The State of Digital Technology in the advancement of the Indian Health Insurance Sector

The Indian health insurance sector is starting to experience a digital revolution, with innovative technologies reshaping the way insurers operate and interact with their policyholders. This white paper delves into the key technology advancements and their implications for the industry. Moreover, it explores the advantages of embracing digital technologies for both health insurers and beneficiaries. However, despite the promising benefits, the sector faces obstacles in fully embracing digital transformation which end up slowing down the proliferation. This paper also discusses the barriers that slow down the sector's complete transition to digital and presents potential solutions.

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 primary 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.

All these situations, the reader will notice, add a hindrance to selling a new policy or a renewal. Also, that all these arise from fundamentals of inefficiency, organizational ineffectiveness and also reflect the nature of an inward-looking organization. We are currently, witnessing an inflection point where the health payer industry is reshaping, and witnessing transformative changes. Technology, needless to say, is playing a major part.

Technology Adoption

Several streams of technologies are reshaping the way insurers operate, analyze data, and interact with policyholders. By use of these digital technologies, the World Bank estimates that the Indian healthcare sector could save $15 billion per year. The prominent technologies, that we are seeing currently, are:

Wearable Devices

Wearable devices, such as fitness trackers and smartwatches, have become ubiquitous in the urban society. In the context of health insurance, these devices serve as a valuable data source for assessing policyholders' health risks, enabling personalized recommendations, and monitoring their progress towards health objectives. With real-time health data at their disposal, insurers can offer more accurate risk assessments and tailor insurance plans to suit individual needs.

Cigna TTK Health Insurance, ICICI Lombard , Aditya Birla Health Insurance and Niva Bupa Health Insurance are all offering wearable devices to their policy holders, for a select set of products.

Artificial Intelligence (AI)

AI-powered solutions are reshaping the health insurance sector, enabling fraud detection, efficient claims processing, and improved customer service. The implementation of AI technologies enhances insurers' operational efficiency and accuracy while delivering enhanced services to policyholders. AI-powered chatbots provide instant customer support, streamline the claims process, and efficiently analyze vast datasets to identify fraudulent activities, thus reducing financial losses for insurers. Most Health insurance companies in India are using some form of AI for claims processing and fraud prevention.

Cloud Computing

Cloud computing's cost-effectiveness and scalability have made it an invaluable tool for health insurers. Cloud facilitates the storage and analysis of vast amounts of data rapidly, streamlining operations and improving data management and security. What becomes a game changer is the level of collaboration available thereby reducing development time and thus speeding up go to market. Large percentage of payers in India now have either their core systems,

or bunches of other subsidiary applications on the Cloud.

Telehealth:

Telehealth services have gained popularity due to their convenience and affordability. Today, many insurers are providing telehealth services, thus enabling easier access to healthcare services. This results in reducing the need for physical consultations and improving overall healthcare accessibility.

Niva Bupa Health Insurance, Star Health and Allied Insurance, and a few others, for example have been promoting and enabling telehealth and teleconsultation services for the fast few years already.

Blockchain

Blockchain technology has the potential to bring dramatic change in the Indian health insurance sector in several ways. However, In 2021, only 1% of health insurance companies in India were using blockchain.

First, its decentralized nature ensures improved data security and transparency by securely storing and sharing patient records, claims data, and sensitive information, while maintaining data integrity and reducing the risk of unauthorized access.

Blockchain's smart contracts enable efficient and transparent claims processing, leading to reduced administrative costs and minimized fraudulent claims, benefiting both policyholders and insurers with faster claims settlement and fewer disputes.

Lastly, the technology can streamline health insurance provider networks through real-time verification of providers and credentials, ensuring accurate provider directories and granting policyholders access to high-quality healthcare services.

Industry Information says that Reliance Health Insurance, Niva Bupa and Star Health are partnering with InsurTech Labs, Guardtime and Factom respectively, claims processing, securing medical records and data. Similarly, Apollo Hospitals and Fortis Healthcare are forming the provider side of a Blockchain platform called MediBloc, while AXA Health Insurance and Religare Health Insurance are beefing up the payer side. Meanwhile, Confederation of Indian Industry (CII) and the National Association of Software and Services Companies (NASSCOM) are leading a project called Blockchain for Health, which has Niva Bupa Health Insurance and ICICI Lombard General Insurance as participants.

The Benefits of Embracing Digital Technologies in Health Insurance:

Though many insurers started their digital journey to keep up with competition, and to be part of the trend, they gradually started realizing the wide range of benefits, and reorienting themselves from being product centric to customer centric. For example:

Enhanced Customer Experience:

By leveraging wearable devices, intelligent CRM, integrated digital platforms etc. insurers are able to personalize services and make timely recommendations based on policyholders' health data. This heightened level of service enhances customer satisfaction and loyalty. Digital portals and mobile applications provide policyholders with easy access to policy information, claims status, and personalized health tips, resulting in a more engaging and customer-centric experience.

Increased Efficiency and Cost Savings:

Automating processes through AI and digital platforms significantly reduces administrative burden, leading to cost savings and improved operational efficiency. By streamlining claims processing and policy administration, insurers can optimize resource utilization and focus on value-added services for their policyholders.

