

THE ROLE OF HEALTH INSURANCE- AN OVER VIEW

G Sreevani¹, VodelaHarika², Dr. P. Sridhar³

^{1,2}Research Scholar, Department of GITAM Hyderabad Business School, GITAM (Deemed to be University), Hyderabad Campus, Rudraram, Telangana State, India.

³Assistant Professor, Department of GITAM Hyderabad Business School, GITAM (Deemed to be University), Hyderabad Campus, Rudraram, Telangana State, India.

Email :¹gasikan@gitam.in, ²hvodela@gitam.in, ³spinnint3@gitam.edu

ABSTRACT: Health insurance is a key contributor to the expansion of the general insurance market in India. It contributes for around 29 percent of total general insurance premium income in India. The expansion of this sector is significant in terms of the overall expansion of the general insurance industry. At the same time, there are several issues in this industry that are harming its performance. Health insurance is an arrangement in which an insurance company undertakes to guarantee pay for medical expenditures if the insured becomes ill or is involved in an accident that requires hospitalisation. In general, insurance firms have agreements with top hospitals to give cashless care to their customers. In the absence of a tie-up with the hospital, the insurance company reimburses the insured's expenditures. The government also encourages health insurance by granting a tax break. The present study gives an insight into the performance of Hyderabad's select Health Insurance Companies.

KEYWORDS: Health Insurance, underwriting, Economic growth, Insurance premium, general Insurance.

1. INTRODUCTION

Definition of insurance

Insurance is a contract between two parties in which one undertakes to assume the risk of the other in exchange for a price known as a premium and promises to compensate the other if an unknown event occurs. The main advantage of insurance is that it spreads the risk of a few people across a big group of people who are exposed to comparable risks. Insurance has been regarded as a promising area by India's financial planners. The insurance market in India has a lot of potential to develop, penetrate, and serve the public. The purpose of insurance is to provide protection. A policyholder requires two forms of protection: life and non-life. Health insurance is a subset of the general insurance sector, which deals with non-life protection for the insured.

1.1. Definition of health insurance.

Health insurance is a subset of general insurance that accounts for around 29 percent of all premiums collected. However, there are several issues in this industry, which is the impetus for this research. This study will assist insurance firms in understanding their performance as well as the magnitude of losses that this industry has incurred over the years.

Health insurance is defined as a plan that covers or shares the costs of medical care. These plans are classified as commercial health insurance since they are supplied by government, private, and stand-alone health insurance businesses.

In India, health insurance normally covers only inpatient hospitalisation and treatment at Indian hospitals. Outpatient services are not covered by Indian health insurance coverage. Mediclaim Policy was India's first health policy. The Government of India liberalised insurance in 2000, allowing private businesses to enter the market. With the arrival of private insurers in India, numerous novel products including as family floater plans, critical illness plans, hospital cash and top-up policies were introduced.

After life and motor insurance, health insurance is an expanding insurance business in India. The rise of the middle class, rising hospitalisation costs, expensive health care, digitalization, and an increase in awareness level are some of the key factors for the growth of the Indian health insurance industry.

The prevalence of lifestyle illnesses is increasing. Our being has been infiltrated by a sedentary existence. Physical labour is less prevalent today than it was previously, and there is no reason to believe that this will not continue. The result is the emergence of lifestyle chronic illnesses such as heart disease and diabetes.

2. ONE MIGHT LOOK AT IT BOTH WAYS IN THE CONTEXT OF THE INDIAN HEALTH INSURANCE SECTOR

This industry's prospects are hampered by poor penetration and a bad customer opinion of its value. On the other hand, we have just scratched the surface of the opportunities that lay ahead. It's as though the glass is just halfway filled. Much remains to be overcome, as well as much more to be done.

Health insurance firms must be positive and courageous in order to introduce new products, services, and distribution systems. Bring it into the fold as a safety net that intelligently covers and create a health insurance plan that meets the needs of the clients.

