

## Strengthening Micro Health Insurance Units for the Poor in India

### Focus, Content and Deliverables of the project

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## Health insurance is necessary; but who will develop it for the poor?

- OECD countries have embraced a 'risk-management society', in which people pay for *prevention* and *mitigation* before they can claim *compensation*.
- The net results have been more *economic efficiency*, more *social equity* and more *longevity + Quality of life*
- Without risk management, *illness* → *direct & indirect costs* → *poverty* → *ill health...*
- Insurance is offered spontaneously to the rich ( high ATP, low risk); but insurance is indispensable mostly for the poor.
- Where governments & private sector do not offer insurance, micro health insurance has sprung at grassroots level.

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## Why strengthen MIUs?

- Just as micro-finance disproved the claim that the poor are “unbankable”, MIUs set out to **disprove that the poor are “uninsurable”**
- The number of MIUs is small, but growing; they cover **an estimated 10 Million in India**, and cumulatively 40 million individuals worldwide
- Field evidence shows that **MIUs have the potential to rectify underutilization of services**, and score very well on the **equity impact** among the insured cohort
- However, **national frameworks rarely consider the role of MIUs** or their specific financial and regulatory needs, and therefore the relations with overall government policy are blurred
- Most critically, when operating in isolation, MIUs are exposed to certain vulnerabilities. **It is cheaper and better to remedy the problems** by creating the support system than letting MIUs fail and disappear.

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## How can we strengthen MIUs?

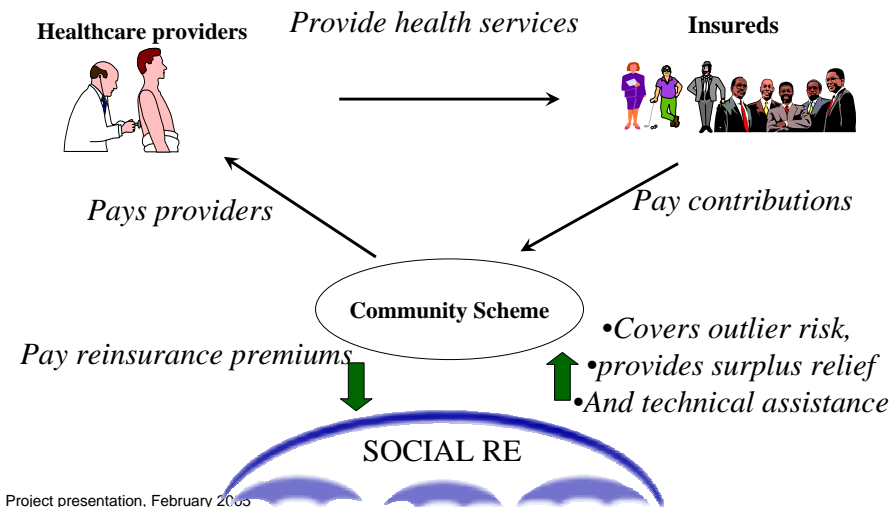
- Strengthen their **capacity to supply insurance products**: product design, pricing, low transaction costs, improved admin, regulatory requirements etc.
- Strengthen their **capacity to create demand for insurance** among the poor: build trust, explain insurance principles, design packages that respond to context-specific needs, and local ability to pay.
- Strengthen the schemes' **long term sustainability**: apply to the Indian context the conceptual *Social Re* framework, that MIUs can best meet the health insurance needs of the poor by breaking away from isolated operation and join a network of units pooling risks, resources and technical capacity.

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## MIUs need reinsurance




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## Expected spin-off effects of SR

- **Pooling of resources** → Increased demand for health service = better purchasing, contracting = lower unit price
- **Diversification of risks** → lower variance = lower requirement for capital loading per case
- **More health spending** → more supply of healthcare
- Lower variance & unit cost + contracting → **cheaper health insurance premiums** = affordable health care

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## The focus of this ECCP Project

- **Educational activities:** Post-grad students from three universities (in Rotterdam, Cologne and India) will engage jointly in field work and analysis of findings. This cross cultural exchange will enrich the results
- **Research activities:** We shall collect new field-based evidence, analyze the findings, and publish the results of our work, thus adding to the knowledge base on MIUs in India
- **Communication and advocacy activities:** Based on the new knowledge, we shall formulate policy recommendations, and communicate them directly and publicly (workshops etc).
- **Interventions in support of MIUs:** Findings and analysis will be used to design and test measures to increase effectiveness of and demand for participating MIUs.

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## Our research agenda (partial list)

- **The effect of insurance on utilization of health care.**
- **The effect of insurance on direct and indirect costs of medical care**
- **Product design and product development**
- **Perceptions of effects of insurance on redistributive justice**
- **Need for stabilization through Social-Reinsurance**
- **Trust and confidence in institutions potentially offering insurance**
- **Awareness and understanding of insurance principles among the poor**
- **Willingness and ability to pay for health insurance**
- **Transaction costs in a scheme**
- **Etc.**

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## Our research methods

- A household survey of insured and uninsured households (in six locations)
- Applying the bidding game in order to assess ability and willingness to pay
- Key Informant Interviews (KII) at the level of MIUs, providers of care, private insurers, government agencies, others
- Focus Group Discussions (FGD) with MIUs, other stakeholders
- Indian and international literature survey

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## Our planned interventions

- Experiment the use of a **Data Template** that will enable MIUs to record, transmit and analyze all the information they need as insurers
- Experiment modification of attitudes and choices toward buying insurance compared to paying for services, through an educational game we constructed, called “**Wealth and Health**”
- Use data derived from research phase to **design an affordable benefit package** which reflects local priorities and respects sound actuarial principles.
- Calculate / simulate the **cost-benefit of reinsuring outlier risks of MIUs**, compared to other methods to guarantee their solvency (e.g. contingency reserves)

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## The partners in this ECCP Project

This 2-year project is jointly implemented by



University of Cologne / Department for Co-operative Studies



Erasmus University Rotterdam / Inst. For Health Policy & Management



Federation of Indian Chambers of Commerce and Industry (FICCI)



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Implementation period 2 Years (Dec. 2004-Dec. 2006)

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*Thank you!*

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