

29th India Fellowship Seminar

1st & 2nd June 2018

Guide:
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Presenters:
Lakshmi Ramaswamy
Som Kamal Chatterjee
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Pradhan Mantri Health Insurance Scheme:

- 1) Understanding the product,
- 2) Potential,
- 3) Issues and,
- 4) Impact on experience



Agenda



- ❖ Introduction by guide Liyaquat Khan
- ❖ Understanding the product by Lakshmi Ramaswamy (Lakshmi)
- ❖ Potential & Issues by Som Kamal Chatterjee (Som)
- ❖ Impact on experience by Ashok KR Singh Kushwaha (Ashok)
- ❖ Questions & Answers

Introduction

By Liyaquat Khan

Introduction



- 1) Guiding the Team (not tutoring)
- 2) Guiding Process (not just formality)
- 3) Guiding Objectives (Team work and not only individual excellence)

Introduction - contd.



4) Guiding the Team towards;

- IFS Core Objectives (why not Professionalism course)
- Fulcrum of IFS presentations (Professionalism)

5) Presenting the Team to be judged



Understanding Product - Pradhan Mantri Health Insurance Scheme (PMHIS)

Note: PMHIS is expected to replace Rashtriya Swasthya Bima Yojna (RSBY)

By Lakshmi

PMHIS - Features

What is PMHIS?

- Social security scheme announced by central Government

Benefit Structure

- Provides cashless hospitalization cover for secondary & tertiary care
- Sum assured of 5lakh a year on family floater basis
- No payment on death

