

# Health Insurance in India: A look into Ayushman Bharat- Pradhan Mantri Jan Arogya Yojana

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## **Abstract:**

India had experienced rapid economic growth over the years and has been overtaking other countries both in terms of GNP and GNP (PPP). However, on social front, India's performance is poor and is probably behind most of the important developing economies. While India does have some world-class health infrastructure providing topnotch treatment facilities, but they are way out of reach of the common people. These anomalies in the health sector have been recognized and taken in charge by the government through financial and human investment and also through various schemes and policies. Health insurance is one of the most popular health policy taken by the government and Ayushman Bharat is the latest one. This paper therefore discusses critically the Ayushman Bharat Scheme.

**Keywords:** Health Sector, health insurance, Ayushman Bharat programme

## **Introduction**

India had experienced rapid economic growth over the years and has been overtaking other countries both in terms of GNP and GNP (PPP). However, on social front, India's performance is poor and is probably behind most of the important developing economies which is evident in its rank of 130 out of 189 countries in terms of Human Development Indicators.<sup>1</sup> More particularly, India's health care sector has been a matter of serious concern as it had remained a lacuna for the country over the years. In India, despite considerable investment in health infrastructure, both access to and use of services remain suboptimal and vary considerably across states and regions. This is especially reflected in parameters like IMR and MMR which have been historically adverse. The Sustainable Development Goal Report 2019 has set a target to reduce the IMR and MMR respectively to 25 per 1000 and less than 70 per 100,000 live birth by 2030. In that perspective, India's maternal mortality rate of 174 deaths in 2017 and the infant mortality rate of 34.6 was alarmingly high.<sup>2</sup> It has been argued that the lackluster performance of the health sector of India is mainly because of poor healthcare facilities, especially at the primary level. While India does have some world-class health infrastructure providing topnotch treatment facilities, but they are way out of reach of the common people. In fact, the basic health care facilities available to the common masses, especially in the countryside, is very poor. These anomalies in the health sector have been recognized and taken in charge by the government. Since independence, both central and state government has been dissipating a large number of resources on the Health Sector of the country and over the years India has also been making progress on the health indicators. Moreover, this intervention must be complemented by effective health programmes, policies, and schemes. In

fact, as a part of health care finance most of the health sectors rely on health insurance which is a very popular and effective policy measure adopted by the government to make health care services universal to all.

### **Health Insurance**

Health insurance is a contract between an individual (insured) and insurance company (insurer) in order to cover medical expenses incurred due to illness or injury owed to accident. In other words, health insurance is nothing but purchasing health care coverage in advance by paying a fee called premium.

India has come up with a variety of health insurance schemes and programme and this wave of new government-sponsored health insurance schemes (GSHISs) represents an alternative way of mobilizing and allocating resources to health care. “The GSHISs have developed a new set of arrangements to govern, allocate and manage the use of public resources for health, including an explicit (and delivered) package of services, greater accountability for results, and a ‘built-in’ bottom-up design to reach universal coverage by first covering the poor.”<sup>3</sup> The latest health insurance scheme undertaken by the Indian government is the Ayushman Bharat Programme.

This paper, therefore, discusses the health insurance in India- its history and evolution, with special reference to the latest Ayushman Bharat Scheme.

### **Health Insurance in India: Historical Development**

The history of insurance in India can be rooted back to the ancient Indian writings of Manu (Manusmriti), Yagnavalkya (Dharmashastra) and Kautilya (Arthashastra). The establishment of Oriental life insurance Company in Calcutta in the year 1818, however, marked the beginning of Life insurance in India. After the failure of this company in 1834, the Madras Equitable began providing life insurances in the Madras presidency in 1829 followed by the British insurance act (1870), the Bombay Mutual (1871), Oriental (1874) and empire of India (1897) in Bombay presidency. After being dominated by foreign insurance offices for almost 8 decades, the first ever statutory measure to regulate the life insurance business was the Indian Life Assurances Act 1912 which was followed by the Indian Insurance Companies Act 1928, Insurance Act 1938 that consolidated and modified both the earlier legislations and finally the Insurance Amendment Act 1950 that abolished all the existing principal agencies. However, a large number of highly competitive insurance companies were still in operation which resulted in unfair practices. The government, therefore nationalised the insurance business starting from life insurance in 1956 to general insurance in 1973 which earmarked the formation of the Life insurance Corporation (LIC) in India and the General Insurance Corporation of India along with its four subsidiaries namely the National Insurance Company Ltd, the Oriental Insurance company Ltd, the United India Insurance Company Ltd and the New India Insurance Company Ltd.

Later, in 1993 a committee was set up under the chairmanship of Mr R.N. Malhotra, which proposed to reopen the insurance business for the private sector as well as the foreign companies as a joint venture with the Indian partners. Accordingly, in April 2000 under the recommendations of the Malhotra Committee, the Insurance Regulatory and Development Authority (IRDA) was set up as a statutory body and it opened the market in August 2000. At present there are 24 Life Insurance Companies and 31 General Insurance Companies operating in the country.

