2006 | ASIAN DECENT
2015 | WORK DECADE

International Labour Organization

SERIES:

SOCIAL SECURITY EXTENSION INITIATIVES IN SOUTH ASIA

INDIA:
HEALTH INSURANCE SCHEME FOR HANDLOOM WEAVERS
(ALL INDIA)

"ADOPTING AN OCCUPATION-WISE APPROACH"

ILO Subregional Office for South Asia

INTRODUCTION

The fourteenth Asian Regional meeting of the ILO recently organized in Busan, Republic of South Korea (August 29th – September 1st, 2006) endorsed an Asian Decent Work Decade (2006-2015), during which concentrated and sustained efforts will be developed in order to progressively realize decent work for all in all countries. During the proceedings, social protection was explicitly mentioned as a vital component of Decent Work by a number of speakers including the employers and workers representatives. The need to roll out social security to workers and their families in the informal economy, to migrant workers and to non regular workers in the formal economy was also perceived as a major national social policy objective. The need to enter into a more intensive dialogue with respect to the design and financing of national social security systems to equip them to cope with the new requirements and challenges of a global economy also emerged as a major outcome of the meeting.

The challenge of providing social security benefits to each and every citizen has already been taken up in India. In 2004, the United Progressive Alliance (UPA) Government pledged in its National Common Minimum Programme (NCMP) to ensure, through social security, health insurance and other schemes the welfare and well-being of all workers, and most particularly those operating in the informal economy who now account for 94 per cent of the workforce. In line with this commitment, several new initiatives were taken both at the Central and at the state level, focusing mainly on the promotion of new health insurance mechanisms, considered as the pressing need of the day. At the same time, and given the huge social protection gap and the pressing demand from all excluded groups, health micro-insurance schemes driven by a wide diversity of actors have proliferated across all India. While a wide diversity of insurance products has already been made available to the poor, health insurance is still found lagging behind in terms of overall coverage and scope of benefits, resulting in the fact that access to quality health care remains a distant dream for many.

Given this context, the ILO's strategy was to develop an active advocacy role aiming at facilitating the design and implementation of the most appropriate health protection extension strategies and programmes. Since any efficient advocacy role had to rely on practical evidence, the ILO first engaged a wide knowledge development process, aiming at identifying and documenting the most innovative experiences that could contribute to the progressive extension of health protection to all. One such innovative and promising approach is the first all India occupation-based health insurance scheme sponsored by the Central Government.

BACKGROUND

The Indian Textiles Industry has an overwhelming presence in the economic life of the country through its contribution to industrial output, employment generation, and the export earnings of the country. Currently, it contributes about 14 percent to industrial production, 4 percent to the GDP, and 16.6 percent to the country's export earnings. The sector comes under the purview of the Ministry of Textile (MoT), Government of India (GoI). Under the MoT, the Office of the Development Commissioner (Handlooms) was set up in 1976 for promotion and exports of handlooms. It advises the Government of India on matters relating to the promotion, the development and export of handlooms and assists the State Governments in planning and executing development schemes.

Because of the high employment in the sector and the cost disadvantage faced by handlooms as compared to the Mill & Power loom sectors due to the manual nature of production, the GOI has followed a policy of protection of the sector through interventions such as financial assistance and implementation of various developmental and welfare schemes. As a result, the production of handloom fabrics has gone up to 6108 million sq. meters in 2005-06, from 500 million sq. meters in the early fifties accounting for 13% of the total cloth produced in the country (excluding clothes made of wool, silk and hand spun yarn).

The various schemes being implemented by the Office of the Development Commissioner for Handlooms address the needs of the weavers who belong to disadvantaged social strata and occupational groups which are at the bottom of the economic hierarchy. Concerted efforts are being made through the schemes and programmes to increase production, productivity, and the efficiency of weavers and enhance their income and socio-economic status by providing skill up-gradation, infrastructure and input supports to them. Under its welfare measures the MoT has implemented life insurance schemes, a health package scheme, a thrift fund and a workshed-housing scheme. The health package scheme evolved into the 'Health Insurance scheme' for weavers which were launched in November 2005 under a partnership with ICICI General Insurance Company for a two year period. In 2007, a new tender process was initiated and with some modifications and increase in potential targets. It was renewed with ICICI again for another 2 years.

