

# Information Technology based process model for Health Insurance – Adoption and Implementation

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## Introduction

The scope of discussion involves an overview of the industry forces, policies that are responsible for the poor penetration of health insurance in India. This subsequently has an impact on the rate of adoption of IT amongst healthcare providers since, from the example of the US industry, health insurance companies are key influencers for adoption of IT for process stream lining and standardization. Various facets of technology that are discussed result in reduction of errors, process and data standardization, process turn-around time improvement, reduction of working capital etc. Technologies like ICD codes, electronic data interchange, electronic data entry methods, authorizations, centralized databases etc. have a strong role to play in this evolution. Coupled with this is the fact that government policies should stipulate minimum norms for IT technology compliance like HIPAA in the US, that can ensure the adoption and success of the technology model presented

## Problem

Government hospitals tend to be fewer in number though larger in bed capacity. 32% of all hospitals are Government owned but account for 60% of the bed capacity. Consequently, greater strain on Government budgets for maintenance of high standards of healthcare.

- There are over 40,000 Private hospitals and Nursing Homes with most less than 30 beds. Highly fragmented market.
- 80 - 90% of the private hospitals are concentrated in the four states of Maharashtra, Gujarat, Kerala and Andhra Pradesh.
- 85% of beds are in the urban areas where 28% of the population resides.

- 60% of healthcare spending is out-of-pocket expenses due to poor penetration of health insurance (Government and private) at only 15%.

## Aims and Result

**a) Government** - The Government, acts as the payer as well as the provider of healthcare thus resulting in isolated clusters as there is no uniform health insurance scheme to cover all Government employees, thus various Government departments/ministries run their own network of hospitals to cover their employees even though this is not their core activity.

**b) Private industry** - Private health insurance has only been able to achieve a penetration of roughly 4% of the total population whereas it is projected that the target population can be approx. 300 million insured persons – 30% as against the current total penetration of 15%. Though the potential is huge, the industry is ridden by high capital adequacy norms.

## Conclusion

The Government along with private stake-holders should frame policies for faster adoption of IT across the health insurance process. This will be further boosted in the long term by the greater penetration of health insurance coverage for individuals, as it will give insurance companies the bargaining power with provider hospitals to push them for adoption of IT based management systems

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