

Health Insurance Vision 2025

Insuring Lives of
Billion Indians



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Preface

Globally, countries are progressing towards Universal health coverage as laid down under UN Sustainable Development Goals. However, health insurance in India is highly underpenetrated at just ~35% of the population, of which majority is covered under government-sponsored health insurance schemes. The high out-of-pocket healthcare expenditure is taking a heavy toll and pushing 4% of the population below poverty line every year. Further, the havoc created by COVID-19 pandemic has brought to the forefront the need for universal health insurance coverage. As a nation, today we have the opportunity to build on and scale our efforts to transform health insurance in India.

In this joint CII-BCG publication, we have set a bold vision of insuring health of billion Indians by 2025 and laid out key imperatives. Given the huge disparity in means and needs of Indian population, it is critical to follow a structured approach with tailored set of imperatives for different population segments. Hence, we have carried out a consumer research across demographic segments to understand key issues hindering adoption of health insurance and gaps in existing health insurance offerings.

We have highlighted the need to build awareness through large-scale campaigns, curate comprehensive product portfolio catering to different segments, improve attractiveness by driving better outcomes and lower costs, build distribution muscle for last mile access, and leverage technology and data to improve efficiency of underlying healthcare and insurance infrastructure. Additionally, we can accelerate the journey towards our vision by designing favorable policy and guidelines to spur efforts by multiple stakeholders in the ecosystem.

Adversity is a great unifier, and this is the time for all stakeholders to come together and deliver. We hope that the analysis in this report helps stimulate the need for change and the highlighted imperatives drive meaningful discussions across the industry stakeholders to collaborate and expedite the achievement of health insurance vision.



**Krishnan
Ramachandran**

Chairman, CII Taskforce on
Health Insurance
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Foreword



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General Insurance
Company

“This report on Health Insurance vision 2025 - Insuring a billion lives showcases many ways in which we must support the work in our country to turn the goals of 2025 agenda for Health Insurance into results for citizens in India.

The current health insurance coverage stands at mere 35% in the country. The epidemiological shift in disease burden towards non-communicable diseases and rising healthcare inflation in the country further accentuate the need to provide financial cover to the mass population. These combined with low government spending of ~1% of GDP (2018) and 63% out-of-pocket spending are resulting in 4% of population being pushed below the poverty threshold every year. Hence, health insurance is a vital cog in the healthcare system to drive affordability and provide universal healthcare access.

In order to drive insurance penetration to the billion Indians, all stakeholders including government, regulators, insurers, healthcare providers need to come together. Basis the survey findings, we are proposing large scale interventions along the four pillars of our framework while strengthening key enablers of technology, governance, and healthcare infrastructure.

This report comes at a propitious time, in middle of a pandemic when public and private health are converging beautifully, and will help the nation move closer to the United Nations Sustainable Development Goal of ‘Universal Health Coverage’ by 2030. This is a unique opportunity for all the stakeholders in the sector to come together, and work with synchrony to create the road to Universal Health Coverage that will assure world-class outcomes with cutting-edge technology, while making healthcare affordable for all.



Chandrajit Banerjee

Director General,
CII

“Achieving Universal Health Coverage has been on the agenda for various nations across the world, and this has been further exacerbated since the advent of COVID-19. The Indian Government offers several public health insurance programs that have helped poor patients. With expanded coverage, India’s high out of pocket expenditures on healthcare can be lowered, thereby saving patients from falling below the poverty line.

COVID-19 has highlighted the need for India to revamp its healthcare system. While building the necessary healthcare infrastructure to cater to the needs of the population is imperative, insurance and coverage must also be provided to citizens so that they can find an affordable means to access healthcare.

As India seeks to achieve the Sustainable Development Goal of “Universal Health Coverage” by 2030, it is pivotal that we build on the existing schemes provided by the Central and State Governments. This can be achieved by improving the enrollment ratios for these schemes, raising awareness, and extending these policies to cover OPD expenses.

Ensuring Health Insurance for all will help create the required safety net for citizens across the country, drastically reducing the number of people falling into poverty as a result of high healthcare expenditure. The CII-BCG report “Health Insurance Vision 2025” is extremely relevant, highlighting the necessary measures that we as stakeholders must undertake to ensure that we comply and achieve our goals towards Universal Health Coverage. This would be a big step in providing equitable, accessible, and affordable healthcare to all Indians.



Dr Naresh Trehan

Chairman, CII
Healthcare Council &
Chairman and
Managing Director,
Medanta –
The Medicity

“Universal Health Coverage has become an important aspect of public policy world over, especially for developing and underdeveloped countries which have been lagging behind their developed counterparts in providing this vital social security to their citizens. Some of these countries have experimented with demand side financing and other interventions in addition to revamping traditional supply side mechanisms with reasonable success.

Multiple initiatives by the Government of India, strong regulatory push by IRDAI and multiple innovations by insurers across products, channels and service delivery have pushed insurance penetration in the country over the past decade. The Indian government in 2018 also took a major leap towards Universal Health Coverage by providing health insurance cover to bottom 40% of the ‘poor and vulnerable’ population.

This study has been developed to provide a comprehensive view of Health Insurance scenario in India. It will help in bringing all stakeholders together to work towards a common goal.

I therefore urge professionals, policy makers, government officials to address the issues brought up in this document and provide their suggestions.

I wish them success.

Executive Summary

A. Need for comprehensive health insurance coverage for a billion Indians

COVID-19 has exposed the inadequacies of healthcare ecosystems globally and compelled all nations to rethink their healthcare systems. As we envision the future patient journey, we need to ensure democratized access to quality and affordable healthcare by placing the patient at the center of the care continuum. **Comprehensive insurance coverage across the patient's end-to-end care journey will be a key enabler for realizing the vision of universal coverage.**

Multiple initiatives by the Government of India (GoI), strong regulatory push by the Insurance Regulatory and Development Authority of India (IRDAI), and insurers across products, channels, and customer experience have improved insurance penetration in the country over the past decade. In 2018, the Indian government took a major leap towards universal health coverage by providing health insurance cover to the bottom 40% of the 'poor and vulnerable' population.

Despite the commendable measures taken, only 35% of Indian lives (~480mn) are covered by a health insurance policy today. An epidemiological shift in disease burden towards non-communicable diseases requiring prolonged and expensive treatment along with rising healthcare inflation, has increased healthcare costs in the country. These factors, coupled with low government spending (~1% of GDP) and high out-of-pocket (OOP) (63% of total) spending, have resulted in almost 4% of the population being pushed into poverty every year. **Hence, having comprehensive health insurance coverage becomes a vital cog in the healthcare system to drive healthcare affordability and provide universal access.** However, an analysis of the current health insurance penetration across population segments reveals gaps in both the breadth and depth of insurance coverage.

- ~59% of households do not have any health insurance plan.
 - Within >5 lacs segment, ~74% people do not have any health insurance
 - In lower income segments, only ~25% of the beneficiaries eligible under Pradhan Mantri Jan Arogya Yojana (PMJAY) have so far enrolled themselves under the scheme
- Most policies don't cover all expenses, for example, Out-patient Department (OPD) expenses, accounting for ~45% of total healthcare expenses, are not covered by most insurance policies.

Given the current situation, **we target a bold vision to cover the lives of a billion Indians with comprehensive health insurance coverage by 2025.**

B. Key challenges in driving health insurance penetration

We conducted a survey with respondents covering widespread demographic segments across city tiers, income segments, etc. It revealed the key issues hindering adoption of health insurance in the country. These include:

1 Low health insurance awareness

An assessment of drop-off points along the health insurance purchase funnel clearly indicates **limited awareness** (45%) as the major bottleneck in driving the adoption of health insurance. In the low-income segments, 66% of the respondents eligible under PMJAY haven't enrolled themselves due to low awareness while in high-income segments, awareness is particularly low in tier 2+ cities, with only 41% participants aware about health insurance.

2 Gaps in product understanding and value proposition

While 55% of the surveyed population is aware about health insurance, they have **limited knowledge about the product** and its benefits. Further, even if people understand the product, they find the overall value proposition to be lacking. In the low-income segment, concerns of low affordability (45%) and low hospital empanelment (24%) gain prominence.

However, as we climb up the income ladder, the issues start evolving into specific concerns like lack of comprehensive coverage (54%) and trust deficit around policy and claims covered (50%).

3 Limited last mile insurance distribution channels

Health insurance penetration in tier 3+ cities is even lower (20-25%). Low presence of insurer branches and weak presence of the dominant agency channel are some of the key factors contributing to the lower penetration. For example, our survey indicated that while 60%+ of the overall policies are sold through agents, this number drops to only 30%+ in tier 3+ cities.

While some of these issues are not new, the numbers indicate the gravity of the challenges and the need for a structured approach to tackle the issues comprehensively across segments.

C. Tailored imperatives across the journey

To drive health insurance penetration to a billion Indians, all stakeholders, including the government, regulators, insurers, and healthcare providers, need to come together. Based on the survey findings, we are proposing large scale interventions along four key pillars while strengthening the key supporting enablers:

1 Awareness – Highlighting the need for insurance

Currently, there is limited awareness and education about government sponsored schemes or private health insurance in the country.

For the low-income segments covered by PMJAY, the government should design a multipronged communication approach to drive awareness and encourage registration with PMJAY. This can be envisaged in line with large campaigns like the ones conducted for Polio.

- High visibility mass media campaigns endorsed by public figures to drive wide reach.
- Education by collaborating with local communities, for example, Panchayati Raj Institutions.
- Engaging government frontline workers of Accredited Social Health Activists (ASHAs), Community Health Centers (CHCs), and Ayush Mitras to drive enrolment.

For high income segments, the awareness for health insurance need to be strengthened by:

- Conducting industry-wide sponsored communication campaign to drive importance of health insurance, in line with the 'MF Sahi hai' campaign for mutual funds.
- Further, the government could consider offering higher direct and indirect tax incentives to drive self and family enrolment.

2 Assurance – Tailoring insurance offering to the needs

Given limited understanding about insurance product and varied concerns around the insurance offering across different segments, clear set of actions are required to cater to the varying needs –

Across population segments, we need to address the common concerns faced across segments.

- IRDAI, along with health insurers, should standardize and simplify policy terms and conditions (T&Cs), train agents to simplify language.
- Streamline claims settlement process to drive faster, digitized, and simpler processing.

For low income segments, NHA should take measures to address concerns regarding high co-payments and low interest from private hospitals.

- Review reimbursement rates for different treatments and procedures and move to differentiated rates based on geography, treatment complexity and desired service level.
- Expand existing star rating program of providers to accreditation system, which can then be used to determine reimbursement rates for the providers.

For middle and higher-income segments, drive standardization to cater to core needs as well as innovation to drive comprehensive coverage, create interest and cater to different needs

- Continue to drive adoption of standardized 'at-scale low-cost' Arogya Sanjeevani product with regular fine-tuning of offering.
- Expand insurance coverage to include OPD expenses by building co-pay mechanisms, while leveraging digitized delivery models to mitigate risks in covering OPD costs.
- Drive innovative offerings like wellness-linked offerings, flexi, bite-sized offerings to customize to different needs, especially with higher observed willingness to share data.

For high risk population, IRDAI could form a declined risk pool, similar to third-party cover in motor insurance, along with government contribution to provide adequate health insurance at affordable prices to the segment

3 Affordability – Making insurance a value-for-money buy

Health insurers could strive to deliver higher value against the premiums by implementing cost efficiency measures and adopting innovative pricing models.

- **Reduce operating costs** by embracing digital tools and big data analytics across front-to-back processes, for example, automated data-backed underwriting, sales support, digitized claim processing etc. Further, leveraging advanced analytics to detect fraudulent claims and coordinated industry-wide effort to share fraud information and blacklisting/de-empaneling such providers can help reduce claims costs. This can be done through own efforts, partnerships with InsurTechs along with leveraging National Digital Health Mission (NDHM) platform.
- **Improve health outcomes** by adopting outcome-based reimbursements model to drive shift to providers with better care outcomes.
- **Innovative pricing models** – Adopt co-payment models to reduce premium rates as well as cover larger pool of risks, for example, pre-existing diseases. Further, linking premium with the health profile of individuals can help customize pricing and avoid adverse selection.

4 Accessibility – Distributing insurance to the last mile

Insurers should develop strong distribution muscles by strengthening the agency channel while complementing it with non-traditional low-cost channels, to drive deeper penetration across tiers.

- **In small cities and towns,** there is a large potential to leverage the existing RUSU (rural and semi-urban) infrastructure of Common Service Centers (CSCs), post offices, life insurance agents, and Point of Sales Person (PoSP). Insurers could also form partnerships with multiple partner ecosystems of co-operatives, networks of Branch Correspondents (BC), corporate distribution channels and focus on activating public sector banks (PSB), regional rural banks (RRB) branches. Further, specific health insurance obligations for the rural sector could be defined by IRDAI.

- The emergence of **digital distribution channels** should be proactively leveraged by insurers. Virtual branches where hand-held devices act as sales fulfilment tools can be setup. Further, the share of online channels can be increased by targeting digitally mature customers and creating seamless journeys.

5 Infrastructure, governance, and technology – Building enablers to avail health insurance

- A **strong health infrastructure** would be a key lever for deriving benefits of health insurance. A three-pronged approach of establishing preventive care with required infrastructure, leveraging Centers of Excellence (CoEs) for advanced care coordination between hospitals across city tiers, and bridging Human Resources for Health (HRH) shortages is needed to address inequitable healthcare access. Further, technology usage can help improve usage of healthcare infrastructure with effective supply-demand matching platforms and usage of digital delivery models.
- **Governance and standards** – Driving long-term convergence of central and state funded insurance schemes can help in increasing efficiencies. Further, defining standards and protocols can ensure data security in Open Digital Ecosystems (ODEs).

