2006 | ASIAN DECENT
2015 | WORK DECADE

International
Labour
Organization

SERIES:

SOCIAL SECURITY EXTENSION
INITIATIVES IN SOUTH ASIA

INDIA:
MUNICIPALITY OF INDORE HEALTH INSURANCE SCHEME
(MADHYA PRADESH)

"PROVIDING HEALTH PROTECTION TO SENIOR CITIZENS"

ILO Subregional Office for South Asia

Decent Work for All

Asian Decent Work Decade

The fourteenth Asian Regional meeting of the ILO recently organized in Busan, Republic of South Korea (August 29th – September 1st) endorsed an Asian Decent Work Decade (2006-2015), during which concentrated and sustained efforts will be developed in order to progressively realize decent work for all in all countries. During the proceedings, social protection was explicitly mentioned as a vital component of Decent Work by a number of speakers including the employers and workers representatives. The need to roll out social security to workers and their families in the informal economy, to migrant workers and to non regular workers in the formal economy was also perceived as a major national social policy objective. The need to enter into a more intensive dialogue with respect to the design and financing of national social security systems to equip them to cope with the new requirements and challenges of a global economy also emerged as a major outcome of the meeting.

The challenge of providing social security benefits to each and every citizen has already been taken up in India. In 2004, the United Progressive Alliance (UPA) Government pledged in its National Common Minimum Programme (NCMP) to ensure, through social security, health insurance and other schemes the welfare and well-being of all workers, and most particularly those operating in the informal economy who now account for 94 per cent of the workforce. In line with this commitment, several new initiatives were taken both at the Central and at the state level, focusing mainly on the promotion of new health insurance mechanisms, considered as the pressing need of the day. At the same time, and given the huge social protection gap and the pressing demand from all excluded groups, health micro-insurance schemes driven by a wide diversity of actors have proliferated across all India. While a wide diversity of insurance products has already been made available to the poor, health insurance is still found lagging behind in terms of overall coverage and scope of benefits, resulting in the fact that access to quality health care remains a distant dream for many.

Given this context, the ILO's strategy was to develop an active advocacy role aiming at facilitating the design and implementation of the most appropriate health protection extension strategies and programmes. Since any efficient advocacy role has to rely on practical evidence, the ILO first engaged a wide knowledge development process, aiming at identifying and documenting the most innovative approaches that could contribute to the progressive extension of health protection to all. One such innovative and promising approach is the first attempt of providing a health insurance cover to senior citizens developed by the Municipality of Indore, Madhya Pradesh.

BACKGROUND

The Municipality of Indore wished to provide health protection to its senior citizens, who constitute a very vulnerable group of the population, both financially and for psychological reasons. The Municipality approached several insurance companies to discuss the possibilities to design a tailor-made health insurance product allowing this group to avail, without any financial barrier, comprehensive hospitalization benefits up to an appropriate maximum level.

New India Assurance Company (NIAC) decided to take up that challenge and appointed a Thtor (TPA) to take the full responsibility of designing and managing this new insurance scheme. The main objective for the TPA was to design a very first model of health insurance that would allow the whole population belonging to this age group to access quality health care services in time of need. Since this target group was considered to be more likely to meet far higher health expenditure levels, this model had to avoid any wastage and to get the best value for money, keeping all related costs at an affordable level

This called for a closer partnership with all health providers associated with the scheme combined with effective monitoring mechanisms. Once fully developed, this model could be replicated with other Municipal Corporations within the state of Madhya Pradesh as well as in other states.

TARGET POPULATION

Indore, with a population of over 1.8 million is the largest city in the state of Madhya Pradesh. At the present rate of 4.5% per year, the population growth has already stretched the facilities in government run health institutions to the limits thereby leading policy makers to explore new partnership avenues to deliver health care services.

