

## **A STUDY ON NEED FOR HEALTH INSURANCE AND QUALITY OF SERVICES BY HEALTH INSURANCE COMPANIES**

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### **ABSTRACT**

This paper is an attempt towards identifying need for Health Insurance coverage and also to study quality issues in Health Insurance Sector. The study is based on secondary data collected from various sources and from review of literature it is proved that the Health Insurance Companies should move towards global practices, adhere to government and IRDAI regulations in providing the quality services to Health Insurance Policyholders. It should also have vast policy of creating awareness among common people in popularising the various schemes available. The level of awareness is more or less the same between Insured and Uninsured. The paper also focuses on challenges to the growth of Indian Insurance sector and suggestions to overcome and to educate with this regard.

### **INTRODUCTION**

This millennium has seen Insurance come a full circle in a journey extending to nearly 200 years. The process of **re-opening of the sector** had begun in the early 1990s and the last decade and more has seen it been opened up substantially.

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The **Insurance Sector is a colossal one** and is growing at a speedy rate of 15-20%. As per the reveal in IRDAI, annual report (2007), together with banking services, Insurance services add about 7% to the country's GDP. A well-developed and evolved Insurance Sector is a boon for economic development as it provides long-term funds for infrastructure development at the same time strengthening the risk taking ability of the country.

As a part of General Insurance, Health Insurance has Launched in 1986, the Health Insurance Industry has grown significantly mainly due to liberalization of economy and general awareness. According to the World Bank, by 2010, more than 25% of India's population had access to some form of health insurance. There are Standalone Health Insurers along with Government Sponsored Health Insurance Providers. Until recently, to improve the awareness and reduce the procrastination for buying Health Insurance, the General Insurance Corporation of India and the Insurance Regulatory and Development Authority had launched an awareness campaign for all segments of the population.

With an increase in the number of non-life insurers, there has been a significant improvement in the product innovation in the health insurance segment. Innovation in product development also offers ample opportunity to various categories of the population to get covered with much needed and specific health insurance solutions. Products are being brought out by various players for various non communicable diseases such as diabetes, cancer etc. The demand for specific health insurance solutions also leads to product innovation, which in turn enhances the penetration of health insurance.

Health insurance in India typically pays for only inpatient hospitalization and for treatment at hospitals in India. Outpatient services were not payable under health policies in India. The first health policies in India were Mediclaim Policies. In 2000 government of India liberalized insurance and allowed private players into the insurance sector. The advent of private insurers in India saw the introduction of many innovative products like family floater plans, top-up plans, critical illness plans, hospital cash and top up policies.

The concept of service quality measurement arising in anticipation of changes and growth in health insurance delivery system. The goal is to improve communication, reduce unnecessary

services and improve both access and quality. This sector requires flexibility and standards which may hamper innovations that lower cost and increase quality of care.

## REVIEW OF LITERATURE

**Glied (2001)**<sup>1</sup> in his article, he provides an overview of the issues and challenges faced by policymakers in offering Health Insurance Policies to the working uninsured, whose family incomes are above the federal poverty line. It also suggests the principles which can be used in assessing policy proposals and evaluates the main strategy for coverage expansion.

**Thomas S.F.Chan (1991)**<sup>2</sup> In his article, using complaints as a measure of Quality, the Quality of Home Owners Insurance Policies offered to high versus low minority areas is compared. The results indicate that Homeowners Insurance policies offered to high minority areas have a lower quality than policies offered to low minority areas. The major indicator to service quality measurement used is – complaint frequency.

**William S. Custer**<sup>3</sup> In this article, he focuses on the issue of Adequacy of the Network of providers offered by Health Plans. It suggests to set network adequacy requirements for medical advantage plans. the Affordability Care ACT (ACA) concept has been taken as focal point to describe that standard network can serve as an important tool for consumers and regulators in assessing and purchasing Health Insurance Plans.

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<sup>1</sup> Glied, S. A. (2001). Challenges and options for increasing the number of Americans with health insurance. *INQUIRY: The Journal of Health Care Organization, Provision, and Financing*, 38(2), 90-105.

<sup>2</sup> Chan, T. S. (1999). Service quality and unfair racial discrimination in homeowners insurance. *Journal of Risk and Insurance*, 83-97.

<sup>3</sup> Measuring Health Plan Adequacy – William S. Custer, Ph.D; Vol.69. no1, pg.37-39

**Bhattachajya(2008)**<sup>4</sup> From this article the following summary can be drawn – although both the countries will continue to need government funded Health Care programs for the poor, the private sector will play a vital role in filling financing gaps.