Given the weak starting position of insurance awareness and adoption, as highlighted by the survey, we have defined clear next steps to drive the vision coherently. The implementation of the proposed imperatives across the key pillars will require concerted efforts among all stakeholders. **Upon implementation, we believe we can achieve the vision of taking health insurance coverage to a billion Indians by 2025.**

1

Health insurance vision – Comprehensively insuring lives of billion Indians

COVID-19 has been a wake-up call to the healthcare system globally. It had an unprecedented impact on the global economy, exposed the inadequacies and gaps in the healthcare systems of even the most advanced economies, and cost millions of lives. As a result, it has compelled governments and healthcare system stakeholders to treat healthcare with renewed focus and catalyze positive change in the sector. With the pandemic pushing all of us to adapt to the new normal, it has also brought about a step-jump in the health awareness levels across population strata.

Exhibit 1: Ideal Patient Journey of the future



	Preventive care	Early Consultation	Medications & Diagnostics	Secondary & Tertiary health treatment	Post hospitalization care
Patient Journey	Constantly monitors personal health, lifestyle on e-devices, gets intelligent nudges for course corrections	Consults medical practitioner through nearby physical/digital channels, gets customized guidance basis health history	Gets prescribed medication & diagnostics from clear set of choices	Seeks requisite higher care and directed to right doctor/facility based on medical records	Obtains follow-up care from nearby health facilities with tight monitoring linked to higher care facility



Infrastructure

Fully-equipped wellness centers, low-cost health trackers	Comprehensive primary care via Health Wellness Centers	Nearby pharmacies & diagnostic centers	Nearby sec./ tertiary public/ private/PPP based care centers, skilled practitioners	Collaborative model between facilities including e-ICU, tiered support model
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Technology

AI/ML based nudges using secure personal data	Teleconsultation, telemedicine, e-health records	E-pharmacy, at-home diagnostic kits & remote diagnosis	E-ICUs, Inter-operable health facilities	Real-time health data, Remote assist
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Insurance & Financing

Wellness-based rewards, insurance premiums	Coverage for OPD consultation, integrated digital claims experience	Medicine & diagnosis coverage by co-pay models, digitized prescription	Outcome-based reimbursement, large hospital network, cashless claims	Post-discharge coverage including home healthcare
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Source: BCG Analysis

As India plans to revamp the healthcare system in the wake of COVID-19, it is important to set a clear vision for the patient healthcare journey. As shown in Exhibit 1, we envision a futuristic journey where the patient gets democratized access to quality healthcare across the care continuum, irrespective of location, income, age or gender. It is important to make this journey a universal reality which provides 'quality healthcare' to 'all' individuals, 'accessible anytime, anywhere,' and, at an 'affordable cost.' **Providing comprehensive insurance coverage is critical to realize the target patient healthcare journey.**

Data and technology can help leapfrog health outcomes amidst limited healthcare infrastructure in the country. However, to make healthcare access truly universal, we need to drive the penetration of insurance coverage across all population segments in India – **This will mean taking health insurance to a billion Indians.**

To achieve this vision, multiple stakeholders need to come together – government bodies, Healthcare Providers (HPs), insurers, regulators, intermediaries, and most importantly, the patients themselves. Several measures have been initiated by the government and other stakeholders to drive the penetration of health insurance, however, significant gaps continue to persist.

Over the past few decades, there has been a growing understanding of the need to promote health insurance and achieve universal health coverage in the country. In this regard, key stakeholders have made significant progress through the launch of multiple initiatives aimed at strengthening the country's insurance sector.

The Government of India has launched multiple initiatives to drive health insurance penetration. Few of the initiatives are:

1 Introduction of Ayushman Bharat aimed at unifying the segmented health sector in India

- The GoI launched the PMJAY scheme in 2018 under which 10 Cr families have been offered a health cover of INR 5 lakhs per family per year
- The government also plans to setup 1,50,000 Health and Wellness Centers (HWCs) by 2022 by transforming existing sub-centers and primary health centers

2 Launch of several central and state-funded insurance schemes

- Several insurance schemes covering the health of masses such as Rashtriya Swasthya Bima Yojana (RSBY), Employees' State Insurance (ESIC), Central Government Health Scheme (CGHS), Aam Aadmi Bima Yojana have been in existence since the past few years
- Many state health insurance schemes are also available such as Arogya Rakshak (Andhra Pradesh), Atal Amrit Abhiyan (Assam) etc.

3 Establishment of public digital health infrastructure under National Digital Health Mission (NDHM)

- The NDHM is a significant step towards a citizen-centric healthcare ecosystem. This digital platform would facilitate seamless claim processing, digitized prescriptions, data transparency, including Electronic Health Records (EHR), and product and process innovation

4 Tax benefits to incentivize health insurance purchase

- The government has accelerated penetration of health insurance by giving tax benefits for purchasing insurance for self, spouse, dependents. The limit for tax deductions has been increased to Rs 75,000 (Rs. 50,000 for senior citizens and Rs. 25,000 for Non-senior citizens)

IRDAI and health insurers have also taken decisive measures to promote and drive health insurance penetration in the country.

1 Promotion of product standardization

- The insurance regulator has mandated standardization to enable ease of comparison and facilitate better product understanding amongst customers
- Insurers now offer a standard health insurance, Arogya Sanjeevani, wherein product features, exclusions, and policy documents remain common.

2 Continuous product innovation

- The regulator, through the sandbox initiative, has created an ideal environment to foster product and go-to-

market innovations. In 2020, 26 innovative health insurance products were approved in the sandbox. Insurers have also taken several initiatives to broaden the scope of coverage of insurance products. Introduction of these new products is expected to increase overall traction of insurance. Some of these products are:

- i. Short term health products launched during COVID
- ii. Wellness-based points using wearable devices
- iii. Launch of OPD products
- iv. Launch of bite-sized products in partnerships with payment portals, e-commerce places etc., which are available without extensive documentation

- Also, IRDAI has allowed payment of health insurance premiums in monthly, quarterly or half-yearly installments to drive affordability. In FY21, treatment through telemedicine was brought under the purview of health insurance by the regulator.

3 Enhancements in customer experience

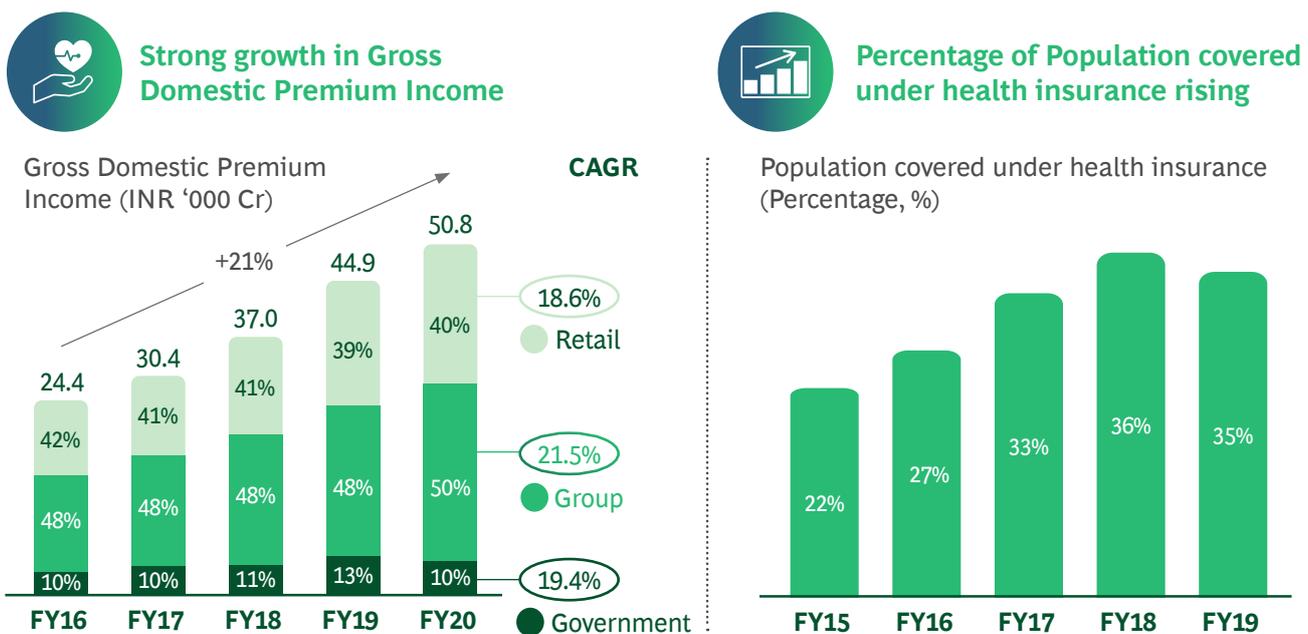
- Insurance platforms have introduced several features to improve customer experience. Claim servicing is increasingly digitized with features of online claim intimation and status, live chat, upload of claim documents, WhatsApp notifications, online grievance redressal, etc.

4 Diversification of distribution channels

- Introduction of several regulatory changes including relaxation in agent work experience requirements, engagement with associations, and allowance of distribution via banks and PoSPs, to increase insurance penetration. Insurers are also focusing on complementing agency channels with other channels, for example, leveraging their own websites, applications (apps), and other online platforms.

The positive impact of the above interventions is visible in the country's improved health insurance metrics. There has been a surge in Gross Domestic Premium Income (GDPI) at 21% CAGR during FY2016-20 with PMJAY driving the government buying segment, as shown in Exhibit 2. This could be attributed to a significant rise in the adoption of health insurance over the last 5 years.

Exhibit 2: Health insurance penetration increasing steadily



Source: IRDA, GI Council, BCG analysis

However, as shown in Exhibit 2, the current population coverage of 35% is far from the desired objective and significant distance needs to be covered in order to achieve the universal healthcare vision.

3

Need to drive comprehensive health insurance penetration

India is witnessing a major epidemiological transition. Over the last 3 decades, the country's disease patterns have shifted with a substantial decline in mortality due to a drop in communicable, maternal, neonatal, and nutritional diseases. However, the share of non-communicable diseases (cardiovascular diseases, cancer, diabetes, etc.), in total deaths, has almost doubled from 38% in 1990 to 63% in 2016¹. The prolonged and expensive nature of treatment has imposed an acute financial burden on suffering individuals.

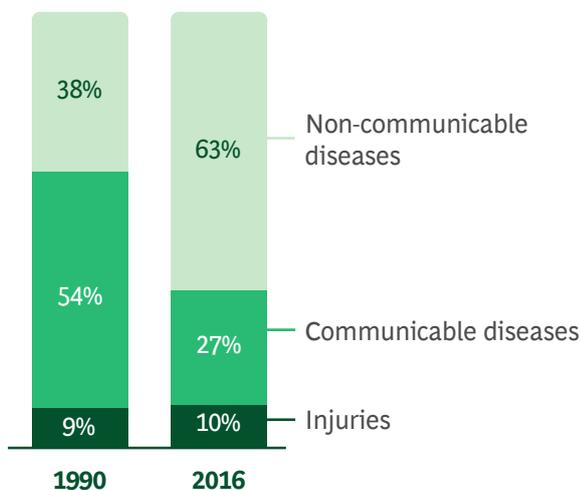
This challenge is further exacerbated by rising healthcare inflation in the country. As shown in Exhibit 3, healthcare costs per capita in India rose by 11% in 2018-19 against Consumer Price Index (CPI) inflation of 3.4%. This can be attributed to the adoption of advanced diagnostic devices, growing penetration of patented pharma products, higher input costs in manufacturing, and considerable investment in process improvements.

Exhibit 3: Rising healthcare spending needs



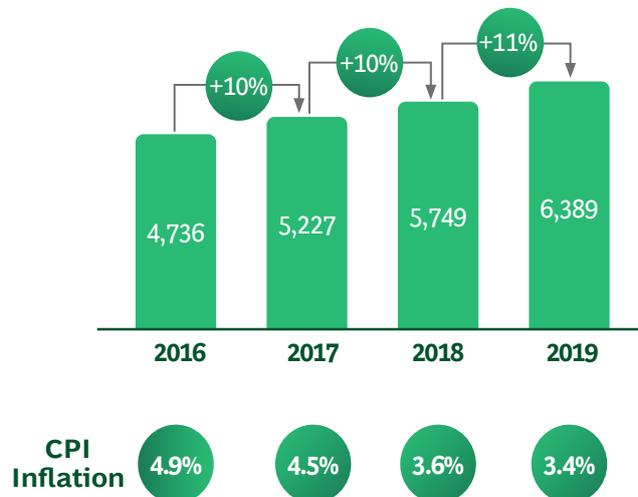
Contribution of NCD to total deaths increased from 38% to 63% in 2016

Contribution of major disease groups to total deaths (%)



Healthcare costs are rising at a rate greater than CPI inflation

Healthcare spending per capita in INR



Source: Health of Nation's State Report BCG analysis ; Fitch Solutions, CMIE, BCG analysis

Despite growing healthcare spending needs in India, the government's expenditure on healthcare is one of the lowest at ~1.0% of GDP (2018) when compared to global counterparts. Indians incur ~63% of the health expenditure out of their own pockets. This creates severe financial shocks for many families. A study by the Public Health Foundation of India estimates that **4% of India's population is pushed below the poverty threshold every year due to healthcare related expenses.**

1. India Health of the Nation's States report 2017

Hence, widespread health insurance adoption acts to bridge the prevalent funding gap and is a vital cog in the system to drive affordability. As discussed, several government-sponsored insurance schemes exist to mitigate the challenges related to affordability. However, many gaps still exist.

