



## HEALTHCARE AND HEALTH INSURANCE IN INDIA: ANALYZING THE SUPPLY-DEMAND DYNAMICS

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### ABSTRACT

*Health insurance is a driver of growth in India's general insurance market, accounting for over 29% of all general insurance premium income in India. The market is expanding because of the increasing demand for a broad picture of India's healthcare system and health insurance market. This study looks at the elasticity of supply and demand for health insurance in that nation. It illustrates the evolution of the health insurance sector throughout time. The government created a few health insurances to improve the affordability and accessibility of healthcare for the Indian population, considering the efforts of the government. The critical analysis carried out for this study shows how health insurance is adopted in India both nationally and state-by-state. The gradual increase in health insurance coverage over time has also been discussed, which clearly illustrates the dramatic increase in health insurance coverage after COVID-19.*

**Keywords:** Health Insurance, Healthcare, Supply, Demand, COVID-19, Government Scheme.

### INTRODUCTION

Risk, uncertainty, threat, danger, and hazard are all part of life because we can never predict the outcome of any given situation. Living indoors or out, strolling, or travelling by bicycle, bus, automobile, rail, or even aeroplane, there is always a risk to one's life. One way to control all financial hazards is through insurance. It is a sunrise sector, according to Indian financial planners. An insurance business, also known as an insurer, and an insured, or individual, generally enter into a written contract or agreement whereby the insurer agrees to pay a certain sum, or premium, in exchange for financial protection against unforeseen

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circumstances. We purchase protection against unforeseen financial losses when we purchase insurance. It is a medium that allows for a significant amount of compensation for accidents that cannot be eliminated. For instance, a plane disaster ends life, or a train derails, killing hundreds of people and injuring hundreds more. Although life cannot be restored or made whole again, the loss resulting from death can be made whole, potentially protecting the dependents from financial danger. For instance, a fire that destroys a workplace or residential building may not have been anticipated or prevented, but the victim may receive compensation through insurance. This led to the establishment of the insurance industry. Financial security for both life and property is provided by it. The insurance policy is an agreement between the insured and the insurer, according to the ruling in **Sumitra Devi v. LIC**,<sup>1</sup> 72 cases. Premium payment is one of the prerequisites for preserving the policy's viability and inter se parties' enforcement. If the premium is not paid within the specified period, the coverage expires and is no longer enforceable. The phrase goes, "One without insurance is like a car without a shock absorber." Health insurance stands out as a vital pillar in guaranteeing both financial and physical well-being in the complicated world of insurance, where different types, including life, property, and vehicle insurance, play significant roles in protecting people and possessions. This specific kind of insurance provides financial protection against healthcare-related expenses and covers medical bills. "Medical services have a cost, but health is priceless." One should choose health insurance to pay for the medical bills.

### AIM(S) AND OBJECTIVES

Analysing the significance of health insurance policies and medical facilities in India is the main goal of the research. The following would be the primary goals and objectives of the research:

- Comprehending how India's health insurance market has changed or grown over time.
- To evaluate the significance of government programs and efforts to advance health insurance.
- To comprehend the function of regulatory agencies in guaranteeing morally and financially good business practices.

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<sup>1</sup> Sumitra Devi vs Life Insurance Corpn of India & 3 Ors on 19 February, 2014, <https://indiankanoon.org/doc/129910591/> (last visited Dec. 8, 2024)

## LITERATURE REVIEW

To conduct a study on the issue, the current body of legal and extra-legal literature—which includes books, journals, law reviews, dictionaries, encyclopedias, articles, research papers, decided cases, newspapers, and more—that is available in the NLUJAA library as well as the materials that are accessible through the online database on the NLUJAA website's intranet will be gathered and examined. The following are a few studies that the researcher has found that are pertinent to the subject and have been quickly summarised:

**MN Srinivasan & K Kannan, (2017), tenth edition, in the book titled Principles of Insurance Law:** Provides a comprehensive analysis of insurance law, covering principles, practices, and legal interpretations. It examines key aspects of insurance contracts, regulatory frameworks, and judicial precedents, making it a valuable resource for legal professionals, academics, and students in the field of insurance law.<sup>2</sup>

**K. Kannan (2014), in the book titled Medicine and Law,** examines legal, social, and ethical issues in medicine, focusing on laws governing medical practice, education, and research. Highlights the impact of medical technology advancements and compares Indian case laws with international jurisdictions to address contemporary challenges in law and medicine<sup>3</sup>.

**Growth Pattern and Trends - A Study of Indian Health Insurance Sector, Harinder Singh Gill and Amandeep Kaur Shahi (2013):** It examines the development, growth patterns, and trends of health insurance in India, emphasising the private insurers' growing market share and shifting penetration levels over time.

