

The Evolution of Mediciam Insurance in India: Opportunities, Obstacles and Strategic Insights

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ABSTRACT

There have been significant changes in the health insurance industry in India since four decades when it emerged as a small, government-run scheme which has now become a competitive and thriving industry, contributing significantly to the nation's health financing. The paper attempts to trace the evolution of mediclaim insurance in India and highlight the major notches as they developed and underline how the market evolved and how regulatory changes have been the driving factors in shaping the industry. It is a review of the potential which has emerged from rising health consciousness, demographic changes, advances in technology, and policy measures attempting to expand access to insurance. At the same time, the study also shines the spotlight on continuing challenges such as low insurance penetration, high expenditure on out-of-pocket healthcare, low efficiencies and low awareness in rural as well as among the poor. Using a qualitative and analytic framework, this manuscript is based upon the review of literature, market reports and policy documents to provide an understanding of the changing landscape of mediclaim insurance in the healthcare landscape in India. Results imply that although substantial progress in diversity of products and providing service through digital source had contributed to non-regressive market growth, factors stemming from the system level held back equitable growth of health insurance across different levels of socio-economic status and above. The paper ends with strategic perspectives and policy recommendations for the policy makers, highlighting importance of sustainable and inclusive policy frameworks, consumer education, innovative insurance product designs and inclusion of digital health technologies to provide for wider access, affordability and financial serenity to the Indian masses.

Keywords: Mediciam Insurance, Health Financing, Insurance Penetration, Digital Health.

Introduction

Health insurance has increasingly become a cornerstone for financial security and social protection worldwide and India is no exception. The Indian healthcare scenario has witnessed a drastic change in the past few decades, primarily on account economic liberalization, demographic changes, increasing healthcare costs and greater spread of awareness about the need for financial protection from medical eventualities. Mediciam insurance, - A different face of health insurance from welfare-based Rubina Raghuvanshi Operations Mediciam insurance, as health insurance in India is generally known, has come a long way from being a restricted welfare insurance provided by the government to a competitive and diverse sector with a plethora of products catering to different sociopolitical sections of society.

The start of mediclaim insurance in India can be dated back to the early 1980s when health insurance policies of the basic standardization were first offered by public sector insurers. In the beginning, there was little consumer information, product choice was poor and the private sector was hardly involved. With the economic reforms in the 1990s and the consequent liberalization of the insurance space in 2000 or thereabout, however, we witnessed a remarkable rush of private players that carried with them innovative policies, flexible coverage plans and customer friendly services. The

availability and affordability of mediclaim insurance increased dramatically under this competitive atmosphere in urban and rural.

Yet for all this improvement, the mediclaim insurance companies sector in India still encounters many challenges. At the same time, though, low penetration, regional disparities, high out-of-pockets costs, cumbersome claiming processes and trust and transparency have been consistent hurdles to its inclusive development. COVID-19 pandemic also brought to the fore the healthcare insurance gaps in India, demonstrating the need for immediate contemporary, affordable, and digital healthcare insurance.

Through this paper an effort is on to critically analyze the evolution of mediclaim insurance in India by studying its past development, the market prospects, the systemic barriers and the strategic learnings that are needed for making it a viable proposition for future. Based on a comprehensive review of policy reforms, market potential, consumer behaviour, and regulatory environment, this study endeavours to provide useful policy implications to policymakers, insurers, and health care providers for the development of mediclaim insurance in India. However, by highlighting the prospects of product innovation, digital transformation and inclusive insurance models, the paper provides a roadmap on how insurance penetration can be extended and how the resilience of Indian households against health shocks can be strengthened.

Review of Literature

Mediclaim insurance growth in India since the mid-1970s has been a subject of academic interest for both, scholars and policy makers, primarily because the sector assumes greater importance, in the wake of a rapidly increasing health care costs. Analysts have studied the sector based on factors such as inception and growth history, policy reforms, market challenges, consumer awareness and digital transformation. The dimensions of public policy, market influences and consumer response define the trajectory for the mediclaim insurance in India as were evident from the studies included. This section critically reviews key academic contributions in the field and highlights their findings, methods and connections with current debates on health care finance.