Exhibit 4: Public health expenditure amongst the lowest in India, with high OOP spending

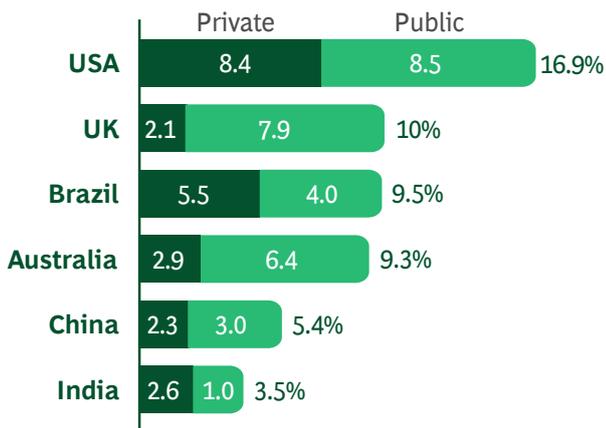


Public health expenditure (as % of GDP) among the lowest in India

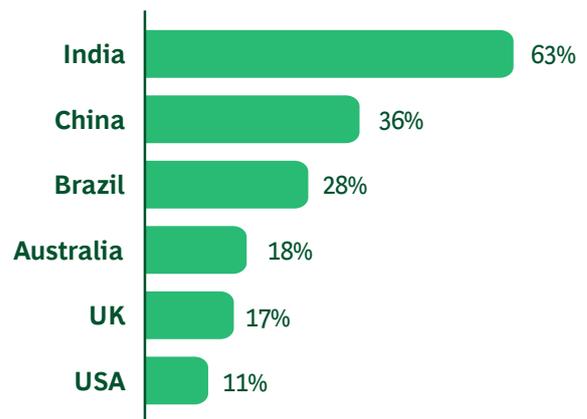


Out of Pocket accounts 63% of total health expenditure in India

Health Expenditure (% GDP) in 2018



OOP Health Expenditure (% of total expenditure) in 2018



Source: World bank database

Our analysis of the consumer demographics in India and existing health insurance schemes reveal the existing challenges around insurance penetration, as shown in Exhibit 5.

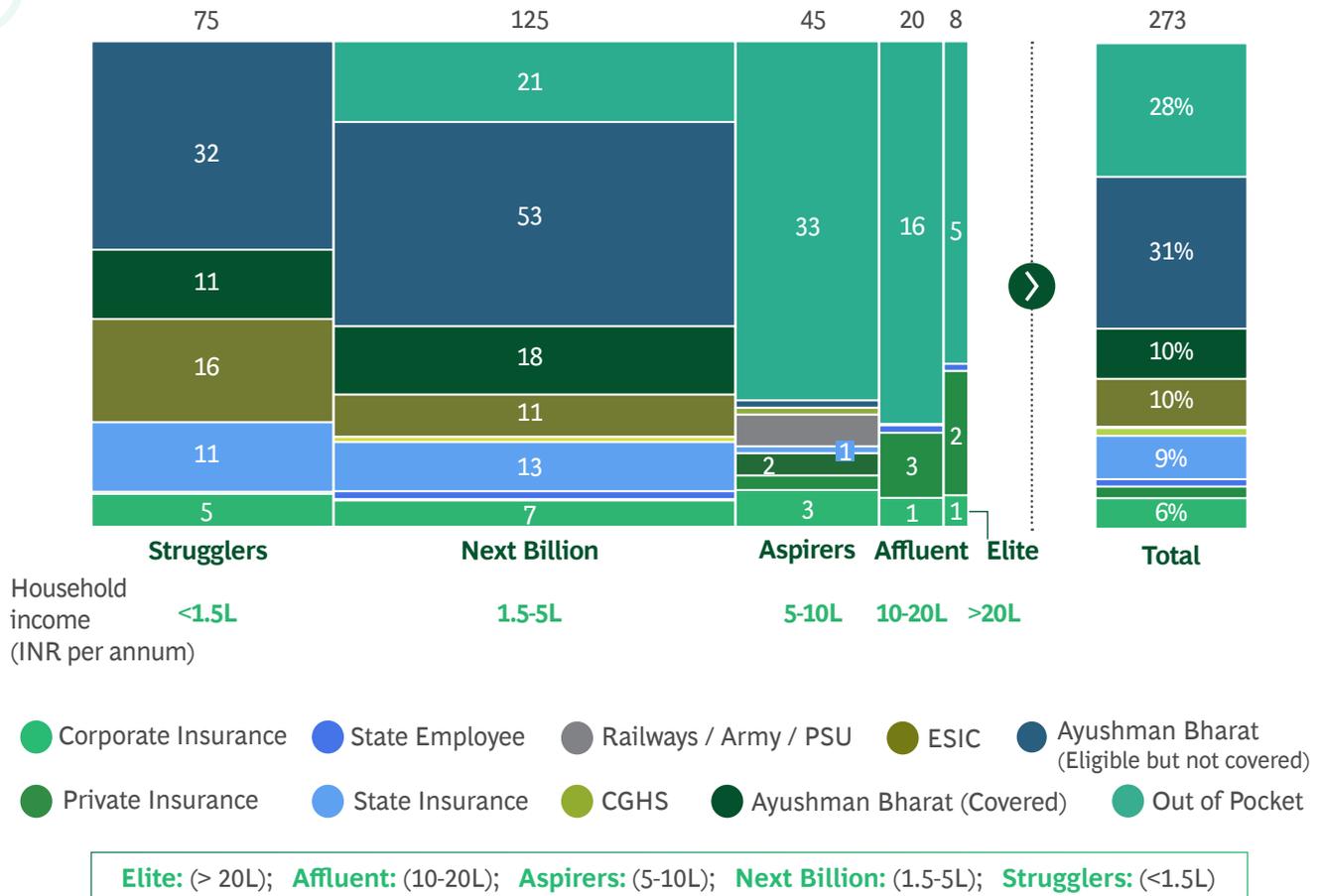
~59% of households comprising ~800 Mn people do not have any form of health insurance scheme, resulting in high OOP spending.

- Within >5 lacs segment, 74% people do not have any health insurance
- Although the government insurance policies address the needs of the lower-income groups, the segment is not holistically covered. For example, only ~25% of the beneficiaries eligible under PMJAY have so far enrolled themselves under the scheme

Exhibit 5: 59% households are not covered under any insurance scheme

Insurance coverage of households by income tier

Number of households, 2019 (M)



BCG analysis

Even the insured population incurs high OOP expenditure owing to limited coverage under the existing policies. Most policies do not cover OPD expenses which account for ~45% of the total healthcare expenses and ~60% of OOP expenses on healthcare.²

These challenges reaffirm the need to develop a focused approach and address the concerns of both, the uninsured and the insured population. For this to transpire, we first need to identify the critical pain points in the adoption of health insurance by population segments, develop a comprehensive structured approach, and finally, design and implement targeted interventions in collaboration with all stakeholders.

2. National Health Accounts, Expert Interviews, Company Annual Reports, BCG Analysis

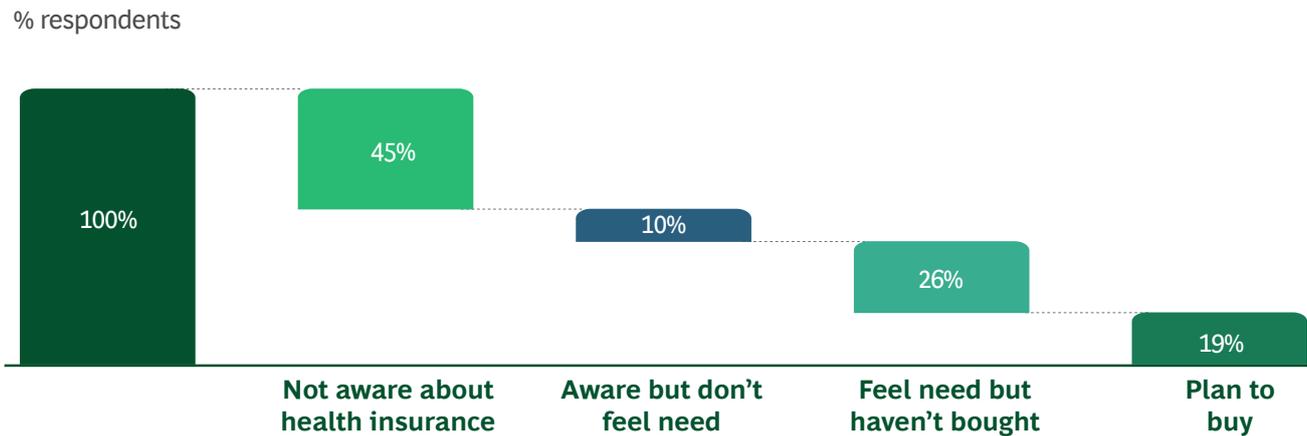
4

One size doesn't fit all – Need for a targeted approach

To understand key bottlenecks in health insurance penetration, we surveyed two groups of respondents - those who do not have a health insurance policy and those who hold a health insurance policy - with an extensive demographic representation across tiers, income segments, age groups, and gender. It revealed the key issues hindering the adoption of health insurance in the country across awareness, accessibility, and affordability.

An assessment of drop-off points along the purchase funnel reveals the key issues in health insurance adoption. As shown in Exhibit 6, limited awareness around health insurance is the primary factor impeding the purchase of insurance amongst users. As we move onto the next stage of the purchase journey, concerns around the need for health insurance and limited value of offerings arise.

Exhibit 6: Low awareness and concerns in current offerings are key challenges in insurance penetration



Source: BCG Consumer Survey Dec 2020 (N= 1000)

We deep dived into each of these specific elements to understand the critical issues plaguing the purchase of health insurance across demographic segments.

A. Multiple adoption challenges to overcome

1 Low Health Insurance Awareness

The survey revealed that 45% of the respondents are unaware of health insurance. This lack of awareness is a key impediment to the adoption of health insurance in the country.

This issue was observed amongst individuals eligible under government sponsored PMJAY as well as in higher income segments. Amongst respondents eligible for PMJAY, 66% have not registered for the scheme, citing lack of awareness about eligibility, benefits of the scheme, and point of distribution as the primary reasons for non-registration. In case of high-income segments, awareness levels are particularly low in tier 2+ cities with only 41% respondents aware about health insurance, as shown in Exhibit 7.

Exhibit 7: Low awareness about health insurance, primarily in low income segments and tier 2+ cities

45% Respondents lack awareness about health insurance

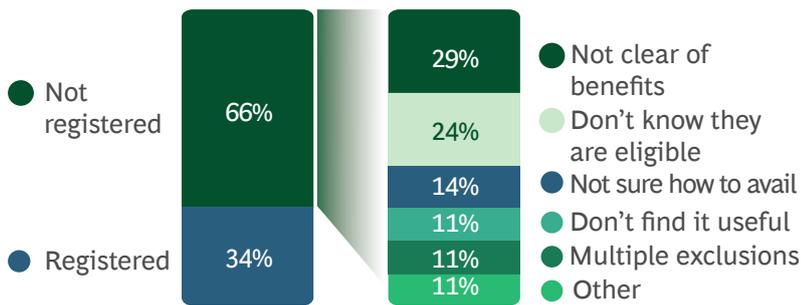
Segment 1: < Rs 5 lacs income segment

Segment 1: > Rs 5 lacs income segment

Not registered among PMJAY eligible population (%)

Respondents citing reasons for not registering under PMJAY (%)

Respondents not aware about health insurance



41% Respondents in tier 2+ are not aware about health insurance

15% Respondents in metro/tier 1 are not aware about health insurance

Source: BCG Consumer Survey Dec 2020 (N= 1000)

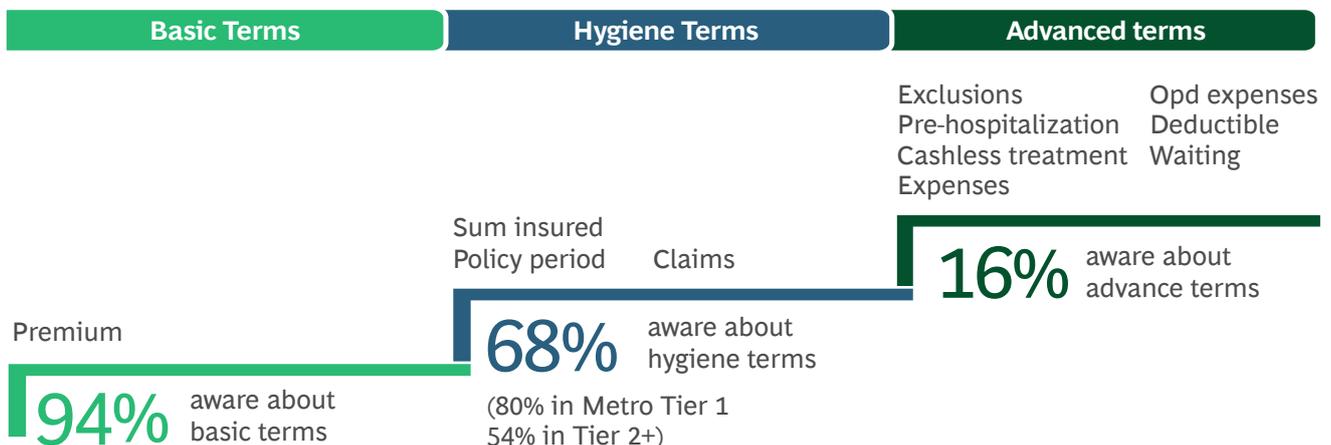
2 Gaps in product understanding and value proposition

55% respondents, though aware, do not understand health insurance and its benefits.

While there is a good understanding about basic terms such as premium, the awareness about hygiene terms (like sum insured, claims, policy period) is relatively lower at 68%, as shown in Exhibit 8. This becomes more worrisome in tier 2+ cities where awareness about these terms drops down to just 54%. While we anticipated a low understanding of these terms, the large numbers make a compelling case for urgent action.

