MAJOR FINDINGS OF THE STUDY

On the basis of data analysis (performed on the data collected through questionnaire) it has been found that income is the most important factor while insurance purchase decision is taken (to buy or not to buy). Households with higher annual income have more probability of purchasing insurance. In the current study out of 369 households 119 households have not purchased insurance, their average household income is Rs. 311453.78; while those who purchased insurance (250) their average household income is Rs. 707,204. Results of PROBIT Model also confirm that income variable is significant. As seen in Table 6.26 the values of coefficient of variable, Z statistic and probability have positive sign (6.04E-05, 1.672, 0.095 respectively) indicating that with the increase in the household income probability of buying health insurance will increase. Most of the studies which have analysed insurance purchase decision have found income as significant factor like studies of Ramesh Bhat and Nishant Jain (2006), Savage (1999) etc. as reviewed in the review of literature. The reason behind income being such an important factor could be, higher income increases the purchasing power of Households.

Similarly analysis on the basis of second equation also confirms income as an important factor in the decision regarding extent of health insurance purchase. Income variable is behaving in a non-linear manner (on the basis of Results from OLS method, Table 6.27) indicating income varies negatively with increase in extent of health insurance purchase (coefficient of variable is negative for Total Income variable and Cube of the total income variable i.e -3.73E-07 & -8.98E-18 respectively) but after a point it starts increasing and varies positively with the extent of health insurance purchase. In the end it again starts varying negatively with extent of health insurance purchase indicating s shaped behaviour. The reason behind this kind of behaviour could be that up to a certain point of income increase, household allocates resources to other uses and purchases less insurance, after that point, income increase results in more purchase of health insurance as people can afford to buy more health insurance. Further increase in income results in less purchase of insurance because they are now willing to retain the risk.

Implications of such findings are that as we can see from the figure 5.2 Gross National Income per capita is increasing so the purchasing power of the people will increase. Thus there is a huge potential for Health insurance, keeping in mind that lots of population is still
not health insured, as well as a challenge for health insurance companies. As with the increase in income people tend to buy other products challenge lies ahead of the insurers to lure the customers to buy health insurance by designing attractive policies, educating them about the benefits of Health Insurance etc.

Another major finding is that HealthCare Expenditure as % of Total Expenditure has significant impact on Health Insurance Purchase. Households which have bought Health Insurance have higher HealthCare Expenditure to Total Expenditure ratio as compared to Non-insured Households. Average H.E./ T.E. ratio for insured households as shown in Table is 0.12 which is higher than Non-insured households with average H.E./T.E. ratio being 0.072. Results of PROBIT Model and OLS Method also show that the coefficient of correlation, Z statistic/t-statistic and Probability is positive (2.136817, 1.743 & 0.081 respectively as per Probit Model) (0.0068, 1.2672, 0.2069 as per OLS estimator), indicating that higher the ratio higher is the probability of buying Health Insurance and the extent of Buying Health Insurance. Such results indicate that households where Healthcare expenditure as part of Total Expenditure is higher, they tend to get themselves insured to cover the risk. An implication for insurer of such finding is to satisfy such market.

Other factors like Age, Coverage of illness, Knowledge about insurance, Number of children, Perception about future health expenditure are also significant. Age is significant for higher age groups as shown in Table 6.26 & 6.27. Age is positive for all age groups but the coefficient of variable is increasing as age group increases (from 0.82 to 1.11), this implies that people in higher age groups relatively spend more. In India, only recently new policies are designed to cover people belonging to higher age groups. More policies should be launched to tap this insatiate market. Two other factors; coverage of illness and health/illness expenditure are significant in both the equations. Higher the coverage of illness and perception about illness expenses in future higher is the probability to buy and increase the extent of Health Insurance purchase. Number of children also influences the decision to buy health insurance. As shown in Table 6.8 the coefficient of the variable is positive and t-statistic is 2.2960, thus indicating higher the number of children in the family, the household are likely to buy more Health Insurance. Knowledge about insurance is very important and one of the important reasons for buying health insurance. Building more awareness about health insurance will influence the probability of buying health insurance. Also present health insurance schemes only cover hospitalisation cost, so households with high hospitalisation cost have high probability of buying health insurance.
Other findings of the study

1. Major reasons behind liberalisation of insurance sector was that insurance especially health insurance was highly underdeveloped. About 6% of GDP is spent on health. Private healthcare expenditure is 75% or 4.25% of GDP. Insurance coverage is negligible. Only 10% of health insurance market has been tapped till today. After witnessing the benefits of reforms in manufacturing and few services sectors like banks and to reap the benefits of global economic growth, insurance sector was opened up for private players.