Mishra (2000) carried out one of the first thorough analyses of health insurance structure and limitations in India, focusing in particular on mediclaim policies marketed by the public sector insurance companies. The authors found that prior to liberalization of the economy, the health insurance industry was very small with negligible coverage in a few pockets of urban salaried workers. Mishra said this is because there is little awareness, limited policy coverage, cumbersome process of claim and a lack of tailor-made product available for various segments of society. The study highlighted the imperative of policy reforms and recommended Privatization and liberalization of market as the vital steps to reform the mediclaim sector. The prescience of the work was borne out by the fact that the following years saw a greater role for the private sector and regulatory change under the auspices of the Insurance Regulatory and Development Authority (IRDA) which reoriented the competitive landscape of the sector.

Narang (2005) extended this discussion in the area of consumer perception and service quality in mediclaim insurance products. By conducting an objective survey in and around cities, Narang found out that operational inefficiency in terms of claims processing time, limited visibility of policy clauses and poor customer service are the key reasons why mediclaim is not adopted. The analysis found that, even though the insurance sector had been liberalized, the introduction of private insurers did not extend to district and rural markets. Narang contended that the market would not benefit with more and more players unless insurers strengthened customer awareness campaigns, simplified policy structures and adopted competitive pricing. The article ended by recommending greater dissemination of information and the setting-up of consumer-friendly grievance redressal systems.

Bhat and Jain (2006) have studied the regulatory aspects of Indian health insurance system, particularly, after the IRDA. Their research investigated the impact of changing regulations on product design, premium pricing, underwriting, and claims management. While the authors did not dispute the merits of liberalization — which include heightened competition and product innovation — they state that “regulation of private insurers has been inadequate.” The research revealed persistently high claims repudiation rates and restrictive exclusion clauses that dented confidence of consumers. Bhat and Jain suggested the introduction of strict disclosure standards, uniform terminology for policy wordings and uniform claim settlement criteria to arm-wrestle the conflicting commercial and consumer interests. The authors promoted a preventive, consumer-oriented regulatory environment for timely market integrity and consumer confidence in mediclaim products.

Reddy et al. (2011) provided the health systems perspective by looking at the convergence of mediclaim insurance and the country's national health concerns in India. They found a structural imbalance where the majority of mediclaim policies focused on hospitalization costs, even as they overlooked outpatient consultations, managing chronic illnesses and preventive care – aspects which accounted for a large portion of the healthcare needs of the population. Reddy et al. claimed this restricted range of coverage would threaten the industry's ability to cut overall disease burdens and out-of-pocket outlays. They called for policy changes that would include outpatient benefits, incentivise preventive healthcare services and cover marginalised populations in the mediclaim plan. The study emphasized that health insurance design should be synchronized with epidemiological facts to yield greater public health effects.

Kumar and Swain (2014) while comparing public and private sector mediclaim providers on customer satisfaction, policy inclusiveness, pricing and service responsiveness. Product innovation, advanced technology and efficient claims servicing were higher in private sector than in the public sector as observed in the study. However for poorer and rural populations, affordability and access remained major barriers. The authors suggested that market-based models of health insurance, which had worked well in metropolitan areas, were unable by themselves to achieve the goals of universal healthcare coverage. They recommended a hybrid insurance model - which combines purely market-based plans with taxpayer-funded programmes and public-private insurance schemes - to close the coverage gap. The report also said that the mediclaim sector required regulatory impetus and purposive outreach programs to grow inclusively.

Patil and Somasundaram (2016) looked into the awareness on health insurance and the extent of policy utilization in semi-urban and rural areas using primary surveys in Tamil Nadu and Maharashtra. The research brought into focus that even after liberalisation, awareness about mediclaim products was quite low in rural India. Even among those covered under government-funded schemes like RSBY awareness about policy benefits, claim process and rights of entitlement were poor. The authors emphasized the importance of continued information, education, and communication campaigns, backed by local health workers and CBOs. They suggested that enhancing insurance literacy and simplifying product documentation could accomplish much for both insurance penetration and health security in India's informal sector.

