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## Health Insurance in India-A Comparative Study of Public and Private Companies Regarding Service Cost

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### Abstract

**Health Insurance**, by whatever term used it often subsumes numerous distinctive plans of coverage to protect the insured against specific financial losses from injury, illness or incapacity. In developing countries where diagnostic expenses and cost of private hospitalization in beyond individual's pocket, the role and importance of health insurance increases with leap and bounds in order to get financing of the health shock treatment. In India also, significance of health plans could not be ignored. In our country these health insurance plans are being offered by both public and private sector health insurance companies. These companies adopt various measures like full transparency, better hospitalization facilities, more inclusion of critical illness diseases, simple and prompt claim procedure, low premium etc to attract their customers. In present research paper researcher had endured to make a comparative analysis of service cost offered by both private sector and public sector health insurance companies together with suggesting some suitable measures to improve the same.

**Keywords:** Health Insurance, service cost, hospitalization facilities, diagnostic expenses, policyholders, Transparency

### Introduction

**Medical or Health Insurance** may be defined as: Health Insurance means any form of insurance whose payment is contingent on the insured incurring additional expenses or losing income because of incapacity or loss of good health. It is also known as disability insurance or medical expenses insurance, popularly investing in insurance means investing in your quality of life. Health plans offer financial security to meet health related contingencies. Due to changing lifestyles, health issues have not just escalated, they have increasingly become more complex in nature. Moreover inadequate social determinants of health as nutrition, food security, water and sanitation is causing illness at large scale. Medicines have become quite expensive, due to new product patent. It is only that health insurance policy taken by a person can take care of hospitalization costs of this magnitude

### Business of Health Insurance in India

Till 1990, public sector companies had monopoly over general insurance business. In 1993, the government set up a committee under the chairmanship of R.N Malhotra, former Governor of RBI to propose recommendation for reforms in the insurance sector. Among other recommendation, one was to permit the private sector to enter the insurance sector. IRDA was incorporated as statutory body in April 2000. One of the key objectives of IRDA was promotion of competition so as to enhance customer satisfaction increased consumer choice and lower premiums, while ensuring the financial security of the insurance market. After this public and private companies both started attracting customers by various measures, service quality being one of them. Consumers, and their representatives, demand better quality care because they can see a definite link between their payments and services.

### Objective of the Study

The main objective of the study is to make a comparative study between Public and Private Companies regarding service quality together with the suggestion to make improvement

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**Sample Selection & Size**

In the present research paper the regions of Eastern Uttar Pradesh especially districts of Allahabad and Varanasi were focused. The districts were selected with the criteria that these districts covered the major part of population in Uttar Pradesh. Further four major health insurance companies operating in Eastern Uttar Pradesh were focused. The companies were from both the sectors. These companies were selected as they are operating throughout the length and breadth of this region and at the same time being governed under the regulations of the IRDA. The numbers of respondents to whom the questionnaire was administered for collecting primary data through questionnaire was 400. 100 each from each sampled company.

**Limitations of the Study**

In spite of best efforts the present work inherits some limitations, some of which are

1. The study is based on primary and secondary data which have their own limitation
2. The study was restricted to only four health insurance companies which cannot give an accurate picture of the industry as a whole.
3. The study was confined to districts of eastern Uttar Pradesh especially Allahabad and Varanasi which cannot give comprehensive information about customer satisfaction as a whole.

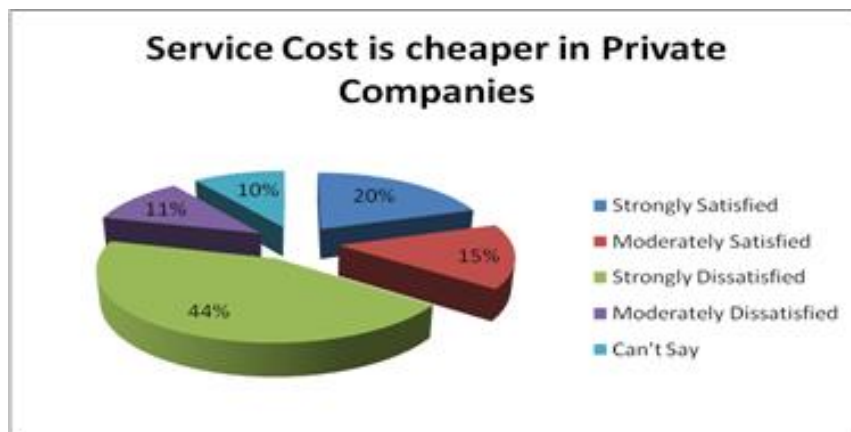
**Question** Are the Services provided by health companies cheaper?

- ( ) Strongly dissatisfied ( ) moderately dissatisfied,
- ( ) can't say ( ) moderately satisfied
- ( ) Strongly Satisfied

Cost of services and policy is another key factor in the insurance sector as it is directly related to the pocket of the customer. The question was framed to determine whether services of the companies available are in accordance with pocket or not.

