3. Health Insurance in India - Economy

India's journey towards Universal Health Care (UHC), envisioned by the Bhore Committee (1946), remains incomplete. Despite expanding health insurance schemes, low public health expenditure and reliance on profit-driven private providers hinder equitable, affordable, and accessible healthcare for all. The Bhore Committee Report (1946) defined Universal Health Care (UHC) as a system where quality healthcare should be guaranteed to all members of the community irrespective of their ability to pay.

Definition and Concept of Health Insurance

Definition - Health insurance is a financial mechanism designed to protect individuals from catastrophic medical expenses, ensuring that healthcare costs do not push families into poverty.

Mechanism - It pools resources collected through premiums from individuals, employers, or state funding to cover healthcare expenses.

Delivery Models - Health insurance in India can be implemented through -

1. **Government-financed schemes** (e.g., PMJAY, SHIPs).
2. **Employer-based group insurance** (private and public sector).
3. **Private health insurance policies** offered by insurance companies.

Coverage Scope - Primarily protects against in-patient hospitalisation expenses, while outpatient (OPD) care and preventive services are covered only to a limited extent.

Type of Service	Meaning	Examples	Insurance Coverage in India
In-Patient (IPD)	Treatment requiring hospital admission (≥24 hours)	Surgery, ICU care, delivery	Widely covered (e.g., PMJAY, private insurance)
Outpatient (OPD)	Consultation/treatment without admission	Doctor visits, diagnostics, medicines	Limited coverage; rarely included
Preventive	Measures to prevent or detect disease early	Vaccines, health check-ups, screenings	Very limited; often excluded

Need for Health Insurance in India

High Out-of-Pocket (OOP) Expenditure - Nearly 47% of total health spending comes directly from households, often causing financial distress and debt.

Low Public Health Spending - India spends only 1.3% of GDP on public health, well below the global average of 6.1%, creating a funding gap for healthcare services.

Healthcare Inequalities - Rural populations, informal sector workers, and marginalized communities face limited access to quality healthcare, highlighting the need for financial protection.

Medical Costs and Poverty - Around 6 crore Indians are pushed below the poverty line annually due to healthcare expenditures, reinforcing cycles of poverty.

Importance of Health Insurance in India

Financial Protection - Shields families from catastrophic medical costs, preventing distress borrowing or asset sales.

Improved Accessibility - Expands access to empanelled public and private hospitals, widening treatment options.

Equity and Social Justice - Reduces financial barriers for poor and marginalized populations, promoting fairness in healthcare access.

Economic Productivity - A healthier workforce reduces wage loss and productivity decline, supporting economic efficiency.

Challenges and Critiques of Insurance-Led Universal Health Coverage (UHC)

Profit-Driven Healthcare - About two-thirds of PMJAY funds are utilized in private hospitals, potentially diverting focus from public health infrastructure.

Hospitalisation Bias - Insurance prioritizes in-patient care, neglecting primary and outpatient services,

increasing pressure on tertiary care.
Elderly Burden - Rising enrolment of elderly (70+ years) patients risks unsustainable expenditure, skewing resources toward expensive tertiary care.
Low Utilisation - Despite 80% coverage claims, only 35% of insured patients accessed benefits (2022–23) due to low awareness and hospital discouragement.
Discrimination in Access - Private hospitals may prefer uninsured patients for higher charges, while public hospitals prioritize insured patients, creating inequities.
Delayed Reimbursements - Over ₹12,161 crore pending dues under PMJAY caused 609 hospitals to withdraw, threatening scheme sustainability.
Corruption and Fraud - Over 3,200 hospitals flagged for irregularities; lack of transparent audits undermines scheme credibility.
Systemic Weakness - Insurance cannot replace public health investment; without strong primary care, insurance is temporary relief, not structural reform.

