

**ILO/STEP – CHSSS - PLAN INTERNATIONAL (INDIA)
TECHNICAL WORKSHOP:
“Answering the Health Insurance Needs of the Poor:
Building up Tools for Awareness, Education and Participation”**

New Delhi, India Habitat Centre, May 29-31, 2006

ABSTRACT

- To this day, it is estimated that some 90% of the whole population does not benefit from any kind of social protection
- Although they contribute to 63% of the GDP, informal economy workers still do not benefit from the wealth they contribute to generate
- According to the latest UNDP Human Development Report, 80% of the population lives with less than 2 US a day
- Having to cater for all their basic needs, this amount does not allow them to pay for all their protection needs
- Among these needs, social protection in health is clearly the top priority of the poor
- India is recognized today as having taken the lead in trying to extend social protection to the excluded groups
- Several instruments are currently being tested, including welfare funds, subsidized insurance products and micro-insurance schemes
- To be fully successful, these mechanisms must rely on the active participation of the presently excluded groups...

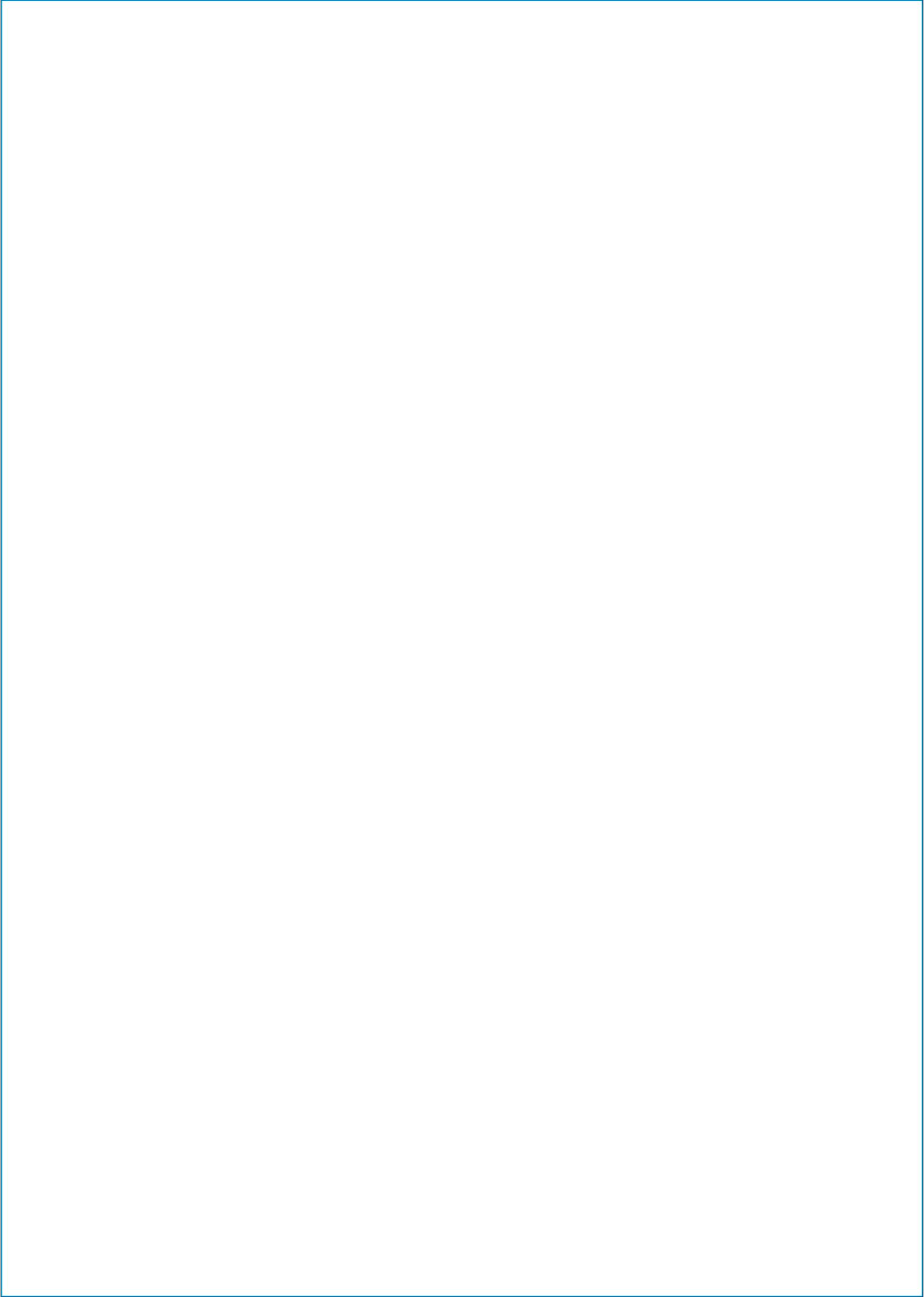
SESSION 1

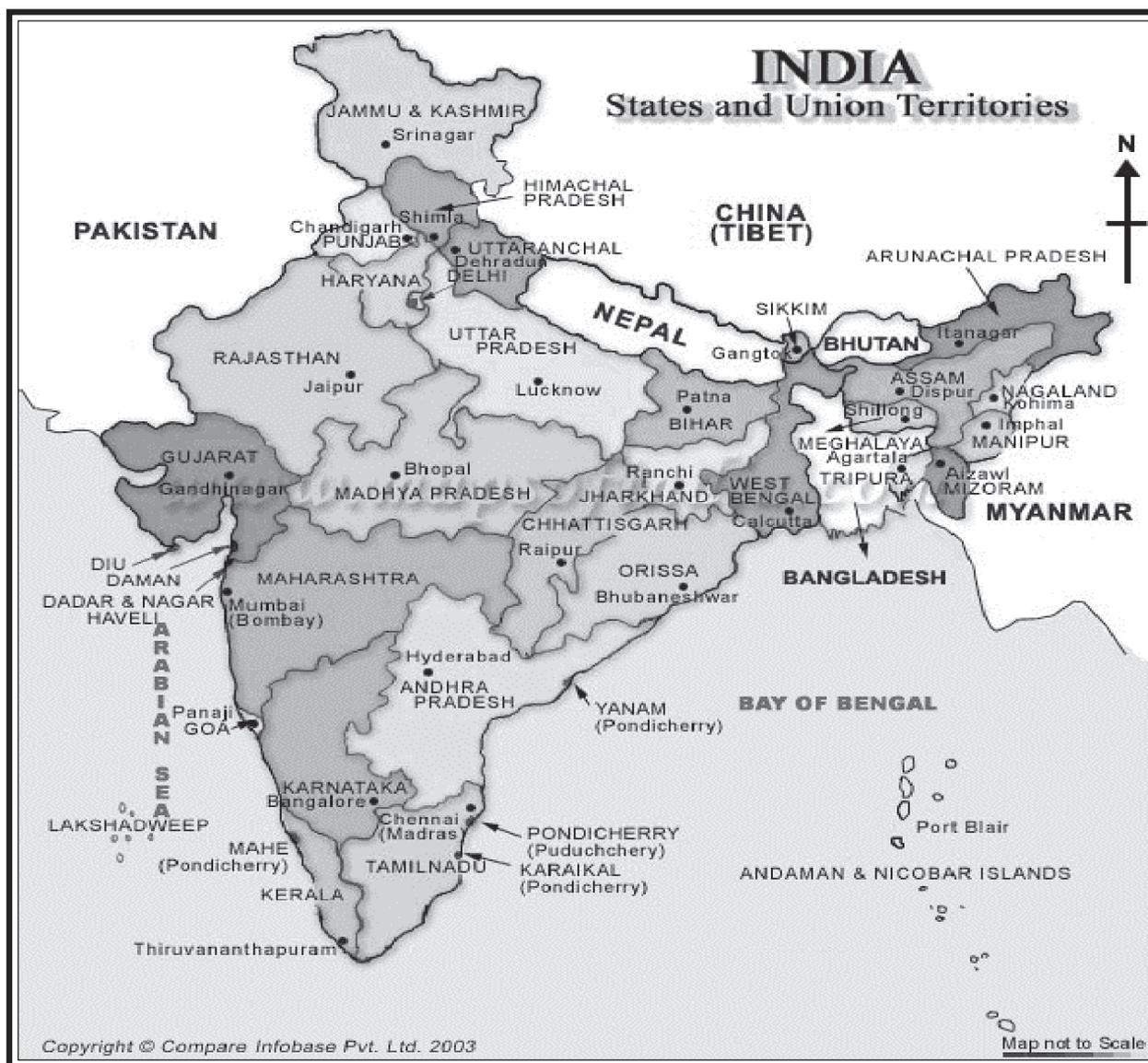
**HEALTH MICRO-INSURANCE IN INDIA: AN
OVERVIEW OF THE PRESENT SITUATION
AND DEVELOPMENT PERSPECTIVES**

TECHNICAL PAPER NO 1.1

**EXTENSION OF SOCIAL
PROTECTION IN INDIA:**

**OVERVIEW OF
THE PRESENT
SITUATION**





INTRODUCTION

To this day, India is still striving to reduce a huge poverty phenomenon affecting most of its population. 370 million people are still living under the below poverty line, and if we look at the population earning less than 2 US\$ a day, we come to a staggering total of 855 million who can barely access the essential services they need to survive. The spectacular economic achievements of the last decade have not generated more work (jobless growth). The informal economy is still on the rise, regrouping to this day 93% of the whole labour force. Most of these workers do not have any access to social protection benefits. To this day, only some 10% of the whole Indian population does enjoy some level of social protection, while some 950