2.1. Background of Health Insurance sector in India.

India's first foray into health insurance began in the late 1940s and early 1950s, when government officials (Central Government Health Scheme) and formal sector workers (Employees' State Insurance Scheme) were enrolled in contributory but significantly subsidised health insurance programmes. As a result of the economy's liberalisation from the early 1990s, the government opened up the private sector (including health insurance) in 1999. This advancement made it possible for those with higher incomes to receive superior care from private tertiary care institutes. However, in the last five years (since 2007), India has seen a slew of new efforts, both by the national government and a slew of state governments jumping on the health insurance bandwagon. One of the motivations for starting such a project. One of the motivations for launching such initiatives is the commitment of Indian governments to increase public spending on health care

Need for health insurance.

- Lifestyles have changed- Indians nowadays are under a great deal of stress. Working long hours, getting little exercise, ignoring a healthy balanced diet, and relying on junk food as a result have weakened our immune systems and placed us at danger of catching diseases.
- Rare noncommunicable illnesses are becoming more prevalent. Obesity, high blood pressure, strokes, and heart attacks, which were formerly thought to be uncommon, are now affecting a growing number of urban Indians.
- Medical care is exorbitantly priced- Medical advances have led in remedies for dreadful ailments. These remedies, however, are only available to a chosen few. This is due to expensive operational and treatment costs.
- The financial strain is exacerbated by indirect expenditures- Indirect expenses such as travel, boarding and accommodation, and even temporary loss of income can account for up to 35% of the total cost of treatment. These facts are frequently forgotten while budgeting for medical bills.
- Inadequate financial planning- Most of us have insurance on our homes, cars, children's education, and even our retirement years. But ironically, we have not guaranteed our health. We neglect the fact that sicknesses strike without notice, wreaking havoc on our wallets and depleting our savings in the absence of a suitable insurance plan.

Classification of Health Insurance plans:

- In India today, health insurance policies are generally categorized as follows:
- Hospitalization- Hospitalization plans are indemnity plans that pay for the insured's hospitalisation and medical bills up to the sum covered. A top-up policy is another sort of hospitalization coverage. Top-up policies with a high deductible often establish a level of current coverage.
- Health insurance for the entire family- A family health insurance plan covers the entire family under a single health insurance policy. It operates on the notion that not all members of a family would become unwell at the same time.
- Plans for pre-existing sickness coverage- It provides coverage for diseases that the policyholder had prior to purchasing a health insurance policy. Pre-existing disease coverage plans provide coverage for pre-existing diseases such as diabetes, renal failure, and many more. It provides coverage to the insured after two to four years of waiting.
- Health insurance for the elderly- This form of health insurance coverage is for the family's elderly members. It gives coverage and protection against health difficulties in old life.
- Maternity health insurance is available- Maternity health insurance covers maternity and other associated costs.
- Hospital cash benefit schemes on a daily basis- A defined benefit insurance that pays a certain amount of money for each day of hospitalisation is known as daily cash benefits.
- Seven critical illness plans- These are benefit-based insurance that pay a lump sum payment in the event of a catastrophic illness, such as a heart attack, cancer, or stroke.

- Special plans for certain diseases Some firms provide disease- Specific policies, such as Dengue Care and the Corona Kavach coverage.

Importance of Health Insurance.

Purchasing a health insurance coverage for yourself and your family is critical since medical care is costly, particularly in the private sector. Hospitalization might drain your bank account and throw your finances off track. It will be even more difficult if the person who brings in the money is now in the hospital. All this can be avoided by just paying a small annual premium which would lessen your stress in case of medical emergencies. A good health insurance policy would usually cover expenses made towards doctor consultation fees, costs towards medical tests, ambulance charges, hospitalization costs and even post-hospitalization recovery costs to a certain extent.

Benefits of Having a Health Insurance Policy.