**Health Insurance - An Alternative Healthcare Financing Mechanism in Rural India" by Soma Kundu (2009):** According to this journal, health insurance can lessen financial strains in rural India, where private healthcare costs are high and public spending is low, requiring alternative financing methods.<sup>4</sup>

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<sup>2</sup> MN Srinivasan & K Kannan Principles of Insurance Law, 10 Ed | PDF | Insurance | Risk, <https://www.scribd.com/document/565986793/MN-Srinivasan-K-Kannan-Principles-of-Insurance-Law-10-Ed> (last visited Dec. 9, 2024)

<sup>3</sup> K. KANNAN, MEDICINE AND LAW (2014)

<sup>4</sup> Soma Kundu, Health Insurance—An Alternative Healthcare Financing Mechanism in Rural India, 3 INDIAN JOURNAL OF HUMAN DEVELOPMENT 381 (2009)

**Health Insurance in Indian Context - Need of the Hour, Harshal Tukaram Pandve**

**(2012):** This journal highlights the significance of health insurance in improving India's infrastructure and health indicators, underscoring its vital role in both population health improvement and economic development.<sup>5</sup> The rapid growth, low penetration, and high expenses of the Indian health insurance market are highlighted by **Manoj Pareek (2020)** in the journal "**Prospects for growth and issues in marketing of health insurance in India**".<sup>6</sup> Other issues include adverse selection, awareness, and rising healthcare costs that affect accessibility and affordability. The literature emphasizes notable differences in health insurance approachability, the effect of costs incurred out of pocket, and the necessity of universal health coverage to improve healthcare outcomes in India, according to **Mohd Zuhair & Ram Babu Roy's (2019)** article "Sustainability of Healthcare Insurance in India: A Review of Health Insurance Scheme Launched by States in India."<sup>7</sup>

**RESEARCH QUESTIONS**

1. What is the significance of health insurance policies, and how does it act as a protective cover to safeguard our family?
2. How do supply factors (e.g. availability of healthcare providers, infrastructure, and medical technologies) and demand factors (e.g. income levels, insurance coverage, and public awareness) influence the accessibility and quality of healthcare in India?
3. How has the COVID-19 pandemic impacted on health insurance sector?

**HISTORICAL CONTEXT OR DEVELOPMENT OF INDIA'S HEALTH INSURANCE MARKET**

India's health insurance market has advanced significantly. It is one of India's largest industries and has existed for more than 50 years. India's health insurance history is one of steady growth punctuated by important turning points that show how the nation's insurance

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<sup>5</sup> Harshal Tukaram P & ve, Health Insurance in Indian Context: Need of the Hour, 2 JOURNAL OF COMMUNITY MEDICINE & HEALTH EDUCATION 1 (2012)

<sup>6</sup> (PDF) Prospects for Growth and Issues in Marketing of Health Insurance in India, RESEARCHGATE (2024), [https://www.researchgate.net/publication/328231922\\_Prospects\\_for\\_growth\\_and\\_issues\\_in\\_marketing\\_of\\_health\\_insurance\\_in\\_India](https://www.researchgate.net/publication/328231922_Prospects_for_growth_and_issues_in_marketing_of_health_insurance_in_India)

<sup>7</sup> Sustainability of Healthcare Insurance in India: A Review of Health Insurance Scheme Launched by States in India | Request PDF, RESEARCHGATE, [https://www.researchgate.net/publication/336134902\\_Sustainability\\_of\\_Healthcare\\_Insurance\\_in\\_India\\_A\\_Review\\_of\\_Health\\_Insurance\\_Scheme\\_Launched\\_by\\_States\\_in\\_India](https://www.researchgate.net/publication/336134902_Sustainability_of_Healthcare_Insurance_in_India_A_Review_of_Health_Insurance_Scheme_Launched_by_States_in_India) (last visited Dec. 9, 2024)

and healthcare systems are evolving. Hugh the elder Chamberlin, a member of the Peter Chamberlin family, came up with the idea of health insurance in 1964.

**Pre-Independence Era:** The history of health insurance in India dates to the early 1900s, even though it was not widely known until much later. As the first life insurance companies were founded in the 19th century, such as the Oriental Life Insurance Company (1818) and the Bombay Life Assurance Company (1823)<sup>8</sup>, the concept of insurance began to become clear. However, when viewed as a distinct commodity, health insurance was not generally available at the time.

**Post-Independence Era:** Due to the high mortality rate and insufficient resources in the post-independence era, health insurance became necessary. India's independence in 1947 marked the beginning of the true shift in health insurance. As the population's healthcare demands grew, the government realized it needed a well-organized system of health insurance. The "**Employees' State Insurance Scheme**" (ESIS), which covers medical expenses, maternity benefits, and disability, was implemented by the Indian government in 1952 as a social security policy for industrial workers.

**Growth and Regulation:** Throughout the 1970s and 1980s, more organized health insurance plans started to emerge. The establishment of the GIC in 1972 was a significant step in expanding insurance coverage. GIC's subsidiaries, such as the National Insurance Company, the New India Assurance Company, and the Oriental Insurance Company, were the first to offer health insurance coverage. The IRDAI was established in 1999 to regulate and promote the insurance sector.

**Recent Developments:** The health insurance business has grown significantly in the twenty-first century. Government programs like the PMJAY and the NHIS, which were introduced in 2008 and 2018<sup>9</sup>, respectively, have been essential in improving access to healthcare for those from lower-income backgrounds. These programs sought to provide access to healthcare and offer financial security against excessive medical costs. The Union Cabinet authorised health coverage for senior adults 70 years of age and older under the Ayushman Bharat PM-JAY initiative on September 11, 2024. On a family basis, they receive INR 5 lakh in health coverage.