Exhibit 8: Majority don't understand health insurance offering and its benefits

55% Respondents are aware but don't understand health insurance and its benefits very well



Source: BCG Consumer Survey Dec 2020 (N= 1000)

Exhibit 9: Segment-wise gaps perceived in insurance offerings



Source: BCG Consumer Survey Dec 2020 (N= 1000)

Further, there are other multiple concerns regarding health insurance among different population segments, as shown in Exhibit 9. Lower income segments cite low affordability and low hospital empanelment as a major hindrance to buying health insurance. However, as we climb up the income ladder, the issues become more nuanced. People belonging to the aspirer income segment find it difficult to understand the T&Cs and are not satisfied with the insurance cover offered under the current policies. Lack of a comprehensive offering and trust deficit are the key issues plaguing the affluent income segment, deterring the purchase of health insurance despite financial capacity.

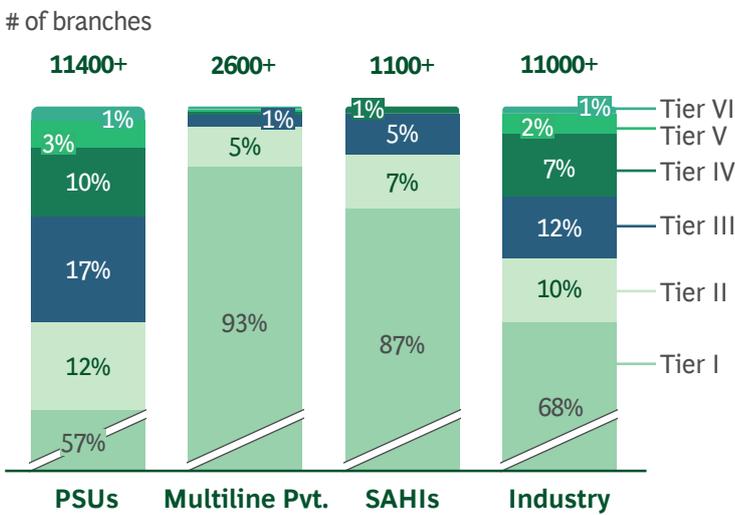
3 Limited last mile insurance distribution channels

While the total health insurance penetration stands at 35%, we estimate the health insurance penetration to be even lower in tier 3+ cities (20-25%). There are multiple reasons for this. Firstly, considering that these areas offer small catchment potential, they are not aggressively targeted by insurers. **Only 22% of insurer branches are in tier 3+ cities, which drops to <5% for private insurers.** Secondly, lower penetration of the agency channel is also a major cause for lower health insurance penetration. The agency channel is a majority channel for selling health insurance policies. As per our survey, among the respondents who had bought an individual health insurance policy, **~62% had purchased their health insurance through an agent. However, the contribution of the agency channel drops to only 30% in tier 3+ cities.**

While digital channels have shown high growth over the last few years, physical channels are likely to continue to play a significant role in the future given the consultative nature of insurance selling. Hence, there is a need to find ways to strengthen agent channels in tier 3+ cities as well as to develop alternative channels to drive deeper penetration.

Exhibit 10: Gaps in distribution channels in Tier 3+ cities

Only 22% branches for insurers in Tier 3+; <5% for private insurers



Agency as a distribution channel not well developed in tier 3+ cities



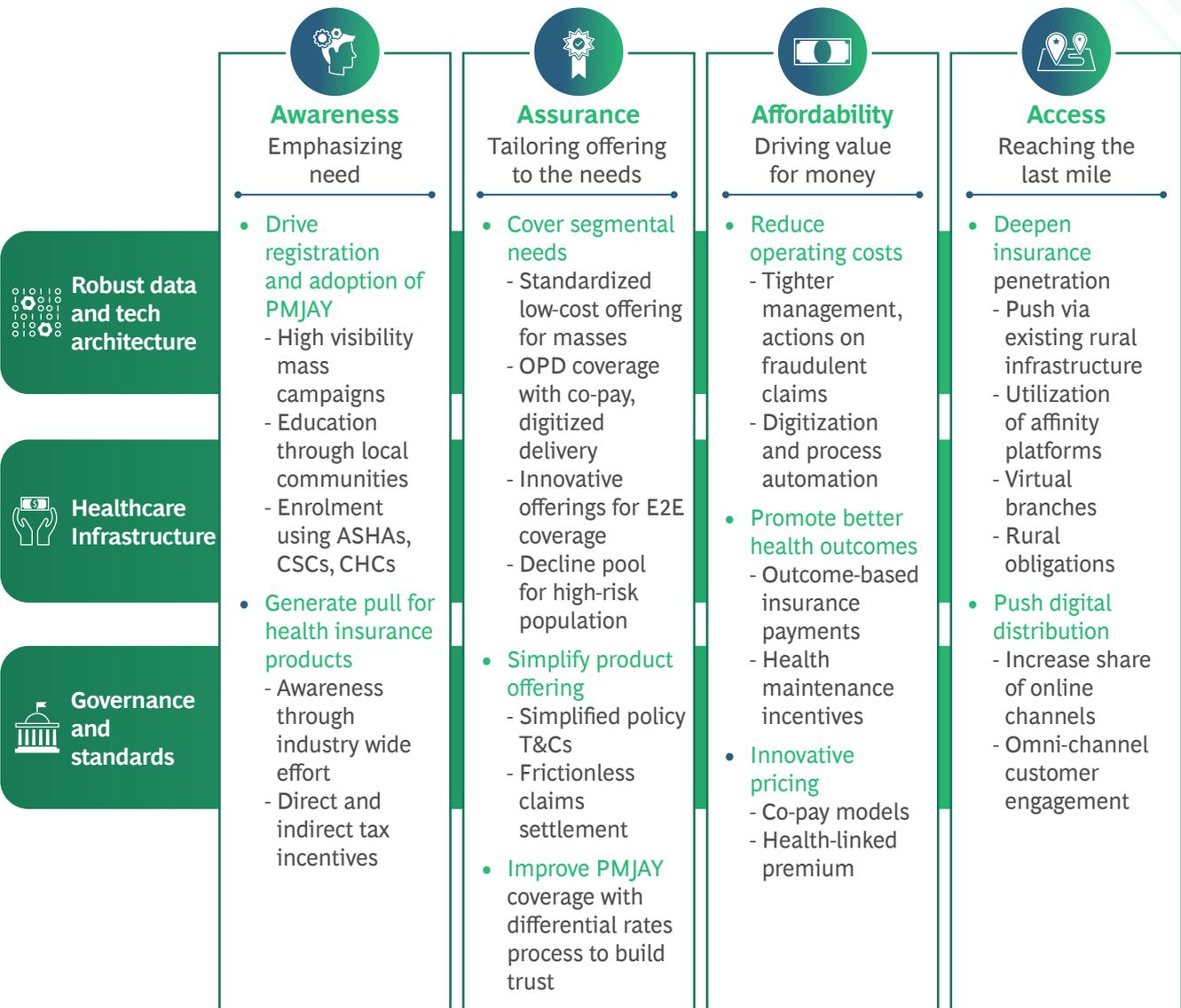
Note: Specialized insurers ECGC and AIC are not included in PSUs, shown in Industry total
Source: IRDA Annual report; BCG Consumer Survey Dec 2020 (N= 1000)

B. Comprehensive agenda to insure a billion lives

Given the unique challenges of health insurance adoption faced by each segment, we believe that a **targeted approach with tailored imperatives for different segments is ideal to achieve the proposed healthcare vision**. These imperatives need to be defined across four pillars – awareness, assurance, affordability, and accessibility, as shown in Exhibit 11. Supporting enablers of technology, robust governance, and strong healthcare infrastructure are critical for the effective delivery of the desired outcomes. All the stakeholders including the government, regulators, public health agencies, insurers, healthcare providers, and health-tech startups need to collaborate and utilize each others' expertise to envisage and implement the proposed solutions.

Exhibit 11: Comprehensive agenda to cover billion Indians with health insurance

Segmented approach for interventions



Source: BCG Analysis

As discussed in Section 4, lack of awareness about insurance and its benefits is the prime reason behind the low penetration of health insurance today. Information dissemination and sensitization on health insurance and government sponsored schemes is critical to drive effective coverage. Given the different reasons for low penetration among low-income and high-income segments, we suggest a segmented approach, as shown in Exhibit 12.

Exhibit 12: Targeted awareness initiatives for low & high income-segments to drive adoption of PMJAY as well as private health insurance



Low - income Segment

Drive registration and adoption of PMJAY

- 1 Spread awareness using mass media channels
 - Govt-funded communication campaigns
- 2 Educate using local communities
 - Mobilization using Panchayati Raj institutions
 - Organize health festivals and targeted PMJAY camps
- 3 Drive enrolment using ASHAs & CSCs
 - Common database of beneficiaries with tagging
 - Enrolment through ASHAs, CHCs & CSCs
 - District-level tracking, rewards mechanism



High - income Segment

Generate pull for health insurance offering

- 1 Push awareness through industry-wide effort
 - IRDAI-led nation-wide campaigns
 - Funds pooled in by insurers & TPAs
- 2 Create pull by offering incentives
 - Tax exemptions e.g., increase 80D limit, lower GST rate
 - Tax incentives for family enrolment

Source: BCG Analysis

A. Low-income segments - Drive registration and adoption of PMJAY

The successful mass mobilization of the Polio eradication programme can serve valuable lessons in organizing awareness and education campaigns to enhance beneficiary enrolment under PMJAY, as shown in Exhibit 13. A multipronged communications approach leveraging a variety of channels is crucial to bringing eligible beneficiaries under the PMJAY scheme.

1 Drive awareness using mass-media channels

The government should launch an effective communication strategy with simple messages around benefits of insurance and address apprehensions on claim payouts. Further, this can be endorsed by public figures to amplify its impact. The communication should also be available in regional languages to ensure that the messaging reaches the masses.

2 Educate the eligible population using local communities

Collaboration with local communities like Panchayati Raj institutions is key to educating the eligible beneficiaries. Community influencers could conduct house-to-house mobilization drives, group counselling sessions, and community gatherings to disseminate information about PMJAY.

Innovative approaches can be used to engage communities. In China, for example, claims reimbursement numbers for individual patients are posted on village bulletin boards to publicize the tangible monetary benefits of health insurance.

3 Increase beneficiary enrolment using ASHAs, CSCs, and Ayush Mitras

Frontline workers such as ASHAs, Anganwadi workers, etc., could play a critical role in reaching out and enrolling beneficiaries, even in far flung areas. This could be enabled by undertaking the following actions.

- Baseline setup: A comprehensive database of eligible beneficiaries with mapping against ASHAs can be created.
- Streamlined beneficiary enrolment strategy: ASHAs can send direct messages to eligible beneficiaries informing them about the enrolment process. In villages with low health insurance penetration, targeted PMJAY camps can be setup with desks in CHCs by leveraging Arogya Mitras.
- Governance mechanism: A district-level tracker of beneficiaries enrolled against a comprehensive database can be created and monitored by district authorities.
- Rewards and recognition: A reward mechanism for ASHAs, CSCs, and Arogya Mitras can be introduced to incentivize these entities to enroll a high number of beneficiaries.

Exhibit 13: Different stakeholders can play role in driving awareness

	 Industry	 Government	 Corporates	
Case-in-Point	Mutual Funds Sahi hai by AMFI ¹	SMNet ² under Polio Eradication programme	Project Shakti by HUL	
Initiatives	Overview	AMFI launched a campaign in Mar 2017 to build mutual funds category	3-tiered Social Mobilization Network engaging 7,300 CMC in UP, Bihar	Started in 2001 with aim to increase rural distribution reach
	Collaborations	Industry participants pooled in portion of SEBI-mandated MF education fund	UNICEF-managed SMNet collaborated with ASHAs ⁴ , AWWs ⁵ & ~50,000 influencers	Recruited village women, expanded network to include husband & brothers
	Channels	Cross-media awareness campaign (TV, radio, print, IPL, web series) Education via microsite & AMFI website	Interpersonal communication, group counselling, religious rallies High visibility mass campaigns casting celebrities	Artificial marketplace with music and promotion Trained communicators visit schools and village congregations
Impact	 33% CAGR in AUM ³ during 2017-19	 172 Million children immunized each year	 45k Shakti Ammas part of network by 2008	

1. Association of Mutual Funds in India 2. Social Mobilization Network 3. Asset Under Management
4. Accredited Social Health Activist 5. Anganwadi Workers
Source: BCG Analysis

B. High income segments - Create demand for private health insurance

The demand for health insurance in higher income segments should be strengthened by raising awareness through effective information campaigns and by creating pull through the right incentives.

1 Drive awareness through an industry-wide effort

In an attempt to improve awareness levels, industry players can collaborate to organize a nation-wide communication campaign, similar to the 'Mutual funds Sahi hai' campaign by Association of Mutual Funds in India (AMFI), as shown in Exhibit 13.