- Cashless Treatment: If you have health insurance, you may obtain cashless treatments since your insurance provider works with numerous hospital networks.
- Pre and post hospitalisation cost coverage: Depending on the insurance plans bought, insurance policies also cover pre and post hospitalisation expenditures for a period of up to 60 days.
- Transportation Charges: The insurance coverage also covers the cost paid to the ambulance for the insured's transportation.
- No Claim Bonus (NCB): This is a bonus element granted to the insured if he or she does not submit a claim for any treatment in the preceding year.
- Medical Exam: Insurance policies also include alternatives for health examinations. Some insurers will also give a free health assessment based on your prior NCBs.
- Room Rent: Depending on the premium paid by the insured, the insurance policy may also cover room expenditures.
- Tax Advantage: Health insurance premiums are tax deductible under section 80D of the Income Tax Act.

Tax Exemptions on Health Insurance.

The amount you pay for health insurance premiums that you claim as a tax deduction under Section 80D. You can claim a maximum of \$25,000 per year for a health insurance coverage for yourself. If you additionally pay the cost for your parents' health insurance, you can claim up to 30,000 for that as well. Earning money is pointless if you don't have a life. Consider yourself, your family, and the value of life. You are aware of the significance and benefits of obtaining a Health Insurance Policy. If you haven't already, start one.

3. REVIEW OF LITERATURE

Ellis et al. (2000) reviewed a variety of health insurance systems in India. It was revealed that there is a need for a competitive environment which can only happen with the opening up of the insurance sector.

Aubu (2014) It is comparative research on the marketing of health insurance policies by public and private firms. According to the study, private sector services elicited a stronger reaction than public sector services due to innovative methods and technology employed by them.

Nair (2019) has conducted a comparison study on the degree of satisfaction of health insurance claims from public and private sector general insurance firms It was discovered that the majority of respondents had made reimbursement claims through a third-party administrator. Satisfaction with claim settlement was found to be greater in the public sector than in the private sector.

Devadasan et al. (2004) In Europe and Japan, community health insurance has been investigated as an essential intermediate phase in the establishment of an equitable health finance mechanism. It was decided that India's community health insurance programmes provide useful lessons for policymakers.

Kumar (2009) investigated the function of insurance in the funding of health care in India Insurance was discovered to be an essential tool of mobilising resources, offering risk protection, and providing health insurance services. However, for this to happen, the Government of India would need to implement structural changes in this area.

Dror et al. (2006) The willingness of rural and impoverished people in India to pay for health insurance was investigated. According to the findings of the study, insured people were more eager to pay for their insurance than uninsured people.

Jayaprakash (2007) analysed to determine the barriers that hinder individuals from purchasing health insurance plans in the country and approaches to lower the claims ratio in this sector.

Research Gap.

Following a thorough examination of the literature review, it is understood that there have not been many comprehensive researches on the performance of the health insurance companies in Hyderabad in terms of

underwriting and profit or loss. The present study aims at studying and analysing the financial performance of select Health Insurance Companies in Hyderabad District.

Objectives of the Study.

To assess the financial performance of Health Insurance Companies.

To study the growth and importance of Health Insurance companies.

4. RESEARCH METHODOLOGY

The present study is based on the secondary data. The secondary data for the study is collected from the Insurance Regulatory Development Authority's (IRDA) annual reports, as well as numerous publications, research articles, and websites, books, journals, newspapers etc.

5. CONCLUSION OF THE STUDY

The present COVID-19 pandemic has awakened the entire world to the fact that medical emergencies are unpredictable and can cause severe financial hardship. People have begun to recognise the need of having a decent health insurance plan in light of the high infection rate and the lack of an effective vaccine. Furthermore, with the rising cost of medical expenses, finding a good medical facility and paying for hospitalisation can be financially difficult. As a result, buying health insurance for yourself and your family can provide the extra security you need in these situations. Aside from the apparent benefit of having the financial security to care for your loved ones, a health insurance plan is extremely beneficial in terms of avoiding medical expenses. Treatment inflation.

