

2006 | ASIAN DECENT  
2015 | WORK DECADE



International  
Labour  
Organization

**SERIES:**

**SOCIAL SECURITY EXTENSION  
INNOVATIONS IN ASIA**

**INDIA:  
DAIRY CO-OPERATIVES  
HEALTH INSURANCE SCHEME  
(RAJASTHAN)**

**“SHARING THE BURDEN”**

**ILO Subregional Office for South Asia**



*Decent Work for All*

*Asian Decent Work Decade*

## INTRODUCTION

The fourteenth Asian Regional meeting of the ILO recently organized in Busan, Republic of South Korea (August 29th – September 1<sup>st</sup>) 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 has to rely on practical evidence, the ILO first engaged a wide knowledge development process, aiming at identifying and documenting the most innovative approaches that could contribute to the progressive extension of health protection to all. One such innovative and promising approach resulted from the effective partnership arrangements initiated at all levels by the Rajasthan Federation of Dairy Co-operatives health insurance scheme.

## BACKGROUND

Rajasthan is one of India's largest states. More than 60 per cent of its territory is desertic or semi-arid. Agriculture is heavily dependent on rainfall and failure of monsoon causes severe drought and scarcity conditions.

Animal husbandry is a more stable source of livelihood than agriculture especially for the poor since it is less affected by failure of rains. Rajasthan with the highest livestock population in India contributes nearly 40% of wool production and 10% of all milk production in the country.

Dairy development was initiated by the state government in the early seventies under the auspices of Rajasthan Dairy Development Corporation (RSDDC).

In 1977 the Rajasthan Co-operative Dairy Federation (RCDF) was set up as the implementing agency for dairy development programmes in Rajasthan and was registered as a society under the Rajasthan cooperative societies act of 1965

One of the main objectives of the RCDF is to carry out activities for promoting production, procurement, processing and marketing of milk & milk products for the economic development of animal husbandry/



farming community. In addition to this they are also involved in providing technical inputs, capacity building, erection of dairy, chilling plants etc for the unions, providing assistance and guidance to members and addressing issues of importance to their members.

As part of their services, they offered Life insurance (Saras Suraksha Kawach) and cattle insurance to their members through the UTI and LIC. In 2005 the RCDF in collaboration with the ICICI developed a health insurance scheme to provide health cover to its members which was launched in January 2006..

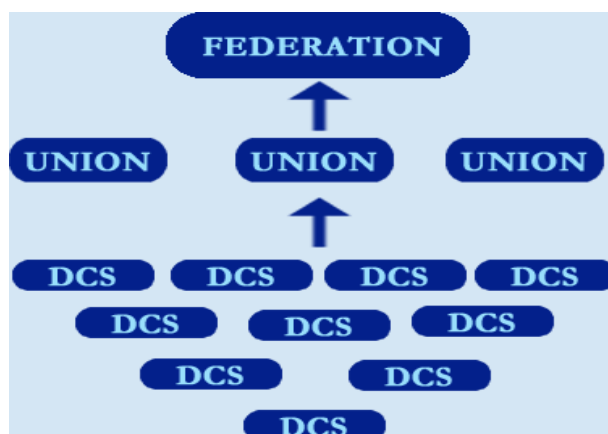
## TARGET POPULATION



The overall membership of the RCDF is 5.5 lakhs, of which 2.5 lakhs are said to be active pourers or regularly contribute to the milk supply chain. Of these members, nearly 25 per cent are women. A minimum of 10 members join together to form a Dairy Cooperative Society (DCS). The total number of DCS as per 06-07 data is 9.507. About 25 per cent of these DCS consist exclusively of women members. The SARAS Samuhik Arogya Bima Yojana or the Saras Health insurance scheme is open to all registered members of Dairy Co-operative Societies as well as members of proposed societies.

## ORGANIZATION

The dairy co-operative movement operates on a three tier system wherein farmer members own Dairy Co-operative Societies which own district milk producer's unions. The unions collectively own the RCDF, which is a State level apex co-operative organization.



The Federation has a board of directors which has overall responsibility for the planning policies, financial resource mobilization and management, member and public relation as well as liaison with agencies of the state and central government, financing institution, etc.

The Federation has a chief executive designated as Managing Director who is an IAS (Indian Administrative Services) officer.

The members democratically elect the board of DCS, milk unions and the federation among their members.