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<sup>8</sup> Evolution of Insurance, IRDAI, <https://irdai.gov.in> (last visited Dec. 9, 2024)

<sup>9</sup> Sweta Dubey et al., Evolution of Government-Funded Health Insurance for Universal Health Coverage in India, 13 LANCET REG HEALTH SOUTHEAST ASIA 100180 (2023)

## UNDERSTANDING THE MEANING AND SIGNIFICANCE OF HEALTH INSURANCE

One sort of coverage that covers the insured's medical and surgical costs is health insurance. Other health-related expenses, including prescription drugs, preventative care, and emergency services, might also be covered. This is particularly important when people have unexpected or major health problems since it keeps them from having to pay high medical bills. Better overall health outcomes result from increased access to prompt treatment and preventive care. The disparity in healthcare access between various socioeconomic classes is lessened with the use of health insurance. It lessens health inequities in society by guaranteeing that those from lower-income backgrounds may obtain the medical treatment they require. According to **Section 2(6C) of the Insurance Act of 1938**<sup>10</sup>, a "health insurance business" is defined as the execution of agreements that provide medical, surgical, or hospital expense benefits, sickness benefits, in-patient or out-patient travel coverage, or personal accident guard. By covering hospital stays, diagnostic tests, and treatments for critical illnesses, among other expenses incurred by the insured while ill, health insurance guarantees transparency and equity in the policyholder's access to medical care. The Indian legal system highlights the significance of health insurance in promoting public health and shielding individuals from exorbitant medical expenses through several regulations and guidelines released by the IRDAI.

## CLASSIFICATION OF HEALTH INSURANCE POLICIES IN INDIA

Healthcare facilities are becoming more expensive because of the developments in the healthcare industry. The state of the nation's impoverished can be used to trace the influence of this. Regarding the same, one of the greatest saviours is health insurance coverage. Every general, health, and life insurance company that is registered with the IRDAI offers health insurance plans. Health insurance policies in India come in a variety of forms. They include, among others:

**Individual Health:** The insurer offers coverage on an individual basis under this type of insurance policy. This is not limited to just one individual; additional members, such as spouses, parents, kids, etc., can be added by paying an additional cost. Participants in this type of plan must be between the ages of 18 and 70. An individual sum insured will be awarded to each member covered by the Individual Health Insurance Policy.

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<sup>10</sup> Section 2 in The Insurance Act, 1938, <https://indiankanoon.org/doc/992854/> (last visited Dec. 9, 2024)

Illustration –A five-lakh sum insured policy will cover you, your spouse, and your two children. Each of these individuals will be eligible for a five lakh sum of coverage.

**Family Floater Health Insurance:** In exchange for a single cost, this plan offers coverage to every member of a family, including the spouse, parents, kids, and other dependents. Compared to an individual health insurance policy, the premium for this type of policy is relatively lower. The premium is determined by considering the age of the family's eldest member.

**Group Health Insurance:** A employer typically implements this plan for its staff. Offering insurance to workers can increase an employer's staff retention rate. A company, for instance, may buy group insurance for all of its workers, or a building secretary could buy such a plan for every building occupant. Furthermore, this type of insurance plan has a comparatively cheap premium cost. It not only offers coverage but also contributes to the firm's improved reputation. An employee is only eligible for coverage under this plan while he is employed by the company or employer, which is one of its drawbacks.

**Critical Illness Insurance:** The number of diseases linked to lifestyle choices is increasing daily in the modern day. Long-term treatment and management of health conditions like cancer, stroke, renal failure, and heart problems can be highly costly. Critical sickness insurance coverage was developed specifically for this reason. Following the diagnosis of a critical illness, these insurances frequently offer claim payouts as a single lump sum payment and cover extremely specific conditions.

**Senior Citizen Health Insurance Plans:** It cannot be considered a typical plan because it was designed for individuals over 60. Because adults over 60 are more prone to becoming ill, it is quite beneficial to budget for medical or treatment expenses in their post-retirement years. This plan is the one that people should choose for their elderly parents. These plans have exceptionally expensive premiums because of their substantial coverage advantages and tax incentives.

## **SIGNIFICANCE/IMPORTANCE OF HEALTH INSURANCE**

There is always a chance that we can get sick unexpectedly and need costly treatments in our hectic lifestyles. We can obtain coverage under a comprehensive health insurance plan by paying a nominal fee to the insurer. Therefore, health insurance serves as a safeguard for



healthcare and savings, allowing our loved ones to live fulfilling lives. Health insurance is important for the following reasons:

**To fight lifestyle:** The prevalence of lifestyle diseases is increasing daily, particularly among those under 45. Conditions including diabetes, obesity, heart disease, and respiratory issues are more common in the elderly population, but they can also affect younger people. Choosing to get a health plan that includes routine testing can aid in the fight against certain illnesses and make paying for medical treatment simpler.

**To safeguard our family:** Instead of purchasing individual policies to guarantee that each member of the family receives the greatest medical care, we may choose to ensure the entire family under a single policy when choosing the best health insurance plan.

**To deal with medical inflation:** Alongside the rise in diseases and improvements in medical technology, the cost of therapy also rises. It is important to understand that hospital expenses do not account for many medical expenditures. By paying a relatively moderate annual health insurance premium, we can choose high-quality care and avoid the burden of medical inflation.

**To protect our savings:** Extreme physical and mental stress is brought on by an unexpected sickness. It will be a strain for us if we lack the financial means to cover the costs. Nobody wants to be deprived because there aren't enough medical facilities. The significance of health insurance is increased by its capacity to safeguard our finances and facilitate our recovery.