Realizing that rapid population growth would create a major bottleneck, the Indore Municipal Corporation (IMC) also focused its efforts to strengthen its revenue base. According to the Mayor of Indore City, "computerization, database creation and simplification of tax-related procedures have helped the IMC to increase its revenues by almost 150% in four years, from 1997-1998 to 2001-2002" (USAID Report).

ORGANIZATION

The scheme is presently organized in the following manner:

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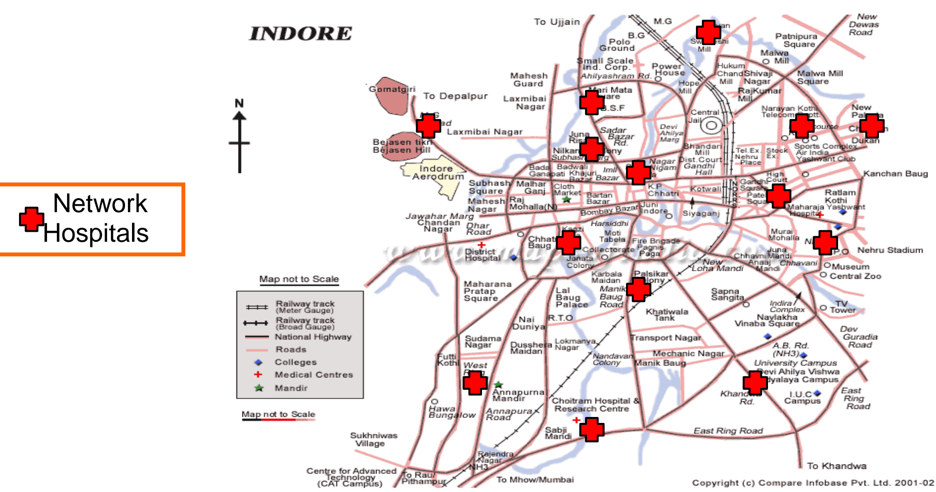
Municipal Corporation

New India Assurance Company

Network of Private Hospitals



THE INSURANCE PLAN

Eligibility

All senior citizens belonging to the age group of 60 to 80 years on the date of enrolment are eligible to be covered by the scheme. There is no waiting period i.e. every disease/illness is covered from day One.

Exclusions

The scheme offers a comprehensive health protection which extends to pre-existing illnesses, only barring OPD facility and HIV related illnesses.

Plan Benefits

The scheme covers all hospitalization expenses incurred by the insured, up to a total amount of Rs. 20,000 per year. Pre-hospitalization expenses for seven days are also covered provided that healthcare services are being provided by network hospitals. All hospitals provide cashless services to members. Prior clearance has to be provided by the TPA to avail the various services covered under the scheme.

Premium Rate

- Premium fully paid by IMC
- Premium has declined over the years: from Rs 625 in Year I to Rs 500 in Year II and Rs 475 in Year III

Plan Distribution

The plan promotion and distribution is organized through IMC offices with support of various civil society organisations;

Service Delivery

The scheme relies on the following mechanisms:

- Comprehensive hospitals/nursing homes mapping and analysis carried out by the TPA
- Detailed contracting agreement formats developed by the TPA
- Network of 14 private hospitals associated with the scheme
- Expert on geriatric care called for support and advise and doubling up on helpdesk and 24H helpline /7 days
- Managed health care and close monitoring mechanisms developed by the TPA
- Database including classification of diseases and full cost breakdown .