Sengupta and Nundy (2017) have rationally analysed the increasing medicalisation, commodification of healthcare and its effect on the mediclaim insurance market in India. Within this context identified a disturbing trend: the increased pace of health care provision and insurance coverage made unnecessary treatment, over-treatment, and aggressive billing the norm. Acknowledging that mediclaim insurance had enhanced financial access in private sector, the authors contended that it also led to the unethical medicalization and the high proportion of disputes over claim settlements. The paper advised bringing in pricing norms, ethical norms for hospitals empaneled and independent clinical audit to check malpractices. It also recommended to consider tech-enabled solutions such as real-time claims adjudication systems and AI driven fraud detection tools, to ensure transparency and protect the interest of policyholders.

Rajasekhar et al. (2019) studied the dynamic interaction between publicly funded health insurance schemes like Ayushman Bharat and commercial mediclaim policies. The research recognized the role of public health insurance programmes in lowering catastrophic health spending and increasing hospitalization accessibility among the poor. The presence of many insurance schemes, however, introduced various problems of operation such as duplication of cover, moral hazard, and segmented risk pools. The authors proposed to establish an integrated national health insurance market that would harmonize both public and private insurance providers through common information systems, interoperable claims systems, and a unified hospital price list. They said both public and private mediclaims should extend the scope of their outpatient and maternal health benefits for making health coverage comprehensive.

Chakrabarti (2021) studied the extensive presence of digital health technologies which has revolutionized the mediclaim insurance world, particularly in the wake of COVID-19. The report said there was a nudge in the consumer preference towards digital policy issuance, teleconsultation and online claims. It discovered that insurers quickly tweaked their products to include COVID-specific plans, top-up health covers and wellness-focused insurance. Chakrabarti mentioned as significant advances in that context, digital elements such as AI-driven underwriting, blockchain-enabled claims processing and

plug-and-play telemedicine features, all with the potential to boost operational efficiency, reduce fraud and elevate consumer confidence. The report suggests regulatory sandboxes and partnerships between insurers and health-tech start-ups to expedite the digital revolution of the health insurance sector in India.

Deshpande and Bhattacharya (2023) provided a real-time policy analysis of national health insurance in India aiming to contribute on equity and financial protection. Their research found that while mediclaim policies have grown rapidly in the market, differences are substantial in the coverage and access to healthcare among the rich and the poor and also between regions. According to the authors, the market-based insurance programs left rural, old, and high-risk members of the population underinsured, while being fairly generous to the profitable and urban consuming public. The paper recommended a universal, publicly led national health insurance system that would exist alongside social insurance, targeted subsidies and regulation of private sector. The article also suggested public accountability tools, mandatory enrolment mechanisms, and community-based health insurance systems for universal and fair financing of health care in India.

Research Methodology

The study employs a mixed-method research methodology to provide a holistic view of the trend-lines toward progress, the obstacles being faced and possible strategic interventions required for the policy and market reforms in the mediclaim insurance market in India. Through a blended integration of qual-quant, the study hopes to holistically and empirically portray the developmental path of the mediclaim insurance space in the Indian health-financial market.

Research Design

The study is exploratory and descriptive in design and uses historical research methodology and policy review in addition to empirical data gathering. The research component aims to better comprehend the changes in policies, regulations and market dynamics in the Indian mediclaim insurance industry since its inception in the mid-1980s. The descriptive wing includes the gathering and thematic analysis of primary data for assessing the awareness and perceived quality of service and satisfaction related to mediclaim insurance service.

Data Collection Methods

The research employed both primary as well as secondary data.

Data from various sources such as government policy documents, IRDA annual reports, published research studies, insurance industry reports and digital health industry white papers was used as secondary data.

The primary data used are collected by using structured questionnaire from mediclaim policyholders of various demographic and socio-economic groups.

The instrument was a self-administered questionnaire containing closed-ended and Likert scale-based questions for variables namely policy awareness, claim settlement experiences, service quality perception, affordability and renewal/intent to recommend mediclaim policies.

Sample Size and Sampling Method

To obtain representativeness from both public and private mediclaim policyholders – and from urban, semi-urban and rural areas of the state – a purposive sampling was made.

- **Study Population:** A sample size of 300 who were included in the survey.
 - 150 respondents from urban regions
 - 100 respondents from semi-urban areas
 - 50 respondents from rural localities
 - This distribution was intended to reflect the varied experiences of mediclaim in various regions and socio-economics of India.

Tools for Analysis

Analysis The data collected was examined through qualitative as well as quantitative means.