2. Opening up of insurance sector had significant implications. There was 83% increase in premium collected within 3 years following the passage of IRDA Act. Total insurance penetration was 1.6% in 1990 which increased to 2.88% by 2003-04 and further gone up by 0.955 by middle of 2005-06.

3. India has 11th largest penetration in Asia and ranked 54th worldwide. Health insurance was inactive before liberalisation. Health insurance market was 659.1m$ in FY 2007 and had a 30% CAGR from FY 2004. Impressive growth rate is shown.

4. After opening up of this sector it is fastest growing segment with a total premium of Rs. 6625 crore, which is a 30% improvement over the previous year, and more than twice the level seen two years ago.

5. By the end of 2008-09, health insurance premium has grown tenfold from the level in 2001-02, in just seven years.

6. Initially health insurance was largely a single product marketed by four non-life insurers, today more than 300 innovative products are offered by more than 30 companies both life and non-life.

7. Despite all the development lot of market is still untapped. Only 16-18% of people are covered under insurance and other organised forms of payment for health services.

8. Share of health insurance in health financing merely accounts for 1.2% of the total expenditure on health. India has predominantly private out-of-pocket (about 75%) health financing, mostly among people who belongs to rural, informal sector and their incomes are low.

9. Change in demographic patterns and life styles (especially eating habits) are acting as growth drivers of health insurance. In FY 2006 working population is 60.38% of total Indian population and is expected to increase up to 64.2% by FY 2021. Per capita
income is also increasing. Simultaneously, due to change in life style and dietary habits there is sharp increase in number of diseases.

10. Even though many public and private firms are undertaking several awareness campaigns, health insurance forms the segment with highest number of unaware population (62%).

11. The large base of small physician practices and the increasing number of private healthcare facilities has worsened the already poor record of the healthcare professions in establishing, monitoring and enforcing the standards for quality of health care services in India.

12. IRDA has taken number of initiatives to fasten the growth speed in health insurance. IRDA has done this through a number of activities, including clarifying the legislation and regulation of health insurance, helping to create positive environment for standardization of data, providing information to consumers on health insurance and generally fostering a positive business environment for health insurance companies and products.

13. Future of health insurance in India is very prospective with increase in concepts like medical tourism, increasing healthcare facilities, rising health costs etc.

SUGGESTIONS

After analysis and interpretation it can be safely concluded that Income of the household is the most important factor for taking Health Insurance purchase decision and deciding the extent of Health Insurance purchase. Another important factor is Healthcare Expenditure to Total Expenditure ratio which also shows a positive relation with the Health Insurance purchase decision. Besides, there are other important factors affecting Health Insurance purchase decision like coverage of illness, knowledge about insurance, Health/illness expenditure, Number of children in the family and Hospitalisation Cost. These all are having positive relation with the Health Insurance purchase decision. Increase in these factors increase the probability of buying health insurance and increase the extent of health insurance purchase. Per capita income of the Indian population is rising and so is Healthcare expenditure, number of diseases (in both frequency and types) and number of accidents. This trend opens the door of opportunities for Health Insurance Sector. IRDA is taking initiatives to make the environment conducive for the growth of Health Insurance in India. Still much needs to be done. Some of the suggestions keeping in mind the findings of the study and problems faced by insurance sector are as follows:-
1. Income of the household and Healthcare expenditure are major factors affecting the demand for Health Insurance. To increase both demand for insurance and its profitability, the Indian insurance industry in collaboration with TPAs and health providers must soon implement and master critical elements of managed care to complement demand side tools such as co-payments and deductibles for controlling costs and limiting abuse.

2. Coverage of illness is one such perceptual factor that affects the decision to buy Health insurance. Consumer wants good services and specially designed policies to meet their specific demands. Age factor is always ignored in Indian insurance industry. There were very few insurance policies designed for people above 60 years. Various steps and strategies need to be followed by the health insurance companies that hope to conquer the Indian health insurance market such as product innovation, distribution, customer service, and investments. Finding the niche markets, having the right product mix through add-on benefits and riders, effective branding of products and services and product differentiation from competitors' offering will be few modes to increase the market share.