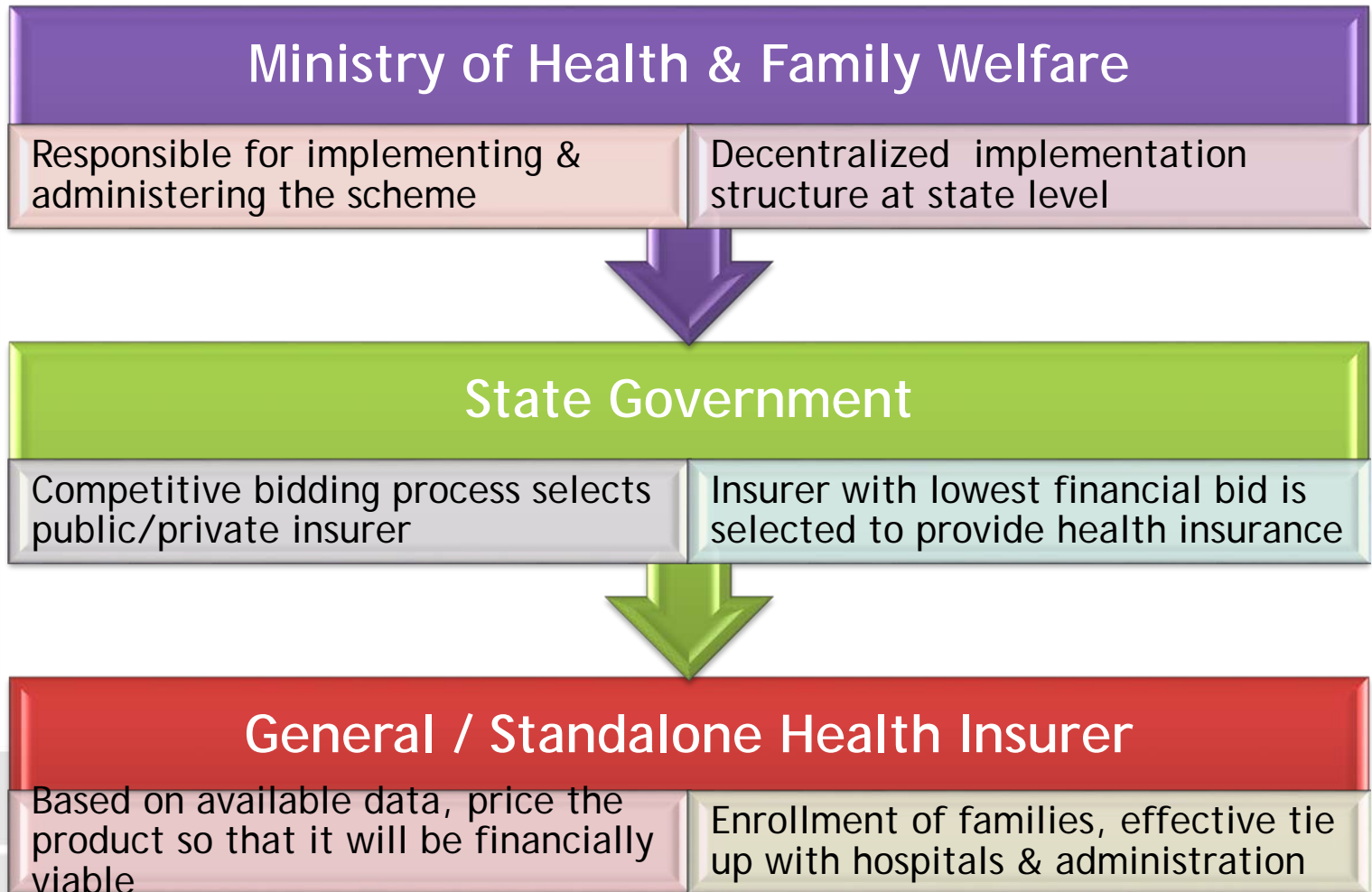
Target market

- 10cr. poor & vulnerable families based on census 2011
- Approximately 50cr. Beneficiaries which is 40% of population

Premium

- Government estimates it to be around Rs. 1,000-1,200 per family a year
- Fully borne by Government

PMHIS - How it is expected to work?



Features of RSBY



RSBY			
Social security scheme and premium funded by Government	Cashless hospitalization benefit of Rs.30,000 per family a year	Coverage to Below Poverty Line (BPL) families	Maximum 5 people covered in a family

RSBY & PMHIS - Comparison

RSBY

BPL families

Rs. 30,000 a year on family floater basis

Maximum five members covered in a family

Premium shared by centre & state in 75:25

PMHIS

Poor & vulnerable families

Rs. 500,000 a year (around 17 times of RSBY) on family floater; 3 days pre-hospitalization & 15 days post-hospitalization

Any number of family members can be covered

Premium shared between centre & state in 60:40

PMHIS Product Pricing

Role of Appointed Actuary

Competitive environment

Premium not fixed, competitive bidder will get the chance

Financial viability

Premium adequacy

Profitability

Return on capital

Management pressure

Importance of state Government to the insurer

Regulatory requirements

Solvency margin & reserve requirements

Not clear whether each insurer has to get the approval from IRDA?

Key aspects

Expenses

- Advertising expenses
- Enrollment expenses
- Training expenses
- Education seminar expenses
- Higher claim management expenses
- Estimation of business volume is very crucial to spread overheads

Claims

- Data
- Reinsurance rates
- Cost involved in early detection / prevention of fraud
 - Closely monitoring hospital's performance
 - Strict action against errant hospitals

Other considerations

- Reserves likely to be higher in view of higher uncertainty and higher frequency of claims
- Reinsurance may help to diversify the risk and to meet the requirements of Shareholder

Will it be possible to price competitively & make it financially viable?

Key aspects - contd.

❖ Definitions

- Define the list of treatments to be provided.
- Weak definitions may lead to more claims or claim disputes, if rejected.