The government sponsored health insurance (GSHIS) began in the country in the year 1948 with the Employees State Insurance Scheme (ESIS) by the central government for the blue collared employees

working in the organised sector. The employers and employees' contribution supplemented by the central and state government financed the scheme. The EHIS was followed by the Central Government Health Scheme (CGHS) in the mid-1950s for the central government employees and their families which was financed by the central budget and was also supplemented by a nominal amount of the central employees own salary ranging from Rs. 15 to Rs 150, based on their pay scale. Long before nationalisation of the general insurance companies, they were providing some health cover with varied terms and conditions. However, these terms and conditions were standardised for the first time with the launch of the Mediclaim Policy in 1986 i.e. around 13 years after the nationalisation of the GIC. Nearly after five decades of the launch of the EHIS and CGHS, a new wave a GSHIS emerged.

### **The Ayushman Bharat--National Health Protection Mission**

Different countries have adopted different policies or measures to make health care universal to all. Healthcare insurance is one of such options. In USA, Barak Obama introduced the Obamacare Act in 2010 where he made health insurance mandatory for all. Similarly, in India, Prime Minister Narendra Modi on 23<sup>rd</sup> September 2018 launched a universal health insurance scheme called the Ayushman Bharat-National Health Protection Mission, popularly called the Modicare.

Though the health sector of India is amongst the largest and fastest growing sectors, yet it faces immense challenges. It continues to be characterized by high out-of-pocket expenditure, low financial protection, and low health insurance coverage amongst both rural and urban population. According to World Bank, only 15% of the Indian population is insured and 94% of the health expenditure is paid by individuals out of the pocket. The individuals, besides using their income and savings, also borrow money or sell their assets to meet their healthcare needs, resulting in health shocks that potentially drive these families and individuals into perennial debt traps. It is against this backdrop, that the Ayushman Bharat Scheme has gathered a lot of attention.

Ayushman Bharat- one of the new generation health schemes, mainly focuses on protection against catastrophic health shocks and seeks to accelerate India's progress towards achievement of Universal Health Coverage (UHC) which is one of the Sustainable Development Goals. This scheme aims to provide fully subsidize health coverage for a limited number of secondary and tertiary health inpatient services. The scheme aims to provide health insurance coverage of ₹ 5 lakh per family per year, targeting more than 10.74 crore families belonging to the poor and vulnerable sections of the population thereby reducing their financial burden. This insurance can not only improve the health of the individuals but it also has much bigger positive spillover. It might also be the key to drive the families out of the vicious circle of poverty.

Now the question is that is the AB-NHPM sustainable?

- **Infrastructure Problem:** The poor state of health infrastructure in India might prove to be a major problem. In India there are only 0.9 hospital beds per 1000 population. Moreover in Assam itself, there is 28% shortage of CHCs and shortage of 163 surgeons, 80 obstetricians and gynecologist, 165 physicians and so on.<sup>4</sup>
- **Problems with the Private hospital:** We know that the private hospitals are basically profit makers and the cost of health services in the Private hospitals is skyrocketing. despite the government offering a 15% price benefit to hospitals that are NABH accredited, the package rates under Ayushman Bharat is not viable, forcing hospitals to opt out of treating patients under the scheme.

- **Moral Hazard:** Since people know that they are fully ensured and have access to expensive private hospitals, they might choose to use their services for even minor ailments. Monitoring agencies are required to look into all these aspects.
- **Fraud:** Several cases of fraud have been found by NHA's National Anti-Fraud Unit. A single doctor conducting surgeries in four districts on the same day, patients charged for expensive procedures not conducted on them, multiple surgeries conducted on a single day late in the night. In many cases, the billing was done even when that particular procedure was not conducted. These cases include even frauds in the beneficiary identification system. Though the government has used Socio-Economic Caste Census (SECC) database as the basis of identification of beneficiaries, cases have been found where ineligible persons issued fake cards. Without proper check on the malpractices, the entire amount of insurance can get exhausted in just one go.
- **Fiscal Burden:** The scheme requires the states to bear 40% of the costs that aggravate the fiscal burden of the states specially the states with majority of its population lying below the poverty line. The states might end up asking funds from the central government which would increase their tax burden.
- **Equity Issue:** There prevails rural–urban inequity in India's health infrastructure which restrict all the three dimensions of accessibility, affordability and acceptability of health services. With such a compromise on equity, the goal of universal health coverage is unlikely to be reached in the near future.

## Conclusions

It can be concluded by saying that the AB-NHPM has a lot of potential, but it might turn into nightmare if not carefully implemented. These issues need to be kept in mind by the policy makers.

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