



# Health Insurance for India's Missing Middle

## Why in News

Recently, [NITI Aayog](#) has released a comprehensive report titled **Health Insurance for India's Missing Middle**.

- The report brings out the **gaps in the health insurance coverage** across the Indian population and **offers solutions** to address the situation.

## Key Points

- Importance of Health Insurance:**

- Health insurance is a mechanism of pooling the high level of **Out of Pocket expenditure (OOPE)** in India to provide greater financial protection against health shocks.
- Pre-payment through health insurance emerges as an **important tool for risk-pooling and safeguarding** against catastrophic (and often impoverishing) expenditure from health shocks.
- Moreover, pre-paid pooled funds can also improve the **efficiency of healthcare provision**.

- Health Insurance: Need And Landscape**

- Achieving Universal Health Coverage:** Expansion of health insurance coverage is a vital step, and a pathway in India's effort to achieve [Universal Health Coverage \(UHC\)](#).
  - Low Government expenditure on health has constrained the capacity and quality of healthcare services in the public sector.
  - It diverts the majority of individuals – about two-thirds – to seek treatment in the costlier private sector.
- High Out-of-Pocket Expenditure:** India's health sector is characterized by low Government expenditure on health, high **out-of-pocket expenditure (OOPE)**, and low financial protection for adverse health events.
  - The private sector is characterized by high OOPE, leading to low financial protection
- Missing Middle:** According to the report, **at least 30% of the population**, or 40 crore individuals (referred as the missing middle in this report) are devoid of any financial protection for health.
  - The [Ayushman Bharat - Pradhan Mantri Jan Arogya Yojana \(AB-PMJAY\)](#) and various State Government extension schemes, provide comprehensive hospitalization cover to the **bottom 50% of the population**.
  - Around the top **20% of the population** – 25 crore individuals – are covered through social health insurance, and private voluntary health insurance. [II](#)



- **Existing Health Insurance, But not Suitable For The Missing Middle:**

- In the absence of a low-cost health insurance product, the missing middle remains uncovered despite the ability to pay nominal premiums.
- Affordable contributory products such as **Employees' State Insurance Corporation (ESIC)**, and Government subsidized insurance including AB-PMJAY are closed products.
- They are not available to the general population due to the risk of adverse selection.

- **Recommended Insurance Models:** The report has recommended **three models** for increasing the health insurance coverage in the country:

- **Creation of a Large and Diversified Risk Pool:** The success of a private voluntary contributory health insurance product requires creation of a large and diversified risk pool.
  - For this to happen the Government should build consumer awareness of health insurance through **Information Education Communication campaigns**.
- **Developing a Modified, Standardized Health Insurance Product:** The cost of health insurance i.e., the premium needs to come down, in line with the affordability of the missing middle.
  - **For example**, Aarogya Sanjeevani can be made affordable.
  - Aarogya Sanjeevani is a standardised health insurance product launched by the **Insurance Regulatory Development Authority of India (IRDAI)** in April 2020.
- **Government Subsidized Health Insurance:** This model can be **utilized for segments of the missing middle** which remain uncovered, due to limited ability to pay for the voluntary contributory models outlined above.
  - In the medium-term, once the supply-side and utilization of PMJAY is strengthened, their infrastructure can be leveraged to allow voluntary contributions to the missing middle.
  - Government can provide public data and infrastructure as a public good to reduce operational and distribution costs of insurers.

## Way Forward

- **Integrated Approach:** A combination of the three models, phased in at different times, can ensure coverage for the missing middle population.
- **Outreach Strategy:** Government databases such as **National Food Security Act (NFSA)**, **Pradhan Mantri Suraksha Bima Yojana**, or the **Pradhan Mantri Kisan Samman Nidhi (PM-KISAN)** for agricultural households can be shared with private insurers after taking consent from these households.
  - This will **increase the outreach of insurance products** with the needy section of the population.

**Source: IE**