



## 56 Million Steps Towards Universal Coverage: RSBY Health Insurance for the Poor in India

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# RSBY Health insurance for the poor in India

## Background

India is one of the fastest emerging economies in the world today. If the country is to sustain this growth rate in the long term, however, its population must be healthy. Unfortunately, the health of Indians remains cause for concern: the country ranks low internationally in terms of its citizens' health status.

Health care in India is financed through individual out-of-pocket payments, central and state government tax revenues, external aid, private sector gains and other sources. National health accounts data show that the central government, the states, and local governments together account for only 20% of total health expenditures in India: 78% take the form of un-pooled, out-of-pocket payments – one of the highest percentages in the world and a main reason for people falling into poverty. External aid to the health sector – via the government or NGOs – accounted for a mere 2% of total health expenditure.



*Distribution of Information*

Although the government aims to provide free health care services to India's poor through a government-owned health care delivery chain, studies have shown that people continue to spend considerable amounts on treatment even in government hospitals. People are often obliged to take out loans or sell assets to pay for the medical care they need, so that many fall below the poverty line as a result: 64% of the poorest population in India are indebted every year due to inpatient related expenditures at the hospitals.

Common social security schemes in India including health insurance are restricted to formal sector employees. However, more than 93% of the Indian workforce or 400 million people are working in the informal sector. So far, the majority of these people lack access to effective social protection systems. Realizing the growing social security needs of informal sector workers, the Indian Government is working towards an agenda of social protection, including employment security, old age pensions, life, disability and health insurance.

To reduce out-of-pocket expenditures for health care and lessen a considerable financial burden on the poor, the Government of India launched the national health insurance scheme Rashtriya Swasthya Bima Yojana (RSBY) in 2007.

## What is RSBY?

The national health insurance scheme RSBY specifically targets families working in the informal sector and living below the poverty line (BPL): it was designed to meet the special requirements of this particular target population. Since the target group is the poor, beneficiaries cannot pay cash upfront and accept reimbursement later. Furthermore, many families below the poverty line are illiterate and thus unable to complete extensive forms. Finally, since migrants form a segment of the target population, health care benefits will have to be portable.

The objectives of RSBY are therefore to:

- provide the BPL population with a financial net to defray health care expenses upon hospitalisation
- improve people's access to quality health care
- empower beneficiaries to choose from a national network of providers
- provide a scheme which even illiterate persons can use easily.



*Logo of the national health insurance scheme Rashtriya Sasthya Bima Yojana (RSBY)*

## Main Features

### 1. Insurance coverage and benefits

- RSBY provides annual hospitalisation coverage up to Rs. 30,000 (approximately EUR 500) for a family of five.
- Transportation is covered up to Rs. 1,000/year (approximately EUR 17), with a limit of Rs. 100 (approximately EUR 1.7) per hospitalisation.
- All pre-existing diseases are covered from day one.
- There is no age limit on the enrolment of beneficiaries.

### 2. Target Group

RSBY aims to cover all BPL families in India, estimated at 300 million, by 2012. The BPL population to be covered in each state is defined by the Planning Commission of India. The poverty estimates are based on the large sample survey data on household consumer expenditure conducted by the National Sample Survey Organisation of the Ministry of Statistics and Programme Implementation.

### 3. Financing

The main funding for premiums is borne jointly by central and state governments as follows:

- a. 75% (90% in Jammu & Kashmir and the North-Eastern States) by the central government
- b. 25% (10% in Jammu & Kashmir and the North-Eastern States) by the respective state governments.

Beneficiaries pay Rs. 30 (EUR .50) as a registration fee, which is aggregated at the state level and is used to cover administrative costs.

### 4. Administration

Each state must establish an independent body, the State Nodal Agency, to implement the scheme in that state through insurance companies. The Government of India provides the overall regulatory framework and technical support.

**Some of the most noteworthy aspects of RSBY are:**

- **Smart card:** Each beneficiary family is issued a biometric enabled smart card containing their fingerprints and photographs. All RSBY-empanelled hospitals are IT enabled and connected to the server at the district level to ensure a smooth, regular data flow on service utilisation. The data on the smart card also reduces fraud by ensuring that only genuine beneficiaries can use the cards.
- **Empowering beneficiaries:** RSBY permits patients to choose their own hospitals. They may use any public or private health provider in the network throughout the country.
- **Portability:** One key feature of RSBY is that a beneficiary who has been enrolled in a particular district may use his/her smart card at any RSBY empanelled hospital across India. This benefits the many poor families that migrate from one location to another.
- **Foolproof and leakage free:** RSBY uses a secure central data compilation system, the Key Management System, which, through extensive collection of data, ensures a trail of all smart card transactions at each level. This ensures that the scheme is leakage free, that potential for fraud is eliminated and that benefits reach beneficiaries efficiently. An additional barrier to fraud are the government-designated field officers, who must authenticate each smart card issued by the insurance companies. The card only becomes valid after the field officer has met the beneficiary in person and approved it.
- **Cash- and paper-free:** RSBY transactions do not involve cash or require the filling out of forms. Beneficiaries pay no cash for services unless they exceed the annual allowance of Rs. 30,000. Provider-to-insurer dealings are also paper-free, as all claims from hospitals to the insurer are processed and paid electronically.