The prevalence of lifestyle diseases is increasing, particularly among persons under the age of 45. Diabetes, obesity, respiratory issues, and heart disease, which are all common among the elderly, are now common among the younger population as well. Sedentary lifestyles, stress, pollution, bad eating habits, device addiction, and unstructured lives are all factors that contribute to chronic disorders.

While taking precautionary measures can help combat and manage chronic conditions, a financial setback can be difficult to deal with. Choosing to Investing in a health plan that includes regular medical testing can help you discover illnesses early and make medical bills easier to manage, leaving you with one less thing to worry about.

When looking for the best health insurance plan for your family, you have the option of securing your complete family under one policy rather than purchasing separate policies. Consider your elderly parents, who are prone to disease, as well as your dependent children. If you have adequate health insurance, you will not have to worry about ensuring that they receive the best medical treatment possible if something were to happen to them. Make sure you do your homework, talk to specialists for an unbiased view, and get a plan that covers everything.

If you currently have health insurance (for example, through your employment), find out exactly what it covers and how much coverage it provides. It's likely to give basic coverage. If your existing insurance does not cover potential hazards, such as diseases or illnesses that run in your family, it may be insufficient in the event of an emergency. With medical treatments progressing at such a rapid pace, having a bigger sum assured helps ensure that your every medical requirement is met financially. If you can't afford a greater coverage plan right now, don't worry. You might begin with a small amount of cover and progressively expand it.

As medical technology advances and disease rates rise, so does the expense of treatment. It's also vital to note that medical expenses aren't just confined to hospitals. The cost of a doctor's consultation, diagnostic tests, ambulance fees, operating room fees, medicines, lodging rent, and other expenses are all rising. If you are not well prepared, all of them could put a significant burden on your money. By paying a relatively low annual health insurance premium, you can avoid the burden of medical inflation while receiving high-quality care without worrying about the expense.

While an unanticipated sickness can cause mental pain and stress, there is another aspect of coping with health issues that can exhaust you: the costs. You can better manage your medical expenses without having to dive into your resources by purchasing a good health insurance policy. Some insurance companies even give cashless treatment, so you won't have to worry about reimbursements. Your money can be put to good use for things like buying a house, paying for your child's education, and retiring. Furthermore, health insurance allows you to take advantage of tax benefits, allowing you to save even more money.

There are various advantages to purchasing health insurance early in life. You can get insurance at reduced rates since you are young and healthy, and the benefit will last as you get older. You will also be presented with more comprehensive coverage alternatives. Most insurance feature a pre-existing condition exclusion, which means that pre-existing illnesses are not covered. This term will come to a conclusion while you are still young and healthy, providing you with comprehensive coverage that will come in handy if you become unwell later in life.

6. REFERENCES

- [1]. Aubu, R. (2014), "Marketing of health insurance policies: a comparative study on public and private insurance companies in Chennai city", UGC Thesis, Shodhganga.inflibnet.ac.in
- [2]. Nair, S. (2019), "A comparative study of the satisfaction level of health insurance claimants of public and private sector general insurance companies", The Journal of Insurance Institute of India, Vol. VI, pp. 33-42.
- [3]. Devadasan, N., Ranson, K., Damme, W.V. and Criel, B. (2004), "Community health insurance in India: an overview", Health Policy, Vol. 29 No. 2, pp. 133-172.
- [4]. Kumar, A. (2009), "Health insurance in India: is it the way forward?", World Health Statistics (WHO), pp. 1-25.
- [5]. Dror, D.M., Radermacher, R. and Koren, R. (2006), "Willingness to pay for health insurance among rural and poor persons: Field evidence from seven micro health insurance units in India", Health Policy, pp. 1-16.
- [6]. Jayaprakash, S. (2007), "An explorative study on health insurance industry in India", UGC Thesis, Shodhganga.inflibnet.ac.in.
- [7]. <https://scholar.google.com>
- [8]. <https://shodhganga.inflibnet.ac.in/>
- [9]. <https://www.jstor.org/>