TARGET POPULATION

Within the textile industry, the handloom sector is one of the largest employers in India, providing employment to about 6.5 million people (second only to agriculture) as per the joint census of Handlooms and Powerlooms 1995-1996. The sector represents the continuity of the age-old Indian heritage of hand weaving and reflects the socio-cultural tradition of the weaving communities. This sector is highly dispersed and handloom weavers can be found in 470 clusters spread across the country.

Assam	23	Manipur	8
Andhra Pradesh	23	Maharashtra	28
Bihar	53	Nagaland	7
Delhi	1	Orisa	30
Gujarat	19	Punjab	12
Goa	1	Pondicherry	1
Haryana	17	Rajasthan	31
Himachal Pradesh	12	Tripura	4
Janmu & Kashmir	14	Tamil Nadu	22
Karnataka	20	Uttar Pradesh	67
Kerala	14	West Bengal	18
Madhya Pradesh	45	*Total*	*470*

ORGANIZATION

The Ministry of Textiles (MoT) is responsible for policy formulation, planning, development, export promotion and trade regulation of the Textiles Industry. The Ministry is headed by a Secretary, who is assisted in the discharge of his duties by 4 Joint Secretaries, an Economic Advisor, the Development Commissioners for Handlooms and Handicrafts, the Textiles Commissioner and the Jute Commissioner.

The Handloom sector under the Office of the Development Commissioner for Handlooms, New Delhi is headed by the Development Commissioner for Handlooms. It administers various schemes for the promotion and development of the handlooms sector and also provides assistance to handloom weavers in a variety of ways. At the state level office of the State Directorate of Handlooms oversees all matters related to the sector.

The office of the Development Commissioner for handlooms (DCHL), GoI in the MoT is the main implementer of the scheme. It releases its share for the premium directly to the Insurance Company. The office of the State Director-in-Charge of Handlooms & Textiles (SDH) and its subordinate offices in the fields are the nodal agencies for implementation of the scheme.

THE INSURANCE PLAN

Eligibility

All weavers whether male or female earning at least 50% of their income from handloom weaving are eligible to be covered under the "Health Insurance Scheme". The scheme is also open to the ancillary handloom workers such as those engaged in warping, winding, dyeing, printing, finishing, sizing, "Jhala" making, "Jacquard cutting" etc. The scheme covers persons between the age group of 1 day to 80 years. The weaver and his/her family is covered, family being defined as the weaver, his/her spouse and two dependent children. Weavers belonging to Primary Weavers Coop Society, Apex Society/ Handloom development Cooperation's are automatically eligible, while weavers not belonging to these need a certificate from the State Directorate of Handlooms that they are fulfilling the eligibility conditions.

Exclusions

The insurance plan excludes coverage for corrective cosmetic surgery or treatment, HIV-AIDS, sterility, venereal diseases, intentional self-injury, use of intoxicating drugs or alcohol, war, riot, strike, terrorism acts and nuclear risk. It also excludes critical illnesses such as cancer, paralysis, myocardial infarction, bypass surgery, kidney failure, stroke, TB etc.

Plan Benefits

The insurance plan includes the following benefits:

- Hospitalization costs: Up to Rs 15,000
- Domiciliary hospitalization: Up to Rs 4,000
- OPD: Up to Rs 7,500
- Limit per illness: Rs 7,500
- Ayurvedic/Unani/Homeapathic: Rs 4,000
- Dental treatment: Rs 250
- Eye treatment: Rs 75
- Spectacles: Rs 250
- Baby coverage: Rs 500
- Maternity benefit: Rs 2,500

Premium Rate

The premium rate in the first two years was Rs 1,000 per family of four. The weaver contributed Rs 200 per annum, while the Ministry of Textiles as co-contributor paid the remaining Rs 800. Under the current scheme (2007-2009), the premium was reduced to Rs 781.6 per family with a similar contribution sharing.

General Overview

Starting date	November 2005
Ownership profile	Public Department
Target group	Handloom weavers & their families
Outreach	All India
Intervention area	Urban and rural
Risks covered	Single risk: Health
Premium Insured/Y	Rs 139
Co-contribution	Rs 642 (GoI)
Total premium	Rs 781
No of insured	6,120,000
Percentage of women	50%

Operational Mechanisms

Type of scheme	Partner-agent
Insurance company	Private
Insurance year	Open
Insured unit	Family
Type of enrolment	Voluntary
One-time enrolm. Fee	None
Premium payment	Upfront
Easy payment mechanisms	None

Scope of Health Benefits

Tertiary health care	☺
Hospitalization	☺
Deliveries	☺
Access to medicines	No
Primary health care	☺

Level of Health Benefits

Hospitalization	Up to Rs 15,000
OPD	Up to Rs 7,500
Maternity protection	Rs 2,500 per child

Service Delivery

Health prevent/educ. programmes	No
Prior health check-up	No
Tie-up with H.P.	Yes
Type of health prov.	Private
Type of agreement	Formal agreement
No of associated HP	1,650 H. + 300 clinics
TPA intervention	Yes
Access to health serv.	Free access
Co-payment:	No
HC payment modality	Cashless/reimburs.

