



Health Insurance Vision 2020



FICCI Health Insurance Conference 2013

Foreword



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Providing a security net for ensuring availability of quality healthcare to the population is the prime goal that any nation aspires for. The World Bank in a 2012 report says that healthcare expenditure was one of the leading causes of poverty in India. Nearly 65% of India's poor get into debt and 3% fall below poverty line each year because of health related expenses. ~61% of the healthcare expenditure is still accounted by out-of-pocket.

Fortunately, healthcare as an agenda is now figuring prominently in the policy and political discourse of the country. The Government has articulated its intention to move towards universal health coverage in the twelfth five year plan. Health insurance would certainly be part of the solution that sits amidst systemic reform that must go hand in-hand with health financing interventions. Since its launch in 1986, the health insurance segment has witnessed consistent growth, more so after the liberalization of the insurance sector in 2000. The growth has been especially dramatic in the last 5 years with the advent of various government sponsored health insurance schemes.

While the strong middle class population offers most promising environment for health insurance development, the growth drivers that would fuel the health insurance sector in the next decade would change hence forth dramatically. The building blocks of the next paradigm will be on innovation along with numerous structural changes including regulatory, legal, product-related, new operating entities, partnership with providers, universal health coverage etc.

Given this view, FICCI believes that we are standing at the threshold of transition of the industry to the next level. Health Insurance would be one of the key tools to compliment and supplement existing health financing options. It is therefore a very opportune time to devise the vision for the next phase of growth in health insurance encompassing the role of every stakeholder keeping the consumer at the heart of all our endeavours. FICCI Health Insurance Advisory Group shared these thoughts with the regulator and was encouraged to develop a vision 2020 for the Health Insurance sector in India.

We hope that this paper will encourage and provoke new ideas to evolve a wholesome vision of health insurance in the country. The document endeavours to incite a debate to move towards creating an ideal universe of health insurance business with a satisfied consumer at the core.

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698.3	• Skin Tag	701.9
214.1	Sunburn	692.71
214.0	Tattoo	709.00
695.4	Telangiectasias	448.1
710.0	Tinea Capitis	110.0
172(0-8)	Tinea Corporis	110.5
692.9	Tinea Cruris	110.3
782.1	Tinea Pedis	110.4
695.1	Tinea Versicolor	111.0
214.0	Ulcer Leg (Varicose)	454.0
214.1	Ulcer Leg	707.10 - 707.19
215(0-8)	Urticaria	708.9
704.8	Varicose Veins	454.1
078.19	Verruca	078.10
695.89	Vitiligo	709.01
228.01	Xerosis	706.8
054.9	Cutaneous horn	702.8
051.9	Elastosis	701.8
709.09	Cosmetic	V50
684	Keratinous Pilaris	757
695.89	Hx. Malign. Neoplasm	V10
701.4	Hx. Malign. Melanoma	V10.80
709.09		
132.0		
697.0		

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Executive Summary



India has made considerable progress in public health since independence. Life expectancy at birth has increased from 32 years at the time of India's independence to 65.4 years in 2011. Similarly, Infant Mortality Rate (IMR) has dipped from 146 in 1950-51 to 47 in 2011. Maternal Mortality Rate (MMR) has also declined over the last 30 years from 460 to 212 per 100,000 live births. Despite improvement in these indicators, they remain high compared to global averages. Much of the country's health expenditure (61%) is supported by private spending primarily out of pocket (OOP). Even after tremendous growth in recent years, only about 30% of the population is covered by some form of health insurance. There are also glaring regional imbalances wherein some states have managed to build well-functioning health systems, while other states still grapple with highly dysfunctional health systems. In this context, the country's 12th Five Year plan makes a strong commitment to progressing towards universal health coverage (UHC), coupled with a renewed case for rapidly scaling up public health spending.

With public health expenditure in India at a little over 1% of GDP, out-of-pocket (OOP) payments are the predominant mechanism for financing healthcare in the country. This is iniquitous and exposes a large number of households to catastrophic health expenditure, which has often been a contributing factor for rural and urban indebtedness.