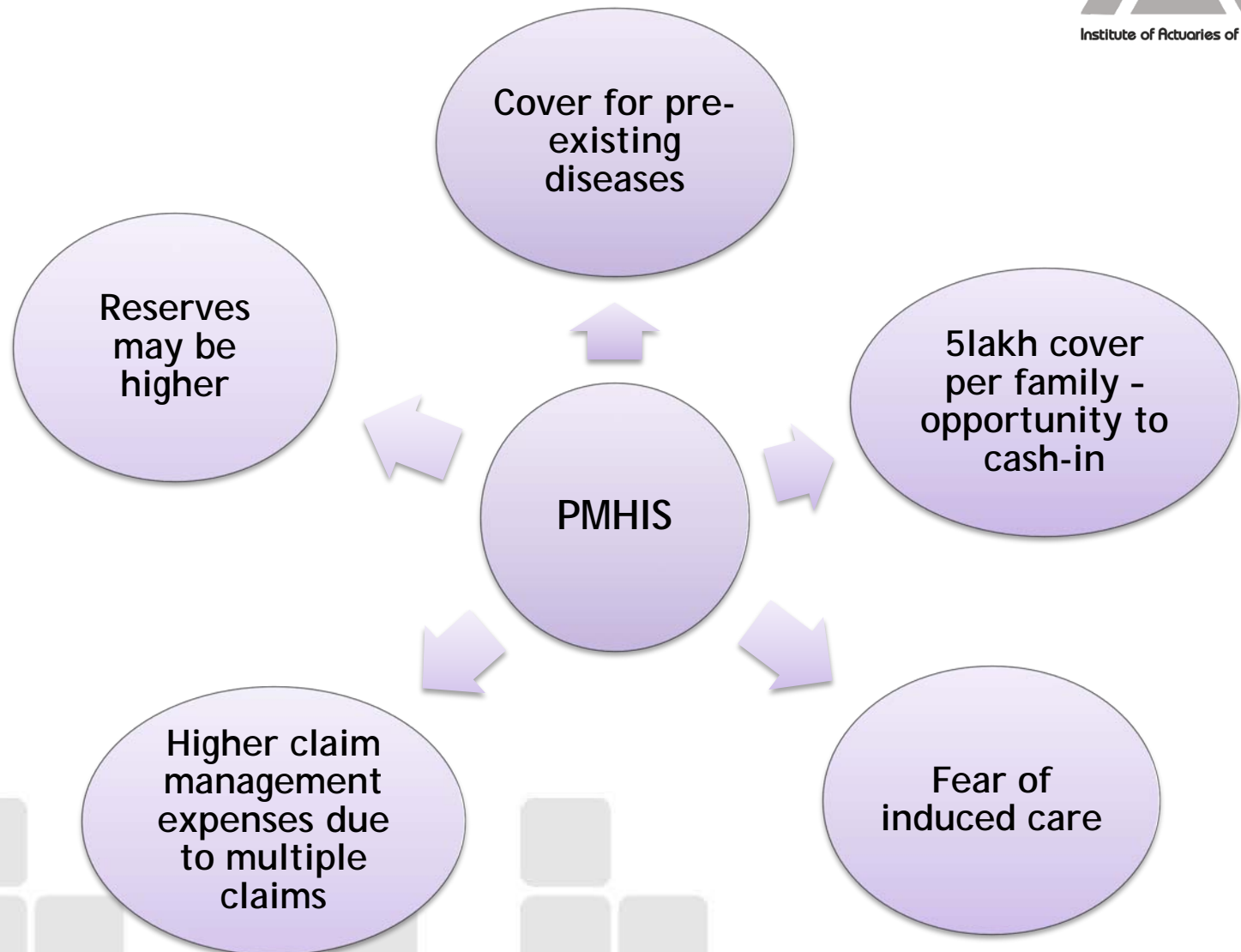
❖ Data

- Possible sources of data: Government health agencies, medical professional & Reinsurer rates
- Industry experience on RSBY & own data.

❖ Regulatory aspects

- Financial viability of premium, solvency capital requirements & reserving requirements.