The board is involved in the adoption of bye laws which ensure democratic process on the principles of co-operation, management & ownership of assets by the co-operatives, autonomy in pricing, marketing & appointment of personnel and employment of professionals. In this ways the total control of the organization is in the hands of its members. The insurance scheme is promoted through this 3 – tier structure of the RDCF. The enrolment, premium collection and claim settlement is done though the Milk Unions and the DCS. Both the Insurance Company and the Third Party Administrator (TPA), deal directly with them for the smooth functioning of the scheme.

## THE INSURANCE PLAN

### Eligibility

The plan is open to all milk producers and their families who are registered members of primary Dairy Co-operative Societies or members of proposed DCS. The age group of persons covered is 3 months – 65 years only. Family is defined as the member, his/her spouse and two dependent children (first two only)

### Exclusions

The Insurance Company excludes coverage for the following for the first two years, but will be asked to cover it for the third year onwards: Cataract, benign prostatic hypertrophy, myomectomy, hysterectomy unless due to malignancy, hernia, hydrocoele, fistula in anus, arthritis, gout, rheumatism, joint replacement unless due to accident, sinusitis and related disorders, stones in the urinary and biliary systems, dilation and curettage, skin and all internal tumours, cysts, nodules, polyps of any kind including breast lumps unless malignant, adenoids and haemorrhoids, dialysis required for chronic renal failure, surgery on tonsil and sinuses, gastric and duodenal ulcers.

### Plan Benefits

The policy covers hospitalization expenses for illnesses/disease or injuries sustained up to a sum of Rs 100,000. The following major surgeries/illnesses have a double sum insured of Rs 200,000 – Coronary Artery Surgery, cancer, renal failure i.e. failure of both kidneys, stroke, multiple sclerosis, major organ transplants like kidney, lung, pancreas, or bone marrow transplant. Pre-existing diseases and accidents are also covered and maternity benefits are available subject to a waiting period of 9 months for first two children only. With some of the empanelled health providers, free OPD consultation and reduced surgical rates have been negotiated.

### Premium Rate

The premium rate was Rs 350 per family of four in 2006. This has been raised to Rs 357 per family as a result of the increase in service tax (education cess). The RCDF subsidizes the premium for its members in the following manner:

- RCDF: 12.5 %
- Milk Union: 12.5 %
- DCS: 30 %
- Member: 45 %

### General Overview

Starting date	January 2006
Ownership profile	Co-op federation
Target group	Dairy Co-operative members
Outreach	Rajasthan (whole State)
Intervention area	Rural
Risks covered	Single risk: Health
Premium family/Year	Rs 357
Co-contribution	55% of premium
Total premium	Rs 357
No of insured	384,000
Percentage of women	45%

### Operational Mechanisms

Type of scheme	Partner-agent
Insurance company	ICICI Lombard (priv.)
Insurance year	Fixed (Dec. to Jan.)
Insured unit	Family of four
Type of enrolment	Voluntary/automatic
One-time enrolm. fee	None
Premium payment	Yearly – upfront
Easy payment mechanisms	Pre-payment by co-op societies – soft loans

### Scope of Health Benefits

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

### Level of Health Benefits

Hospitalization	Up to Rs 100,000
Special conditions	Up to Rs 200,000
Delivery	Simple & complic.

### 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	105
TPA intervention	Yes
Access to health care services	Pre-authorization required
Co-payment:	No
HC payment modality	Cashless/Reimburs.

## Plan Distribution

The insurance plan is for a year. In the first year of its operation, it was started in January 2006 in 3 milk unions as a pilot and then extended to the remaining 13 unions by April of the same year. By paying the extra premium, the RCDF extended the plan of the members enrolled in the first batch from Jan – March 2007. For the second year, enrolment was done from April 2007 and the insurance plan extends to March 2008. For plan distribution the Insurance Company assigned one person for each of the 16 Milk unions. Posters, brochures, notices and IEC's were the means of raising awareness about the scheme. A booklet on details of the scheme was given to each of the DCS to be disseminated to the members. Each member received a card, with names of his family mentioned in it.

