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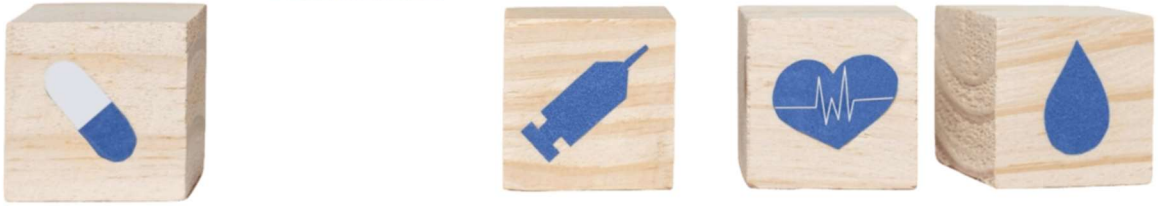
New Payment Models for Health Insurance in India

The proliferation of Health Insurance, in India, isn't as much as it should have been. Dealing with an insurance payer has been a bug bear for most people. There are multiple reasons, why Health Insurance has remained at urban phenomenon if at all. Some of them are:

High deductibles: According to a 2022 report by the National Health Authority, the average deductible for health insurance plans in India was ₹10,000 for individual coverage and ₹20,000 for family coverage. This implies a high amount of out of pocket expense before insurance kicks in.



Copays: According to the same report, the average copay for a doctor's visit was ₹200 for primary care and ₹300 for specialist care. This high copay acts as a deterrent even at a primarcy care level.

Prior authorization: According to a 2021 report by the Indian Medical Association, 50% of patients have had a prior authorization request denied in the past year. These numbers are slowly improving, but it does imply that that 50% of patients have had to go through a time-consuming and frustrating process in order to get permission from their insurance company to receive certain services or procedures.

Network restrictions: According to a 2022 report by the Federation of Indian Chambers of Commerce and Industry, 30% of Indians live in areas where there is only one health insurance company that has a monopoly on the market. This means that patients in these areas may have to go to a specific doctor or hospital in order to have their care covered by insurance.

Waiting periods: According to the same report, 15% of Indians have had to wait for more than 30 days to get the care they need because their health insurance plan had a waiting period. This means that 15% of Indians have had to wait for several months before they could get the care they needed.

With the cognizance of the above, the healthcare industry is constantly evolving and in the last few years, becoming more customer centric, rather than the traditionally internally focused. A reflection of this is to be found in the payer segments, and their desire to consider new payment models. These models, some of them in practice, are designed to reward providers for providing high-quality care and to reduce the overall cost of healthcare. Clearly, patient centricity is starting to come to the fore.

New Payment Models

All the new payment models that we see, under usage or under discussion, have to do with reducing the burden on the patient at the provider (hospital) and consequently impacting the insurance premium. The new payment models include:

Value-based payment

Value-based payment is a system where providers are paid based on the quality of care they provide, rather than the number of services they deliver. This incentivizes providers to focus on preventive care, to improve overall health of their patients and reduce the need for costly treatments in the future.

Pay-for-performance

Pay-for-performance is a system where providers are rewarded for meeting certain quality metrics. These metrics can include items like providing preventive care, management of chronic diseases effectively, and avoiding hospital readmissions.

Shared savings

Shared savings is a system where providers and insurers share the savings that are generated by improving the quality of care. This incentivizes both parties to work together to find ways to reduce costs and improve outcomes of care.

Bundled or Episode-based payments

With this model providers are paid a single, fixed amount for a specific episode of care e.g. childbirth, cataract surgery, angioplasty etc. In other cases, it can reduce the cost of care for patients with chronic conditions (e.g., chemotherapy in oncological treatment). This incentivizes providers to coordinate care and to avoid unnecessary services; this, overall, can lead to lower premiums for patients and lower costs for employers.

Risk-adjusted capitation

This model pays providers a fixed amount per patient per month, regardless of how much care the patient uses. This incentivizes providers to keep their patients healthy, as they will not be reimbursed for any additional care that is needed.

Outcomes / Performance-based payment

This model pays providers based on the outcomes of their care, such as the patient's blood pressure or cholesterol levels. It could be an incentivization for a different other set of metrics too e.g., lowering the number of days of hospital stay (for a particular disease). This incentivizes providers to focus on improving the health of their patients, rather than just providing the care that is required.

These new payment models have the potential to significantly improve the healthcare system. By rewarding providers for providing high-quality care and reducing the overall cost of healthcare, these models can help to improve the health of patients and reduce the financial burden on individuals and families.