India Human Development Factsheet	
Population	1,071 million
HDI	127 th
HPI	58 th
Income less than \$1 per day	371 million
Income less than \$2 per day	855 million
Total Labour Force	406 million
Informal Economy LF	370 million

million are left excluded. The informal economy workers, who contribute to some 63% of the GDP, still cannot benefit from the additional wealth they have contributed to generate.

1. OVERVIEW OF FORMAL SOCIAL SECURITY SYSTEMS

1. Employees' State Insurance Scheme (ESIS)

Launched in 1948, ESIS provides free medical care but also cash benefits towards loss of wage due to sickness, maternity protection, permanent or temporary disablement, survivors' benefits and funeral expenditure. It is basically a compulsory social security system targeting employees of non-seasonal power using factories with 10 or more employees and non-power using factories employing 20 or more. The maximum monthly wage limit is Rs. 7,500. Employers and employees contribute respectively 4.75 and 1.75% of the salary. ESIC currently covers some 7.1 million workers, but has been plagued by high desertion rates, many workers preferring to enrol in other schemes providing better benefits. Its present network of health care facilities is generally found undermanned, ill-equipped and underused. In August 2005, ESIC launched a new programme providing new unemployment benefits to the former employees covered by its other activities. Legal barriers still prevent ESIC to extend its benefits to informal economy workers and the poor quality of the services provided through its own network of health care facilities does not make it attractive enough.

Employees' State Insurance Scheme	
Establishment	Year 1948
Application	Power using factories
employing 10 or more	
Contribution	1.75% by workers 4.75% by employer Gov: 12,5% med/benefits
Threshold of Contribution	Rs. 7,500
Number of workers cover.	7,1 million
Number of people covered	31 million
Contingencies covered	Health Care Sickness benefit Maternity Benefit Disability Funeral expenses
Administration : Employees State Insurance Corporation	

Rajiv Gandhi Shramik Kalyan Yojana (Unemployment Allowance)	
Establishment	Year 2005
Application	Workers covered by ESIS
Contribution	Minimum 5 years to ESIS
Benefit	50% of previous salary
Duration 6 months	
Administration: Employees' State Insurance Corporation	



2. Employee's Provident Fund Organization (EPFO)

Created in 1952, The Employee's Provident Fund caters for the needs of establishments with 20 or more workers. To this day this compulsory scheme provides both old-pension benefits and a provident fund together with same disability benefits to some 39 million workers. The scheme does not benefit from any kind of

Employees' Provident Fund	
Establishment	Year 1952
Application	Establishments with 20 or more workers in any of 180 industries
Contribution	12% by workers 12% by employer 1,1% adm.cost by employer
Threshold of contribution	Rs. 5,000
Number of workers cover	39 million
Rate of interest	9,5%
Contingencies covered	Old-age pension Provident fund
Administration : Employees State Insurance Corporation	

Government subsidy. In January 2004, EPFO launched on a pilot basis in 50 districts the “Unorganized Sector Workers’ Social security Scheme” which combined an accident insurance, old-age pension and the benefits provided under the Universal Health Insurance Scheme. The scheme targeted all informal economy workers with an income lower than Rs. 6,500. The monthly premium to be paid was: Rs. 50 for the age group of 18 to 36, Rs. 100 for the age group of 36 to 50, with a matching contribution from the employer and a contribution from the government set at 1,16% of the monthly wage. Due to its very high price (Rs. 100 to 200 per month), the scheme failed to attract informal economy workers. At the end of its first year, only 3,500 workers had enrolled.

