

Health-Insurance and Third Party Administrators in India: Awareness and Perception of Policy-Holders

Prabhjot K. Dilawari¹, Shyamal Koley²

¹Assistant Professor, Department of Sports Medicine and Physiotherapy, Guru Nanak Dev University, Amritsar, India

²Dean, Head and Professor, Department of Sports Medicine and Physiotherapy, Guru Nanak Dev University, Amritsar, India

Abstract: *Health-insurance is indispensable these days due to scourging infectious and non-infectious diseases, increased uncertainty of life, proliferating health-care technologies and associated costs. Therefore health-insurance is an important mechanism in pooling risks and finances catering health-care needs of population. Third Party Administrators (TPAs), novel concept, introduced by Insurance Regulatory and Development Authority in 2001, as an interface between patients, hospitals and insurance-company, infused a new management-system of streamlining costs and quality health-care service issues. Designed with a prologue to ensure rights of both insurer and insured, it establishes a code of conduct for both. However, till-today, effective institutionalization of TPA services is a concern. There is a chunk-of-people unaware of the difference between TPAs and health-insurance agents. Towards this, a survey-study was carried out to ascertain awareness and perceptions of health-insurance policy-holders towards effectiveness of their services. The study concluded that TPAs were still at a nascent stage of development, with substantial delay in issuance of identity cards and unsatisfactory tele-service. Though the system claimed to be cashless, still certain amount was charged from patients at the time of hospitalization. Also negligence of patients towards booklet containing terms-and-conditions, list of included and excluded diseases and empanelled-hospitals were seen.*

Keywords: health-insurance, third party administrators, awareness, perception, policy holders

1. Introduction

Need of health insurance is on a rise these days owing to intimidating reasons like souring numbers of communicable and non communicable diseases, changing disease patterns, low public spending on health care, high out of pocket expenses, poor public health institutes infrastructure, shortage of drugs and equipment supply in public healthcare setup, advent of corporate hospitals, costly line of treatment in private hospitals due to highly paid qualified doctors and other challenges of health goals.

The proliferation of various healthcare technologies and increase in cost of care has necessitated the exploration of health financing options to manage problems arising out of healthcare costs. Health insurance is emerging fast as an important mechanism to finance the healthcare needs of people¹.

Insurance system works on the basic principle of preventing population from getting indebted in times of illness or accident by pooling of risks of unexpected costs of ill persons needing medical treatment or hospitalization by charging some basic amount (premium) from a wider group of population of the same community undergoing through same types of environment and risk.

The ILO defines health insurance as “the reduction or elimination of the uncertain risk of loss for the individual or household by combining a larger number of similarly exposed individuals or households who are included in a common fund that makes good the loss caused to any one member”².

Third party administrators were introduced through the notification on TPA Health Services Regulation 2001 by IRDA. Their basic role is to function as an intermediary

between insured and insurer (policy holder) and facilitate the cashless service of the insurance.

The Insurance Regulatory and Development Authority of India (IRDA) defines TPA as a Third Party Administrator who, for the time being, is licensed by the Authority, and is engaged, for a fee or remuneration, in the agreement with an insurance company, for the provision of health services³.

An insurance company hires TPA to manage its claims processing, provider network and utilization review. While some TPA operates as units of insurance companies, most are often independent. Hiring a TPA for the same is a more cost effective method.

For this service they are paid a fixed percentage of insurance premiums which has been fixed at 5.5% of the premium amount. This study is a method of assessing the level of awareness and perception of policy holders towards health insurance and third party administrators and the problems they face in availing the cashless health services.

2. Review of Literature

Current health expenditure in India is estimated to be around Rs 1,030 billion. India spends 6 per cent of its GDP on health. The share of government is less than 2 percent. The World Health Organization has recommended that governments must spend at least 5 per cent of GDP on the health sector. Government allocations in the health sector have declined from 1.3 per cent of GDP in 1990 to 0.9 per cent in 1999 according to National Health Policy, 2001⁴.

2.1 Penetration of Health Insurance in India

Increasing the penetration of health insurance is probably the single largest challenge before the health insurers today. The

Indian insurance industry and the general insurance segment in particular cover around 20 million persons under health insurance. There can be no doubt that health insurance is a „need“, that requires to be addressed.

The demand for health insurance covers has seen a healthy increase and today the sector is the fastest growing segment in the non-life insurance industry in India. This is where there is a role to develop more products, to address needs of more specific target groups and at the same time, to build awareness regarding health insurance and its potential to protect from such unforeseen health expenditure⁵.