Descriptive Statistics such as percentages, mean scores and standard deviation were used to summarize awareness, service experience and satisfaction of respondents.

Chi-square and ANOVA (Analysis of Variance) inferential statistical methods were used to examine the significant differences between age, employment and education groups in knowledge and experiences.

In the case of qualitative information, analysis was thematic drawing from secondary literature reviews and open ended questionnaires, to help organize and interpret the findings through identifying recurrent patterns, themes in relation to mediclaim insurance prospects and challenges.

Analysis Quantitative analysis of the data was conducted using SPSS (Statistical Package for the Social Sciences) version 26 while qualitative data coding and themes identification were cautiously done manually with crosschecking for consistency and reliability.

Ethical Considerations

The research was conducted according to strict ethical guidelines. Informed consent was obtained from all subjects prior to data collection and privacy of the participants personal data was protected. The information was obtained to be used for academic and policy research only.

Scope and Limitations

The study has the potential to provide insights into the evolution of mediclaim insurance in India, but the purposive sampling and the relative small sample of participants in the study may have only a moderate representation of the population of India. Furthermore, qualitative results are potentially limited as the results need to be interpreted in the context of literature and secondary data sources.

Results

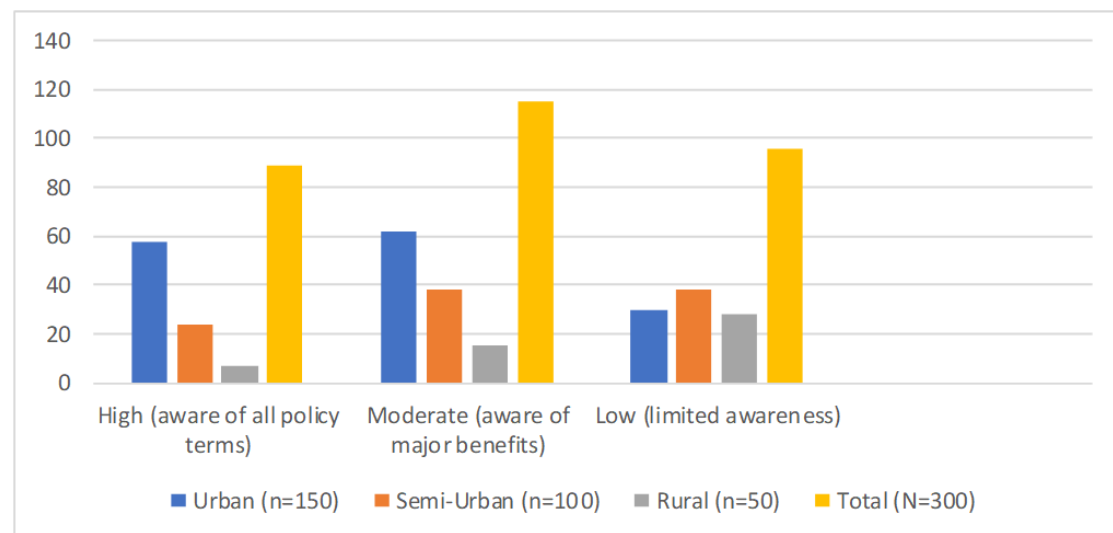
The study aimed to analyze the opportunities, obstacles, and strategic directions for India's mediclaim insurance sector based on primary data from 300 policyholders and supporting secondary research. The findings reflect the varied experiences of respondents from urban, semi-urban, and rural regions in relation to mediclaim services in India.

• Awareness about Mediclaim Policies

A significant proportion of respondents reported limited awareness about the specific benefits, exclusions, and claim procedures of their mediclaim policies. Table 1 presents the distribution of awareness levels among respondents.