*Card printer for smart card*

- **A business model for all stakeholders:** The scheme is designed as a business model with built-in incentives for stakeholders:
  - Insurers: Since insurers are paid a premium for each household enrolled in RSBY, they have an incentive to enrol as many households as possible from the BPL list.
  - Hospitals: Since hospitals are paid per beneficiary treated, they have an incentive to provide treatment to numerous beneficiaries. With RSBY, even public hospitals have an incentive to treat beneficiaries, since the insurance money flows directly to the public hospital. Since public and private health care providers must compete, service delivery is improved. Insurers monitor participating hospitals to prevent unnecessary procedures or fraud through excessive claims.

## Involvement of the private sector

RSBY is an unparalleled example of a successful co-operation between public and private partners: governmental and private sector players work together to make the scheme a success. By providing business opportunities for the various stakeholders, the government encourages private partners to participate in implementing RSBY. The main private sector players and their roles in RSBY are:

**Insurance companies** – Even though the scheme is government-funded, its implementation in the field is left to the insurance companies, both public and private. The respective roles of the central government, state governments and insurance companies are clearly defined by the standardised documents and RSBY guidelines provided by the central government.



*Enrolment of RSBY beneficiaries*

Each state government selects the insurance company through an open tendering process; the company that meets the technical criteria and offers the lowest insurance premium is the one chosen.

The government provides a list of BPL households to insurers, who are then responsible for enrolment at the village level. For each village, an enrolment plan is drawn up specifying how the company plans to enrol all BPL families within four months. In order to reach

the beneficiaries, insurance companies have to contract NGOs, MFIs or other grassroots organisations to conduct information and awareness campaigns. The insurance companies are also responsible for the empanelment of hospitals in RSBY based on government-defined criteria. Once smart cards have been issued to the beneficiaries, the insurance companies are obliged to set up a kiosk in each village to manage the scheme and a toll-free call centre for beneficiary assistance.

**Smart card agencies** – Smart card agencies work closely with the government on specifications for RSBY smart cards. The industry has responded admirably to the demand generated by RSBY by increasing its capacity and supply.

**Hospitals** – Private hospitals are another major private player in RSBY. RSBY grants beneficiaries the choice of accredited public or private hospitals throughout India for treatment. At present, more than 3200 private hospitals (compared to 1100 public hospitals) across India are RSBY empanelled. RSBY has thus opened up a new market for private sector hospitals, whose services have not been affordable to the target group, BPL families, in the past. With private hospitals being paid directly for treating smart card holders within a specified time period, private players are responding to RSBY-generated demand by setting up hospitals even in remote districts.

A highlight of the system is that the responsibilities of each of the parties have been clearly defined on the central government level. Even contractual arrangements among all the parties have been standardised through guidelines and templates. A draft agreement between state governments and insurance companies, for example, clearly regulates all steps in implementing and operating the RSBY scheme, from benefits, premium payments and claims settlements to the flow of funds, the empanelment of hospitals, and guidelines for cooperation with smart card agencies.

## Contribution to RSBY by German Development Cooperation and the Worldbank

The RSBY programme was entirely designed and developed by the Indian Ministry of Labour and Employment (MoLE) and is therefore tailored to the unique conditions of the country. The two development partners cooperating with the Government of India on the programme are GTZ, on behalf of the Federal Ministry for Economic Cooperation and Development (BMZ), and the World Bank. The RSBY scheme is a very good example of synergistic collaboration by development partners to maximise the potential of a government-initiated intervention.

German development cooperation began working with MoLE early in 2008, with GTZ directly involved in designing and implementing the scheme. GTZ works closely with the Indian Government on all insurance, medical and policy issues. At the national level, GTZ's main role is to provide support to the government in preparing the documents that constitute the regulatory framework and to devise stipulations for implementation. These documents include templates for tendering by insurance companies, guidelines that clearly define each stakeholder's role in implementation, and draft agendas and participation lists for workshops on RSBY.