## Service Delivery

The TPA, Raksha has 3500 empanelled hospitals around the country from where technically all members under the RCDF scheme can access cashless services. Of these hospitals 105 have been empanelled in Rajasthan state. Some members on the Gujarat border access health care from the hospitals in Gujarat as well. Due to the limited number of hospitals located in the interior rural areas of Rajasthan, the scheme allows members to take treatment from Government Primary Health Centers and private clinics (with a minimum capacity of 5 IP beds), and get reimbursement for it, on providing proof such as doctors prescription, medicine bills etc.

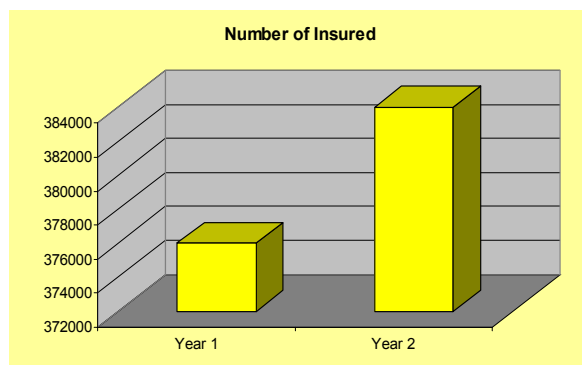
## Administration

The Insurance Company selected the TPA based on the fact that it had a good presence in the north – especially in Rajasthan. Their State office is in Jaipur with satellite offices in Ajmer, Bikaner, Jodhpur, Kota and Udaipur.

## MAIN ACHIEVEMENTS

### Coverage

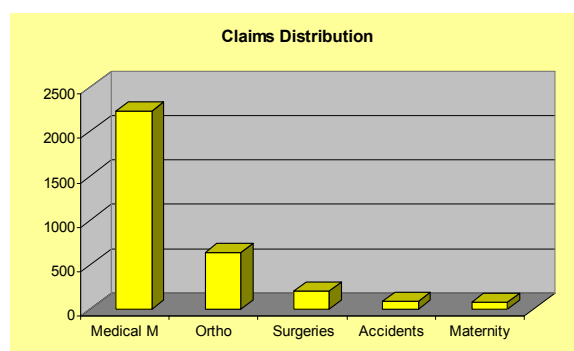
The targeted coverage in the first year was 150,000 families of the 250,000 active RCDF members. In Year I, the coverage was 94,000, which marginally increased in Year II to 96,000. The actual number of insured in Year II is 384,000.



### Services Provided

Of the 3,404 cases settled in the first year of operation, 55 per cent of cases were of medical management cases. Overall claim incidence (CI) remains at a very low overall level (9 per thousand), and even far lower for deliveries.

Categories	N° cases	% of N°	Av. Claim
Medical Man.	2,228	55	7,885
Ortho Surgical	639	21	10,617
Surgeries	200	11	18,202
Accidents	89	2	7,536
Maternity	73	2	7,678

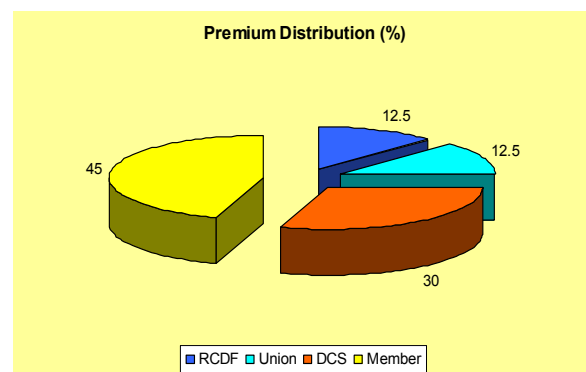




## Co-contribution

The scheme was initiated by the Federation which came up with a co-contribution plan towards the premium that is as follows:

Contributors	% of Premium	Amount Paid
Member	45.0%	160.65
DCS	30.0%	107.10
Union	12.5%	44.62
RCDF	12.5%	44.62



## Administration Costs

The TPA receives 5% of the premium cost towards administration. In addition ICICI, the Insurance Company, has posted one person at each of the 16 milk unions to popularize the scheme and service the claims. ICICI also bears the cost of promotion and marketing costs which includes IEC in different unions, publication of posters, leaflets etc. Although not costed, the already established and functioning network of RCDF in the form of the Milk Unions and DCS also bear some of the administrative costs while collecting the premium (easy payment mechanisms) or settling the claims (through the Unions).

