

## Health insurance for senior citizens

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The Committee on Health Insurance for Senior citizens has asked the IRDA (Insurance Regulatory and Development Authority) to promote standalone health insurance companies as subsidiaries of insurance companies (life and non-life) and give them separate treatment to ensure their viability (*The Hindu*, December 8).

At least half the service tax on all health insurance premiums is to be credited to the insurance pool to be set up with the IRDA for dealing with high risk cases of senior citizens. Premium is to be fixed at a base price at the age of 50, which is to be adjusted with a loading for each year.

The other important recommendations are: health insurance products for senior citizens should be designed according to their capacity to pay; senior citizen beneficiaries of schemes like CGHS, ESIS, etc., may be given the choice to opt out of the scheme and given a suitable grant to buy health insurance, if the facilities under the schemes are not available at their post-retirement places of settlement.

The above recommendations will be welcomed by senior citizens. However, the proposed companies should address the problem of “pre-existing diseases” which are excluded from health insurance cover. If they are excluded, then the very purpose of the proposed scheme will be defeated as most senior citizens suffer from some major ailment. This should be taken care of.

The high cost of treatment of senior citizens may be mitigated to some extent by loading the premium and by the insurance pool, but the capacity to pay should be kept in mind. However, a major cause for the high cost of health insurance in general is the exorbitant price charged by private hospitals, specially the corporates.

It is generally perceived that the charges for treatment of insured patients is higher than for others — irrespective of whether they are senior citizens or not. To tackle this, an option which can be considered is for the insurance companies themselves to have their own hospitals. They will be a legitimate adjunct to the insurance industry. Why not, if the Railways can run budget hotels and set up a Rs.300 crore super speciality hospital (at Patna)?

This will free the insurance companies from the clutches of high cost private hospitals which are run mainly for profit. It is possible for the hospitals run by the insurance companies to provide quality health care at affordable prices. A lower premium may be charged if treatment is taken at such hospitals, as an incentive.

The PSU insurance companies may explore the PPP model to enlist reputed players as the Railways are doing in the case of their super speciality hospital. Suitable revenue sharing arrangements need to be worked out with the private party; however, the insurance company should retain certain amount of control to ensure that the private party does not overcharge and ensures quality health care. These hospitals may also treat persons not covered by health insurance.

### **Viability gap**

All said and done, despite the higher premium and support from the insurance pool, health insurance for senior citizens may still entail a viability gap. This has to be met by the insurance companies themselves by suitably adjusting the premium charged for others or by viability gap funding by the government as in the case of infrastructure projects undertaken on PPP model.

Finally, it is necessary to change our mindset that senior citizens are a liability to the economy. Due to increased longevity (about 65 years now) many senior citizens continue to contribute usefully to society in various ways. Moreover, India enjoys a major advantage of “demographic dividend” i.e. the population in the working age of 15-64 is much higher (63 per cent) than in many advanced countries and hence economic dependence ratio is less in India.

The cost of caring for the elderly in India is more thinly spread on the working population than in many developed countries where a shrinking working population supports a large ageing population. Society and the government should therefore not grudge this cost. After all, is not the nation incurring a huge expenditure on providing subsidised goods and services even to those who can afford to pay economic prices, e.g. cooking gas, professional and higher education, etc.?

**Courtesy:** <http://www.thehindu.com/op/2008/01/13/stories/2008011350011300.htm>