PMHIS - Some other views



Professional issues

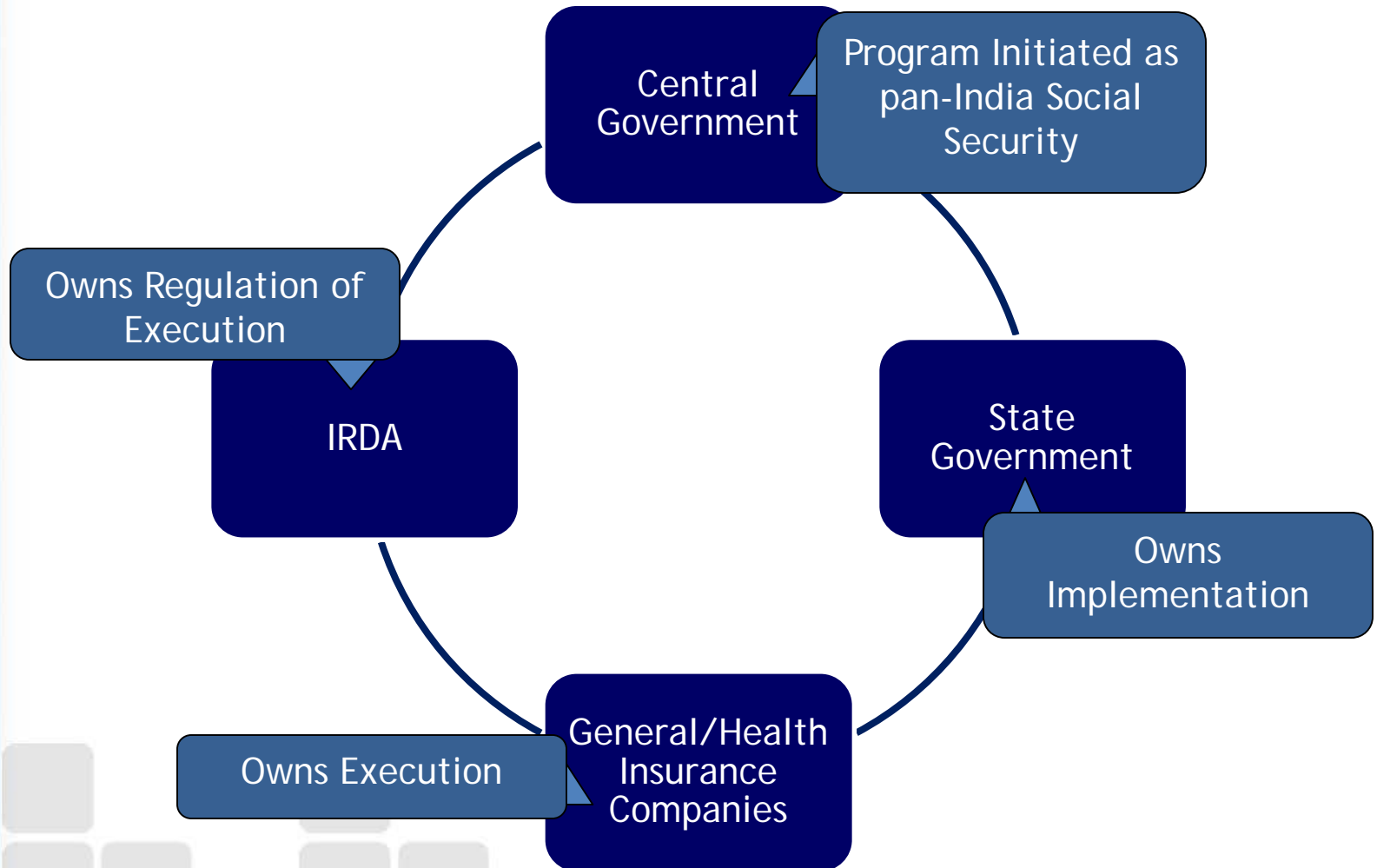


- PCS Ver 3.00
- GNs/APS as applicable to Health Product Pricing
- Solvency
- Expense overrun and potential subsidies from other LOBs

PMHIS - Potential

By Som

PMHIS - Stakeholders



Potential - Social

- ❖ The numbers appeal (see slide 7) ...
10Cr-50Cr-40%

- ❖ The benefits appeal (see slide 7)
 - ❑ 17x RSBY limit
 - ❑ Portability
 - ❑ Unlimited Family Size
 - ❑ BPL vs. “poor and vulnerable”

Potential - Business



- ❖ 33% growth in Health Insurance Industry size -
30k Cr. to 40k Cr.
- ❖ 15% to 20% growth in Healthcare Industry size

But...

Will HealthCare supply support the sudden demand surge?

PMHIS - Issues

By Som

Information Collection Process



❖ Conducted informal and quick survey

- Who? - 3 AA's (on condition of anonymity)
- Why? - To understand "on-ground" issues
- Topics?
 - What was your experience with RSBY?
 - What is your expectation with PMHIS?

❖ Experience of the guide

- Issue with the tender process and the role of AA

Short term - Teething pains

- ❖ Lack of Information creates anxiety
 - ❑ Operational - Launch? Implementation?
 - ❑ Actuarial
 - Basis for determination of premium?
 - Illnesses covered?
 - Is the premium adequate?

AA survey - Initially industry felt premium of Rs. 2,500 was appropriate, now the mood is changing. 2/3 AA's surveyed felt premium "may be fine" or "not sure".

- ❖ Negative experiences with RSBY creates anxiety

AA survey - "Timely premium collection is an issue"

Medium term Issues

- ❖ Effective oversight
 - ❑ Operational - Role and Effectiveness of National Health Agency?
 - ❑ Ambiguity in list of treatments = Cash-in
 - ❑ Induced Care - Stents, defensive medicine etc.
 - ❑ Actuarial
 - Premium adequacy & Reserving
 - Fraud and Analytics

AA survey - "We are only just beginning to understand fraud and patient/agent/provider nexus in retail health insurance"

Medium term Issues - Contd.