**Meiling wong(2007)**<sup>5</sup> From his article the following summary is drawn: The relationship between customer expectation and service quality may seem inherently obvious; it is still neglected and rarely empirically examined by managers in individual organisations. Service quality is assumed as an important antecedent of consumer assessment of value.

### **OBJECTIVES OF THE STUDY**

1. To Identify the need for Health Insurance Coverage.
2. To find out from the review of literature, the aspects of quality which should be present in Health insurance Offerings.

### **OPERATIONAL DEFINITIONS**

**Insurance:** Since the mankind, every individual were ready for some type of sacrifice to avoid the evil consequences of flood and fire. The same instinct is now in today's businessmen to secure themselves against loss and disaster.

**Health insurance:** Health insurance is a type of [insurance coverage](#) that pays for medical and surgical expenses incurred by the insured.

**Service quality:** It refers to the quality of services offered by the Insurance agencies. The more the good quality, the more will be the attraction.

### **METHODOLOGY**

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<sup>4</sup> Bhattacharjya, A. S., & Sapra, P. K. (2008). Health insurance in China and India: segmented roles for public and private financing. *Health Affairs*, 27(4), 1005-1015.

<sup>5</sup> Wong, M. (2007). Guanxi Ensures the Service Quality: The Insurance Industry in Taiwan. *International Journal of Diversity in Organisations, Communities & Nations*, 7(1).

This study is based on secondary data and concentrated on finding out the issues of quality, challenges of serving in a competitive marketing habits and thereby to offer constructive suggestions to improve the quality of service to customers in order to enhance the performance.

## **FINDINGS AND SUGGESTIONS**

- Matching to rising medical expenditures increases the need for Health insurance Coverage.
- The lessened quality of life and the increased level of diseased due to various reasons have made the life uncertain and thereby increasing the need for coverage in order to meet unexpected expenditures of future.
- Increased exposure to risk of accidents and falling ill are the main causes for Health insurance subscriptions.
- Increasing awareness among the mass.
- Premium is paid annually and in case of non use of Health Insurance in any particular year for the reason of no illness, the paid amount will not be refunded. Few treat this as a premium loss and hence subscription is low in Health Insurance.
- Health Insurance developed not only in response to consumer demand, but also because it benefited the hospitals<sup>6</sup>. The advent of many innovative products like family floater plans, top up plans, critical illness plans, and hospital cash has widened the space in Health Insurance market for the initial development and later growth.
- The element of Tax initially played an important role in the Health Insurance market in shaping and developing the market and gradually the shift in acceptance of Health Insurance is made towards risk coverage and good Health conditions as there is lot of strides in medical technology and for a common man to avail such benefits Health Insurance need to be the part of his life.
- The multi stage steps with complicated process may call for step back to most of the policy holders.

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<sup>6</sup>Thomasson, M. A. (2000). From Sickness to Health. The Twentieth-Century Development of the Demand for Health Insurance. *The Journal of Economic History*, 60(02), 504-508.

- Failure at any stage means a continued lack of coverage and re-enrolment often requires proving eligibility again and again with one more round of forms, supporting documents. In this context when premiums are heavily subsidized, are hardly surprising. In short the delivery of services in health insurance is neither automatic nor easy.
- The service providers should adopt global practices and should shift from traditional paper mode to technology enabled services.
- Customers should be treated with same response and dignity since from policy subscription to claim settlement if any.
- Company should have a detailed training activities conducted for agents and third party administrators as they directly interact with the customers.
- Customers should be taken care of their previous diseases while giving the coverage.
- Disclosure and being transparent in all the matters of policy should be enabled.
- Misrepresentation and double coverage, the fraudulent acts of customers should be taken proper measures and thereby to protect the interest of company and prospective policyholders.
- The company should have voice against improper services from Agents, Network Hospitals and by Third Party Administrators during the course of policy.
- The trust based service and security enabled services activates the potential and prospective customers to seek for Health Insurance Services.

## CONCLUSION

Taken together the results declares the functionality of Health Insurance market, its performance and major problems for under Insurance in developing the Health Insurance segment in the ever growing and fast track India and this reinforces the fact that an understanding of the economic history of Health Insurance market after Globalisation and Privatisation and the Health care will better adds to the modern policy debate and to the universal coverage. The service providers voice against any ill-treats against policyholder will act as a tool for word of mouth influence for the growth and also the timely services and innovation in offerings, timely response by appropriate personnels, make Health Insurance quality oriented service.

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