General Overview

Starting date	April 2003
Ownership profile	Local Government
Target group	Senior citizens (60 to 80 years old)
Outreach	Indore city
Intervention area	Urban
Risks covered	Single risk: Health
Premium Insured/Year	Rs 0
Co-contribution	Rs 475 (IMC)
Total premium	Rs 475
No of insured	49,419
Percentage of women	55%

Operational Mechanisms

Type of scheme	Partner-agent
Insurance company	Public Insurance Co.
Insurance year	April 1st – March 31st
Insured unit	Individual
Type of enrolment	Voluntary
One-time enrolment fee	None
Premium payment	Yearly – upfront
Easy payment mechanisms	Fully paid by IMC

Scope of Health Benefits

Tertiary health care	☺
Hospitalization	☺
Deliveries	No
Access to medicines	No
Primary health care	No

Level of Health Benefits

Hospitalization exp.	Up to Rs 20,000
Pre-hospitalization	Covered for 7 days

Service Delivery

Health prevent./educ. Programmes	No
Prior health check-up	No
Tie-up with H.P.	Yes
Type of health prov.	Private
Type of agreement	Formal agreement
No of associated HP	14
TPA intervention	Yes
Access to health care services	Pre-authorization required
Co-payment:	Rs 500
HC payment modality	Pure cashless

Administration

The insurance plan is administered by MD India Health Private Limited. MD India was one of the first Third Party Administrators to be licensed under IRDA (Insurance Regulatory and Development Authority) regulations and one of the largest operating country-wide with in-depth experience in the administration of health insurance schemes. Under contractual arrangements, MD India checks the eligibility of health facilities, manages the relations with associated hospitals and processes all claims.

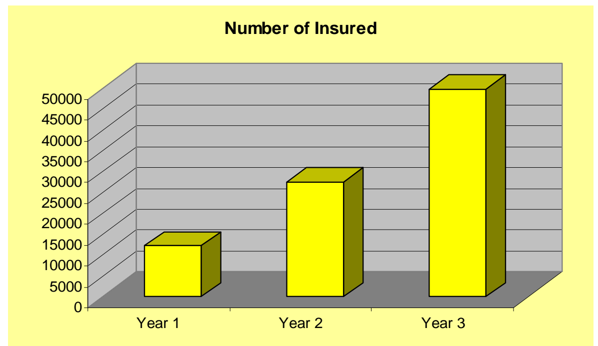
MAIN ACHIEVEMENTS

Coverage

The scheme was highly successful in spreading the word to entice a larger membership.

Over the last two years the number of insured increased by 125% and 79% respectively. In Year III, the scheme succeeded to reach its enrolment target which was set at 50,000

	Y 1	Y 2	Y 3
N°Insured	12,222	27,543	49,419

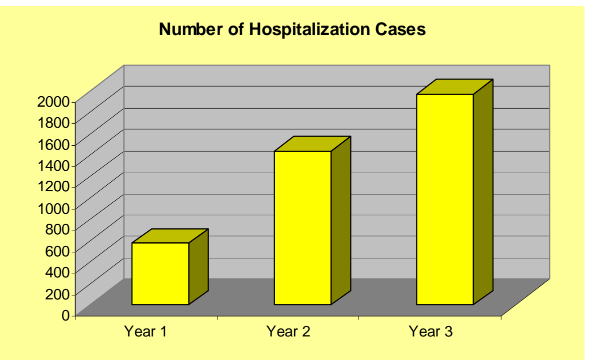


Services Provided

The scheme provided benefits to 3,990 people over a three-year period. The average benefit provided stands currently at Rs. 6,972 per treatment. This average amount is about 15 time higher than the premium value as set in Year III.

The total value of claims settled amounted to some Rs 28 million.

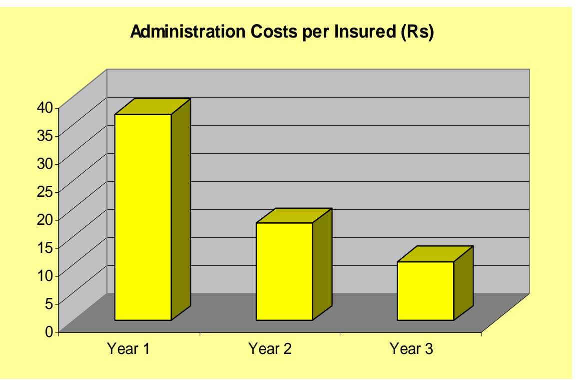
	Y 1	Y 2	Y 3
N°Surg. Int.	576	1,440	1,974



Administration Costs

Administrative costs have been kept at a low level over the three-year period. Administrative costs per insured kept on declining over the three-year period to come to some Rs. 27 per insured in Year III.

