



# Public-Private Partnership Stories

## India: Meghalaya Health Insurance



The Indian state of Meghalaya has been challenged by inadequate access to health care at all levels. Residents of the state grapple with poor infrastructure, a shortage of qualified doctors and medical staff, and limited coverage under the health insurance plan for the poor. As part of a broader effort to undertake health care reforms in the state, the government of Meghalaya sought IFC's assistance to structure a public-private partnership (PPP) to expand the health insurance program to the entire population of the state and to find a qualified private sector partner.

ICICI Lombard General Insurance Co Ltd., the largest private general insurance company in India, emerged successfully in a competitive bidding process that involved six qualified bidders. Under the agreement with the government, ICICI will introduce a health insurance scheme that will cover all residents of Meghalaya State, regardless of their income level, complementing and building upon the existing government health insurance program for the poor. The newly-launched health insurance program is among the first of its kind in India, enabling Meghalaya to move steadily toward universal health care coverage. The agreement was signed on November 27, 2012.

*This series provides an overview of public-private partnership stories in various infrastructure sectors, where IFC was the lead advisor.*

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*Meghalaya is among the first low-income states in India to expand health insurance coverage to those right above the poverty line who are also vulnerable, but excluded from the state-sponsored health insurance*

## BACKGROUND

The residents of Meghalaya, a low-income state in northeastern India, have faced inadequate access to both public and private health care services. Infrastructure and facilities are limited; there is a severe shortage of doctors, and the few residents with health insurance are not sufficiently covered. The existing public health delivery system in Meghalaya is complemented by the national health insurance scheme for the poor, Rashtriya Swasthaya Bima Yojna (RSBY), which serves people living below the poverty line.

Under the existing system, 85 percent of households in the state do not have any coverage, though they have access to government health facilities. Even the 15 percent of residents who are covered by RSBY are only partially covered, largely for secondary care conditions, as the insurance cover is capped at approximately \$550 per family per year. Such coverage is not sufficient for expensive tertiary care required for serious conditions such as cancer and heart disease.

The government of Meghalaya, as part of a broader health sector reform, sought assistance from IFC and the World Bank to implement an expanded health insurance program for the state's 3 million people, regardless of income. Its objectives were to:

- Expand health coverage to all residents of Meghalaya;
- Reduce the financial impact of health care on low and middle-income households;
- Cover a broader range of diseases and align incentives for optimum health-care delivery in public and private facilities;
- Encourage choice for beneficiaries and foster greater entry of quality providers in the health-care sector.

## IFC'S ROLE

IFC worked jointly with the World Bank to design and implement an insurance plan with participation from the private sector, building on the existing insurance program, RSBY, which was introduced in the state in 2009.

The joint IFC-World Bank team conducted a detailed feasibility study, proposed a transaction structure, prepared transaction documents, and managed the bid process. In doing so, the team ensured that the new system would build upon the state's existing health-care system and expand the state's institutional capacity for health-care delivery.

IFC's contributions included:

- Conducting a pre-bid conference with insurance company representatives to explain the details of the tender and contracts. This alleviated concerns by potential bidders on rolling out a universal insurance plan.
- IFC recommended establishing a separate budgetary allocation for the insurance scheme and creating a 15 to 20 member organization headed by a senior officer dedicated to executing it. This alleviated concerns about the RSBY's track record and the state's commitment and ability to support the program.
- IFC also advised the state government to introduce policies to establish the insurance scheme as an integral part of the state's health system. This ensured that it would be integrated with the existing public

health system, supported institutional strengthening and capacity building, and provided performance-based incentives for the government health facilities and their staff.

## TRANSACTION STRUCTURE

The transaction was structured to distribute risks and responsibilities efficiently. It used a novel four-stage transaction structure, including replenishment of insurance cover on reaching the annual limit, and rider coverage for defined higher-cost ailments. These were customized to ensure adequate coverage for common oncology and cardiovascular issues—unprecedented in the government-sponsored health insurance space in the country.

The newly created state government agency for implementing the scheme was responsible for paying the entire insurance premium for more than 500,000 eligible households (including the contribution it received for a subset of households from the central government). It also was required to provide oversight and administer the plan's implementation.

The winning bidder would bear the costs incurred for medical treatment of enrolled families within the pre-defined parameters of the contract, and the enrollment of beneficiaries. The agreement also provided incentives to maximize the number of families enrolled. The insurer would also be required to empanel the requisite number and type of hospitals and providers within the scheme, and assume responsibility for negotiating rates and ensuring quality.

## BIDDING

Six qualified Indian health insurance companies participated in the bid. ICICI Lombard General Insurance Co Ltd., India's largest private general insurance company, submitted the winning bid. ICICI offered a price of about \$9 per family per year for the expanded benefit package that doubles the RSBY annual limit and adds coverage for defined high-cost ailments, potentially offering a protection of up to about \$3,000 per family of five per year.

## EXPECTED POST-TENDER RESULTS

- Meghalaya is among the first low-income states in India to expand health insurance coverage to those above the poverty line.
- Addresses operational components to improve the quality of implementation of the current health insurance system.
- Up to \$4 million expected to be mobilized for purchasing inpatient services from public and private hospitals through the health insurance scheme.

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