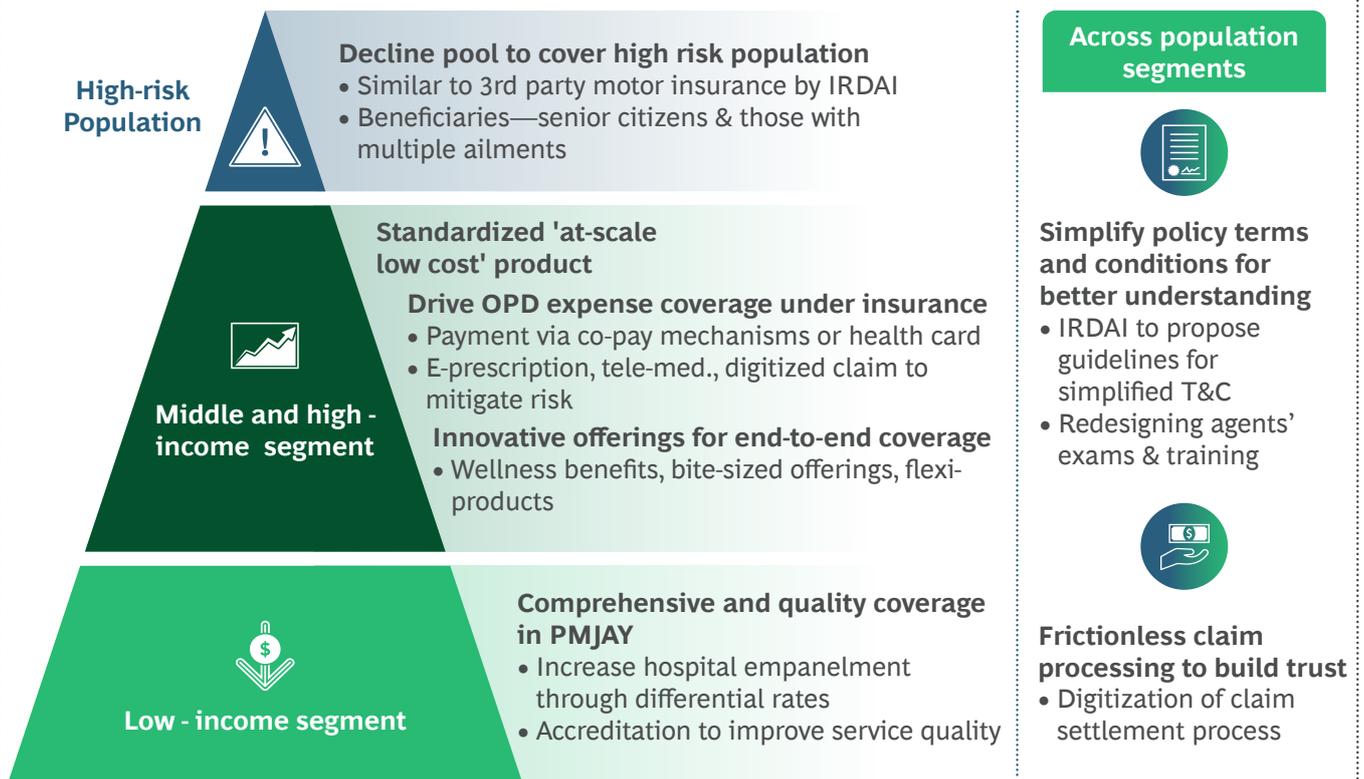
IRDAI could consider establishing a dedicated fund with pooled investment from insurers and TPAs. Tie-ups with distribution networks of large FMCG companies could also be explored to expand reach in remote areas.

2 Create pull by offering incentives

The government could consider providing incentives in the form of increased tax exemptions and rebates on health insurance premiums with separate deduction limits covering individual and family, or by reducing the 18% GST rate on insurance premium. Further, employers can be given tax breaks to bring their families in the insurance cover.

As highlighted in Section 4, there are multiple concerns in the current insurance offerings across different income segments. Hence, we must address these concerns and tailor insurance offerings to their specific needs, as shown in Exhibit 14.

Exhibit 14: Tailor insurance offerings to needs of the different segments



Source: BCG Analysis

A. Across population segments – Simplify product and improve claims experience

1 Simplify policy T&Cs to boost product understanding

As highlighted in the survey findings, majority of the consumers lack an understanding of basic insurance terms. There is an immediate need to demystify health insurance terms to ensure that customers are able to clearly understand the scope and benefits of health insurance offerings.

- IRDAI, along with health insurers and TPAs, Should actively propose guidelines to reduce complexities. All insurers should be mandated to streamline T&Cs and create a simplified version in line with proposed guidelines.
- ~70% of the health insurance policies are sold via agent channels³. As health insurance draws upon consultative selling, a part of insurance agent training can be dedicated to the usage of simple language, which can also be included in existing certification examination.
- Insurers/web aggregators can consider building dedicated corners on their platforms where engaging formats such as animated videos and gamification are leveraged to highlight the various elements of health insurance.

3. IRDAI, Public disclosures

2 Frictionless claim processing experience

Today, across many insurers and TPAs, policyholders need to follow a time-consuming and manual process to process claims. ~65% of the survey respondents mentioned that they are not satisfied with the current process of claims and want significant improvements.

The digitization of the claim settlement process can resolve this issue and result in accurate and faster processing of claims. NDHM, with its focus on creating a Common Health Claims platform, is building standard e-objects – including e-claim forms and e-discharge reports – that would facilitate quick and efficient means to initiate claims, validate patient details, and process claims. Furthermore, a standard policy mark-up language adopted by insurers to specify policy details in a machine-readable format will aid auto-adjudication and fraud prevention. A health claim platform will improve transparency and increase trust in the insurance ecosystem.

B. Low-income segments – Drive comprehensive and quality coverage under PMJAY

The government, by providing health insurance cover to the low-income segment population under AB-PMJAY, has taken a giant leap towards universal health coverage. However, challenges have been observed leading to high co-payments and low interest from private hospitals to empanel themselves under PMJAY. Following measures need to be taken:

1 Rationalize reimbursement rates to increase private hospital empanelment

Over 20,000 hospitals are empaneled under PMJAY, of which approximately 50% are private. However, 50% of the empaneled private hospitals are inactive and over 70% are present in only seven states⁴. This is largely due to concerns around low reimbursement rates, irrespective of service levels and location of providers. **NHA could consider reviewing reimbursement rates for different treatments and procedures to ensure consistency across hospitals.** This would involve transitioning from a single reimbursement rate to differentiated reimbursement rates based on geography, complexity of treatment, and the desired service level.

2 Establish an accreditation system linked to reimbursement rates

In August 2020, NHA issued guidelines on the star rating of government and private hospitals. A collaboration between NHA and National Accreditation Board of Health (NABH) can expand the star rating program to an accreditation system. Gradually, the reimbursement rates can be linked to accreditation levels, which would subsequently create an incentive for providers to enhance the quality of healthcare outcomes.

C. Mid and High-income segments – Standardize offerings and drive comprehensive coverage

1 Focus on a standardized ‘at-scale - low-cost’ product

‘Arogya Sanjeevani’, currently being offered by all general and health insurance providers, is a robust ‘at scale – low-cost solution’. IRDAI needs to continue to refine this offering by conducting regular pulse checks to understand the attractiveness, adoption, and satisfaction among policyholders. Accordingly, the policy could be fine-tuned to meet the specific needs of the customer.

2 Drive OPD expense coverage under insurance

OPD expenses comprise 45% of the overall healthcare spending⁵ in the country. However, a majority of the existing health insurance offerings are limited to in-patient department (IPD) coverage. Health insurers could offer flexible add-on packages with an OPD cover by way of co-pay mechanisms and health cards. Co-pay solutions to cover OPD expenses could be modelled along the lines of the National Health Scheme in Taiwan.

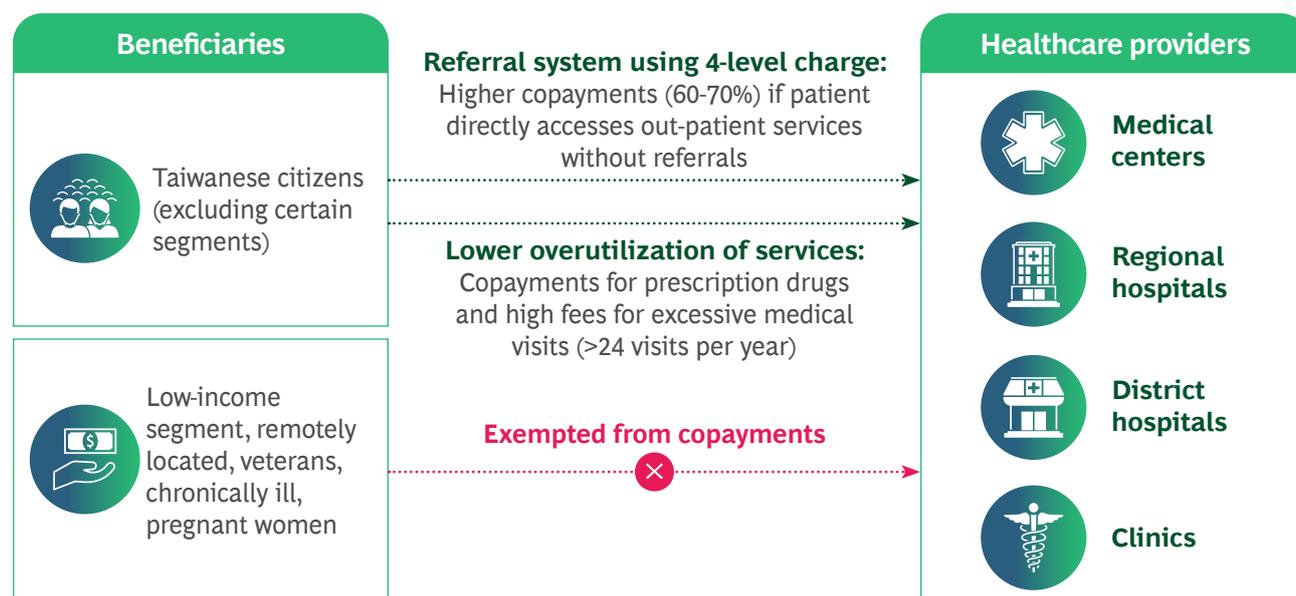
The scheme mandates an out-patient co-payment for all types of care such as medicine, emergency, dental care, etc., varying across different types of healthcare institutions — from hospital medical centers to General Practitioner (GP) clinics, as shown in Exhibit 15.

4. NHA: PMJAY- The role of Private Hospital, November 2020

5. National Health Accounts, Expert Interviews, Company Annual Reports, BCG Analysis

Exhibit 15: OPD Coverage in Taiwan under National Health Insurance through co-payment

Under national health insurance, Taiwan charges small co-payment on OPD services including medication, dental care, emergency care, rehabilitation



Source: BCG Analysis

However, there are certain challenges involved in implementing OPD coverage within healthcare policies. These include a fragmented market of primary care providers, high frequency of low value transactions, and the potential risk of fraudulent claims. **A shift towards digitized delivery models and open digital health ecosystems can solve a majority of these challenges.**

- A standardized claim processing system will reduce administrative overheads such as expenses incurred for doctor registry, claims processing, etc., making it viable to include OPD coverage.
- Under the proposed NDHM teleconsultation network, hospitals can extend OPD services beyond current physical catchments, thereby making it feasible to regulate primary care providers.
- With the rise of digital delivery platforms, insurers can mandate the submission of digital prescriptions for availing OPD consultation related claims, enabling easy fraud prevention.

3 Devise innovative offerings to spur end-to-end coverage

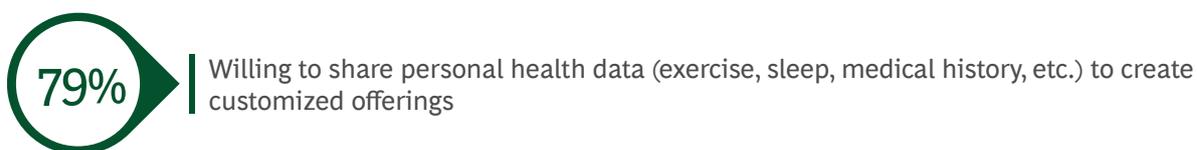
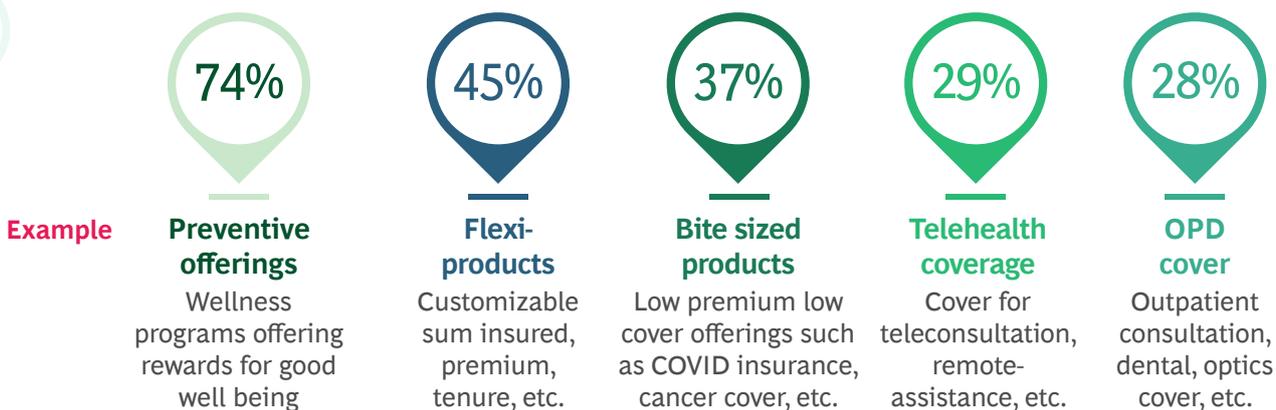
Health insurers should actively leverage Regulatory Sandbox as per IRDAI guidelines to test innovative offerings catering to the needs of discerning customers. Also, insurers should focus on expediting graduation of products launched through sandbox in regular business.

Our survey highlighted that respondents today are open to buying new innovative insurance offerings. Also, 80% of them are willing to share personal health data to facilitate the creation of customized offerings.

- a **Wellness programs:** As shown in Exhibit 16, 74% respondents prefer preventive care offerings, including wellness programs. Thus, health insurers must experiment with wellness programs in which reward points are offered upon meeting the set criteria. These rewards could be redeemed in the form of premium discount, increased sum insured, etc.