	Y 1	Y 2	Y 3
		X 1000	
Total Admin. Costs	476	814	1,345
N" of Insured	12,222	27,543	49,419
Adm. Cost/Insured	39	29	27



Comparative Advantages

On February 27, 2007, the Minister of Finance referred to a new exclusive health insurance scheme for senior citizens offered by the National Insurance Company. Having urged the other public insurance companies to follow suit, he mentioned that they had already agreed, planning to launch their initiatives the same year. The following compares the main features of the two schemes already made available to senior citizens:

	Varishta Mediclaim for Senior Citizens	Health Insurance Scheme for Senior Citizens
Insurance Company	National Insurance Co. (Public)	United India Insurance Co. (Public)
Partner Organization	Government of India	Municipal Corporation of Indore (IMC)
Partnership experience	0	4 years
Target group	Belonging to the age group 60-80 years	Belonging to the age group 60-80 years
Risks Covered	Hospitalization expenses Domiciliary hospitalization exp.	Hospitalization Expenses
Scope of intervention	National	Municipality of Indore
Number of Insured	?	49,000
Premium	Hospitalization expenses: 60-65 years: Rs 4,180 66-70 years: Rs 5,196 71-75 years: Rs 5,568 76-80 years: Rs 6,890 Critical illness: 60-65 years: Rs 2,007 66-70 years: Rs 2,130 71-75 years: Rs 2,200 76-80 years: Rs 2,288	Rs 475 (Has decreased over time: was Rs Rs 600 in Year I and Rs 500 in Year II)
Service tax	To be paid separately by GoI	Included in above
Administration costs	All costs included in above	All costs included in the above
Premium for new entrants	10 % added to above premium	Same as above (Gwalior)
Premium distribution	Rs 800 paid by GoI Rs 200 paid by worker	Rs 475 fully paid by IMC
Health benefits description	Hospitalization expenses: Up to Rs 15,000 on a family floater basis, within following limits: - Pre-exist & new dis: Rs 15,000 - Dental treatment: Rs 250 - Eye treatment: Rs 75 - Spectacles: Rs 250 - Domiciliary hospital.: Rs 4,000 - Ayyurvedic/Homeop.: Rs 4,000 - Pre and post hospit: Rs 15,000 - Baby coverage: Rs 500 - OPD: Rs 7,500 - Limit per illness: Rs 7,500	Hospitalization expenses: Up to Rs 20,000
Co-payment	10 %	Flat amount: Rs 500
Health service payment	Cashless or reimbursement	Pure cashless
Reimburement modality	Within 7 days	Within 7 days
Other remarks:		Already replicated with the Municipality of Gwalior

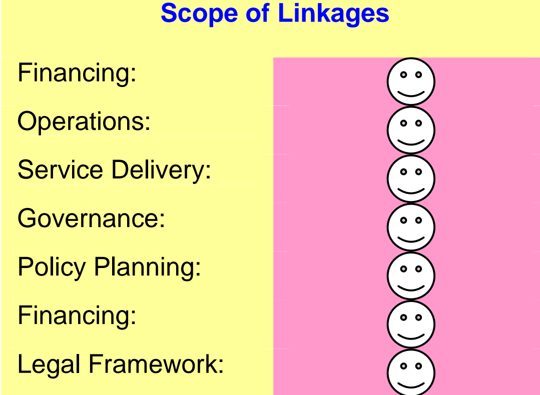
CHALLENGES

The insurance plan has still to address the following key challenges:

- Increase plan benefits;
- Improve accreditation and package rate standardization;
- Design a separate mechanism allowing senior citizens to avoid losing all health benefits once reaching 80
- Develop a full model that can be easily replicated in similar urban settings in other States.