Benefits of New Payment Models

At an overall level, it is known and understood, however controversially, that it is beneficial for a provider to not get the patient healthy in the longer term. The payers' business goals are, of course, contradictory to that. The new payment models encourage a situation where it enables a win-win-win for all the three stakeholders. All the models

- Encourage providers to keep their patients healthy.
- Incentivize providers to coordinate care and avoid unnecessary services.
- Encourage providers to focus on improving the health of their patients.
- Can improve the overall health of patients.

All these have indirect and tangible impacts in

Reduction of costs

These models can help reduce costs of healthcare by rewarding providers for providing preventive care and by avoiding unnecessary services, thereby leading to lower premiums for patients and lower costs for employers.

Improving outcomes

The new payment models can help improve the outcomes of healthcare by encouraging providers to focus on preventive care and by providing patients with the care they need to stay healthy. This can lead to better health for patients and a reduction in the number of hospital admissions and readmissions.

Increasing patient satisfaction

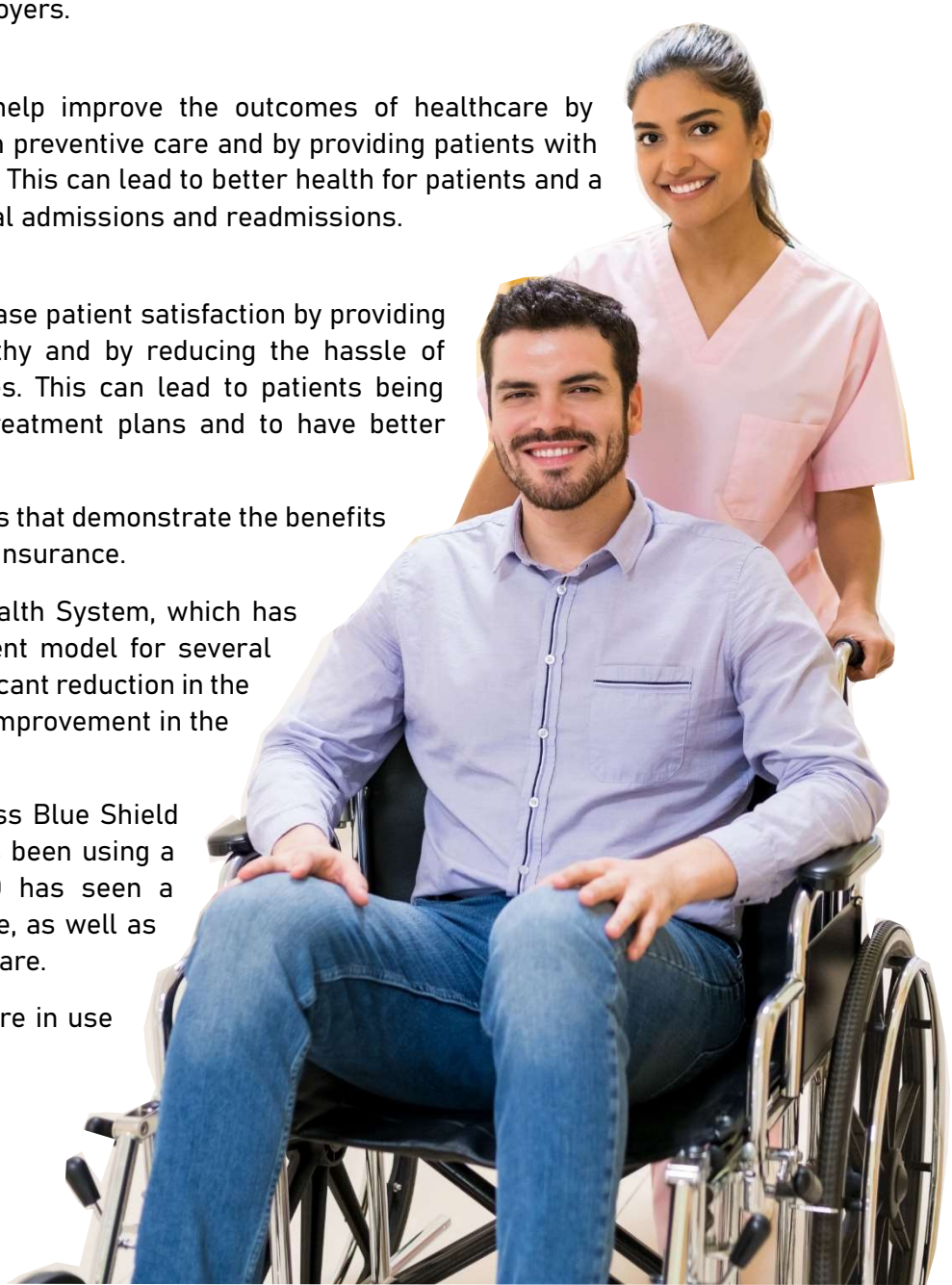
The new models can help to increase patient satisfaction by providing the care they need to stay healthy and by reducing the hassle of dealing with insurance companies. This can lead to patients being more likely to adhere to their treatment plans and to have better health outcomes.