The introduction of TPAs was made by Insurance Regulatory and Development Authority (IRDA) in order to infuse a new management system and to regulate the healthcare services and costs⁶. Presently there are around 31 licensed TPAs in India³.

With the introduction of TPA, insurers outsource their administrative activities to TPAs. Their activities include issuing identity cards to policy holders, 24 hour help line for customer services, informing the customers regarding empanelled hospitals, arranging for specialized consultations and claim processing during admission of the policy holders⁷.

The insurance sector still faces challenge of effectively institutionalizing the services of the TPA for the facilitation of the utilization of insurance schemes³.

The prologue of TPAs was made on the expectation to ensure better services to insurers as well as to insured. While introducing TPAs certain conditions, code of conduct/role defined by the IRDA. Parameters of parity and deviation exist between role defined and role played. Parity exist in case of: providers of services as and when need; streamline and simplifies the claim process; automatic development of information system; ensured services of qualified registered medical professional; value added services; and no extra burden on insured. Alternatively, deviations exist in case of: lack of knowledge about coverage and exclusion in policies; failure to meet the expectations of parties involved; delay in settlement of claims; failure to meet the service responsibility, indirect cost to customer hence increase in cost of healthcare and management⁶.

2.2 Level of Awareness of Policy Holders towards Third Party Administrators

In the initial phase of institutionalization of services of TPA, a significantly lower level of awareness and hence poor perception was seen amongst them^{1,8}.

In many situations, policyholders are not aware of various conditions and exclusion clauses in insurance policies. As a result, disputes between policyholders and insurance companies have increased and both parties resort to litigation⁴.

2.3 Negative Perceptions and Barriers in Subscription of Health Insurance

The reasons for low popularity of health insurance is due to high premium price with no difference in payment for rural

and urban population, inadequate marketing techniques, low awareness and knowledge about benefits to be expected, high claim rejection rate, etc. Entry of private players in insurance business has lead to massive advertising campaigns highlighting the need of insurance and product suitability thereby increasing demand and improving policy holder's perceptions⁵. Delayed claim intimation and processing by the staff, delayed approvals and short approvals from TPAs, delayed billing and discharge processes were enlisted by Nagansure⁹ supporting the previous findings.

On the contrary, a few studies revealed a higher level of awareness and positive perception of policy holders. Policyholders, with a few exceptions, were very satisfied with the quality of the services provided to them with regard to cashless and claims processing by the hospital. Response of hospital in information transferring was quite good along with preauthorization and claim processing's provided by the TPAs but still overall role of existing TPAs is not satisfactory and level of satisfaction of health insurance policyholders was lower than expected⁹. Also in a study by Reshmi et al¹⁰, satisfactory level of awareness was deduced where media played a key role in dissemination of the information.

2.4 Determinants of Awareness and Perceptions

Determinants of low awareness include religion, type of family, education, occupation and annual income^{8, 11}. Still type of family seems to play a less significant role in determining the awareness and perception about health insurance⁸.

Respondents who were married, male, academic staff, highly educated and age above 50 years were more likely to be aware while middle aged (36-50 years), widowed and divorced/ separated respondents were less likely to be aware. This stems from the fact that members of this group are at the prime of active life, and they are more curious and ambitious, in addition they have more access to information¹².

The higher education and higher income had positive relation to the awareness of health insurance. High degree of education was found to proportionately support awareness¹¹.

According to Alinvi et al.¹³ also, customers form their preferences of insurance services based on their age, income and life situation. The price and trust based relationship between the insurers and insured is a decisive factor in the choice of health insurance. Also customers desire flexibility in the services offered by insurance companies.

Sureka¹⁴ suggested that TPA services should not be imposed on the policy holders and that a policyholder should have the right to accept or refuse the services of the same.

Households which have higher health expenditure and income have higher probability of renewing health insurance policy¹⁵.

Policy holders use the internet extensively and demand provision of clear and complete information about

insurances in an easily accessible way on company websites which is a cost-effective means to keep the customers informed. Alinvi et al.¹³ and Reshmi et al.¹⁰ reported that use of internet and media plays a significant role in providing clear and complete information regarding all aspects of insurance thereby improving the level of perceptions of policy holders.

Bhat et al.⁴ stated that TPAs can play an important role in educating consumers and creating awareness. TPAs are the interface between the insurer and the insured and they are in a position to educate the insurer on health insurance.

3. Methodology

The study is an observational one that focuses to check the level of awareness among randomly selected 100 health insurance policy holders and their perception about the services provided by the TPA in claim settling and role of TPAs in facilitation of the utilization of cashless health insurance services by the hospital when they visit the Fortis Escorts Hospital Amritsar for treatment.