THE LINKAGE EXPERIENCE

Developing efficient partnership arrangements is already seen as a key element for the successful implementation of any health insurance scheme targeting the disadvantaged groups. Evidence also suggests that building efficient linkages between community-based initiatives and government programmes in order to exploit their respective strengths is another major requirement. This necessary synergy may be developed at various levels.



The Municipality of Indore deserves all the credit for having been the very first to organize a health insurance scheme to cater for the needs of the senior citizens considered to be a vulnerable community more likely to meet far higher health expenditure levels than others.

The exemplar partnership developed with a Third Party Administrator and a public sector insurance company allowed for the scheme to evolve over time into a replicable model, reflecting all the improvements brought about through effective contractual arrangements with a network of private health providers.

1. Financing

From the outset, the Municipality of Indore committed itself to support the scheme, being wise enough to allocate its financial support where it ought to go: as a payment of the premium to be paid. The Municipality decided to pay for the full premium, making the coverage cost-free for each policyholder. Over the last three-year period, this contribution amounted to a total of about Rs 45 million.

The co-payment of Rs. 500 to be paid by the member each time he/she gets admitted in a network hospital is paid into a corpus maintained by the corporation, which in turn is used by the Municipality towards the next year premium.

2. Operations

The Municipality Corporation organizes through its agents the promotion campaign aiming to enroll the senior citizens into the scheme. MD India is also contributing to these campaigns through direct contacts with the various associations/NGOs working within the communities. The potential members are provided with enrolment forms by the IMC. The enrolment forms along with a list of total members to be enrolled are forwarded to MD India by Indore Municipal Corporation. After the members are duly enrolled, the MD India Identity Card along with a Guidebook and hospital list is given to Indore Municipal Corporation who in turn forwards this to the respective members.

The Third Party Administrator has put in place a state-of-the-art Management Information System through which all invoices and justification papers sent at the end of each month by health providers is processed. MD India uses an advance deposit made by the Insurance Company to check, register and

settle the claims in a matter of days. On a regular basis, detailed statistics on members enrolled, claims submitted and cleared are provided to the Corporation.

3. Service Delivery

Although the scheme has no tie-up with public health providers yet, it could organize and maintain over the years a city-wide network of private health providers already regrouping 14 health facilities. It also succeeded ensuring the adoption of standardized reduced tariffs on all interventions and the application of stringent procedures for the registration, treatment and discharge of patients covered under the scheme.

4. Governance

Being both owner and financer of the scheme, the Municipality of Indore is directly responsible for any decision pertaining to the functioning of the scheme. Through the direct implication of its staff when distributing the insurance plan, the scheme is known as a local Government initiative, which generates more credibility and trust among the poor senior citizens community.

5. Policy Planning

The scheme has already generated a wide interest among other Municipalities as well as at the Central Government level. In 2006, the Municipality of Gwalior requested the assistance of MD India to initiate a similar scheme. In his Speech to the Nation on the 2007-08 Budget, on February 28th, the Minister of Finance also announced that he had asked all public sector insurance companies to offer health insurance products to senior citizens.

6. Legal Framework

The scheme falls under the partner-agent model as described by the Micro-insurance Regulations issued in November 2005 by the Insurance Regulatory and Development Authority (IRDA) of India. It is therefore under regulation of the IRDA and would be considered as fulfilling New India Insurance Company's obligations to the social sector.

CONCLUSION

The scheme developed by the Municipality of Indore bears witness to the effectiveness of public-private partnership in health, where each actor may play its part to the full extent without any interference. Although having to rely at first on a lot of guesswork, the scheme succeeded in evolving into a real model providing cost-effective health care services. When designing a new health initiative, the IMC scheme also offers a fine example of the ultimate goal to keep in mind throughout the whole exercise: ensuring access to quality services through managed health care and constant interaction with a network of health providers.

To learn more, contact:

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