There are a number of case studies that demonstrate the benefits of new payment models in health insurance.

One example is the Geisinger Health System, which has been using a value-based payment model for several years. Geisinger has seen a significant reduction in the cost of healthcare, as well as an improvement in the health of its patients.

Another example is the Blue Cross Blue Shield of Massachusetts ACO, which has been using a shared savings model. The ACO has seen a reduction in the cost of healthcare, as well as an improvement in the quality of care.

Some of these payment models are in use in India already as well.



Potential Hurdles in India

Though many payers have already implemented some of these payment models, the spread isn't enough either across payers nor across models. The uptake has been slow because of some hurdles, not just in India, but across larger swathes globally.

Lack of awareness

Some of the lack of awareness also is from the perspective of the payers, where lack of immediate incentive stops them from looking for newer payment models. The potential resistance from providers (mentioned below), it is perceived, may erode the competitive edge of a payer, and thus their hospital management teams and product development teams remain in hubris.

Resistance from providers

Some providers may be resistant to new payment models, as they may fear that they will lose revenue. This is especially true for providers who are used to the fee-for-service model, where they are paid for each service, they provide.

Lack of data

India's healthcare system is not yet as matured as those in developed countries, and there is a lack of reliable data on the quality and cost of care. This makes it difficult to implement new payment models that are based on these metrics.

Lack of coordination

India's healthcare system is fragmented, with many different providers and payers. This makes it difficult to coordinate care and to ensure that patients are receiving the most appropriate care.

Political challenges

The implementation of new payment models may require changes to the Indian healthcare system, which could be politically challenging. The government introduced schemes, almost always, do face stiff resistance from the opposition.

Despite these challenges, there are a number of reasons to be optimistic about the future of new payment models in India. The government is increasingly supportive of these models, and there is a growing recognition of the need to improve the quality and efficiency of the healthcare system in the most populous nation in the world. As data becomes more available and providers become more accustomed to these models, it is likely that they will become more widely adopted in India.

The Way Forward

The way forward, thus, is multi-pronged as well.

The need for strong leadership

The successful implementation of new payment models will require strong leadership from the government, payers, providers and definitely IRDAI. These stakeholders will need to work together, with trust, to develop and implement these models, and to overcome the challenges that they face.

The need for a supportive regulatory environment

The government needs to help reorient the regulatory environment to overtly support the new payment models. This will involve providing clear guidance on how these models will work, and ensuring that there are no disincentives for providers to participate in them.

The need for patient engagement

The successful implementation of new payment models will also require patient engagement. Patients need to be aware of these models and how they work, and they need to be willing to work with providers to make them successful.

Conclusion

New payment models in health insurance, in India have the potential to significantly improve the healthcare system dramatically. These models reward providers for providing high-quality care and reducing the overall cost of healthcare. This can lead to better health for patients, lower premiums for patients and employers, and increased patient satisfaction.

However, there are a number of hurdles that need to be overcome before these models can be widely adopted. These include lack of patient or provider generated data, resistance from providers, lack of coordination, political challenges, and patient engagement.

Despite these challenges, there are reasons to be optimistic about the future of new payment models in India. There is growing recognition of the need to improve the quality and efficiency of the healthcare system and the government is being increasingly supportive of these models. It is expected these models will get more widely adopted in India.

The way forward is multi-pronged, and will require strong leadership from the government, insurers, IRDASI and providers. It will also require a supportive regulatory environment and patient engagement. By working together, these stakeholders can make new payment models a reality in India and improve the healthcare system for everyone.

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3nayan enables business and people proficiency, and transformation to industry leadership. We provide Strategy Advisory and Execution services in Digital Transformation (DX), Integrated Process Automation, and Process Engineering to enable Growth Sustenance, Organizational Effectiveness and Business Transformation. In the recent past, we have formulated Cloud Strategy for a prominent Life Insurance Co, and created Strategy Blueprint for Digital Transformation at India's largest Health Insurance Co

We have considerable experience in the Strategy, Organizational Effectiveness and Digital Transformation areas in the Health Insurance sector, and would be delighted to engage with you.

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