3.1 Inclusion Criteria

- 1) Patients visiting Fortis hospital Amritsar.
- 2) Health insurance policy holders empanelled with Fortis Escorts Hospital, Amritsar
- 3) Age more than 18 years

3.2 Exclusion Criteria

- 1) Policy holders age less than 18 years
- 2) Policy holders suffering from neurological disorders or mental retardation are totally excluded from the survey.

3.3 Procedure

Those subjects were chosen who were either in a condition to fill questionnaire themselves or who had their attendants with them. They were asked to read the questionnaire thoroughly and clearly before marking the options and they were asked to clarify if they had doubt in any question. Questionnaire filling procedure and objective of the study were explained to each subject and their informed consent was taken on questionnaires provided to them individually.

4. Results and Discussions

In this paper, we tried to assess the level of awareness and perception of health insurance policy holders visiting Fortis Escorts Super specialty hospital, Amritsar for their treatment in various clinical specialties. Out of the sample chosen, 73.00% were males and rest were females incidentally, majority falling in age group 45-60 years and above (39% each). Occupation and education pattern of the samples are depicted in Tables 1 and 2. Significant relation between the awareness and perception of policy holders with regard to age, education and occupation was deduced hence are analyzed and discussed separately.

The respondents studied above majorly were enrolled in public insurance companies (63%), owing to their perception

that there might be lesser hidden clauses as compared to the private companies (37%). Also the type of insurance varied from individual insurance (57%) to group health insurance (43%) depending on their type of occupation. The ones who were employed in an organization were enrolled in group health insurance schemes (43%) and the rest of them including housewives, self employed, business persons and unemployed ones had individual health insurance schemes (57%) opted voluntarily.

Overall 63% respondents considered health insurance as beneficial. Different age groups and education levels had different perceptions towards benefits of health insurance as depicted in Figure 1 and 3 respectively. Although in occupation, only housewives and retired were the ones to acknowledge the benefits of health insurance highly. The majority gave the reason to be enrolled in health insurance as employer's contribution, tax planning measure and future coverage against potential illness and old age, etc. There is no significant finding with regard to the income distribution or marital status among sample with regard to benefits of health insurance.

The effectiveness of any service depends on the both way equal participation of providers and receivers. Same is the case with the service delivery of TPAs.

On the patient's perspectives, few shortcomings on the part of TPAs were reported including the delayed issuance of identity cards, improper helpline services, and delayed communication, hidden clauses leading to claim rejection and hidden costs or non-payment of non-medical expenses, limited room choice, that act as negative factors in framing the perception of policy holders. The kinds of problems patients reported to face while communicating with TPAs are depicted in Figure 2.

Though majority of the sample size recognized the existence of TPAs, still significant chunk are unaware of what to expect from them. Patients are provided with the information booklet every time and identity card is issued which contains all kinds of information regarding list of hospitals empanelled and list of diseases included or excluded from the cashless services. As per the findings of the present study, patients were found negligent regarding going through that booklet. They were ignorant of the contents of the booklet they received either due to educational barrier or simply out of negligence as they relied more on what the insurance agent informed them verbally. Sometimes this ignorance becomes the reasons for claim rejections spreading a negative image of the same.

The major grievance of the policy holders was the payment of a security amounts by them even though the treatment was a cashless one. Overall quite significant percentage (63%) of patients was seen satisfied with the services of TPA.

Table 1: Distribution of the sample education-wise

Level of education	Frequency
Illiterate	2(2.0%)
Below matric	6(6.0%)
Matric	12(12.0%)
Under graduate	25(25.0%)
Graduate	45(45.0%)
Post graduate	10(10.0%)

Table 2: Distribution of the sample occupation-wise

Occupation	Frequency
Employed	14(14.0%)
Self employed	8(8.0%)
Housewife	26(26.0%)
Unemployed	6(6.0%)
Professional	4(4.0%)
Family owned business	11(11.0%)
Retired	31(31.0%)

