INDIA

COMMUNITY-BASED MICROINSURANCE

Navigating the Health Financing Challenge in India: Lessons from Mutuals, Cooperatives, and Community-based Organizations

In an environment of low public financing for health and persistent reliance on out-of-pocket (OOP) spending, a large proportion of people in India find themselves too poor to access quality health care or do so by risking impoverishment from medical bills beyond their reach. The country has witnessed the emergence of health insurance mechanisms for financial risk protection against health care costs. Alongside the launch of various central and state government-funded schemes and expansion of the commercial insurance sector, India has also seen the rise of several community-based microinsurance programs that cater to low-income rural and urban households. Initiated by diverse mutuals, cooperatives, and community-based organizations (MCCOs), these insurance initiatives are attempting to address the needs of those at the bottom of the socio-economic pyramid.

MCCOs promote inclusive health insurance. Community-owned insurance models have the ability to tap into cohesive community groups to mobilize and manage community resources based on principles of mutuality and solidarity. They include health mutuals, savings and credit mutuals, cooperatives, village-based savings and credit associations, and community groups based on ethnic or religious associations.

Importantly, these initiatives often take a holistic approach to building the resilience of communities. Community-owned health insurance schemes may provide benefits for hospitalization, referral services, discounts on outpatient consultations, medicines and diagnostics, medical guidance, financial literacy, and health education.

The USAID-funded Health Finance and Governance (HFG) project is committed to improving access to quality health care, especially for underserved and marginalized groups.

The HFG project is supporting the scale-up of community-owned health insurance initiatives in India with the aim of improving access to quality health care for Indians below or near the poverty line. To this end, HFG has been documenting evidence for scaling up health mutuals in the country. As part of this activity, HFG has conducted a study on MCCOs in India and the role they play in strengthening the country's financial protection system.

A major facet of India's insurance challenge is the large population of low-income households that are neither covered by government-funded health insurance (GFHI) schemes for below-poverty-line (BPL) populations nor have the means to buy expensive insurance policies offered by insurance companies. These households are most likely to seek health insurance from MCCOs.

Key Takeaways

This brief summarizes the main findings of the study. It examines the relevance of MCCOs in India's health insurance landscape and identifies the factors that hinder their expansion as well as the strategies that can propel their growth. The lessons from the study are presented below.

MCCOs contribute to inclusive insurance.

The near-poor and above-poverty-line populations left uncovered by GFHI include workers in small business clusters, microfinance institution (MFI) members, urban migrant laborers, small farmers, and small business owners. MCCOs can bridge a crucial gap by extending insurance to these low-income rural and urban households. In recent times, Mutual Health Insurance has been tested in India as a risk-pooling mechanism; it shows promise as a potential instrument of inclusion. MCCOs have been reaching out to vulnerable groups with health insurance schemes tailored to their community's needs and owned and managed by them (Figure 1).

MCCOs have potential for growth in India.

Existing health insurance penetration in India is low. According to recent estimates, almost 68 percent[1] of the country's population is not covered by any health insurance. Coverage is particularly poor among informal workers, who make up an exceedingly high 92 percent of India's total employment.[2] These figures indicate the potential for development of the mutual and cooperative insurance market in India. As of 2016, about 15 mutuals and cooperatives spread across 13 states were providing insurance to about 1 million people.[3] Interestingly, most of these MCCOs are concentrated in a few western and southern states, especially in Maharashtra, Karnataka, and Tamil Nadu, with hardly any presence in eastern and northern India. These are areas of opportunity for MCCOs to expand their reach and contribute to the fulfillment of the inclusion agenda.

A regulatory vacuum can limit the growth of health mutuals.

India's Insurance Regulatory and Development Authority (IRDA) endorses a partner-agent model of microinsurance, which promotes community-based organizations to distribute microinsurance products underwritten by licensed insurance companies. However, the IRDA has not issued explicit guidelines for mutual health insurance models where the community, and not a third-party insurer, owns the mutual collectively and decides on product design, premiums, and claims.