❖ Issues in Enrollment - Lessons from RSBY

<u>Top Reasons for non-enrollment in RSBY</u>	<u>Solution</u>
1) Unaware of process or not of much use	Communication
2) Couldn't provide necessary documentation	Aadhar linked
3) Distrust in scheme	NHA, Political

❖ Issues post Enrollment - Lessons from RSBY

<u>Top post-enrollment issues in RSBY</u>	<u>Solution</u>
1) Smart card not received	Technology
2) Treatment cost not communicated by hospital	Communication
3) Rs 100 Transportation allowance not paid	Fraud analytics

Source - Indo German Social Security Program report on RSBY

Long term Issues

- ❖ A new experience base
 - ❑ Utilization rates in the “poor and vulnerable”
 - ❑ Disease and co-morbidities propensity

AA Survey - “We are projecting our understanding of health in the rich, urban population to a diametrically opposite segment”

PMHIS - Impact on experience

By Ashok

Impact of PMHIS

1. Health Insurance Market

2. Health Service Providers

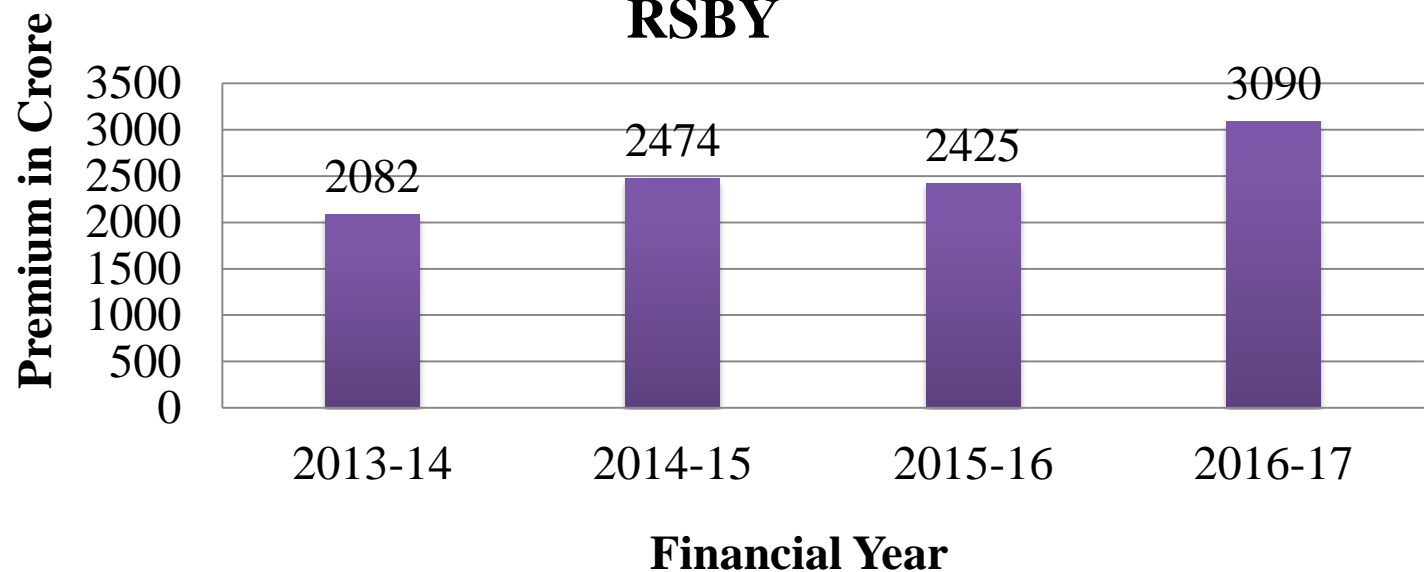
3. Target Population

4. Regulatory Mechanism

1. Health Insurance market

❖ Premium Income: Experience

Premium of Govt Sponsor Scheme including RSBY



❑ Decrease in 2015-16

❑ Over all increase in trend by 48%

1. Health Insurance Market contd



❖ Premium income : Impact

- Expected to increase as
- Cover increased to Rs 5 lakh
- Target family = 10 Crore
- But, depends on the premium rate quoted by insurers

