.
METHODOLOGY

The following methodology is used in the study

(i) Study area

The study area refers to Coimbatore District.

(ii) Data Sources

The study has used only primary data which were collected from public and private insurance companies and their customers using questionnaire method. Two separate questionnaires were prepared, one for the executives of insurance organizations who are responsible for marketing of health insurance policies and the other for customers. The questionnaires were prepared in such a way that the respondents were able to express their opinions freely and frankly. A pilot study was conducted in order to validate the questionnaire.

The development officers and marketing managers of insurance companies, agents and TPAs and doctors and hospital managements and employers of companies assisted the researcher in the process of data collection. Secondary data collected from websites, journals relating to Healthcare, Insurance and Health Insurance has been used to support descriptive analysis.

(iii) Sampling design

Presently the total Indian population is 1000 million.

TAMIL NADU CENSUS

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<th>Male</th>
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COIMBATORE CENSUS

<table>
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<th></th>
<th>Population</th>
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Source: Website: www.tn.gov.in, Tamilnadu Census 2001 Released by Government of Tamilnadu

It is found that barely 3.1% of the population is covered by some form of Health Insurance. The data were collected from 500 respondents and 15 insurance companies out of these 4 are from public sector and 11 are from private sector. The simple random sampling was adopted for selecting companies and convenience random sampling was adopted for selecting the customers.

(iv). Statistical tools used for Analysis

The collected data have been processed both manually and with the help of computers. The statistical tests are conducted at 5% level of significance. The following statistical tools are used.

Descriptive analysis

The descriptive analysis with uni-variate and bi-variate functions were used to express the percentage of respondents falling under each category and exhibited with diagrams and charts.

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Chi-square analysis

The chi-square analysis was used to test the independence of two attributes. It was also used to test the significance of one factor over the other.

Average -Score analysis

Based on the consolidated opinion obtained from four point scaling technique for different categories of respondents, the average score was calculated to assess the level of satisfaction/agreeability of the respondents on the various issues consolidated in the study.

Average rank analysis

The average rank analysis was used to assess the priority of the different categories of respondents on various issues. The average rank was calculated based on the collective opinion of respondents and the final rank is allotted using the criterion “lesser the average rank more the priority”

Factor analysis:

It is a statistical technique used to explain variability among observed random variables in terms of fewer unobserved random variables called factors. The observed variables are modelled as linear combinations of the factors, plus "error" terms.

Gap analysis:

Gap analysis is a business resource assessment tool enabling a company to compare its actual performance with its potential performance.

Multiple Regression Analysis (Step Reduction):

The multiple regression analysis is used in the study to determine what percentage of each independent variable explains on the dependent variable through co-efficient of determination (R2)
LIMITATIONS OF THE STUDY

The process of collection of data was a real challenge as it has taken more time for the respondents to respond. Further, there was reluctance on the part of the respondents to provide data particularly, the customers regarding their health expenditure. However, adequate care has been exercised to collect the unbiased data. Since sufficient academic research findings were not available, journals, magazines and internet provided major source of the information.

CHAPTER SCHEME

Chapter I : Introduction
The chapter presents in brief the statement of the problem, Objectives of the study, Methodology used and the limitations of the study.

Chapter II : Review of Literature
This Chapter reviews elaborately, the summary of the literature available in the area relevant to the study.

Chapter III : Health Insurance Marketing
This chapter provides a theoretical basis to understand the core aspects of health insurance marketing.

Chapter IV : Analysis and Interpretations
This chapter presents the analysis and the interpretations relating to the data collected from health insurance companies and their customers.

Chapter V : Findings, Suggestions and Conclusion
This chapter presents the summary of the findings with suitable interpretations, recommendations and conclusion.