Plan Distribution

In the first two years of implementation, the Insurance Company and its TPAs were to popularise the scheme and produce information material in vernacular languages. A prospective beneficiary was required to fill up an enrolment form and submit the same to the State Directorate of Handlooms along with his/her share of the premium. The State DoH scrutinised the application and forwarded the list of beneficiaries alongwith the premium to the insurance company who issued the Health Cards along with statement indicating names of individuals insured to the SDH, who informs the individual beneficiaries.

Under the current scheme the Insurance company has to fulfil the following responsibilities- prepare information related to the scheme in vernacular languages in different states, provide enrolment forms, enrol the weavers, collect the premium and deposit it with the state. In order to carry out these tasks, the Insurance Company has recruited cluster coordinators who in turn report to the district coordinators and ultimately to a state coordinator. Total ICICI staff presently stands at 550.

ICICI reaches the target members through various means – meeting with the Gram Pradhan explaining the scheme and identifying the concerned families through them. New meeting points such as Melas (fairs) and places of religious worship (e.g. Malwis in mosques) were also used.

Service Delivery

Initially the Insurance Company had 3,500 empanelled hospitals across the country where members could receive cashless services on showing the health card. This number has now reduced to 1,650. In case a member chooses to take treatment in a hospital outside the panel, the expenditure is reimbursed by the insurance company.

A unique feature of this scheme is the rural clinics that are also part of the network where a member can access cashless Out Patient (OPD) services. Such clinics have a doctor and a pharmacist who can provide consultation as well as access to medicines. The scheme has tried to locate such clinics for each cluster. In the first year there were 10 and this figure rose fourfold in the second year. Currently, there are more than 300 rural clinics associated with the scheme. In most cases these were existing private doctors who were in a sense franchised into providing the services. In some cases however, the Insurance Company also helped in setting up such clinics.

Administration

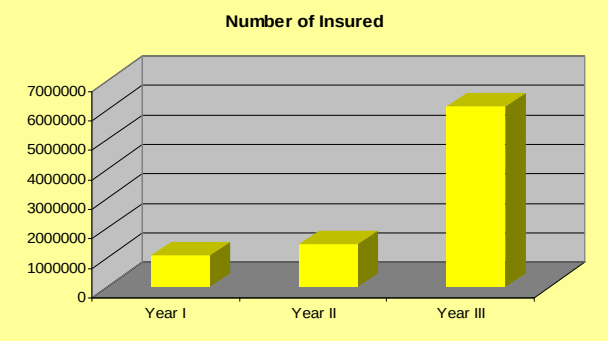
In the first year of operation, a single Third Party Administrator (TPA) administered the scheme's activities. In the second year, the Insurance Company decided to work with two TPAs. Under the present MoU, they decided to further divide their area of operations and tied up accordingly with five different TPAs.

MAIN ACHIEVEMNTS

Coverage

The scheme succeeded in covering over 1 million people in its first year of operation. It recorded an explosive growth in Year III with 1.7 million families covered with an average family size of 3.8 – over 6 million people – ranking second amongst the largest health insurance scheme operating in India.

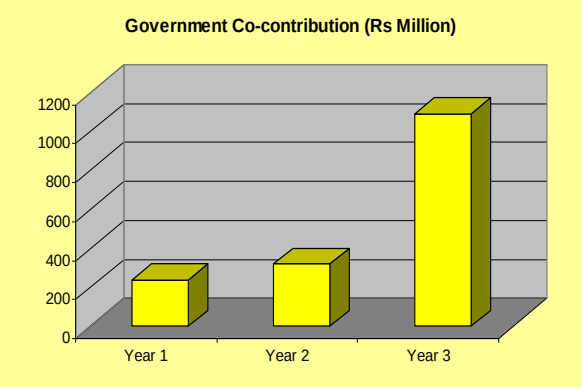
	Year 1	Year 2	Year 3
		X 1000	
N°Families	297	401	1,700
N°Insured	1,071	1,444	6,120