❖ Micro health insurance

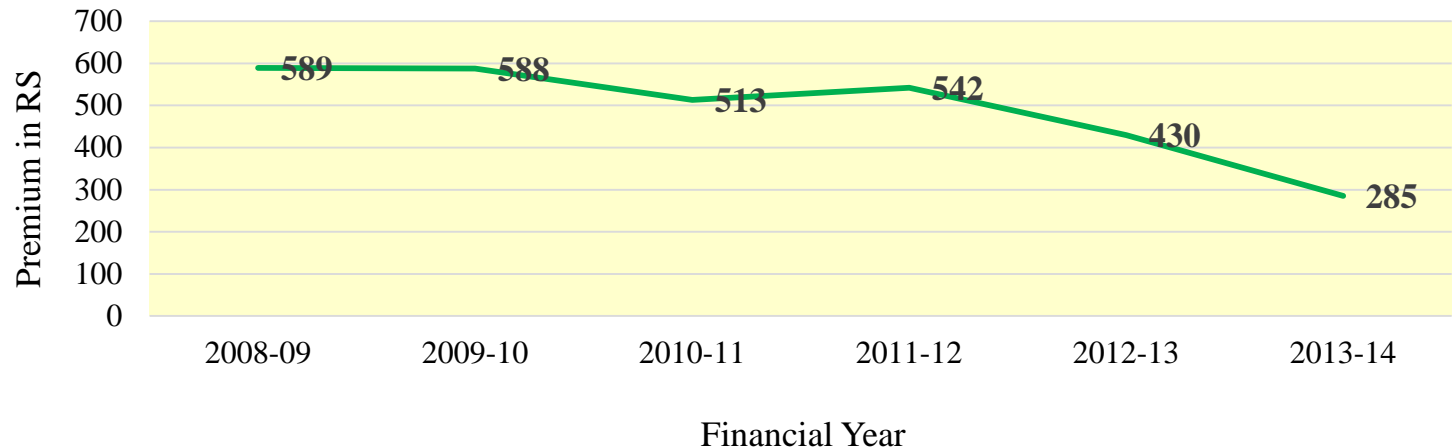
- Expected to decrease
- No need for many people

Source : India.gov.in/ayshman_bharat

1. Health Insurance Market contd

❖ Experience: Avg Premium rate under RSBY

Trend for average premium rate for district under RSBY



- ❖ High rate in early years shows lack of data
- ❖ Fierce competition among insurance companies

Source : RSBY connect newsletter

1. Health Insurance Market contd



❖ Impact: Avg Premium rate under PMHIS

- ❑ Expected to be higher:
 - Cover is 17 times higher than RSBY
 - Pre and post hospitalization expenses

❖ NITI Aayog estimates

- ❑ Premium to be in range of Rs 1000 and Rs1200
- ❑ Benefit of large group
- ❑ Expected cost per year = Rs 12000 Cr.

Source: Indian express news paper

1. Health Insurance Market contd.



- ❖ Net Incurred Claim ratio: Experience
- ❖ Govt sponsored Health Insurance Scheme (incl RSBY)

Year	2012-13	2013-14	2014-15	2015-16	2016-17
Net incurred claim ratio	87%	93%	108%	109%	122%

- ❖ Increasing loss
 - ❑ Insufficient premium due to competition
 - ❑ Excessive claims due to frauds

Source: IRDA annual report 2016-17

1. Health Insurance Market contd



❖ Net Incurred Claim ratio : Likely Impact

- ❑ May be less or greater than 100% depending on :
 - Quoted premium rate
 - Competition
 - Claims experience
 - Pre- and post hospitalization expenses

❖ If experience is similar to RSBY

- Higher reserving requirement &
- Solvency capital

2. Health Service Providers

❖ Hospitals: RSBY Experience

- ❑ Have incentive to treat large number of patients

RSBY experience an on 31.03.2017			
No. of families with active smart card	No. of Hospitalization	Empaneled Private Hospital	Empaneled Public Hospital
3.63 Crore	1.41 Crore	4926	3771