Many organizations have nonetheless established a health mutual to provide financial risk protection for health care needs of their members. Annapurna Pariwar, Uplift India Association, Dhan Foundation, Shri Kshethra Dharmasthala Rural Development Project (SKDRDP), and Grameen Koota are well known examples of health

Figure 1. Key Features of MCCOs

MCCOs comprise a diverse range of entities with some common characteristics:

- **Community-owned** risk-pooling mechanisms
- Based on principles of **democracy** and **solidarity**
- Substantive **decision-making authority** lies with members
- Have a **need-driven approach**, serving a defined group and purpose
- Primarily targeted at **informal sector** workers
- Focused on keeping **premiums and costs low**
- Operate as **not-for-profit entities**
- **Insurance often secondary** to their main functions
- Lack explicit **regulatory guidelines**
- Have **limited dependence on external capital**
- Demonstrate a **holistic approach to health**, with focus on preventive and promotive care
- Foster high **community awareness and engagement**

[1] Ministry of Health and Family Welfare. Press Information Bureau Release – May 06, 2016.
[2] International Labour Office (ILO). 2016. India Labour Market Update.
[3] Insurance Institute of India and ICMIF. 2016. India-Landscape Study on Mutual and Cooperative Insurers. Pre release draft PPT.

mutuals that have grown in this regulatory vacuum. However, as health mutuals attempt to scale up, the absence of an enabling regulatory support may pose a challenge. A supportive regulatory environment can foster integration of MCCOs into the formal insurance sphere and, crucially, enhance access to reinsurance and alternative risk transfer mechanisms.

Complementarity between GFHI schemes and MCCOs can bring mutual benefits.

There is growing recognition that India's progress toward universal health coverage cannot rely on government interventions alone. Although the government is systematically channeling public funds to large, organized risk pools for BPL families, its targeted approach has left out a large percentage of the population just above the BPL bracket. Further, most GFHI schemes are covering only hospitalization, leaving beneficiaries vulnerable to high OOP spending on consultations, medicines, and diagnostics not linked with hospitalization. MCCOs should explore complementarity with GFHI schemes to address these gaps in population and service coverage. For example, MCCOs can cover primary care and outpatient services not covered by most GFHI schemes. A partnership based on complementarity could bring benefits to both. MCCOs could, for instance, learn from, or even adopt, the GFHI schemes' robust monitoring frameworks, well-developed IT systems, and provider networks whereas MCCOs could assist GFHI schemes in improving reach and strengthening community engagement.

MCCOs must leverage existing and potential linkages, including IT to expand insurance.

Most MCCO insurance programs are built around existing programs and services. For example, MFIs and cooperatives bundle health insurance with credit or other services they offer to their members. Scale-up of these microinsurance initiatives would require MCCOs to not only bolster existing linkages but also create new ones. The extensive presence of MFIs; cooperatives; micro, small, and medium enterprises (MSMEs); and urban migrant clusters across India represents potential for growth of health insurance (Figure 2). MCCOs can exploit the outreach and accessibility of these organizations and networks embedded in communities across India to deliver health insurance. Further, such aggregators of clients can reduce the administrative costs related to marketing and enrollment for health insurance programs.

Use of IT can bring MCCOs opportunities across the insurance value chain, from product design and marketing of products to cheaper and faster distribution and management (Figure 3). There are many lessons from existing experiences in the use of technological interventions. Some MCCOs in India, like Annapurna Pariwar and Uplift Mutuals, have integrated IT into their day-to-day operations.

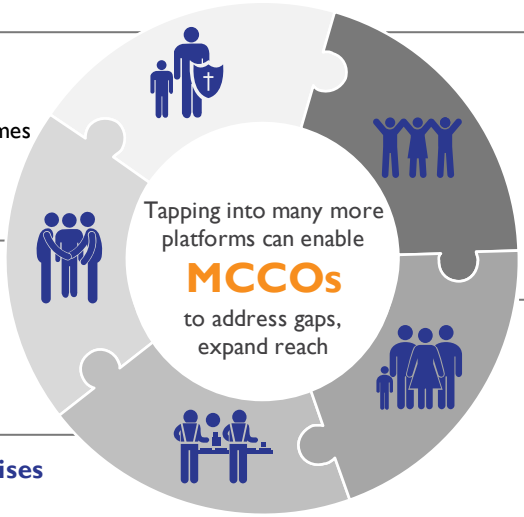
Innovative IT deployment can enable MCCOs to scale up operations at a lower cost while bringing higher-quality service to clients. Development and growth of peer-to-peer (P2P) insurance platforms capitalize on the power of virtual social networks.