Global Initiatives and Best Practices

United Kingdom (NHS) - Tax-funded, free-at-point-of-care universal healthcare.
Thailand (Universal Coverage Scheme, 2002) - Inclusive of outpatient and preventive services, reducing health inequities.
Germany (Social Health Insurance – SHI) - Employer-employee contributions with regulated private providers ensure standard costs and universal access.
Japan (Compulsory Health Insurance) - Comprehensive coverage with cost-sharing caps, digital monitoring ensures timely reimbursements.
Canada - Publicly funded, non-profit delivery model, emphasizes equity, preventive care, and avoiding profit-driven incentives.
Lessons for India - Requires strong regulation, expanded outpatient coverage, preventive services, transparency, and increased public spending.

Government Health Insurance Schemes in India

Ayushman Bharat–PMJAY (2018) - World's largest government-funded scheme, provides ₹5 lakh per household annually for secondary and tertiary care. Covered 58.8 crore individuals in 2023–24, with a ₹12,000 crore budget.
State Health Insurance Programmes (SHIPs) - Examples include Tamil Nadu CMCHIS, Andhra Pradesh Arogyasri, Kerala Karunya. Combined budgets ~₹16,000 crore, growing 8–25% annually.
Legacy Schemes - Employees' State Insurance Scheme (ESIS, 1952) and Central Government Health Scheme (CGHS, 1954) continue serving industrial workers and government employees.
Digital Integration - Ayushman Bharat Digital Mission (ABDM) links insurance to Digital Health IDs, improving portability, claims processing, transparency, and efficiency.

Constitutional and Legal Context

Health in the Seventh Schedule -

1. **State List -** Public health, sanitation, hospitals, medical workforce regulation.
2. **Union List -** Port and inter-state quarantine, national medical institutions, coordination of medical standards.
3. **Concurrent List -** Medical education, prevention of infectious diseases, epidemic management.

Directive Principles of State Policy (DPSP) -

1. **Article 38 -** Ensure social welfare order.
2. **Article 39(e) -** Protect workers' health.
3. **Article 41 -** Public assistance in sickness/disability.
4. **Article 42 -** Humane working conditions and maternity relief.
5. **Article 47 -** Improve public health, nutrition, and prohibit intoxicants.

Fundamental Rights -

1. **Article 21 (Right to Life) -** Includes **Right to Health** (SC interpretations, e.g., Paschim Banga Khet Mazdoor Samity v. WB, 1996).
2. **Articles 23 & 24 -** Protection from forced labor, trafficking, and hazardous child labor.

Fundamental Duties - Article 51A(g) - Duty to protect and improve **environmental and public health**.

SDGs Impacting Health

1. **SDG 1 (No Poverty) -** Reduces health-driven impoverishment.
2. **SDG 2 (Zero Hunger) -** Links nutrition to health outcomes.
3. **SDG 6 (Clean Water & Sanitation) -** Crucial for disease prevention.
4. **SDG 13 (Climate Action) -** Addresses climate-related health impacts.

Way Forward

Rebalance Healthcare - Invest in primary and preventive care to reduce unnecessary hospitalisation.
Expand Coverage - Include OPD, diagnostics, mental health, and preventive services.
Regulate Private Sector - Enforce price caps, treatment protocols, audits to prevent profiteering.
Increase Public Health Expenditure - Raise to ≥2.5% of GDP by 2025 to strengthen public hospitals and reduce dependence on insurance.
Awareness Campaigns - Improve insurance utilisation among vulnerable populations.
Digital Innovations - Use AI, Big Data, Blockchain to ensure timely reimbursements and detect fraud.
Universal Health Coverage (UHC) - Adopt tax-funded, equitable system with strong public health infrastructure for sustainable UHC.

Conclusion

Realizing **Universal Health Care** is critical to uphold -

1. **Article 21 -** Right to Life.
2. **Article 14 -** Equality.
3. **DPSPs (e.g., Article 47) -** Health, nutrition, and public welfare.

Health insurance is a tool, but structural reforms, public investment, preventive care, and regulatory oversight are essential for sustainable and equitable healthcare in India.