❖ Private hospital contributing more than Public hospital

Source: www.rsby.gov.in/overview

2. Health Service Providers contd.



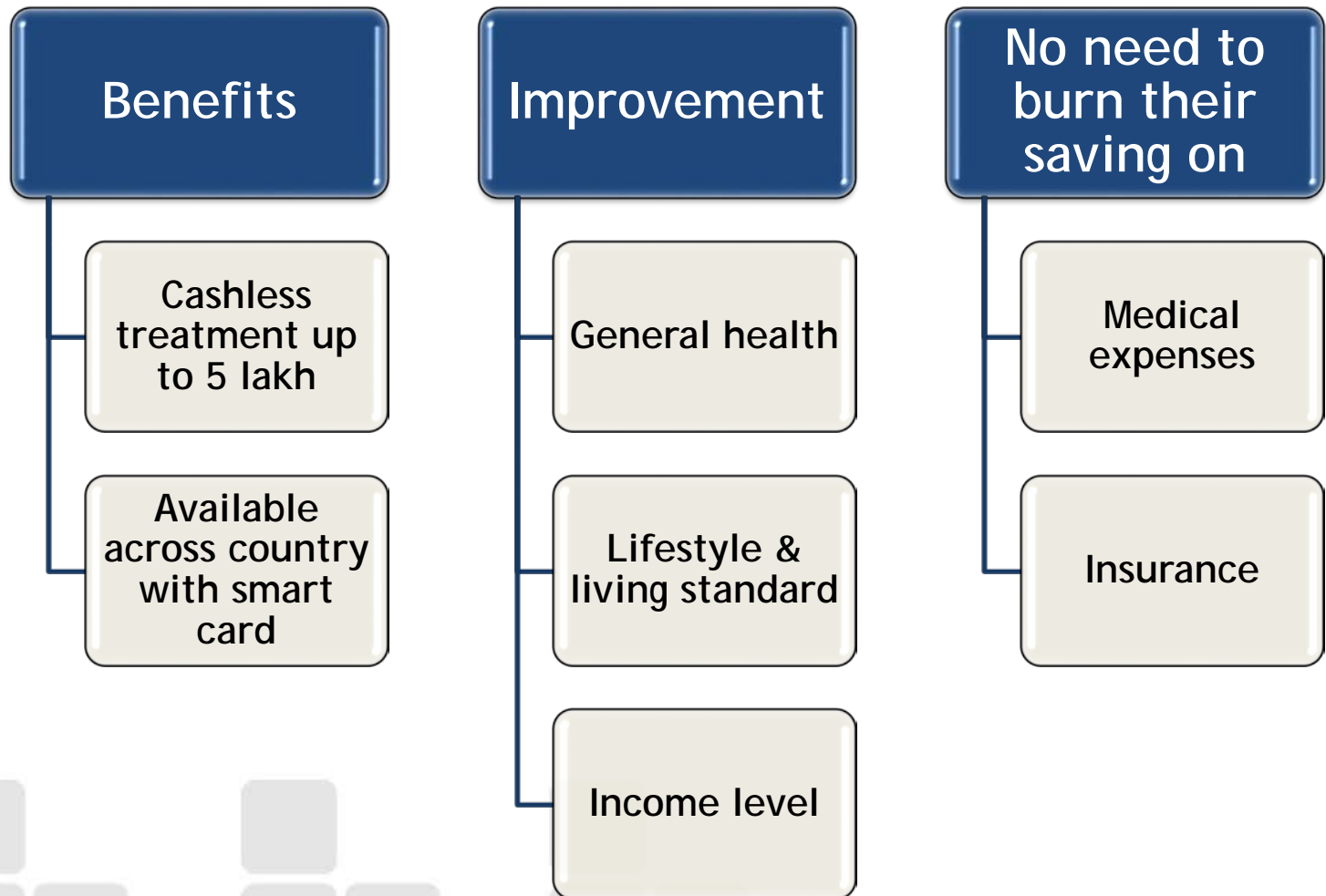
❖ Hospital: Impact

- More demand of secondary and tertiary hospital
- Because Target family is 10 Cr.
- Cost on Recruitment of more doctors
- Establishment cost of many more diagnostic centers
- Reputation risk in case of fraud and poor services

❖ Quality of service

- Better as they have to fulfill some criteria to be empanelled
- Healthy competition
- Monitored by insurers to curb undue treatment & frauds

3. Target Population



4. Regulatory Mechanism

❖ RSBY Experience

- IT person and health experts monitor the scheme
- Insurers monitor the hospitals
- Grievance Redressal at State and district level
- Provision of permanent identification card

Impact: Need of stringent regulation

- Insurers responsible for enrollment and empaneling hospital : How to handle conflict of interest
- May not enroll a person with disability
- Medical service providers & TPA's to check frauds
- Price of medicine and medical appliances

Q & A