3. Central Government Health Scheme (CGHS)

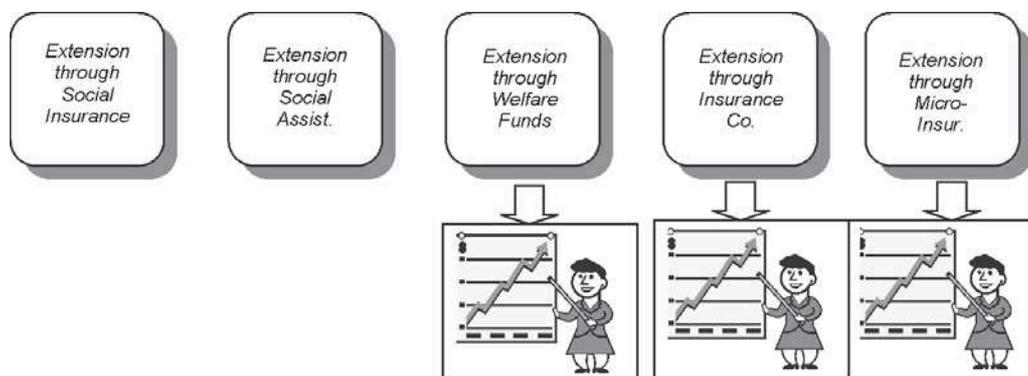
Introduced in 1954 as a contributory plan, the CGHS was aimed at providing comprehensive medical care to central government employees (both in service and retired) and their families to replace the cumbersome and expensive system of reimbursement. The contribution by the employees is, however, nominal (maximum of Rs. 50 per month). The total number of beneficiaries is estimated today at 4 million.

4. State-Owned Managed Health Care Facilities

The Government provides health services to most of the state-owned departments such as Railways, Defence, Police, Mining and Education services. These departments have set up their own system of dispensaries, hospitals and personnel and the services are provided free of charge.

2. REVIEW OF SOCIAL PROTECTION EXTENSION MECHANISMS

Among the various mechanisms that can be used to extend social protection to all, three have recently demonstrated a rapid increase and a higher development potential in terms of both scope and coverage.



1 Extension Through Welfare Funds

Welfare Funds clearly remain in the opinion of many policy makers the best way to extend social protection to various categories of informal economy workers. Although not all operational, the number of welfare funds is steadily increasing (10 new WF created in the last 5 years), and amounts now to a total of 62 schemes distributed among 14 states.

2 Extension Through Insurance Companies' Interventions

1. Public Insurance Companies

All public insurance companies were already traditionally involved in the promotion of several products targeting the disadvantaged segments of the population. The most important health

insurance product introduced in 1986, remains the Mediclaim product. It is a flexible plan whereby the premium varies according to the insured sum as well as to the age of the group concerned. Mediclaim policy only covers hospital care and domiciliary hospitalisation and is subject to several exclusions and coverage limits.

The public insurance companies were also advantaged in the sense that they may offer several products including a subsidy component financed by the Central Government. Such is the case with the Universal Health Insurance Scheme (UHIS) which was designed and launched by Ministry of Finance in July 2003. From the outset, it was aimed at answering the health requirements of the poor and very poor people and as such included a subsidy component. Its declared target was to cover a Below Poverty Line (BPL) population of 10 million across all India in its first year of operation. Failing to achieve this goal, the Government of India decided in Year 2 to increase the subsidy and to restrict its availability to the sole BPL population.

2. Private Insurance Companies

Due to the very high capital requirement imposed on private insurance companies for entering the Indian market limited this new intervention to 20 companies, 12 working in the life insurance sector and 8 operating in the general sector. All these companies have to comply with the social obligations issued by the Insurance Regulatory and Development Authority (IRDA) in 2002, obliging them to devote some part of their business towards the disadvantaged segments of the population. Some companies, such as ICICI Lombard have already succeeded to reach an important fragment of the excluded groups (total of 700,000 people covered by various health insurance schemes).

3 Extension Through Micro-Insurance Schemes

Micro-insurance schemes have proliferated in recent years across all India, operating first as in-house schemes. The recent intervention of private insurance companies encouraged many of them to adopt the partner-agent model in order to transfer the risk to the insurance companies. A third generation of micro-insurance schemes is currently on the move with the new extension initiatives taken by various states.

3. OVERVIEW OF THE NEW POLICY FRAMEWORK

The willingness of the central government to enhance the efficiency and extend the coverage of social protection benefits to all is illustrated by the recent initiatives as regards the necessary legal framework for both formal and informal sector workers. Although the government has made significant efforts on extending social protection for all, the overall coverage remains very limited. Most informal economy workers remain exposed to the multiple risks affecting on a day-by-day basis their working and living conditions, and inhibiting their development initiatives. Taking the example of health protection which remains the first social protection priority need of the workers, the various extension initiatives only succeeded so far to cover some 24,5 million (2,5% of the whole population).

Recent Public Policy Interventions since 1995	
1995	National Social Assistance Scheme <ul style="list-style-type: none"> ● National Old-age Pension Scheme ● National Maternity Benefit Scheme ● National Family Benefit Scheme
2002	Social Obligations for Insurance Companies
2003	New Pension Scheme
2004	Universal Health Insurance Scheme
2005	Rajiv Gandhi Shramik Kalyan Yojana (Unemployment Insurance)
2005	National Rural Employment Guarantee Act
2005	National Social Security Draft Bill
2005	Micro-insurance regulations
<i>Schemes in blue are for informal economy workers.</i>	