UHC, attained through a balanced and integrated approach that combines supply and demand side financing, building upon the existing health system in the country, shall ensure continuity of care at optimum cost and efficiency in a sustainable and feasible manner. It would integrate the efforts of providers (public and private) through alignment of incentives and using various health financing tools, including health insurance, for the benefit of all stakeholders and achieving universal healthcare.

Health insurance is widely accepted as one part of the solution that sits amidst wider systemic reform that must go hand-in-hand with health financing interventions. The growing technical and managerial capacity of the insurance sector is well recognised. It has provided a vehicle for government-sponsored programs to rapidly attain scale, using the private sector capacity available in the insurance and health sectors, and also provided a transparent and structured mechanism to purchase services from private hospitals. Though several challenges remain, the magnitude of the problem is so huge that the government alone may find it a daunting task, without engaging the private sector, which accounts for the bulk of the service provision and skills available in the sector.

The present health insurance operating environment is structured around an un-integrated model consisting of insured, insurer, healthcare provider and a third-party administrator. Such a model increases intermediation costs devoid of ownership for management of claims expenses by any stakeholder, except the insurer, who is presently in a weak controlling position. The market needs evolution of models that integrate delivery and financing of healthcare and that build in incentives to control costs by reducing over-utilization of health services and promoting wellness.

Several models of integrated health financing and delivery have evolved globally and have been successful in providing quality care with affordable cost. We need to evaluate and implement some of these models and sub-models best suited for addressing the needs of different market segments and socio-economic groups. Some of the essential elements of such an integrated model are:-

- arrangements with selected providers to furnish a comprehensive set of healthcare services to enrollees at competitive rates
- comprehensive treatment guidelines and care pathways
- explicit standards for the selection of healthcare providers
- formal programs for ongoing quality improvement and utilisation review
- an emphasis on keeping enrollees healthy to reduce use of services
- financial incentives for enrollees to use providers and procedures associated with the plan

The proposed lower minimum capital requirement in the pending Insurance Bill may promote entry of regional health insurance players. Such players would hopefully provide differentiated health insurance models demonstrating low operating costs, low priced products and greater distribution depth by adopting distributing mechanism that are closer to the grassroots. Such players may become instrumental in increasing health insurance penetration in semi-urban and rural geographies and population segments.

A new set of health providers may emerge in the form of specialty care set ups, disease management companies, specialty dialysis centers, diagnostic set ups with wellness and early diagnosis, ICU monitoring set ups.

The market is also likely to witness the emergence of enabling entities that provide analytics, guidelines, support systems, quality and standards for the industry. This will be done to enable stakeholders to be aligned and fairly compensated. They will help develop a fair and structured evidence based approach, which will facilitate sustainable healthcare delivery through health insurance in the country. Further, information technology and data analytics will become a thread binding all the stakeholders together.

Our healthcare delivery and financing system has changed substantially over the last decade and continues to evolve. Medical cost inflation and rapidly changing medical technology require developing strategies that make healthcare accessible and affordable to larger sections of society. Health insurance product development has traditionally focused on covering inpatient events and even today a significant part of the market comprises such products. Market expansion and penetration would require product innovation aimed at specific segments, wider coverage and promotive and preventive care. Important product innovations would entail:

- a) health savings products that may appeal to a young population
- b) health and accident disability income products that provide lump sum or annuity type benefits to affected insured
- c) long-term care and long tenure products
- d) preventive and promotive health benefits offering products

Welfare of the poor, the vulnerable and the elderly is an area of concern and intervention for most governments' world over since market mechanism often fails to address to the needs of these segments. Many countries have specific programs for the poor and elderly. In India, governments have actively implemented health insurance programmes for the poor, with good results. Such government sponsored health insurance schemes are structured around income criterion. The income criterion needs to be expanded to include the age factor so that the elderly find equal representation in such schemes as looking after both poor and the aged is a social obligation.

The traditional distribution paradigms need to evolve in sync with the new potential distribution channels, payment options, aggregation models and technology. In addition to new distribution and payment options due to technology, the industry needs to develop mechanisms to incubate and harness demand that will arise from awareness and affluence in tier 2 and 3 towns as well as certain rural pockets.

Since its advent, health insurance has remained a product that is bought rather than sold. On a voluntary basis, health insurance products require a push factor for selling than a pull factor for purchase. Building credibility about fairness and transparency and creating awareness about the need for health insurance is a critical challenge that the industry faces and it needs to offer a credible response to that challenge.