Figure 2. MCCOs: Opportunities to Strengthen Existing Linkages and Build New Ones

Government-funded health insurance schemes
20+ central- and state-funded insurance schemes covering about **273 million people**[4]

Cooperative societies
Over **600,000 cooperatives** in the country with about **250 million members**[6]

Micro, small, and medium enterprises
About **36 million MSME units**, providing employment to over **80 million people**[7]



Microfinance institutions
About **268 MFIs** across the country with more than **50 million members**[5]

Urban labor markets and migrant clusters
100+ million migrants in urban areas across India; migrants form 40 percent of the population in seven million-plus urban agglomerations[8]

MCCOs must use these platforms to expand membership, secure new delivery channels, achieve economies of scale, and benefit from shared expertise and resources.

[4] Insurance Regulatory and Development Authority of India. Annual Report 2015–16.
[5] Sa-Dhan. Directory of Microfinance Institutions (MFIs) in India. (2014). Version 1.
[6] Insurance Institute of India and ICMIF. India-Landscape Study on Mutual and Cooperative Insurers. Pre-release draft PPT.
[7] SME Chamber of India. MSMEs in India.
[8] Keshri, K. and Bhagat, R.B. 2012. Temporary and seasonal migration: regional patterns, characteristics and associated factors. Economic and Political Weekly 47 (4): 81–88.

Figure 3. Technology can Drive Growth of Microinsurance Initiatives

- IT systems for enrollment, premium collection, and claims management to improve efficiency, lower transaction cost
- Marketing, awareness building, and health promotion through mobile phones and social media
- Use of social media and mobile technology to bridge physical distances and reach hard-to-reach groups
- Automation for efficient policy administration
- Value-added services to enhance client value
- Automated teller machines (ATMs) for easier premium payment
- Use of short messaging service (SMS) for marketing, updates, and sending reminders for policy renewal
- Use of social media to engage clients, assess demand
- Data analytics for premium calibration and customization of service provision
- Remote medical guidance on pathways of care to strengthen health care decision making

The Way Forward

MCCOs are contributing to the extension of health insurance and financial risk protection to low-income households in India as part of an inclusive insurance agenda. MCCOs have claimed their place as a viable source of health coverage for the underserved who do not qualify for government-supported schemes, but more work is needed to encourage the growth of MCCO health insurance schemes which continue to experience dynamic growth in India. Efforts to scale up MCCOs in India would need to address a range of challenging factors, including lack of regulatory support.

There is, nonetheless, hope that a successful scaling up of these initiatives would pay off, not only for ensuring equitable access and improving health outcomes but also for empowering communities. The importance of social capital—interpersonal networks based on trust, familiarity, and cooperation—as an engine of progress is being gradually acknowledged by policymakers. The time is right to align efforts to help mutual insurance reach its full potential.

The Health Finance and Governance (HFG) project works with partner countries to increase their domestic resources for health, manage those precious resources more effectively, and make wise purchasing decisions. Designed to fundamentally strengthen health systems, the HFG project improves health outcomes in partner countries by expanding people's access to health care, especially to priority health services. The HFG project is a five-year (2012-2017), $209 million global project funded by the U.S. Agency for International Development under Cooperative Agreement No: AID-OAA-A-12-00080.

The HFG project is led by Abt Associates in collaboration with Avenir Health, Broad Branch Associates, Development Alternatives Inc., Johns Hopkins Bloomberg School of Public Health, Results for Development Institute, RTI International, Training Resources Group, Inc. For more information visit www.hfgproject.org/

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