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Micro health insurance hedges risk for India's poorest

A clutch of public health organizations hope lower premiums will change the way Indians think about health insurance.

By Caitlin Cox | Contributor to The Christian Science Monitor

NEW DELHI

Nandakumar Rajeshirke was suspicious of health insurance when he first heard about the idea three years ago. He had trouble understanding why it made sense to gamble on an unforeseen illness or accident when there was no guarantee he would ever see any money in return.

But his insurance provider, a network of nongovernmental organizations called UpLift India Association, had already earned his trust by supplying him with reliable microcredit to fund his stone carving business in the city of Pune. Mr. Rajeshirke decided to buy coverage for his whole family at 50 rupees (\$1.10) per person annually and renewed the plan for several years in a row.

In 2005, his gamble paid off. Rajeshirke's wife needed a hysterectomy, a procedure that would normally cost 20,000 rupees (\$446), one-third of his yearly salary.

"Without insurance," he says, "I would have had to sell some things from my house or get a loan from someone at high rates." Instead of facing financial ruin, he paid 6,000 rupees (\$134) total and had help navigating the long process through diagnosis, surgery, and medication.

Such plans, known as micro health insurance, are gathering momentum in regions of Asia and Africa that lack public health strategies. These nonprofit programs aim to provide quality healthcare at low premiums on a community-level scale. The idea is that, with creative planning, the poor can benefit from the same protections against risk as the rich.

India is a world leader in this emerging field, with 5 to 10 million people enrolled in micro health insurance nationwide. Fewer than 10 percent of India's 1.1 billion people have any sort of health insurance, much of which covers only government employees. Poor people usually work in informal jobs or are self-employed, so they are extremely unlikely to be included in employment-related plans.

Consequently, health financing poses an acute problem for India. About one-fourth of hospitalized Indians fall below the poverty line as a direct result of their hospital expenses, according to a 2002 World Bank report. Many people take out steep loans or sell their homes in order to pay. And for the poor, losing even a day's wages while waiting in the hospital can be devastating.

"A health event is a bigger risk to farmers than an unsuccessful crop. Once they sell their land or livestock, they become indentured laborers. That takes a generation to fix," explains David Dror, a professor at Erasmus University Rotterdam who has been studying micro health insurance in India.

For years, says Dr. Dror, the poor were considered uninsurable, both for the barrage of risks they face and for being either unwilling or unable to pay for disasters in advance.

His research, presented last week at an international conference in New Delhi on micro health insurance, shows that

the poor are willing to pay an average of 600 rupees (\$13.40) per year, or a little over 1 percent of their income, for their family's premium. This amount exceeds the premiums currently being charged by plans, which often rely on additional subsidies, such as grants, to make ends meet.

India's micro health insurance plans vary widely in size and scope. Some contain fewer than 2,000 members, while others include several hundred thousand.

Much of their work, including premium collection and outreach, is done face to face. In addition to building trust within wary communities, this personal approach reduces paperwork errors and also cuts down on fraud. Some groups send a representative to the hospital whenever a patient is admitted, to double-check that the reality of both illness and treatment match with the claim being submitted. Many plans reimburse the hospital directly so that too much cash does not have to change hands, and so that patients will not have to suffer financially if a claim is delayed.

The programs employ a variety of means to keep costs low. Some require patients to seek care at government hospitals, which are already highly subsidized. Others curb their administrative costs by asking volunteers from the community to handle duties such as processing claims. They buy generic drugs, or grow a garden full of herbal medicines. Even small measures, such as creating identity cards that cost half a rupee (1 cent) to produce, are taken seriously.

The insurance plans are also designed, with varying strictness, to reduce costs. Most exclude preexisting and chronic illnesses, such as AIDS and diabetes. The more limited plans cover only hospitalization expenses, while broader plans offer outpatient and drug benefits.

One organization, Healing Fields Foundation, partners groups serving the poor with insurance companies and local hospitals to negotiate for better prices and improved care. Through grass-roots organizing, they educate local people about insurance and health.

"We're all striving to transfer power to the grass-roots, power to the micro level," explains Dr. Abhay Bang, director of SEARCH, an organization that promotes public health for women and children in rural Maharashtra. "It's a moment to balance the global with the local."

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