Improved Patient Outcomes:

Digital technologies empower insurers to support policyholders in their healthcare journey, offering access to care, managing chronic conditions, and promoting healthier lifestyles. By providing personalized health recommendations, insurers can motivate policyholders to take proactive steps towards a healthier lifestyle, leading to improved patient outcomes and reduced healthcare costs.

Challenges Hindering the Adoption of Digital Technologies in Health Insurance and the Path Forward:

Despite the evident advantages, and the progress made so far, the health insurance sector in India faces several challenges that slow down the full integration of digital technologies. According to a 2022 report by the National Health Authority, only 10% of health insurance companies in India use digital technologies to manage claims.

Lack of standards:

There are no universally accepted standards for the use of technology in health insurance, which make it difficult for different systems to communicate with each other.

Intra / Inter Industry Lack of Trust

Blockchain, as mentioned above, has the potential to bring radical changes. However, to make that a reality, payers and providers have to be willing to be on the same platform, and share data freely. Currently, the eco-system is not that of trust. This again is an area that IRDAI can help, provided the body understands the benefits first.

Regulatory Hurdles:

The slow moving, regulated healthcare industry presents obstacles to adopting new technologies, necessitating careful consideration of compliance requirements. In many cases technology can create personalized products at real time, but regulations prohibit such innovation.

It is necessary thus for IRDAI to transform itself and for policy frameworks to change to take advantage of emerging technologies while safeguarding data privacy and patient rights.

Cost

Often, the eagerness of technology sales omits clear plans, and a demonstration of total cost of ownership. These sales fail to show the larger gains from collaboration or the fact that these are transformative efforts. The initial or the recurring investments in digital technologies, thus, often deters some insurers from embracing innovation unless the long-term savings are apparent.

Insurers must carefully assess the return on investment (ROI) of digital solutions, factoring in both financial gains and improved customer loyalty.

Lack of Integration:
The use of legacy systems in many health insurers hampers the seamless integration of new digital technologies into existing workflows. Adopting interoperable solutions and investing in system upgrades can mitigate this challenge. In many cases, the need for modernization of legacy systems adds to the cost burden, and pushes away a larger transformative effort.

Lack of Awareness and Cultural Resistance to Change.
Though many insurers have progressed towards Digital Platforms, they still do not realise the need for an overall transformative effort instead of point solutions. This mindset adds to cost, and repeated tech debt.

From a different perspective, digital transformation moves the focus away from products to the customer. More often than not, the incumbent traditional attitude and structure also resist change, and shift in power structures. The hindrances either postpone or slow down progress.

To encourage a culture of innovation, towards customer centricity, insurers must invest in employee training, a change management program and create a supportive environment that fosters a technology-driven, customer obsessed mindset.

Government Initiatives Promoting the Adoption of Digital Technologies
According to a 2021 study by the McKinsey Global Institute, the adoption of digital technologies in the Indian healthcare sector is lagging behind other countries by 20-30%. The Indian government has taken proactive measures to accelerate the adoption of digital technologies in the healthcare sector, particularly in health insurance:

The National Digital Health Mission (NDHM):
The NDHM aims to establish a unified digital health ecosystem, providing each individual with a National Health ID and facilitating secure health data exchange among healthcare providers and insurers. By creating a standardized health information exchange, the NDHM promotes interoperability and data sharing, enabling seamless healthcare delivery and claims processing.

The Digital India Programme:
The Digital India Programme fosters the integration of technology in various sectors, including healthcare, aiming to create a digitally empowered society. By supporting the adoption of digital technologies in health insurance, the programme promotes inclusive healthcare access and improved health outcomes.

The Startup India Programme:
Supporting entrepreneurship and innovation, the Startup India Programme encourages startups to develop and implement digital solutions for the health insurance sector. This initiative fosters a culture of innovation and provides young entrepreneurs with opportunities to drive transformational change in the industry.

Blockchain research:
The Indian government is investing in blockchain research and development. In 2021, the government announced a $100 million fund to support blockchain projects in the healthcare sector. However, a 2022 report by the Indian Institute of Management Bangalore found that 70% of health insurance companies are considering using blockchain in the future.

In Conclusion

The Indian health insurance sector is undergoing a digital transformation, with innovative technologies reshaping the way insurers operate and interact with their policyholders. These technologies offer a wide range of benefits, including improved efficiency, accuracy, and transparency.

Despite some challenges, the sector is well-positioned to benefit from digital transformation. The government is supportive of the digital health agenda, and there is a growing demand for digital health solutions from policyholders. We can expect to see even more innovation and disruption in the sector.

The government has taken proactive measures to accelerate the adoption of digital technologies in the healthcare sector, particularly in health insurance. These initiatives include the National Digital Health Mission (NDHM), the Digital India Programme, and the Startup India Programme. These initiatives are helping to create a conducive environment for the adoption of digital technologies in the Indian health insurance sector.

In conclusion, the Indian health insurance sector is poised for growth and innovation as it embraces digital transformation. The government's support and the growing demand for digital health solutions will help to drive this growth.

About 3nayan

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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