3. To address the critical issue of both increasing the demand for and supply of health insurance products the three major bodies, The Union Health Ministry, Medical Council of India and State Health Ministries, must work together. Union health ministry must be the leader in promoting quality of care by establishing and enforcing standards in the public sector. Medical council of India must regulate its members and facilities which they are providing. Regulation includes processes for accrediting healthcare establishments, regular accreditation reviews, and public disclosure of current accreditation status. State Health Ministries must actively get involved in granting licenses to both providers of facilities and also updating and monitoring those that are licensed.

4. Another major factor affecting the demand for Health Insurance is lack of awareness about Health Insurance. It is very important to educate the people about health insurance, various policies offered by the insurance companies and the benefits offered by them. Different media depending upon the target market can be adopted to provide information about the product. Hoardings and banners can be installed in places like hospitals, public health clinics, private clinics etc. Seminars can be organised by the insurance companies and feedback from people can be taken on various issues.
5. One of the major obstacles in development of health insurance is lack of adequate database. We need to standardize the classifying medical diagnoses & procedures and the concurrent collection, without which compilation and analysis of data on utilization, the pricing of insurance policies will continue to be arbitrary and health insurance purveyors will not be able to design profitable schemes suited to the pocket books of India’s diverse populations. IRDA should directly or through the Tariff Advisory Committee collect and disseminate information for each type of health insurance policy. IRDA should also standardize claims forms, billing information and other documents required in the claims process.

6. Prime inhibitor for growth of health insurance is its non-profitability. Differential premium pricing based on health care cost zoning, for example in case of auto insurance differential premium is based on geographical regions. To tackle adverse selection, insurers need to take policy design initiatives like incorporating pre-existing conditions, clauses on time scale as also co-insurance and co-payments basis, into its basic structure. Health screening for certain age groups can also be introduced.

7. In India health financing is predominantly private out of pocket. The share of health expenditure financed by the government should rise particularly for lower and middle income citizens and that seems to be a distant reality. One measure could be risk pooling accomplished through government programmes and subsidies where the pooling of the financial resources comes through the tax system. There is a need to develop private risk pooling mechanisms most likely through increased availability and affordability of private health insurance. An increased role of private insurance may permit the government to target its limited resources more effectively on those most in need.

8. To address the issues concerned with orderly growth in numbers as also the challenges of ensuring accessibility, affordability and efficiency in the health insurance system, the importance of sustained and focused efforts on the part of all stakeholders in the health insurance system should be undertaken.

9. Provider moral hazard reflected by increased health care utilization like unnecessary investigation, prolonged hospital stay and inflated hospital bills, are prime reasons for high claims. Hence insurers should insist on some system of categorizing in-patient medical services and assigning specific reimbursement fees to each category based on contracting with healthcare providers in a bid to make them risk sharers.
10. The number of potential buyers of insurance in India is certainly attractive. However, this ignores the difficulties of approaching this population. Much of the demand may not be accessible because of poor distribution, large distances or high costs relative to returns. Also, most new entrants have a tendency to target the business of existing companies rather than expanding the market, this is myopic. This not only leads to intense competition for the new players and their much of their effort is spent on trying to capture existing customers by offering better services or other advantages. Yet, the benefits of this strategy are likely to be limited. A better approach may be to examine specific niches where demand can be met or stimulated, like moving to rural India. The main thrust of a new insurer’s strategy should be to stimulate demand in areas that are currently not served at all. In case there are products, which are already prevalent in different markets but not adequately being served, they can be customized and used to expand the markets.

11. In India, policies are inflexible. They compete with investment and savings options like mutual funds. It is imperative that they should offer comparable returns and flexibility and there is immense scope of developing pure insurance products with flexibility. Health insurance is a segment with great potential because existing Indian products are insufficient. For example, Indian products do not cover disability arising out of illness or disability for over 100 weeks due to accident. Neither do they cover a potential loss of earnings through disability.

12. Worldwide, insurance products move along a continuum from pure service products to pure commodity products. Then they can be sold through the medical shops, groceries, and novelty stores etc. Once popularity and awareness of the products are attained, then they can move to remote channels such as the telephone or direct mail. In UK for example, retailer Marks & Spencer now sells insurance products.

13. Rural insurance should be looked upon as an opportunity and not an obligation. Two aspects that need to be developed so as to allow health insurers to penetrate the rural market are:

a) A smaller bundle of innovative products in sync with rural needs and perception
b) An efficient delivery system