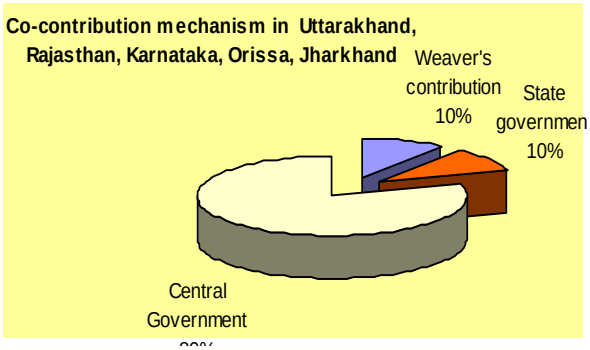
Co-contribution

From Year I onwards, the Government of India supported the scheme through a fixed contribution (80%) to the premium. In Year III, this contribution decreased in accordance with the lower premium that was re-negotiated with the insurance company. Over a three-year period the total GoI contribution amounted to Rs 1,648 million.

	Year 1	Year 2	Year 3
Co-contrib / family	800	800	642
		X 1000	
N° of families	297	401	1,700
Total co-contrib.	237,600	320,800	1,091,400

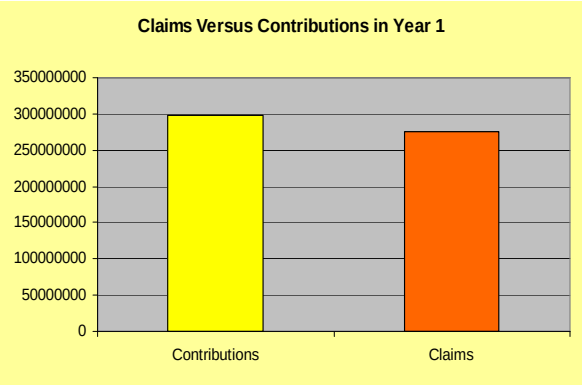


In addition to the Central Government share, several State Governments also provided a co-contribution to the premium, thus reducing the part to be paid by the policyholder. While the State of Tamil Nadu contributed Rs. 50, most other States matched the weavers' contribution (Rs. 100 – 10% of the former Rs. 1000 premium). This contribution is not expected to be affected by the recent decision to lower the premium amount.



Claims Costs

Figures available show that in Year I, the total of contributions (Rs 297 million) only slightly exceeded the total amount of claims settled (Rs. 276 million). This may be a concern for the next years since many schemes usually record a sharp increase in their claims profile in the following years.ociated wi



CHALLENGES

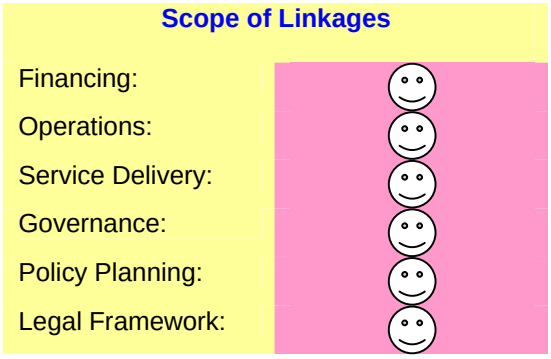
The insurance plan has still to address the following main challenges:

- Geographical coverage: The scheme is presently covering a wide diversity of clusters across the country, which creates brand new communication challenges;
- Overall coverage: The scheme already registered an exponential growth in terms of the number of insured in its third year of operation which is still expected to further increase next Year. This rapid growth puts severe strains on the accounting and monitoring functions;
- Hospital network: The network has not stabilized over a three-year period. About half of the health facilities previously associated with the scheme were disempanelled in Year III;

- Dual service payment mechanism: Although relying on a still broad hospital network, the scheme is not pure cashless yet and reimbursement operations significantly add to the workload;
- Training and administration of a huge staff spread over various states;
- Huge gaps in the management information system, as demonstrated by the incapacity to provide updated figures on all aspects of activities developed by the scheme – such as insured demographic profile, gender-disaggregated data, number and cost of claims, hospital-wise claims distribution, disease break up of claims, insurance plan distribution and administration costs…

THE LINKAGE EXPERIENCE

Developing efficient partnership arrangements is already seen as a key element for the successful implementation of any health insurance scheme targeting the disadvantaged groups. Evidence also suggests that building efficient linkages between community-based initiatives and governmental programmes in order to exploit their respective strengths is another major requirement. This necessary synergy may be developed at various levels.