Besides being an additional direct marketing channel, the internet offers many other distribution options to insurers. It has online financial stores where consumers can make product comparisons while shopping for products, it has sites which do lead generation and then sell the leads to insurers and it has reverse auction sites where consumers list their requirements and the insurer directly "bids" for the consumer's business. Whereas clear cut regulations exist for online product stores and aggregators, technology will offer many new models and existing models may evolve rapidly. It is important to recognize that with such rapid changes, some of these models are likely to fall into a regulatory grey zone with inappropriately defined responsibilities, governance and compensation structures. A strategy to mitigate that would be needed.

Presently, the health insurance service intermediation environment is structured around a model consisting of insured - insurer - provider, supported by intermediaries like broker/agent at the front end and by third party administrator at the back end. The role of intermediaries on care quality side, such as NABH, is beginning to unfold. The future would require a higher level of engagement among the service intermediaries, with greater reliance on technology solutions enabling each stakeholder to connect seamlessly, keeping customer's health at the heart of all activity.

Healthcare providers are the key component of the health insurance vehicle. As we look towards 2020, a few key dynamics are envisioned that will come to bear as the market matures and insurers and providers work closely together to serve the interests of the insured. These dynamics relate to

- a) Seamless health data and transactional environment including health data definitions, standardization, and accessibility, unique id of providers, standardized billing and claim forms, formulation and adoption of standard treatment guidelines and a painless discharge process
- b) Improved accreditation and credentialing that aligns with the interest across health insurers, healthcare providers and government (including Ministry of Health and IRDA) on improving the accreditation and credentialing of providers rendering services across India
- c) Aligning quality of clinical outcomes with commercial terms relating to contracting, product pricing, and efficiency of cost sharing across insured, insurer and care provider

Health insurance fraud is a significant causative factor impacting the sustainability of health insurance. Fraud is an unavoidable part of insurance mechanism, however in case of health insurance, asymmetry in information adds to the complexity of fraud and thus the difficulty in controlling it. Successful detection, prevention and prosecution of fraud shall require a paradigm shift from a 'reactive' to 'proactive' mode and would entail consistent action at multiple levels. At the health insurance industry level, collective effort is required to achieve uniformity in enforcing - public awareness program to highlight impact of insurance fraud, standard treatment guidelines and clinical pathways, provider billing id and registration portal along with GPS mapping, watch list of rogue providers, blacklisted agents, customers, establishment of whistle blower mechanism and 'name-shame' guidelines and an autonomous anti-fraud bureau.

Regulations have an over arching role in shaping and realizing any industry and many changes are expected in the building blocks of the next paradigm that comprise regulatory and legal aspects. With health insurance expected to become the third segment of insurance licensing, specific regulations relating to minimum capital requirement, solvency margins, reserving requirements and reinsurance are envisioned.

One of the requirements for the growth of any industry is a culture of innovation. In health insurance, innovation will need to be nurtured and fostered and would require regulatory support. The regulator may need to evolve a mechanism where innovative products can be taken to the market on an experimental basis. A mechanism which allows an insurer to launch a new product to a limited customer base and then to review its experience after 3-4 years before making it available to a wider consumer base may become a reality. Fortunately precedence for such an approach exists in other markets.

The insurance data repository i.e., Insurance Information Bureau (IIB) is expected to transform itself into a professional analytics organisation involved in more extensive and reliable health data analysis.

Mis-selling of coverage and benefits has cost the insurance industry dearly - in terms of negative growth (Life insurance) and loss of trust and credibility among the insuring population. Instances of mis-selling in health insurance relate to mis-selling of policy benefits, critical illness policies being sold as wider cover policies etc. Industry is expected to come out with ethical guidelines for marketing and policy selling practices.

Communication and awareness on and about health insurance will be an important driver for growth and sustainability of health insurance in the country and would also increase customer satisfaction. In 2020, the communication and awareness platform of the industry would ensure that the customer perceptions and experiences are monitored, tracked and managed at an industry level. This initiative at an ecosystem level will be supporting in mitigating the risk of friction between the stakeholders. This will enhance credibility, trust and confidence among the consumers towards the health insurance companies.