**Tax Benefits Under Section 80D:** We can profit from tax advantages associated with the premiums we pay for health insurance under Section 80D of the Income Tax Act of 1961<sup>11</sup>. For example, tax discounts of up to Rs. 25,000 are available to individuals under 60 and their elderly parents.

## CONSTITUTIONAL PROVISIONS RELATED TO HEALTHCARE

"Health is a state of complete physical, mental, and social well-being and not merely the absence of disease," the **World Health Organization** defined health. The Indian Constitution has a number of provisions about public health in general. "No one shall be deprived of his life or personal liberty except according to procedure established by law," says **Article 21**.

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<sup>11</sup> Section 80D in The Income Tax Act, 1961, <https://indiankanoon.org/doc/120164/> (last visited Dec. 9, 2024)



The Supreme Court has held in a few rulings that the fundamental right to health and medical care is guaranteed under Article 21 of the Indian Constitution. **Part IV** of the Indian Constitution covers the Directive Principles of State Policy, which direct the state to perform and carry out activities that ensure health facilities for the Indian population. To safeguard the general public's health, the Constitution's framers included specific provisions of the Right to Health in the Directive Principles of State Policy. These articles are as follows:

**Article 38:** It holds the government responsible for maintaining a social structure that advances the well-being of the people, but public health is essential to achieving this.

**Article 39(e):** This has to do with safeguarding the health of workers. The essay urges the government to make sure that the young ages of children and the health and vigour of workers are not abused.

**Article 41:** It required the state to provide public aid, primarily for the elderly, the ill, and the disabled.

**Article 42:** The state's principal duty is to safeguard the mother's and infant's health by providing maternity benefits.

**Article 47:** It outlines the state's principal responsibility to improve the standard of living and nourishment of its citizens.

The Court ruled in **Paschim Bangal Khet Mazdoor Samiti & Ors. v. State of West Bengal & Ors.**<sup>12</sup> that the State had an obligation to provide the Indian populace with high-quality medical healthcare facilities.

## ANALYSIS THROUGH JUDICIAL INTERPRETATION

A writ petition allegedly in the public interest was brought against the state in the matter of **Pravat Kumar Mukherjee v. State of West Bengal (AIR 2007 Cal 77)**<sup>13</sup> to order the cancellation of a hospital's license under the Bengal Clinical Establishment Act. Despite having Mediclaim coverage, the hospital refused to treat a patient brought in in poor

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<sup>12</sup> Paschim Banga Khet Mazdoor Samity & Ors v State of West Bengal & Anor. Cited as: (1996) AIR SC 2426/ (1996) 4 SCC 37 - ESCR-Net, <https://www.escri-net.org/caselaw/2006/paschim-banga-khet-mazdoor-samity-ors-v-state-west-bengal-anor-cited-1996-air-sc-2426/> (last visited Dec. 9, 2024)

<sup>13</sup> Pravat Kumar Mukherjee vs State Of West Bengal And Ors. on 21 August, 2006, <https://indiankanoon.org/doc/614057/> (last visited Dec. 9, 2024)

condition because the attendant failed to settle the medical costs. After being transferred to a different hospital, the patient eventually passed away. The Court rejected the claim that there was no clause in the legislation for any member of the public to request the de-licensing of a hospital because payment had already been received from the hospital for the alleged service deficiency. In the matter of **Satwant Kaur Sandhu v. New India Assurance Co. Ltd.**,<sup>14</sup> it was evident that the person who received Mediclaim coverage had diabetes, chronic renal failure, and was undergoing frequent hemodialysis. Because the representative of the dead failed to disclose these circumstances, the insurer was ruled to have the authority to reject the claim under the policy. The insurer will have the right to repudiate its liability even if the response is merely inaccurate because it is assumed that any information required in the proposal is pertinent for signing an insurance contract.

The National Commission noted in **Praveen Damani v. Oriental Insurance Co. Ltd.**<sup>15</sup> that the entire point of purchasing a policy would be rendered useless if it were interpreted to require disclosure of symptoms even in cases where the assured was unaware that they were indicative of a disease.

## **ANALYZING THE SUPPLY AND DEMAND DYNAMICS OF HEALTH INSURANCE AND HEALTHCARE IN INDIA**

In India's healthcare system, supply and demand dynamics are closely linked and influenced by socio-cultural contexts, political decisions, and economic factors. Access to and the calibre of healthcare services are greatly influenced by health insurance, which is an essential part of this environment. India's health insurance and healthcare supply and demand perspective can shed light on the prospects and difficulties facing this industry.

### **In relation to the supply of healthcare and health insurance –**

The supply of healthcare services is independent of demand.

**The Healthcare Infrastructure:** The Healthcare system in India is made up of both state and private providers. Rural locations frequently have a lack of healthcare experts and facilities,

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<sup>14</sup> Satwant Kaur Sandhu vs New India Assurance Company Ltd on 10 July, 2009, <https://indiankanoon.org/doc/951514/> (last visited Dec. 9, 2024)

<sup>15</sup> Praveen Damani, Shri Salil Paul vs Oriental Insurance Co. Ltd., Shri S.M. ... on 3 October, 2006, <https://indiankanoon.org/doc/1804914/> (last visited Dec. 9, 2024)

whereas urban areas are rather well-provided. The ability to meet rising demand and the availability of healthcare services are both impacted by this imbalance.