Exhibit 16: People looking for innovative insurance offerings

Choice of additional offerings in the policy (% respondents)



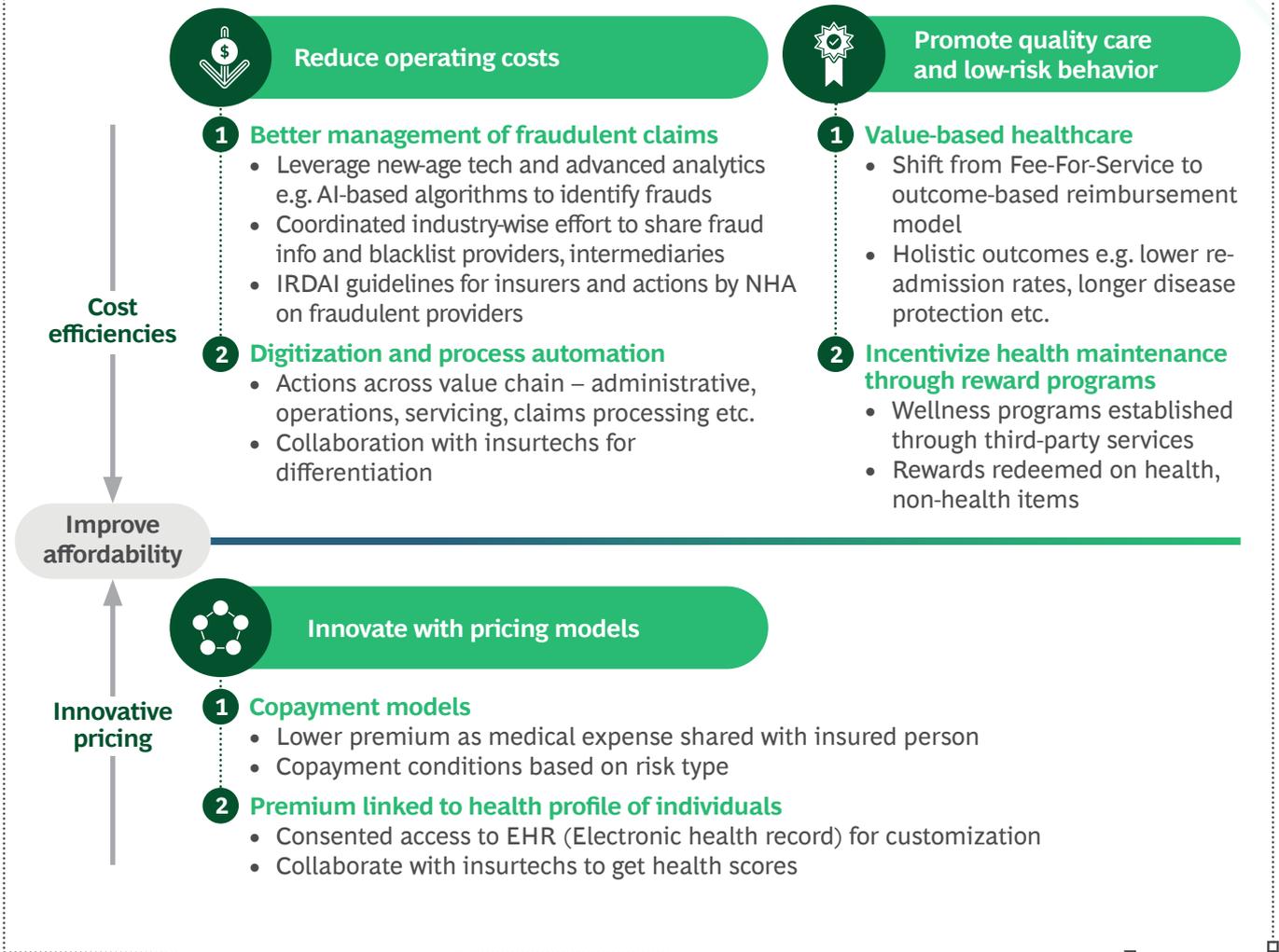
Q. According to you, what additional offerings can be provided in the package to improve value?
Source: BCG Consumer Survey Dec 2020 (N= 1000)

- b Flexi, bite-sized offerings:** Insurers could continue to experiment with offerings like flexi, bite-sized products and leverage the IRDAI sandbox framework. These can engender future cross sell / up sell opportunities for insurers. Owing to a limited commitment (in the form of premiums), these offerings are apt for young Indians to embark on their insurance journey.
- c New innovations:** Learnings from other markets and regulators can enable insurers to build custom offerings such as policies for special individuals (including differently abled, psychiatric ailments), health savings products (funded by tax incentives). etc., which allow customers to build funds to pay for their long-term health expenses.

D. High risk population – Create declined risk pool to fund insurance

Typically, health insurance offerings do not serve individuals who are at high-risk — senior citizens and those with pre-existing ailments. IRDAI should step-in to design and mandate standardized offering for the segment at low prices. IRDAI could form a declined risk pool, similar to third-party cover in motor insurance, along with government contribution to provide adequate health insurance at affordable prices to the segment

Exhibit 17: Improve insurance value through cost efficiency and innovative pricing measures



A. Reduce operating costs

- 1 **Digitization and process automation** - To drive transformation in the industry, insurers will need to embrace digital tools and big data analytics. There are several areas where digitization and analytics could act as a catalyst, including:
 - a **Administrative and operations automation:** In line with practices adopted by global insurers, Indian players should leverage emerging sources of data like telematics, wearables, etc., to enhance the underwriting process and streamline document management.
 - b **Sales and marketing support:** Insurers should leverage non-traditional sales and servicing options, for example, shifting from call centers to email and chatbots to address customer queries.
 - c **Product development:** Insurers should capitalize on user data to create personalized insurance products and valuable offerings such as diagnosis of changing health conditions and proactive suggestions for timely interventions.
 - d **Claim processing:** NDHM will help deliver this vision with the standardization of e-claims forms.

Industry-wide data platforms will be crucial to strengthen underwriting, pricing innovation. InsurTechs operating on building these data platforms can **offer insurers an opportunity to collaborate and enhance their underwriting, claim settlement, and customer service processes.**

2 Better management of fraudulent claims

IRDA guidelines classify fraud under three heads: policyholder fraud, intermediary fraud, or internal fraud. Fraudulent claims are the most common health insurance frauds usually including fake / inflated bills, irrelevant diagnostic tests, and exotic instead of essential treatment etc. Typically, fraudulent claims are usually filed by customers in connivance with a provider (treating doctor or hospital).

Other than making process improvements at the time of policy issuance or claims process, insurers can deploy new-age technology or advanced analytics e.g. Artificial Intelligence (AI)-based algorithms to mark suspicious claims and even flag hospitals, agents, and policyholders indulging in fraudulent transactions. Registration of all doctors and providers on a common industry-wide platform along with the digitization of claims processing will help to reduce quackery and frauds. **Further, a coordinated effort by insurers to share information on health insurance frauds and de-empaneling/blacklisting such providers/intermediaries would go a long way in preventing frauds.** The regulator can also play a central role in laying down requisite guidelines and regulations to be adopted by each insurer. Further, the NHA can also contribute by taking appropriate action on fraudulent providers including suspension/revocation of license.

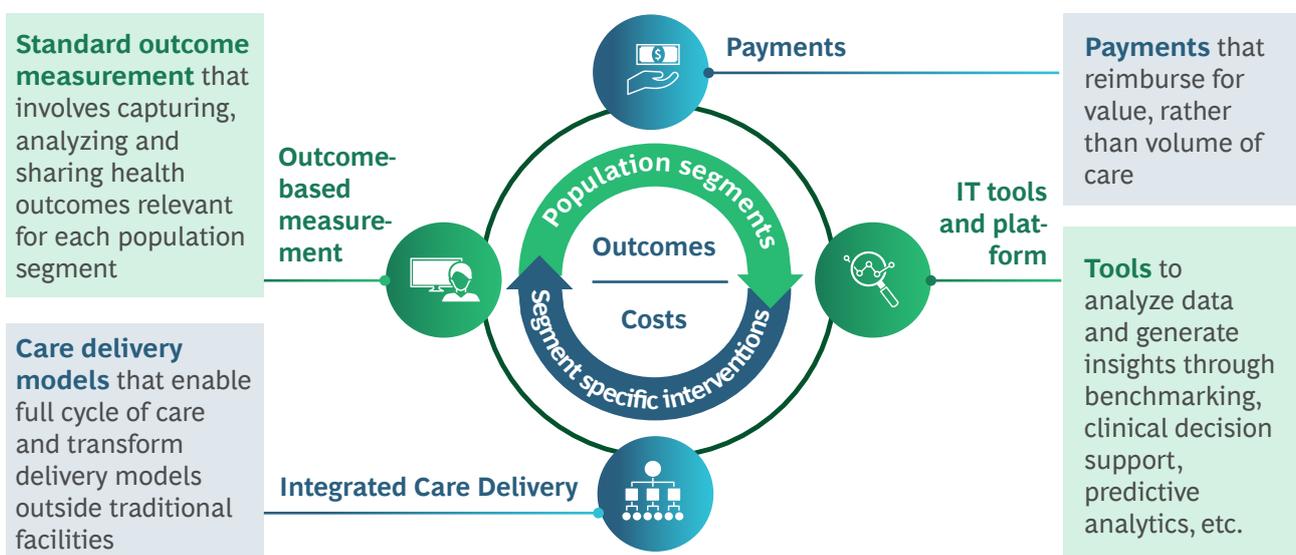
B. Promote quality care and low-risk behavior

1 Move to outcome-based reimbursement model

Traditional Fee-for-Service (FFS) model favors volume over quality. There is a need for insurers to shift from FFS models towards bundled payment for the entire care cycle and establish a linkage to outcomes. **The outcomes could be linked with reimbursement rates such that a provider with better outcomes (for example, lower readmission rates, longer protection from recurrence of disease, etc.), could be rewarded with higher reimbursement rates, thereby promoting better care.** The usage of accreditation system as discussed earlier can also be used to link treatment reimbursement rates to the accreditation level of the providers.

A combination of innovative technologies, patient-centric care delivery, and outcome-based reimbursement will drive transformation in healthcare systems. A value-based healthcare framework has four components, as shown in Exhibit 18.

Exhibit 18: Value-based healthcare would ensure better quality of care at reduced costs



Source: World Economic Forum

2 Incentivize health maintenance through reward programs

Patients can be rewarded for their low-risk behavior that can be established either through third-party services or devices such as fitness bands and telematics. **Even though insurers in India have started to offer wellness programs, the practice is limited to a few players.** Regulations and mandates can be established to expand this initiative to all general and health insurers.

Globally, many companies offer health reward programs that link incentives back to healthcare services or other services such as airline loyalty programs, as shown in Exhibit 19. However, regulations in India currently do not allow the redemption of points on non-health categories. Enhanced flexibility by IRDAI would go a long way in increasing the maturity of such offerings.

Exhibit 19: International examples for health rewards programs



Behavior-based reward program focused on incentives & partnerships

10 Mn+ members

Earn Vitality Health points by getting active, eating well, and doing health checks



Link of health reward challenges to successful airline loyalty program

11 Mn+ members

Wearable technology used to reward Frequent Flyer members with Qantas points for staying active



Health reward program as integrated part of digital/app offering

11 Mn+ members

Discounts, bonuses, and fitness tools to members including services like acupuncture

Source: BCG Analysis

C. Innovate with pricing models

1 Co-payments models

Co-payments allow insurance companies to share a fixed amount of medical expenses with the insured person, providing an opportunity to lower premiums. Insurers can apply co-payment conditions based on the type of risks. For instance, insurers could offer treatment of pre-existing diseases on a co-payment basis. Further, age-related co-payment could also be applied to make health insurance affordable to senior citizens.

2 Premium linked to health-profile of individuals

EHR under an open digital health ecosystem would allow insurers to link premiums to patient's health outcomes by providing consent-based access to patient health records. Insurers could also collaborate with insurtechs that provide health scores to individuals based on their health behavior and medical history.

As elaborated in Section 4, the existing insurance penetration in tier 3+ cities is a prime concern, driven by low insurer penetration and low share of the prominent agent channel in these areas. This signals the need to broaden distribution channels and harness both existing infrastructure as well as low-cost digital channels, as shown in Exhibit 20.

Exhibit 20: Non-traditional and digital channels to deepen health insurance penetration



Non-traditional channels to deepen health insurance penetration in smaller cities, towns



Push digital distribution in all location tiers



1. Leverage existing RUSU¹ infrastructure

Push sales via large network of life insurance agents, post offices, PoSPs² etc.



2. Utilize affinity platforms

Build partnerships with organizations serving closed groups e.g. BC³ networks



1. Build custom version for last mile connectivity

Build lightweight tech platforms compatible with mobile, with strong vernacular support



3. Setup virtual branch

Agents equipped with sales enhancing and completion tool, eliminating need to open a physical branch



4. Define rural obligations

Separate target of proportion of health insurance policies to be sold in rural areas across all insurers



2. Seamless digital journeys

Intuitive journeys with high STP focus

1. Rural and semi-urban

2. Point of sales persons

3. Banking correspondent

A. New channels to deepen penetration in smaller cities, towns

Insurers will need to build and expand their distribution presence across agents, existing rural infrastructure, affinity channels, etc., to deepen insurance penetration.

1 Harness existing RUSU (rural semi-urban) infrastructure

Over the years, IRDAI has relaxed certain requirements to encourage diversification in distribution channels. However, many of these channels have not made inroads into small towns and cities. A focused effort is required from insurers to increase the share of sales via non-traditional low-cost channels in order to tap into the large rural population.

a Life insurance agents: IRDAI data shows that only ~2 out of 10 life insurance agents sell health insurance policies. Considering that many life insurance agents are located in small cities and rural areas, insurance companies can tap into this pool of agents to amplify their reach. Further, life agents can also be cross-trained to sell indemnity-based health insurance policies in underserved areas

b Post office outlets: There are 1.5 lakh post offices outlets in India with 89% present in rural areas⁶. Health insurers should extensively leverage this network in line with IRDAI guidelines that permit each circle of Department of Post (DoP) to act as an insurance agent and allow postmen and Grameen Dak Sevaks appointed by DoP to sell insurance policies.