**Analysis**

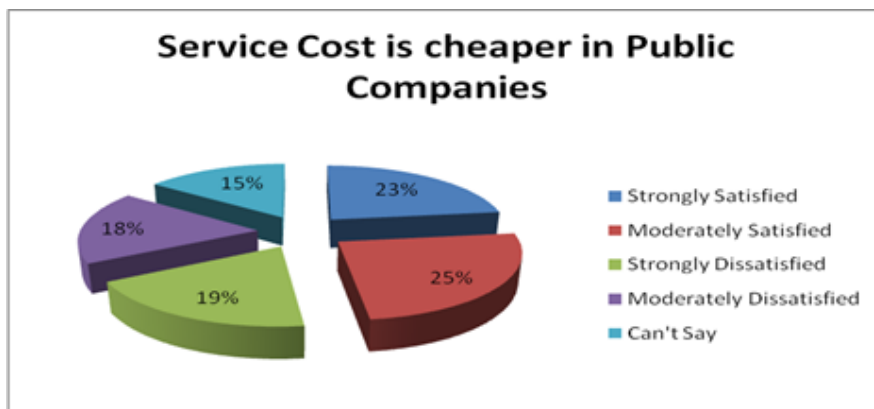
The health insurances companies of both public and private sectors follows more or less same method of premium calculation.. Hence the researcher found approximately similar rate of premium for similar type of policy. Even then it was found that service cost differs from company to company The primary data reveals that in case of private companies 20% policy holders were satisfied, 15% were moderately satisfied, 11% were moderately dissatisfied and 40% were strongly dissatisfied and the rest were neutral on the issue of cheaper services of the company.



**Fig.** showing the degree of Agreement for the Statement "Service Cost is Cheaper in Private Companies"

Whereas the public sector policy holder indicated that 25% were moderately satisfied, 23% policy holders were strongly satisfied, 18% policy holders were moderately

dissatisfied and 19 % were strongly dissatisfied while 15% didn't responded



**Fig.** showing the degree of Agreement for the Statement "Service Cost is Cheaper in Public Companies"

**Hypothesis**

Null hypothesis

Alternative hypothesis

H<sub>0</sub>: “Service provided by Public Company is cheaper”

H<sub>1</sub>: “Service provided by Private Company is cheaper”

Company	Satisfied	Moderately Satisfied	Can't say	Moderately Dissatisfied	Strongly Dissatisfied	total
Private	20	15	10	11	44	100
Public	23	25	15	18	19	100
<b>Total</b>	43	40	25	29	63	200

Observed frequency table (fo)

20	15	10	11	44	100
23	25	15	18	19	100
43	40	25	29	63	200

Expected frequency table (fe)

$100 \cdot 43 / 200 = 21.5$	20	12.5	14.5	31.5	100
21.5	20	12.5	14.5	31.5	100
43	40	25	29	63	200

Calculation of Chi-square

(fo)	(fe)	(fo-fe)	(fo-fe) <sup>2</sup>	(fo-fe) <sup>2</sup> /fe
20	21.5	-1.5	2.25	.105
15	20	-5	25	1.250
10	12.5	-2.5	6.25	.500
11	14.5	-3.5	12.25	.845
44	31.5	12.5	156.25	4.960
23	21.5	1.5	2.25	.105
25	20	5	25	1.250
15	12.5	2.5	6.25	.500
18	14.5	3.5	12.25	.845
19	31.5	-12.5	156.25	4.960
200	200			$\chi^2 = 15.320$

Degree of freedom = (c-1) (r-1)  
 = (5-1) (2-1) = 4

The calculated Chi-square value is 15.320 which is greater than the table value (9.48) at .05 level of significance with degree of freedom 4. Thus the calculated value holds good for null hypothesis and there is significant relation between the cheaper service and public companies. Therefore, we accept our Null hypothesis.

**Suggestions and Recommendations**

After the analysis of both primary and secondary data it was revealed that the sample health insurance companies have performed well in some areas while they are fail to come up to the expectation of the policyholders in few areas. Here are the some recommendations drawn from the research for improving health insurance products and business

**Better Transparency**

The policyholder expects that he should be provided complete information about the various aspects of policy and the returns expected in the policy. The company official or agents should frame the policy document in a comprehensive manner. Though the primary information reflects that the policyholders of public companies are more satisfied regarding the disclosure of information than the policyholders of private companies, it is suggested that both public and private companies should make efforts to include all necessary information regarding the policy in the document bringing more transparency in it.

**Enhancing the Scope or to Tailor-made**

The range of Health insurance products in private sector companies is quite large in comparison to public sector companies. Also private sector companies follow tailor made pattern to serve their customers. Public sector companies should avoid the rigidity and must focus either on enhancing the range of products or to get ready for molding the policies accordingly. The products must be flexible, affordable in terms of premium & benefits. Products must suit the need of customers.

**Maximum benefit in low cost**

The insurance company operating in both public and private sector should continuously try to incorporate such feature which can be able to satisfy the prospective customer. The feature like pre and post hospitalization expenses O.P.D, critical illness, accidental death, group discount etc. are manaeour in such a manner so that maximum facilities could be cover in minimum premium under various categories.

**Reduce the Formalities**

The role of T.P.A and broker should be streamered line in such a manner which could reduce the document formalities regarding the hidden charges and hospitalization facilities. It is also suggested that there should be a standardize form of claim settlement design by the company in order to benefit the policy holder claim settlement procedure should be according to the policy and diseases.

### **Revised Group Discounts**

It was found that public sector companies were working in a conventional pattern with respect to the allowance of any group discounts. Whereas, private sector companies in order to attract their customers were ready with high group discounts. So public sector companies need to revise and bring flexibility in their pattern of allowance.

### **Improvisation of Claim Procedure:**

The claim procedure of health insurance should be made simple and easy; in this respect the services provided by the agents are very important. The companies must train and motivate their agents for better services to their customers in claim settlement process.

### **Effective Grievance Mechanism**

The Insurance Companies should try to provide more customer services through grievance mechanism across the country. The concept of helpline or call center should be promoted by the health insurance companies across the country.

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