**Quality and Ability of Services:** There are large regional and facility-specific variations in the quality of healthcare services. Although they are more costly, private clinics and hospitals typically provide better quality care, which results in unequal access. Even though they are less expensive, public healthcare institutions may experience problems like overcrowding, inadequate funding, and a shortage of cutting-edge medical technology.

**Health Insurance Market Dynamics:** The Indian health insurance market is expanding, with participation from both state and private insurers. However, there are still problems, like poor penetration rates, high prices, and a lack of awareness about the benefits of insurance. Additionally, low-income and rural communities are underserved by the insurance industry, which primarily favours urban areas.

**Regulatory environment:** To maintain equity, openness, and consumer protection, the IRDAI oversees the health insurance industry. The goal of recent initiatives and changes, such as standardising policy terms and placing more of an emphasis on customer service, is to expand the availability and accessibility of health insurance.

#### **In relation to the demand for healthcare and health insurance –**

There is inelastic demand in the healthcare sector. This indicates that changes in service prices have no effect on the demand for health care. The demand is constant regardless of price changes.

**Growing Population and Health Needs:** India's expanding population has a big impact on the country's healthcare needs. Growing urbanisation and changing lifestyles are contributing to an increase in both communicable and non-communicable diseases, including respiratory conditions and diabetes.

**Rising Awareness and Expectations:** Increased availability of information via digital platforms and social media has led to a rise in health and wellness awareness among Indians. Expectations for high-quality healthcare services and preventive treatment have increased because of this increased knowledge.

**Economic Factors and Affordability:** As the middle class and discretionary earnings increase, more people are searching for health insurance to lower the financial risk of medical costs. Since low-income populations usually prioritise their needs over insurance premiums, affordability remains an issue for them.

**Government Initiatives:** Ayushman Bharat and other government initiatives aim to provide health insurance coverage to underprivileged people to alleviate some of the demand-side issues. These programs provide more access to healthcare services for the poor.

## IMPACT OF COVID-19 PANDEMIC ON THE HEALTH INSURANCE SECTOR

India has seen substantial change because of the COVID-19 pandemic. More Indians are obtaining health insurance because of rising hospitalisation rates and expensive medical costs in private hospitals. This worldwide health crisis has been a significant wake-up call for Indian authorities and the public, emphasising the need to take health insurance coverage more seriously. The insurance sector was increasing at a steady pace before the epidemic, with life insurance growing at an annual rate of 11–12%. Compared to the prior year, business premiums increased. Nonetheless, the epidemic affected the insurance industry in two ways. It reversed some earlier gains and created fresh prospects for future development. The operations of numerous insurance companies were harmed by COVID-19. As people's purchasing power decreased, fewer new policies were issued, according to IRDAI. A declining stock market and a rise in policy redemptions as clients required cash also caused companies' assets to decline. Compared to the net profit of INR 3,853 Cr in 2020–21, the general and health insurance sector saw a net loss of INR 2,875 Cr in 2021–22<sup>16</sup>. At the same time, COVID-19 created new prospects for expansion in the insurance industry. People were increasingly conscious of the necessity of insurance because of the financial burden that medical costs generated. PricewaterhouseCoopers International Limited (PWC) notes that insurance is no longer only viewed as an investment for the wealthy but also as an essential instrument for risk management. The epidemic also changed the patterns of insurance claims; following the second wave, life insurance claims increased five to ten times, while general insurance, including auto insurance, decreased. The number of new policies produced has almost reached pre-COVID levels, demonstrating these developments. The life insurance industry expanded by 21% in February 2021 compared to February 2020, and business premiums have risen by 16% annually, according to IRDAI. Health insurance premiums

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<sup>16</sup> Annual Reports, IRDAI, <https://irdai.gov.in> (last visited Dec. 9, 2024)

collected by general and health insurance firms totalled INR 73,052 Cr. in 2021–2022, representing an increase of around 25% from the year before. IRDAI established standards for common insurance products to assist the sector. Two new products were introduced: Corona Rakshak, an optional benefit product for people that pays out the full insured value, and Corona Kavach, a required indemnity product that covers actual hospital expenses for individuals and families.

### **THE ACTIONS TAKEN BY THE IRDAI TO SAFEGUARD POLICYHOLDERS' INTERESTS**

- Insurers were directed to develop a quicker claim settlement process to promptly settle COVID-19 death claims in response to the evolving situation.
- The grace period for premium payments that were due in March and April of 2020 has been extended until May 31, 2020.
- Regardless of whether a settlement option is available in the product, alternatives were offered for Unit Linked policies maturing up to May 31, 2020.
- With the policyholder's express consent, insurers were allowed to issue policy documentation electronically rather than in the required physical form.

