

Health Insurance – Myths

The special address for the day was delivered by Mr. Gautam Chakraborty, senior consultant- Health Care Financing, National Health Systems Resource Centre (NHSRC).

Mr. Chakraborty believed that there were many myths surrounding the Insurance industry in general. He pointed out each myth and then explained it in detail..

Myth 1:

Insurance is a tool for providing health care services for Central Government

Insurance currently pays less than one-tenth of all hospitalization expenditure in the country. Medical care is one of the 3 main causes of impoverishment in the country. Going by statistics from NSSO data, a large share of consumption expenditure is on health (13% in rural, 10% in urban). During the mid 90's the Indian Government was aiming to use Insurance as a tool for providing health care services, but this idea didn't work out as the current government spending is less than 25% when compared to the average spending of 30-40% in other developing countries. Hence, it has been found that insurance cannot be used for covering a mass of people. Better health care services have to be provided by the government only.

Myth 2: Insurance creates new channel for funds

Many think that the Insurance companies are making sacks of money as they collect huge premiums from a mass of people. But the truth is that insurance is not pooling of money for creation of funds. It is just redistribution of money amassed from collection of premiums from the consumers.

Myth 3: Insurance is an effective tool for social protection

It is not so as all diseases are not covered under insurance. Pre-existing conditions are excluded. The need of the hour is to strengthen delivery services for the society. Hence the myth is only partially true.

Myth 4: Cashless transactions are very effective

There are a lot of issues revolving around Cashless transactions. Some hospitals ask for advance deposits. Third party administrators give wrong information at times. There have also been complaints of sanction less than the actual hospital bill or total denial of claim. The inference is that cashless transactions aren't entirely cashless and involve a lot of procedural hassle.

Mr. Chakraborty reported that the government spent only Rs. 1200/ capita to fulfill the primary and secondary levels of healthcare. Also, three times of the actual government health budget is required to fulfill the delivery services. Such a situation is highly impossible. As a solution to all this, Mr. Chakraborty

said that first the health care system of the government has to be strengthened before opting for insurance as a tool of mass coverage. Government has to ensure health as a basic right for every citizen of the country.

Source - Proceedings of Health Insurance

Seminar