## CHALLENGES

Although still at a very early stage the insurance plan will have to address the following main challenges:

- **Membership instability:** The scheme just entered into its second year but the low renewal rate of 55 per cent is of concern. The Insurance Company plans to do more of marketing and promotion through the DCS rather than the milk Unions in order to reach out to the members. The possibility of enrolment for two continuous years or to switch to a compulsory enrolment mechanism are also currently being discussed with the Federation;
- **Pricing:** With a still very low level of claims incidence, the scheme barely breaks even at the end of year I, already pointing out towards a necessary premium increase in the years to come.
- **Claims cost increase:** From the emerging data, the increase in average cost of claims from Rs 9,300 last year to Rs 17,000 over the first months of the current year is also viewed as a new challenge;
- **Evidence of moral hazard:** Cases have been encountered with both the health providers and the insured at fault.

## 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 government programmes in order to exploit their respective strengths is another major requirement. This necessary synergy may be developed at various levels.

Scope of Linkages		
Financing:		😊
Operations:		😊
Service Delivery:		😊
Governance:		😊
Policy Planning:		😊
Legal Framework:		😊

Partly inspired by the Yeshasvini scheme, the scheme recently initiated by the Rajasthan Federation of Dairy Co-operatives having tied up with a private Insurance Company also developed a far-fledged linkage experience, and became in Year I one of the top 5 largest health insurance schemes being operated in India with a strong potential to further expand within the state and to be replicated in similar state-wide movements. Although still at an early stage, the partner-agent model adopted in this case could bring about some major improvements in terms of the scope and level of benefits.

## 1. Financing

There is a well-defined internal co-contribution mechanism towards the premium for the health scheme which is facilitated by the provisions included in the present Co-operative Law (part of the surplus can be allocated to the development of schemes contributing to members' welfare). Although it does not come from the Government but from the State Dairy Co-operative Federation, a linkage exists seeing that the RCDH is very much supported by the Government which could in the near future also step in and become an additional contributor.

## 2. Operations

The partnership developed with the Department of Co-operatives was a key factor in the implementation machinery. It also allowed for one of the most striking achievements of the scheme: the setting up of a cost free premium collection mechanism that allowed for more value added to the benefits provided to members.

The linkage with the state supported RCDF accounts for the fact that the scheme went through a rigorous bidding process with insurance companies vying with each other to provide a competitive premium rate. A unique feature of this scheme is the fact that RCDF has entered into a 3 year contract with the Insurance Company with the clause that they will not increase the premium rate subject to claims ratio remaining within 70 per cent. This will allow for the Insurance Company as well as the RCDF to gain an insight into the costs, disease profile and sustainability of the scheme in the long run.

The TPA has put in place an state-of-the-art Management Information System through which each of the Milk Unions receive statistics on members enrolled, claims submitted and cleared on a regular basis. The TPA sends details of all activities on a fortnightly basis to ICICI and RCDF.

## 3. Service Delivery

The scheme, through the TPA Raksha has entered into formal agreements with 105 private hospitals within the state most of which being concentrated around urban centres (40 per cent in Jaipur only). Although there has not been a formal agreement with the state health providers, in most of the remote, rural parts of the state, the Governments Primary Health Centres (PHCs) as well as private clinics (with minimum 5 IP beds) also provide services which are reimbursed by the scheme (60 per cent of cases settled).

## 4. Governance

The Chief Functionary of the RCDF is its Managing Director, an Indian Administrative Services (IAS) officer, appointed by the state. Under him, the General Manager (FO&AH), who is in charge of the social initiative policies of the Federation, sees to the running of the scheme. The Insurance Company and the TPA conduct most of their dealings through the well established 3-tier structure of the RCDF.

## **5. Policy Planning**

Co-operative Federations such as the RCDF, especially in the booming dairy sector exist around the country. Although too early to state, the successful experience of RCDF's scheme can provide a viable model for replication in other states.

## **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) of India. It is therefore under regulation of the IRDA and would be considered as fulfilling ICICI's obligations to the rural sector.

## **CONCLUSION**

The Rajasthan Federation of Dairy co-operatives' scheme offers a good example of how the various partners involved, including the risk carrier, can share both the vision of answering to social obligations and the burden of providing effective services to the poor. However, having faced from the outset the same general lack of data relating to the health conditions and behaviour of its target group, when deciding upon its benefit package and pricing arrangements, it has still to evolve over time to shape its final operational mechanisms before being used as a replicable health insurance model.