### **GOVERNMENT POLICIES AND SCHEMES REGARDING HEALTH INSURANCE IN INDIA**

To guard the health and welfare of its citizens, the state carries out its responsibility by establishing a robust public health infrastructure and collaborating with the private sector to implement health insurance schemes. Due to inadequate access to healthcare and health insurance, particularly in rural areas of the country, the Indian government and state governments have implemented a few health insurances programs:

**Atal Amrit Abhiyan:** A health insurance program called Atal Amrit Abhiyan offers up to Rs. 2 lakhs in coverage for each family member annually. It was introduced in 2016 to reach APL and BPL families with yearly family incomes up to Rs. 5 lakhs. The family head may register on behalf of a child under the age of eighteen. The program provides cashless therapy. When seeking therapy, the patient only requires a laminated ID card. The goal of the Atal Amrit Abhiyan is to reach people in every Assamese district. This program offers

insurance to people who are enrolled in both the public and private healthcare systems. Beneficiaries can also obtain care at state-affiliated hospitals in Mumbai, Bangalore, Chennai, Kolkata, and New Delhi in addition to Assam. If the treatment is received outside of Assam, a daily stipend of Rs. 1000, up to a maximum of Rs. 10,000, would be provided. The Atal Amrit Abhiyan scheme covers 438 treatments, surgeries, and medical procedures, along with follow-up treatment for the following six types of diseases and problems.<sup>17</sup>

- Cancer
- Heart disease
- Kidney disease
- Neurological disorder
- Neonatal diseases
- Burns

The Atal Amrit Abhiyan also covers pre-existing diseases. It means if a patient had any disease before they enrolled for the scheme, then treatment for that too can be covered under this scheme.

**Ayushman Bharat:** With the National Health Policy of 2017, the Indian government launched Ayushman Bharat, its flagship program, to achieve UHC. This program is designed to accomplish the Sustainable Development Goals (SDGs) and the commitment that underpins them. Ayushman Bharat employs a continuum of care method that is divided into two interrelated components.<sup>18</sup>

**HWCs:** In February 2018, the Indian government publicised plans to build 1,50,000 HWCs. People will be able to get healthcare in the convenience of their own homes because these facilities provide comprehensive primary health care (CPCH).

**PM-JAY:** Ayushman Bharat's second component is the Pradhan Mantri Jan Arogya Yojana, or PM-JAY. On September 23, 2018, Hon. Prime Minister Sri Narendra Modi launched this

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<sup>17</sup> Atal Amrit Abhiyan | National Health Mission | Government Of Assam, India, <https://nhm.assam.gov.in/schemes/detail/atal-amrit-abhiyan-0> (last visited Dec. 9, 2024)

<sup>18</sup> About PM-JAY - National Health Authority | GOI, <https://nha.gov.in/PM-JAY> (last visited Dec. 9, 2024)

initiative in Ranchi, Jharkhand. PM-JAY is the biggest government-funded health insurance program globally. It provides Rs. 5 lakhs in coverage for secondary and tertiary care hospitalisation at public and private institutions in India that have been empanelled. Costs, including prescription drugs and diagnostics, are covered for up to three days before admission and fifteen days following hospitalisation. Recently, the Union Cabinet authorised health coverage for PM-JAY program participants aged 70 and beyond, starting on September 11, 2024. They are covered by health insurance worth INR 5 lakhs.

**The Central Government Health Scheme:** The government of India introduced the central government health system in 1954 to offer medical insurance to its workers. These workers fall into the following categories<sup>19</sup>:

- Employees in the Executive
- Employees in the Legislature
- Employees in the Press Department.
- Employees in the Judiciary

**RSBY:** A government-sponsored health insurance program called Rashtriya Swasthya Bima Yojana (RSBY) was created to offer coverage to families in the nation who fall below the poverty line (BPL). Up to five family members are covered under the plan, which offers coverage up to INR 30,000. An RSBY Card, which individuals may use to obtain medical care at different hospitals throughout the nation, is given to beneficiaries covered under this program.<sup>20</sup>

**AABY<sup>21</sup>:** The Indian government introduced the Aam Aadmi Bima Yojana (AABY), a social security program, to give low-income households insurance coverage, particularly for those employed in rural and unorganised sectors. It covers income loss brought on by incapacity or death. For the AABY system, the insured person, state governments, and the federal government each pay a premium of Rs. 200 per person.

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<sup>19</sup> Home - CGHS: Central Government Health Scheme, <https://cghs.gov.in/CghsGovIn/faces/ViewPage.xhtml> (last visited Dec. 9, 2024)

<sup>20</sup> Rashtriya Swasthya Bima Yojana| National Portal of India, <https://www.india.gov.in/spotlight/rashtriya-swasthya-bima-yojana> (last visited Dec. 9, 2024)

<sup>21</sup> Aam Aadmi Bima Yojana, MYSCHEME - ONE-STOP SEARCH AND DISCOVERY PLATFORM OF THE GOVERNMENT SCHEMES, <https://myscheme.gov.in> (last visited Dec. 9, 2024)



## CRITICAL ANALYSIS OF HEALTH INSURANCE POLICIES IN INDIA

Several historical data have been taken from the IRDAI annual reports from prior years and the NFHS report 2019–21 to comprehend the historical pattern of health insurance policies in India. To comprehend the trend in India's adoption of health insurance, the data has been graphically depicted. First, the percentage of families with a minimum of one member protected by a health system or health insurance is displayed by state-by-state data from the NFHS India Report 2019–2021. Fig. 1 displays the top 10 states based on the data that was retrieved.