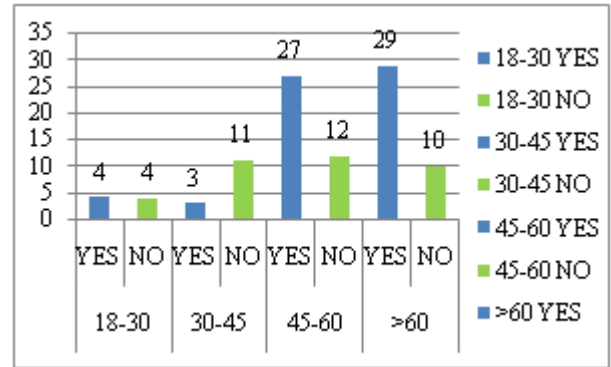


Figure 1: Insurance Beneficial or Not As Per Age

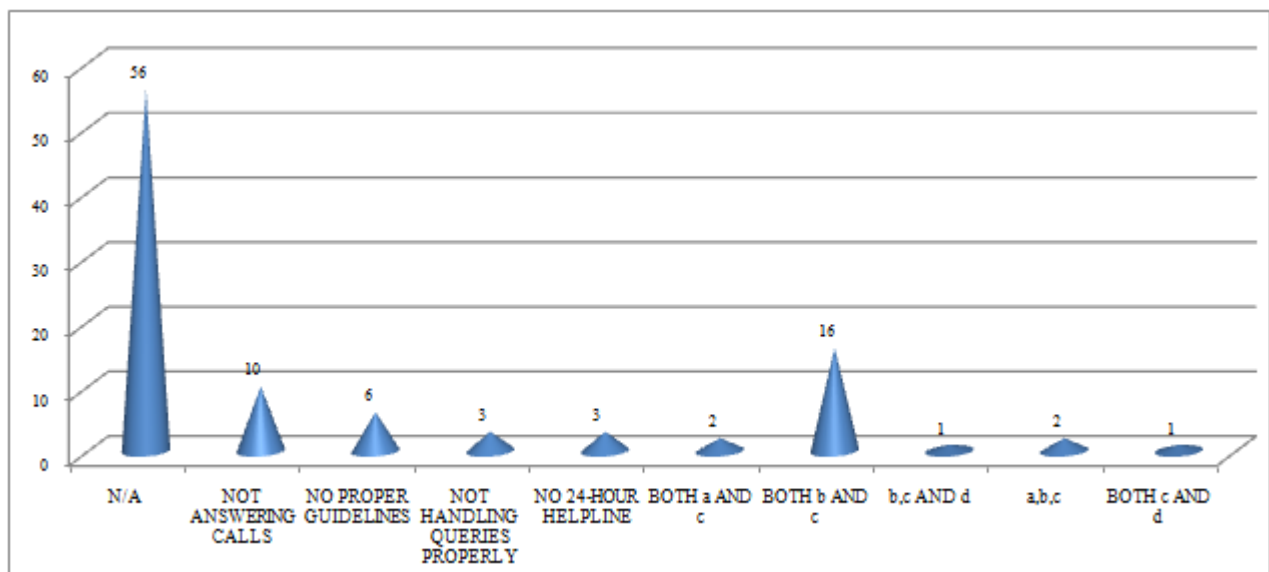


Figure 2: Problems Faced while Communicating with TPAs

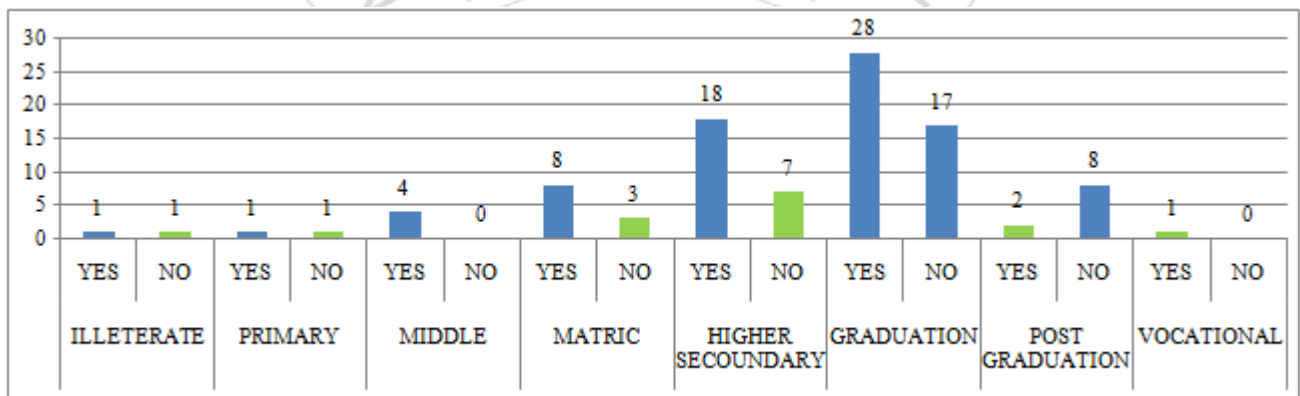


Figure 3: Insurance Beneficial or Not As Per Education

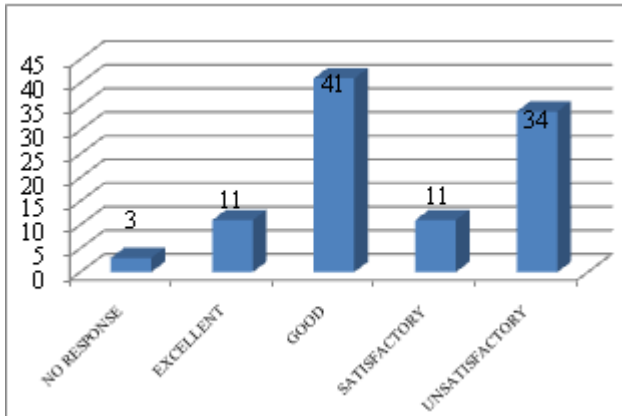


Figure 4: Response of TPAs while Questioned-Quick and Thorough or Not

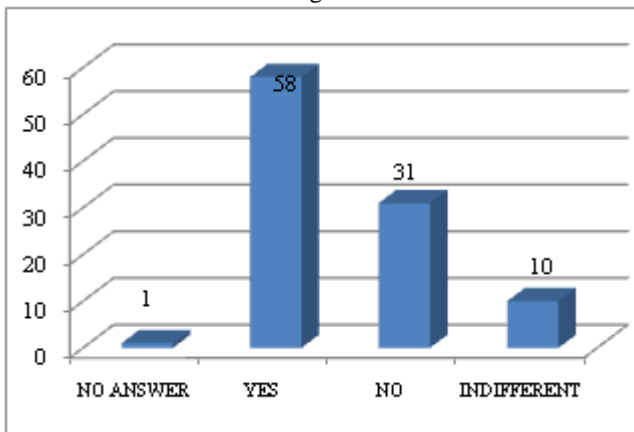


Figure 5: Services of TPAs Efficient or Not

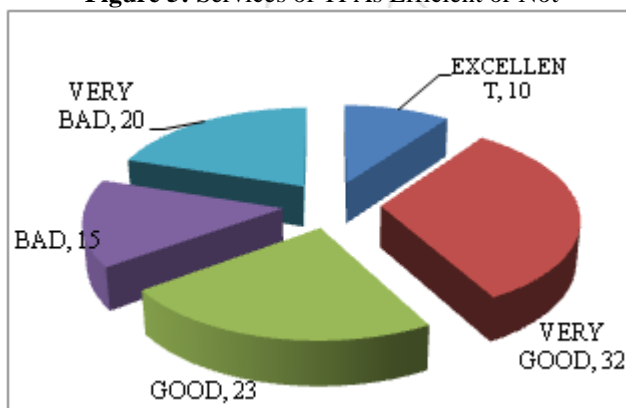


Figure 6: Rate Overall Function of TPA

5. Conclusion

This study concluded the presence of awareness and good perception of policy holders regarding TPAs and health insurance respectively. Type of health insurance policy depends on employer's contribution and policies, type of occupation, level of education, personal preferences, etc. Awareness of policy holders towards TPAs and their differentiation between them and insurance agents has increased. It holds true for the patients in later ages owing to insecurities and risk of future illness or uncertainty of life. Negative perception prevails in the younger sections of society or illiterate sections or the ones from poorer socioeconomic backgrounds. The factors that were found to play a positive role included high education and socioeconomic status, older age, tax planning measure, etc. Negative factors included payment of security at the time of

admission, delayed issuance of identity cards, improper helpline services, and delayed communication, negligence in reading information booklet and hidden clauses leading to claim rejection and hidden costs or non-payment of non-medical expenses, limited room choice, etc. Samples have a better perception towards public health insurance companies as compared to private ones. Average perception of sample was found towards TPAs level and quality of communication and overall function of TPAs.

6. Future Scope

The present study was based on questions which were of prime interest to a policy holder in simplest language understood. The feedback on a wider sample was taken personally and it clearly depicted the point of view of common people and not with the administrative level.

The study of TPAs and their roles in facilitation of claim settlement is still in its nascent level of research. Lots of research issues can be undertaken as to assess the areas of weakness in service delivery by TPAs. A larger sample can improve the feedback both qualitatively and quantitatively. Moreover this study was based on a single super specialty hospital in one region. The results can be compared to the feedback from other regional hospitals and also with patients visiting government hospitals.

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