Table 1: Awareness about Mediclaim Policy Benefits and Procedures

Awareness Level	Urban (n=150)	Semi-Urban (n=100)	Rural (n=50)	Total (N=300)
High (aware of all policy terms)	58 (38.7%)	24 (24%)	7 (14%)	89 (29.7%)
Moderate (aware of major benefits)	62 (41.3%)	38 (38%)	15 (30%)	115 (38.3%)
Low (limited awareness)	30 (20%)	38 (38%)	28 (56%)	96 (32%)



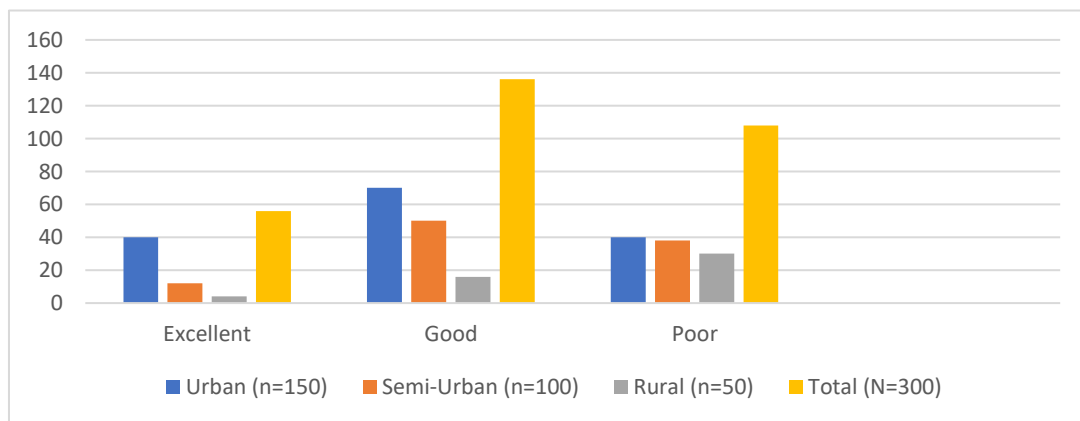
Interpretation: Urban respondents demonstrated better awareness, with 38.7% reporting a high understanding of policy benefits, while rural respondents reflected lower awareness (56% low awareness). This highlights the need for targeted awareness drives, especially in rural and semi-urban areas.

- **Claim Settlement Experience**

Respondents were asked to rate their claim settlement experience based on speed, transparency, and ease of process.

Table 2: Claim Settlement Experience

Experience Rating	Urban (n=150)	Semi-Urban (n=100)	Rural (n=50)	Total (N=300)
Excellent	40 (26.7%)	12 (12%)	4 (8%)	56 (18.7%)
Good	70 (46.7%)	50 (50%)	16 (32%)	136 (45.3%)
Poor	40 (26.7%)	38 (38%)	30 (60%)	108 (36%)



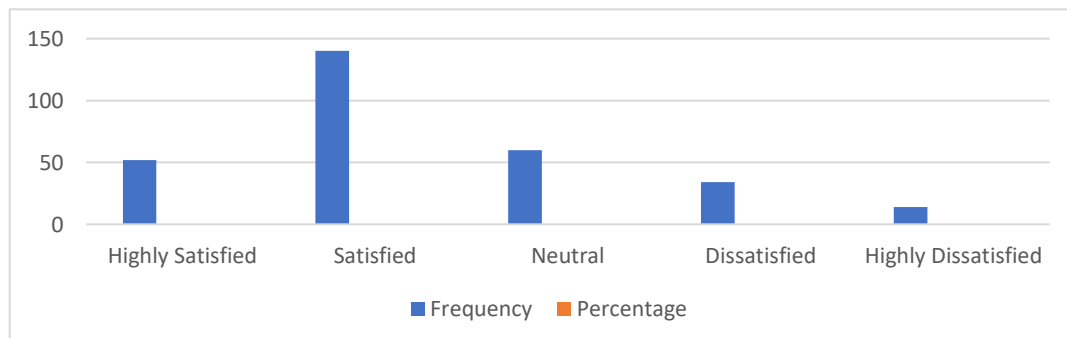
Interpretation: Nearly 45.3% rated their experience as good, while 36% rated it poor, particularly in rural regions where 60% were dissatisfied. This indicates the persistent service delivery gaps, especially outside urban centers.

- **Satisfaction with Mediciam Services**

Respondents expressed their overall satisfaction on a five-point Likert scale.