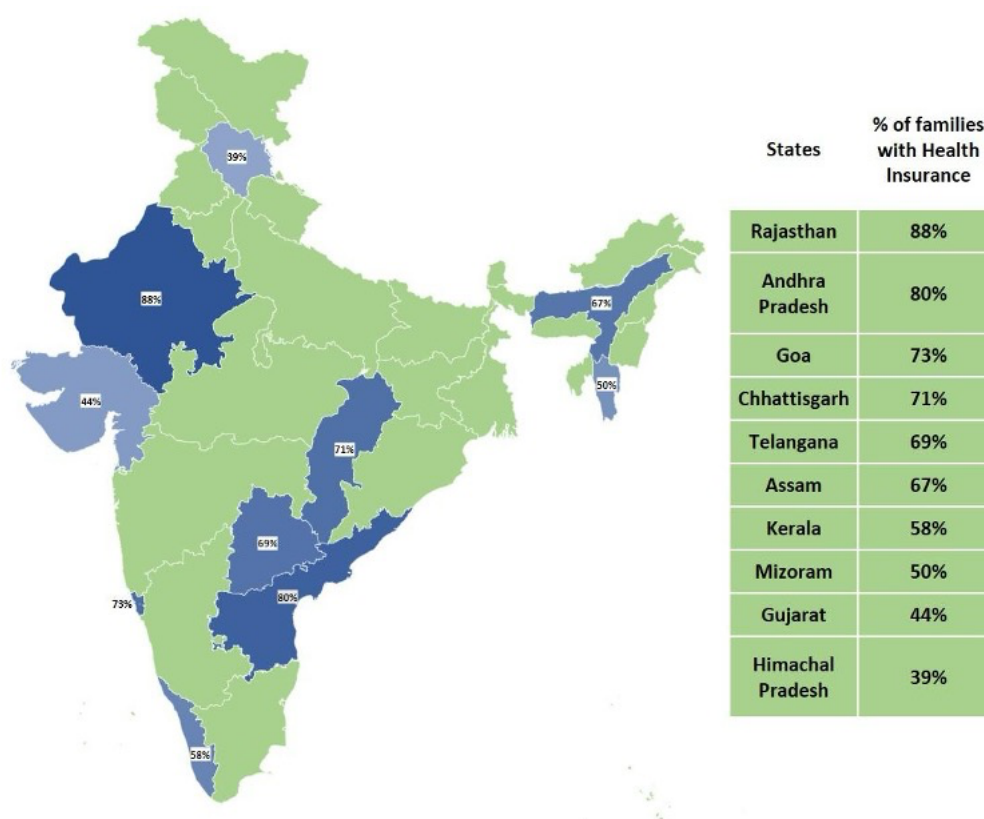


Fig. 1: The percentage of homes with a minimum of one person covered by a health plan or health insurance is displayed graphically (Source: NFHS India Report 2019-2021<sup>22</sup>) With only 1.8% of families covered by health insurance, the Andaman & Nicobar Islands are at the bottom of the scale, while Rajasthan has the largest percentage of people adopting health insurance plans, followed by Andhra Pradesh and Goa, as the above figure makes evident. Considering the nation's overall circumstances, 41% of Indian families had at least one member covered by health insurance coverage, according to the survey. Between the ages of

<sup>22</sup> Reports | Ministry of Health and Family Welfare | GOI, <https://mohfw.gov.in/?q=documents/reports> (last visited Dec. 9, 2024)

15 and 49, just 30% of women and 33% of men have health insurance or a financial plan in place. Nearly one-sixth (16%) of those with health insurance are covered under the RSBY, while over half (46%) are insured by a state health insurance program, according to the survey. Three to six per cent of women and four to seven per cent of males are covered by the CGHS, also known as the ESIS. The percentage of families with at least one regular member covered by health insurance or a financing plan increased from 29% to 41% between NFHS-4 (2015–2016) and NFHS-5 (2019–2021). Nearly 64% of all health insurance premiums in 2022–2023 came from five States/UTs: Delhi, Tamil Nadu, Gujarat, Karnataka, and Maharashtra; the remaining 36% came from the other States/UTs.

Second, the data on the gross premium collection of health insurance plans in India were extracted and presented graphically as illustrated in Fig. 2 to comprehend the rate of adoption of health insurance policies over the previous ten fiscal years.

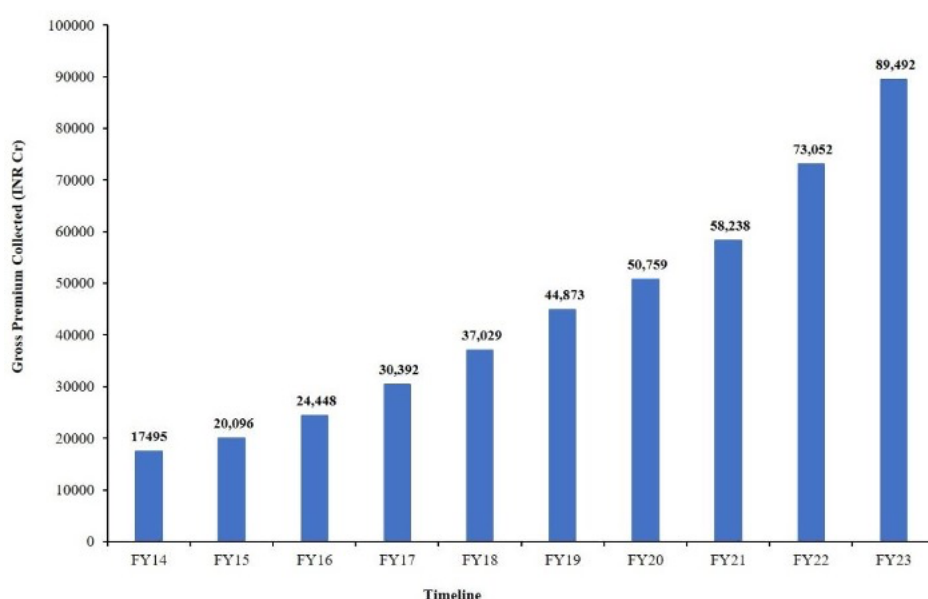


Fig. 2: Representation of Gross Premium Collection of Health Insurance in India from FY 14 to FY 23 (Source: IRDAI Annual report)