6. India Post

- c **Point of Sales Person (PoSP):** The PoSP channel has not gained as much traction as initially envisaged. Thus, a concerted effort is required to build this channel. Certain relaxations by IRDAI in the PoSP requirements can increase the channel engagement.
 - i. Corporate sponsored PoSPs could be allowed to source group health products
 - ii. Allow PoSPs to sell products of more insurers, and the current limit of INR 5 lacs on sum insured could be relaxed

2 Utilize affinity platforms

Insurers are sometimes treated with suspicion due to limited understanding of insurance and its products. By partnering with organizations that already work in these areas, insurers can leverage the trust and access developed by these delivery channels and benefit from the deep relationships that they have built. IRDAI can promote partnerships with affinity platforms to sell health insurance policies, as shown in Exhibit 21.

Exhibit 21: Partner with affinity platforms to increase distribution reach



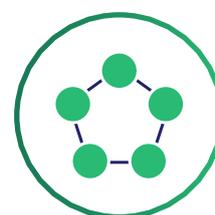
Banking Correspondent Network



Cooperative Societies



Micro-finance institutions/NBFCs



Corporate rural channels



Payment banks



Assisted ecommerce



Common Service Centers

Source: BCG Analysis

3 Establish virtual branches in underserved areas

Digitization has enabled insurers to bypass the step of opening a full-fledged branch and instead, reach out to the customers in these areas through a virtual branch. Agents in virtual branches can be equipped with a hand-held device that allows them to perform sales fulfilment and end-to-end customer engagement including policy issuance, pre-inspection, and settling minor claims.

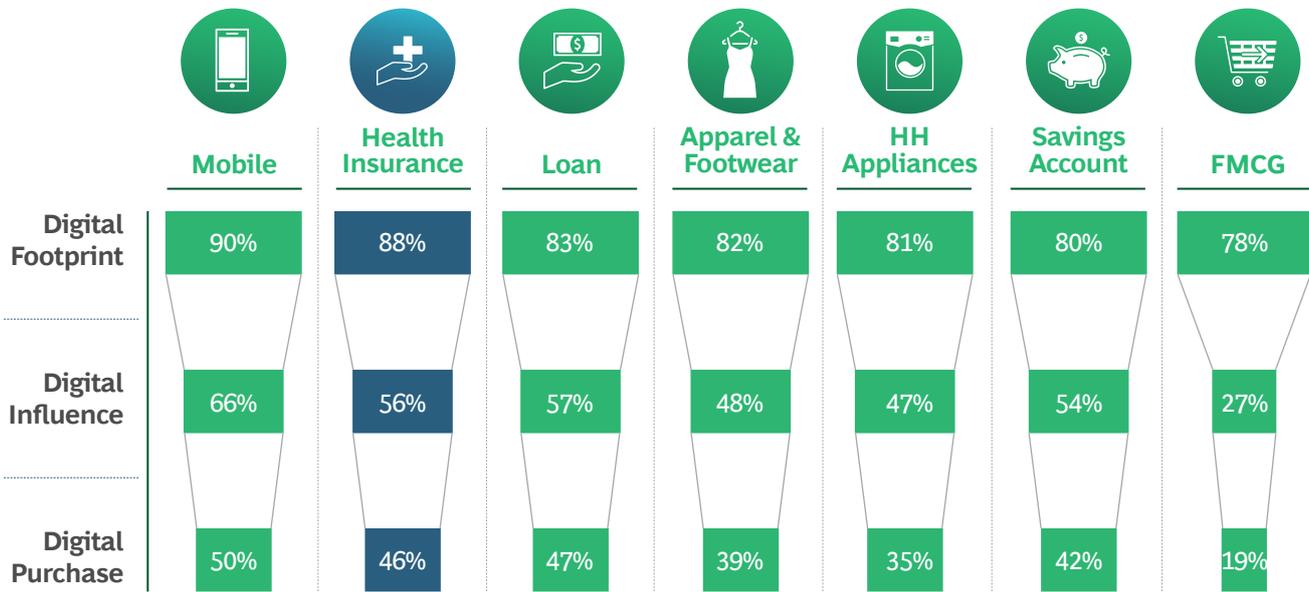
4 Define rural and social sector obligations

A separate health insurance target may be prescribed by the IRDAI within the larger rural and social sector targets. However, in order to better service this customer segment, insurers need to ensure reasonable commission earnings for their agents to target these customers. There should be an enabling provision by IRDAI that can allow insurers to share higher commissions with agents in rural areas, conditioned upon meeting a pre-defined set of requirements.

B. Push distribution through digital channels

As shown in Exhibit 22, consumers have a higher propensity to buy health insurance through digital channels when compared to other product categories.

Exhibit 22: Insurance is one of the top product categories that readily sells via digital platforms



Source: BCG CCI (Center for Customer insight) Buzz to Bucks survey 2020

1 Build custom digital platforms that are well-suited for last mile connectivity

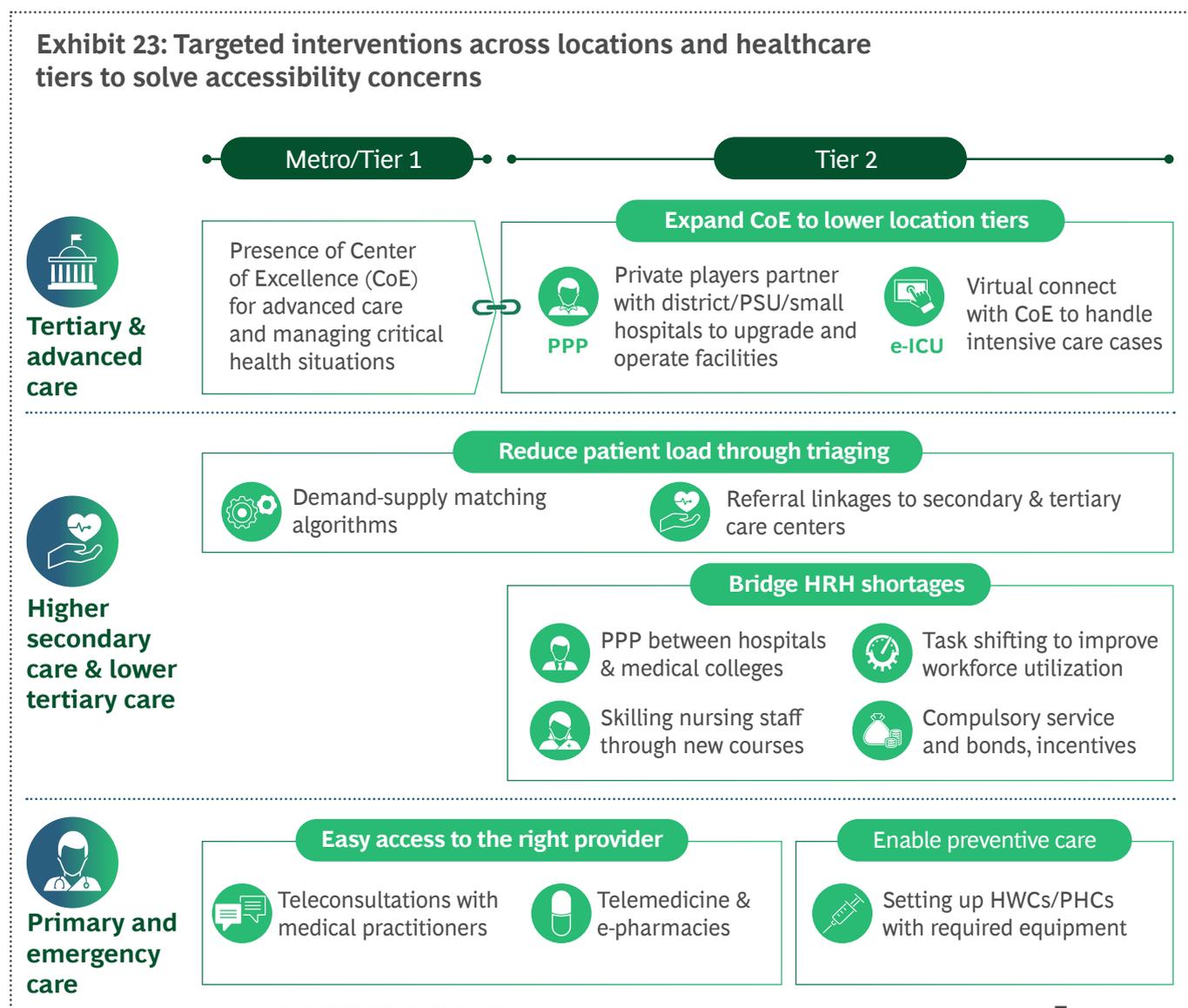
While building platforms for rural reach, insurers need to ensure a **lightweight tech platform** that is quick to load and works well in low internet bandwidth. Considering the high levels of mobile penetration in rural areas, **compatibility on mobile screens** should be ensured. An assisted model with **strong vernacular support** can be established to help consumers navigate through the online process of purchasing health insurance.

2 Create seamless digital journeys

Insurers need to build simple and intuitive journeys with focus on maximizing high STP proportions. Journeys without need for manual interventions (e.g. medical tests) can help in driving high conversions.

A. Strengthen healthcare infrastructure

A robust healthcare infrastructure is vital to reap the maximum benefits from health insurance coverage. As shown in Exhibit 23, tailored interventions in each location and healthcare tier are required to minimize healthcare inequity and ensure democratized access to quality healthcare outcomes.



1 Build adequate infrastructure in lower tiers

We propose a three-pronged approach to resolve healthcare resource challenges in lower city tiers.

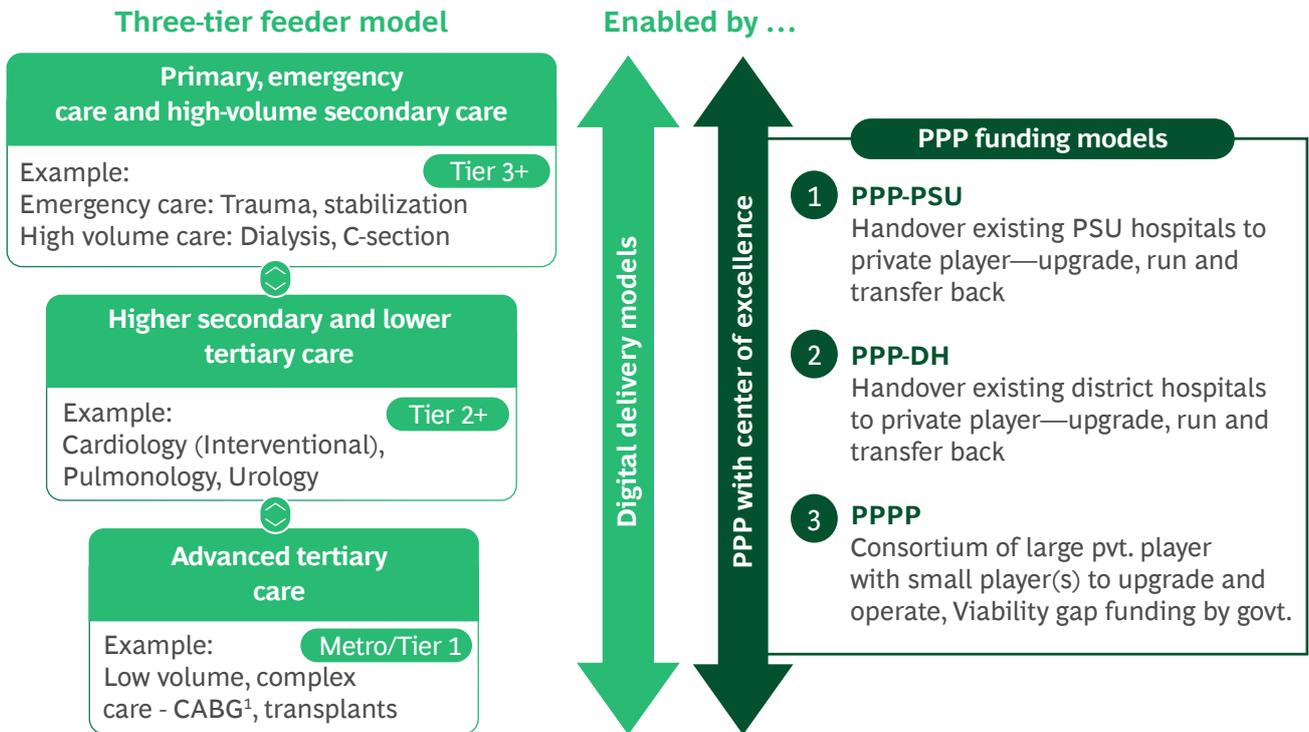
a Establish preventive care and early diagnostics with the required infrastructure

The government plans to establish 1.5 lakh health and wellness centers offering comprehensive healthcare by December 2022. In order to ensure that these centers can act as the first point of basic and emergency care, it is critical to equip them with the requisite infrastructure and diagnostics equipment as per National Essential Diagnostics List (NEDL), provide at-home diagnostic kits to facilitate mobile collection in nearby villages, etc.

b Establish advanced care infrastructure through Public Private Partnership (PPP) with CoEs in metro cities

India relies heavily on the top 7-8 cities for advanced care and managing critical health situations. A 3-tier feeder model needs to be established to enable access to comprehensive, high quality, and affordable care across all the city tiers. This could be achieved by partnering with either state/PSU hospitals or small private hospitals and linking them with CoEs in metro cities, as shown in Exhibit 24.