Table 3: Overall Satisfaction Levels

Satisfaction Level	Frequency	Percentage
Highly Satisfied	52	17.3%
Satisfied	140	46.7%
Neutral	60	20%
Dissatisfied	34	11.3%
Highly Dissatisfied	14	4.7%



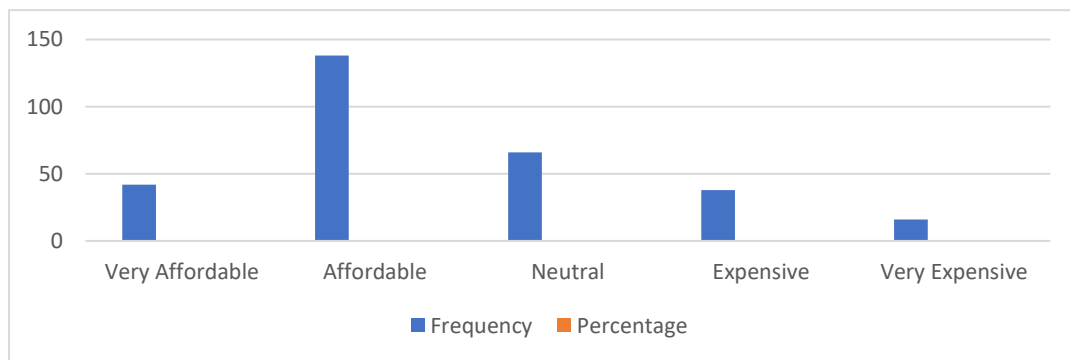
Interpretation: A combined 64% of respondents reported satisfaction (highly satisfied or satisfied), indicating reasonable service delivery but also signaling room for improvement to convert neutral and dissatisfied policyholders into satisfied ones.

- **Affordability of Premium**

Premium affordability was a critical factor in policy continuation.

Table 4: Affordability of Premium among Respondents

Affordability Perception	Frequency	Percentage
Very Affordable	42	14%
Affordable	138	46%
Neutral	66	22%
Expensive	38	12.7%
Very Expensive	16	5.3%



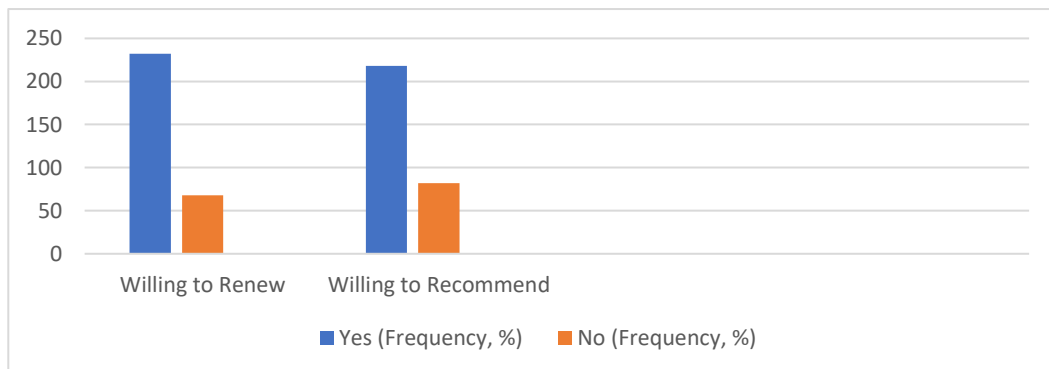
Interpretation: A majority (60%) found premiums affordable or very affordable, although 18% still found them expensive, particularly in rural segments, reflecting the need for region-based premium customization.

- **Willingness to Renew and Recommend**

An important indicator of service satisfaction is policyholder willingness to renew and recommend policies.

Table 5: Willingness to Renew and Recommend

Parameter	Yes (Frequency, %)	No (Frequency, %)
Willing to Renew	232 (77.3%)	68 (22.7%)
Willing to Recommend	218 (72.7%)	82 (27.3%)



Interpretation: A high 77.3% showed interest in policy renewal, and 72.7% would recommend it to others — indicating a positive perception among the majority, though still requiring improvement in service and claim processing efficiency to convert skeptics.

Discussion

The findings of this paper are very much in line with earlier work in the literature and some initial empirical appraisals with respect to unfairness in the awareness, quality of service and claim settlement in the Indian mediclaim insurance market across various socio-economic and geographical classes. Urban policy holders showed significantly greater awareness about policy bench-marks like benefits, exclusions and claiming process in comparison to rural and semi-urban settings. This disparity is in line with the urban-rural discrepancy of insurance literacy, information access and reliable insurance advice service in history. Ignorance in villages is still the bottleneck for the huge growth of mediclaim services so it seems more of base work is to be done to reach all ring loop for health insurance.