Although spread across the whole country, the weavers' scheme succeeded to provide over the last two years a comprehensive mix of health benefits to huge numbers. This unique experience also relies on a far-fledged linkage experience. As such, it seems to have all the ingredients to become one of the most popular and most susceptible to be replicated to the benefit of other groups. However, its first experience still deserves to be documented and it should also achieve some level of stability before any useful lesson could be drawn.

1. Financing

There is a well defined co-contribution mechanism towards the premium for the insurance plan, with the Central Government contributing to 80 percent of the premium cost. The service tax (10.2% initially and now 12.6%) over the annual insurance premium is also fully paid by the Government of India. The Central Government is determined to fully support the scheme. Presenting the Union Budget 2008-09 to the Nation, the Ministry of Finance emphasized the importance of the sector and promised that in 2008 17 lakh families of weavers will be covered under the health insurance scheme. According to this extension plan, the central Government allocation rose to Rs. 340 crore.

2. Operations

The partnership developed with the Ministry of Textiles staff at all levels was a key factor in the implementation machinery. The primary handloom weavers' cooperatives/Unions/Associations also actively support the scheme by way of sensitizing the weavers to join. The Insurance Company provides regular activity reports to keep all involved officials fully updating them on the progress of the scheme. In addition, the Insurance Company has recruited 550 staff to implement the scheme throughout the country. For smooth functioning and rapid processing of claims, the scheme uses 5 Third Party Administrators, who have to comply with standard procedures established by the scheme.

Another advantage resulted from the partnership developed with a public department. Official tenders were launched not only to identify the Insurance Company but also suitable TPAs. The whole procedure could end up in selecting the least expensive offers, which in turn translated into an increase of benefits provided to members. Termed as two-year contracts, these various agreements allowed for a better planning and administration of the scheme while still keeping it subject to regular bidding procedures which add to other cost-containment measures applied by the scheme.

3. Service Delivery

The scheme registered a major success in enlisting the active support of private health facilities spread across India to provide healthcare services to low-income groups. The Insurance Company has currently empanelled 1,650 hospitals to ensure cashless service delivery. They also set up/linked up with over 300 rural clinics to improve access to cashless out patient health care for the enrolled members including consultation and medicines.

Some unique features under this scheme are the fact that pre-existing diseases, maternity benefits, OPD and alternate medicine systems were all included in the benefit package negotiated with all health facilities – a first for coverage by a commercial insurance company. With a view to provide a better protection to the weavers, the Ministry of Textiles also initiated discussions with the Life Insurance Corporation of India to work out an additional scheme that would cover critical illnesses.

4. Governance

Being a State sponsored scheme it comes under the direct governance of the Ministry of Textiles and is implemented through the State level Directorate of Handlooms and Textiles and its nodal agencies at the cluster level. The MoT could exert a positive influence both in the preparatory phase and during the implementation of the scheme. The Memorandum of Understanding signed with the Insurance Company includes a clause that in the event of the claims ratio being below the 70% mark, the surplus shall be rolled over to the next policy period. While keeping an eye on the development of all activities, the MoT also succeeded bringing about a significant decrease in the premium cost in Year III.

5. Policy Planning

Within the Ministry of Textiles, the scope of replication already came up and in March 2007 an exact replica of the scheme was launched in pilot mode for handicraft artisans. The only modification was the reduction of the contribution towards the premium to 10% (Rs 100) in case of BPL, SC & ST artisans as well as artisans from the North Eastern States and the addition of personal accident cover of Rs 100,000 as well. After the first pilot phase, the scheme was re-launched and currently has an enrolment of 750,000 members.

6. Legal Framework

The scheme falls under the partner-agent model as described by the Micro-Insurance Regulations issued in November 2005 by the Insurance Regulatory and Development Authority (IRDA). It therefore deserves to be considered as fulfilling the Insurance Companies obligations to the social and rural sectors.

CONCLUSION

As the second largest and the first to provide health benefits covering both in-patient and out-patient healthcare services, the scheme could serve as a new model for future interventions. Having embarked on a rapid growth profile, and as such benefiting from the largest contribution ever provided by the central Government, it should be operated in full transparency and, even at this still early stage, it should be submitted to close monitoring and analysis

To learn more, contact:

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