Exhibit 24: A three-tier model to ensure access to comprehensive, high-quality and affordable care to all



Source: BCG Analysis
 1. Coronary artery bypass graft surgery

c Bridge human resource shortages and maldistribution through a focus on skilling and retention

India faces critical shortage and inequitable distribution of skilled health workers. However, building the capacity in a conventional manner is financially prohibitive and time-consuming. We suggest three specific initiatives to address the skill deficit.

○ Skilling and upskilling through the introduction of appropriate courses

The government should introduce a foundational course to build primary healthcare cadre and equip them with diagnostics capabilities. Additionally, bridge courses to upskill the nursing staff and strengthen career trajectories can be designed.

○ Task shifting to efficiently utilize the available health workforce

Task shifting programs that involve redistribution of clinical tasks from higher-level cadres to capable cadres have proven effective in supplementing India’s healthcare system. The Government of Uttar Pradesh, in partnership with Bill & Melinda Gates foundation, has launched innovative initiatives like ‘Regional Resource Training Centers and buddy programs to upskill MBBS doctors in the area of ‘Reproductive, Maternal, Newborn Child plus Adolescent’ (RMNCH-A) care. All states can deploy similar programs to ensure the availability of skilled health resources in resource deficient areas.

○ **Rural retention strategies to address health workforce shortage**

The reluctance of health personnel to work in rural areas continues to be a challenge. Potential solutions include making rural service mandatory for medical graduates and linking admissions into post-graduation program with rural service. A successful post-graduate reservation scheme has been in existence in Andhra Pradesh for a long time.

2 Technological interventions to drive efficiency in healthcare infrastructure

Despite the abundant supply of healthcare services in metro/tier cities in India, people still face challenges in accessing the right provider at the right time. ~41% of the respondents cited difficulty in finding the right doctor at the right time as the key infrastructural challenge. An open digital health system and digital delivery models will be instrumental in resolving access related inefficiencies in our healthcare system.

a Reduce patient load through triaging

To ensure high efficiency of primary healthcare, referral and reverse-referral mechanisms can be instituted to position these centers as the first point-of-care. Digital health infrastructure under NDHM provides information on health providers through health registries. This will pave the way for innovative new products that focus on efficient demand supply matching based on the provider's capabilities and the patient's needs.

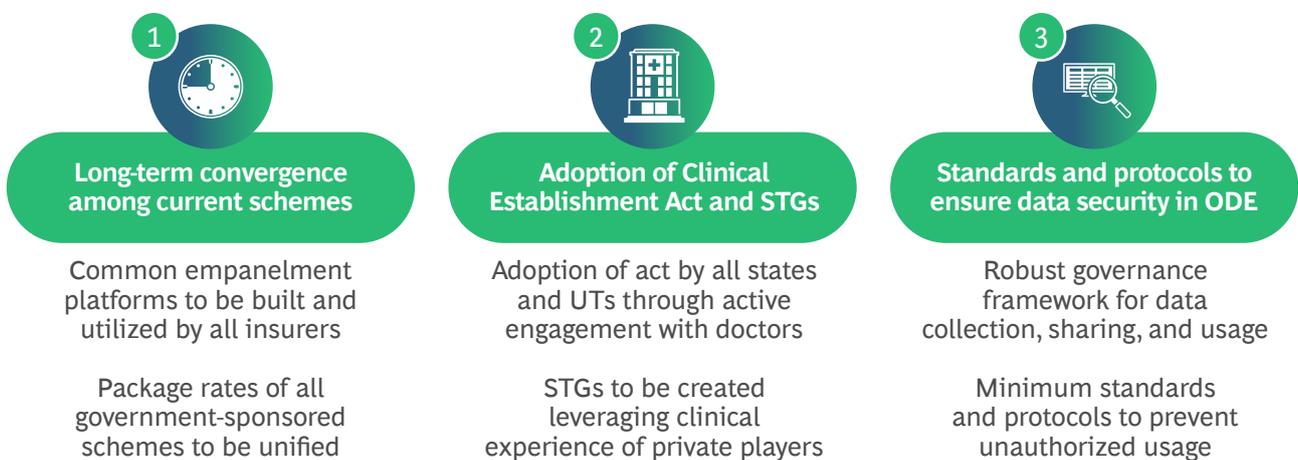
b Digital delivery models

IRDAI's announcement allowing insurers to reimburse for care provided via digital channels creates a strong foundation for scaling telemedicine services. Health tech startups are emerging to provide a full suite of services to patients across the treatment journey such as knowledge and preventive care, consultation platforms, e-pharmacies, and remote diagnostic. Public health agencies can collaborate with health tech startups and providers to holistically embrace digital channels and expand their reach to remote areas of the country. For instance, the government can partner with health tech startups to build Emergency Intensive Care Unit (eICU) systems that enable access to intensive care in underserved areas by creating a virtual connect with CoE.

B. Set governance and standards

Robust governance systems can have a multiplier effect on the health insurance initiatives in a country. There should be a strong focus on establishing standard protocols for a transparent and sustainable system. These efforts should be further augmented by the right governance and monitoring mechanisms to ensure adherence. We have identified three levers to drive governance and standards to improve the performance of the health insurance industry in India, as shown in Exhibit 25.

Exhibit 25: Three levers to drive governance and standards



Source: BCG Analysis

1 Long-term convergence between current schemes

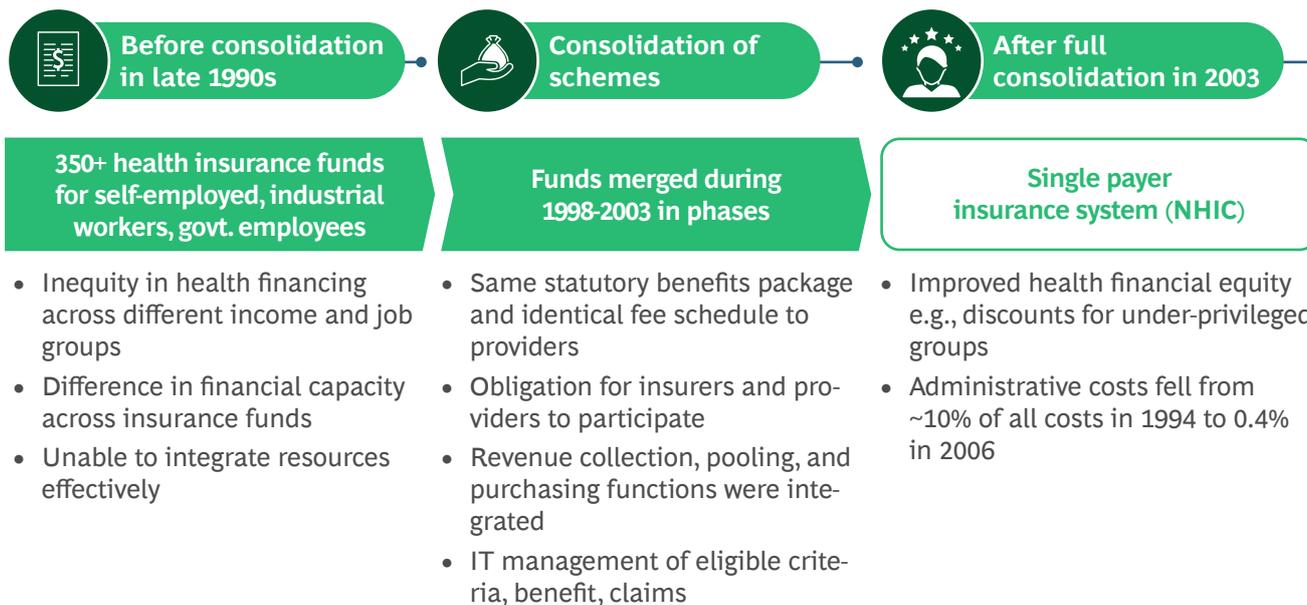
With different schemes providing different benefit covers and varied healthcare providers, there lacks a coordinated approach and loss of potential efficiency due to fragmented pools.

Previous flagship programs such as Rashtriya Swasthya Bima Yojana (RSBY), Senior Citizen Health Insurance Scheme (SCHIS), and state-funded schemes could be subsumed under PMJAY. As shown in Exhibit 26, South Korea followed a phased approach to integrate 350+ health insurance funds in a single payor system.

Exhibit 26: Consolidation of health insurance schemes in South Korea



National Health Insurance built by gradually integrating 350+ funds resulted in high process efficiencies in South Korea



Source: World Health Organization, World Bank, BCG Analysis

Similarly, a consolidation process in India should be conducted in 2 phases:

a. Common process for the empanelment of hospitals

Currently, each scheme in India has a different process for hospital empanelment. A common empanelment platform that can be utilized by all the insurance providers should be developed for maximum efficiencies.

b. Uniform package rates across schemes

Significant differences exist in package costs across insurance schemes. The government should set up a committee for the development of uniform nomenclature for specialties and packages. Comprehensive gradation and incentive mechanisms can be established after considering cost variations due to geography, quality of care, etc⁷.

2 Adoption of the Clinical Establishment Act and Standard Treatment Guidelines (STGs)

The Clinical Establishments Act 2010 was enacted to register and regulate all medical establishments. Under the Act, STGs have been created for 227 conditions in 21 clinical specialties. However, the standards have seen low adoption by hospitals in the absence of stringent compliance mechanisms. The dominant presence of small healthcare service providers makes the enforcement of STGs difficult.

To enable faster adoption, it is important to engage with the community of doctors proactively and meaningfully. The medical councils of different states could come together to participate in the creation of STGs and adopt these guidelines in phases. Private players can also contribute to the creation of such guidelines by leveraging their existing clinical experience.

3 **Standards and protocols to ensure data security in Open Digital Ecosystems (ODEs)**

The government will have to establish and enforce a robust governance framework for the adoption of Health ODEs. It should include rules related to openness, interoperability, data monetization and sharing, data privacy and security, etc. Minimum standards and protocols for Health Information Providers (HIPs) and Health Information Users (HIUs) to prevent unauthorized usage should be created and mandated under the framework. A formal governance body will have to be established to develop frameworks for data collection, sharing, and usage and draft a “code of ethics”. Further, a 24*7 surveillance mechanism should be established to ensure the security of all data in the ecosystem.

The implementation of large-scale interventions to drive the penetration of health insurance requires concerted efforts by all stakeholders in the ecosystem. In this section, we synthesize the key roles of various stakeholders and chart a call to action to take India closer to its vision of achieving universal health insurance.

● **Central and state governments** together need to play a critical role to –

- Drive enrolment in PMJAY through awareness campaigns, and improving the extent and quality of coverage by reviewing reimbursement rates and setting up accreditation system for providers
- Increase direct and indirect tax incentives to create pull for health insurance
- Engender efficiencies by consolidating different government sponsored schemes
- Enable digital transformation by driving the adoption of the NDHM platform and layout a strong governance framework to drive data security and sharing protocols
- Enhance infrastructure with initiatives to equip HWCs, develop programs to bridge HRH shortages, and promote PPP models to strengthen infrastructure in tier 2+ cities

● **IRDAI** needs to drive awareness and improve insurance offerings through multiple initiatives –

- Launch industry-wide campaign to drive awareness of health insurance
- Double-down on simplifying T&Cs of health insurance products, emphasizing simplification of insurance selling through agent trainings
- Continue to drive adoption of standardized 'at-scale low-cost' Arogya Sanjeevani product with regular fine-tuning of offering
- Drive comprehensive coverage by promoting new product innovations and creating declined risk pools for the high-risk population
- Push for adoption of the NDHM platform to drive cost efficiencies and transparency
- Driving value-based care through outcome-based pricing across insurers
- Deepen insurance penetration in tier 3+ cities by revisiting and creating enabling provisions for insurers and distribution agents like PoSPs, corporate agents, etc.

● **Insurers** should focus on improving the entire consumer journey from creating awareness to improving post-purchase experience and accelerate penetration –

- Participate in driving awareness through industry-wide campaigns
- Work with IRDAI to simplify T&Cs across health insurance policies
- Drive product innovation by expediting graduation of products launched through sandbox in regular business, and test further product concepts through sandbox
- Reduce operating costs by embracing digital tools and big data analytics across front-to-back processes

- Drive outcome-based pricing and wellness-based offerings to promote better health outcomes, and adoption of innovative pricing models to reduce premiums
- Deepen distribution network in tier 3+ cities by leveraging non-traditional channels (like PoSPs, affinity platforms, corporate agents) and digital channels, especially by adapting them to the rural context
- **Healthcare providers** should make efforts to improve the quality of care and enhance accessibility through innovative delivery models –
 - Support outcome-based pricing and move to a value-based care model
 - Leverage digital delivery models of telehealth including telemedicine and teleconsultation to improve reach and tap new demand pools
 - Strengthen infrastructure, especially in tier 2+ cities, by leveraging PPP and CoE models between higher tier/lower city tier hospitals, usage of eICU systems, and building strong referral-reverse referral linkages
- **Health tech startups** can play an integral role in solving infrastructure challenges and ensuring their efficient utilization –
 - Improve delivery models with solutions such as apps for driving accurate demand-supply matching, post-operative care solutions to track chronic disease conditions, etc.
 - Enable outcome-based care models by building open-source platforms capturing the health outcomes of providers to enable insurers to link reimbursement rates
 - Drive the adoption of digital health ecosystem by playing multiple roles such as health facility verifiers, health information providers, health locker providers, consent management providers, central claim platforms, etc.

This report aims to advance efforts and forge ahead with the bold vision of insuring the health of a billion Indians by 2025. As our survey findings highlight, a host of factors inhibit the industry from realizing its full potential. We have defined a set of clear next steps for all key healthcare ecosystem stakeholders to drive the vision coherently. We urge all stakeholders to weave these imperatives in their respective plans and work together to make this vision a reality.

Note to the Reader

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