It is evident from the following statistics that over the past ten fiscal years, the gross collection of health insurance premiums has increased steadily. The IRDAI Annual Report 2022-23 (FY 23) states that the gross amount of health insurance premiums collected was INR 89,492 Cr, 411.5% greater than the INR 17,495 Cr collected in FY14. The quick rise in health insurance premium collection following COVID-19 indicates that more people are obtaining health insurance. Health insurance companies received INR 73,052 Cr in FY22, a

25% increase over FY19. In contrast, the gross premium collection for FY23 increased by 22% over FY22. The state of Maharashtra had the largest percentage of health insurance premiums in India in 2021, according to a Statista report. The state was responsible for more than INR 183 billion in health insurance premiums, or 32 per cent. Karnataka and Tamil Nadu trailed at 10% that year. In 2023, the Indian health insurance sector collected about INR 894 billion in gross premiums. The MoHFW has been allocated INR 89,155 Cr under the Union Budget 2023–24, which is 3.43% more than the INR 86,200 Cr allocated in 2021–2022. Thirdly, a graphical representation (Fig. 3) that demonstrates the public sector's dominance in the premium collection—followed by the private sector and independent health insurers—has been used to examine the penetration of various sectors during the previous few years.

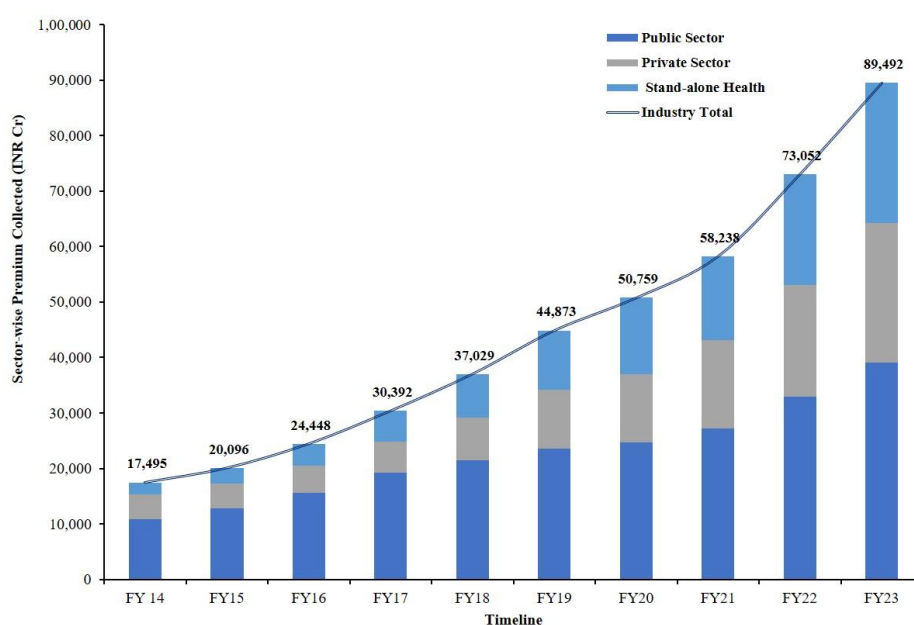


Fig. 3: Sector-wise premium collected for health insurance in India from FY14 to FY23 (Source: IRDAI Annual Report)

The data demonstrates that, of all the stakeholders, the public sector has the most market penetration. During FY23, the public sector collected INR 39,058 Cr, or 44%, of the total premiums collected. The commercial sector has the second-highest penetration rate behind the public sector, and standalone health insurers come in second. The net incurred claims for health insurance by general and health insurers in 2022–2023 totalled INR 64,631 crore, which represents a 2% rise over the previous year, according to the IRDAI Annual Report 2022–2023. In 2022–2023, general and health insurers paid INR 70,930 Cr to resolve 2.36

crore health insurance claims. INR 30,087 was the average payment per claim. TPAs processed 75% of the settled claims, with the remaining 25% being handled internally. 42% of claims were refunded, and 56% of claims were resolved through cashless transactions.

## CONCLUSION

In today's healthcare systems, health insurance is an essential instrument that offers both access to essential medical services and financial security. It is essential for controlling hazards to one's health as well as public health requirements. The study emphasises how difficult it is to match the growing demand for high-quality, easily accessible, and reasonably priced healthcare with the availability of healthcare services. Despite the substantial expansion of India's healthcare sector, access to comprehensive health insurance remains limited, particularly for low-income and rural populations. Furthermore, even though health insurance coverage has grown in metropolitan regions as a result of government initiatives and commercial insurance companies, the distribution and accessibility of healthcare services in rural and neglected areas remain inadequate.

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