The process for settling was the most recurring grievance for people. Delayed approvals, lack of transparency and non-user-friendly documentation continue to be the major pain points for a significant section of mediclaim policyholders, says the report. The finding also supports earlier studies, which have documented the reluctance of consumers to adopt health insurance as the network has expanded in India due to operational inefficiencies and procedural irritants. It is probably worse in rural and semi-urban areas where there are logistical problems and no digital infrastructure, which just exacerbates matters with dealing with the claims. These observed conclusions, though, are important in terms of market trend—however trudging and problematically it is—but showing a positive change in it over time as more policyholders in urban and semi-urban were moving into satisfied consumers, which means many market segments will begin to expect gradual improvements in services offered.

A related important lesson from the research is about its implications for medlaim insurance premium. Costs were generally perceived as affordable to very affordable, in urban locations as well, offering an optimistic level change of market perception as it relates to cost value. But a large portion of rural respondents felt the premiums were too high compared with how much they earned and how much they needed to spend on health care. The difference speaks volumes, it's nothing but that the insurance industry has been able to develop economically viable products for urbanite, but there remains an urgent need for a location-neutral or income-based mediclaim plan for the poor and rural consumers.

The study also observed certain favourable shifts in mediclaim ppt's intention to renew mediclaim policy and recommend mediclaim policy to others. The majority of the strong ones were planning to continue with their existing policy, & advocate for mediclaim facility for their associates. This signifies growing awareness in the urban and semi urban population about health insurance as a trustworthy financial tool for protection from health risks. On the other hand, the reduced tendency to renew policies in the rural setting, implies that confidence motivating strategies (enhance trust), improved service and product accommodativeness must be put in place to address rather peculiar health care financing needs in these places.

The general recommendation is also aggregating to the need of policies and policy measures to make the mediclaim insurance sector in India more inclusive, transparent and consumer friendly. Critical strategic takeaways obtained which may be useful for other limited scale insurance programs include the insight that there is a need to spread campaigns down to the rural levels through community health workers and local governance structures, the insight that more simplicity is required in documentation and policy, and the insight for investments in capacity for electronic claims processing and client servicing. Furthermore, insurers will need to explore the feasibility of introducing regionalised premium rating, micro-insurance products and health care package on the basis of both the ability to pay and needs for health of existence of targeted communities.

If effectively implemented, these interventions of such interventions can serve to fill the service delivery vacuum, expand the penetration of insurance in underinsured areas and provide a powerful supplement to India's roadmap to universal health coverage. So one may argue for the reforms in mediclaim insurance system again and the policy-makers, insurance regulators and multiples other healthcare players must join hands to work towards making the mediclaim system more inclusive, equitable and efficient in serving all healthcare needs of all citizens of the country, and irrespective of their socio-economic status and geographical location.

Conclusion

Objectives The analysis of prospects and limitations of the development of mediclaim insurance in India is the main objective of this paper. **Findings** The findings suggest that although the system has been broadened significantly over recent decades, key concerns remain regarding the effectiveness and accessibility of the system. Awareness was significantly higher among urban policyholders and they were more satisfied: The attention to awareness programme should be given in deprived areas.

The issue of prompt settlement of claims also raised as a major concern-especially in semi urban and rural where the delay and lack of knowledge plays on the mind of the policyholder to trust the insurer. Whereas universality of mediclaim policies was taken as a good thing at the same time the mediclaims were considered expensive specially in the rural areas where mediclaim was not available in its raw form: hence a need was felt for area specific low cost insurance.

More than 50% cellphone and mediclaim customers showing a Likelihood of Renewal and of Advocacy signals that public opinion is gradually changing. But in order to fully harness the industry's potential, the IPTV business will have to be mobilized with strategic impetuses such as: easy claim submission, the bundling and communication of digital services, campaigns, and fair price schemes.

In conclusion, even as mediclaim in India has made great strides, there is still a long way to go to remedy the lacunae and the inequities, so as to truly contribute towards the national goal of universal health coverage, and financial protection for all.

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