



IRDAI Proposes a Separate Regulator for Healthcare Segment

For Prelims: IRDAI, Health Insurance in India, Ayushman Bharat

For Mains: Issues associated with varying tariff structures across hospitals and the suggestions to address this.

Why in News

With a view to make a common tariff structure for hospitals, the [Insurance Regulatory and Development Authority of India \(IRDAI\)](#) has proposed a separate regulator for the healthcare segment or it must be allowed to regulate hospitals.

- It has been noticed that the **rate of inflation of hospital charges at present is around 10-15%** and **tariffs are being changed on a regular basis.**

Key Points

- **About (Issues Related to Present Tariff Structure of Hospitals):**
 - **Varying Tariffs:**
 - Hospitals keep changing tariffs on a regular basis. There is no body to regulate them on tariff structure and grading.
 - When Covid hit the country last year, patients were charged excessively by some hospitals.
 - **Cost to Health Insurance Businesses:**
 - If insurers continue to pay whatever the hospitals are demanding, the health insurance business will be in poor health in the long run. Already, the industry is experiencing a high number of claims.
 - **Individual Hospital Empanelment Process:**
 - At present, health care schemes and private insurance have individual hospital empanelment processes, which replicates various activities and contributes to inefficiency and duplication of processes.
 - **No Infrastructure to Regulate Hospitals:**
 - IRDAI currently doesn't have the infrastructure to regulate hospitals. As healthcare is a state subject, it's going to be a tough proposition for IRDAI to regulate the hospitals.
 - Insurance Regulatory and Development Authority of India (IRDAI), is a statutory body formed under an Act of Parliament, i.e., Insurance Regulatory and Development Authority Act, 1999 (IRDAI Act 1999) for overall supervision and development of the Insurance sector in India.
- **Suggestions:**
 - Even with increasing penetration, there will be a need to factor general and medical inflation and given that medical inflation operates significantly higher than [CPI \(Consumer Price Index\) inflation](#), a correction cycle from a pricing standpoint will be needed.

- **IRDAI** has proposed a **unique common hospital registry, empanelment process, grading of hospitals and package cost harmonisation** to promote the standardisation and effective utilisation of health care infrastructure under the **insurance programme**.
- It is recommended to have a **common empanelment portal which can be utilised by all the schemes/insurance companies** with standardised empanelment criteria (and) will be hugely beneficial with special focus on standard safety and quality parameters.

Health Insurance

▪ About Healthcare:

- Healthcare has become **one of the largest sectors in India in terms of revenue and employment**. Booming population, rising income levels, growth in infrastructure, increased awareness, insurance policies and India's emergence as a hub of medical tourism and clinical trials have contributed to the development of the health care sector in India.
- Since the needs of this sector are increasing, to provide up to date medical facilities is vital. Government funded health insurance enables the poor in India to benefit from timely care without the burden of **out of pocket expenditure**.

▪ Significance of Health Insurance:

- It 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.

▪ Issues related to Health Insurance:

◦ Life Status is unevenly Distributed:

- There has been a significant increase in life expectancy of people **from 35 years to 65 years** since Independence. But the status of life is **unevenly distributed in different parts of the country**. The health problems in India are still a cause of great concern.

◦ Low Government expenditure :

- 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.

◦ Significant Population is missed:

- At least 30% of the population, or 40 crore individuals are devoid of any financial protection for health.

▪ Related Government Schemes:

- **Ayushman Bharat - Pradhan Mantri Jan Arogya Yojana (AB-PMJAY)**: It offers a sum insured of Rs. 5 lakh per family for secondary care (which doesn't involve a super specialist) as well as tertiary care (which involves a super specialist).

Source: IE