*RSBY family photograph being taken*



*Enrolment of RSBY beneficiaries*

GTZ also worked with several state governments on implementing the scheme and has helped introduce additional benefits for RSBY beneficiaries, such as maternity benefits. Many other states are now considering introducing such additional benefits as well.

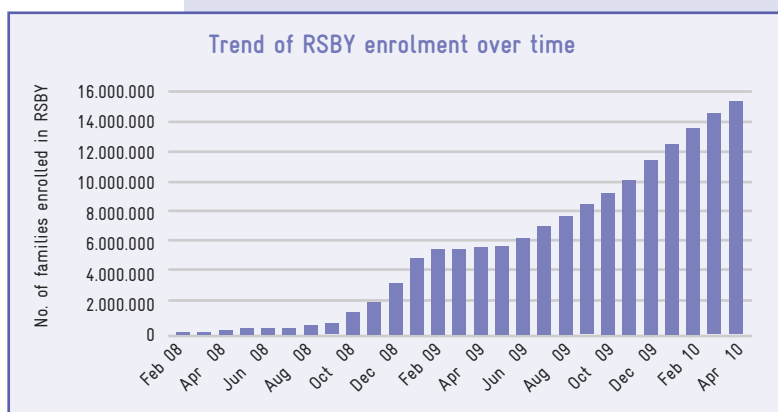
The World Bank has been involved in shaping RSBY from the start and mainly provides technical support. Since RSBY uses technology extensively, the World Bank supports the development, maintenance and on-going upgrading of the RSBY technology platform.

It also provides extensive support to MoLE in the form of data management. Since RSBY generates an enormous amount of data all over India, it is important to ensure that all data come in one format to one place to be collated and analysed.

## Impact

The RSBY implementing strategy has focused from the beginning on large-scale outreach, aiming to enrol as many BPL persons as possible. In just two years of operations, RSBY has moved ahead at a remarkable pace: by the end of May 2010 RSBY had issued 15.8 million smart cards, covering about 56 million persons in 23 of India's 28 states; three more states have already begun the RSBY implementation process.

The following graph shows the enrolment progress over time in RSBY:

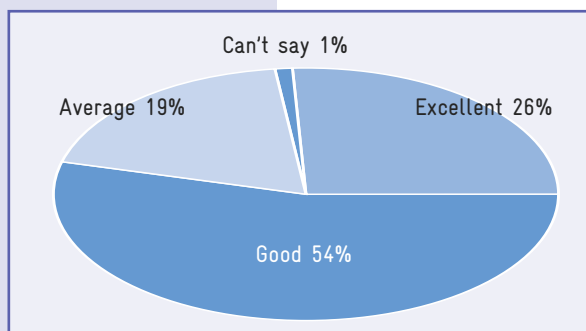


Despite this remarkable coverage rate among the low-income population, some early observations from implementation show highly positive results in terms of processes and output. Those observations are soon to be validated in an independent evaluation at the end of 2010. Certain aspects and effects of RSBY are already clear:

- 1. Improvement in access to health care:** Access to health care for the target group is definitely improving; RSBY benefits are enabling people to get hospital care. Some people are visiting hospitals for the first time in their lives, as they had never before had sufficient means for hospital medical treatment.
- 2. Reduction in out-of-pocket expenditure:** Another major visible RSBY impact is a reduction in out-of-pocket expenditure on health. A comparison of data from the National Sample Survey Organisation on out-of-pocket expenditure during private or public hospital visits with data from RSBY surveys shows that non-members spend six times more (Rs. 3000/-) than holders of RSBY smart cards (Rs. 500/-) for hospital visits and treatment.
- 3. Evidence of improvement in health infrastructure:** New private hospitals are being set up in rural areas because of the business potential there. RSBY gives people purchasing power, and private organisations are out to tap this demand by setting up new hospitals. Furthermore, the existing infrastructure of both private and public hospitals has considerably improved in many cases, since hospitals get their money directly from RSBY insurance companies and can thus invest in what they need most. The competition created by added RSBY-holder demand also fosters improvements in quality.

**4. Improvements in BPL data:** Comprehensive compiling of data on BPL families as a population group has revealed to many state governments remediable deficiencies in their existing BPL data with respect to accuracy and timelines. A few states, such as Kerala and Tripura, have already revised their BPL data based on their experience with RSBY. This optimisation of BPL data will not only assist further RSBY implementation and operation but will also improve the targeting and outreach of many other social protection schemes.

**5. Satisfaction with the scheme:** From the data collected through evaluation studies the satisfaction of beneficiaries concerning treatment at the hospitals has been found to be very high:



## Success factors

RSBY became the successful programme it is today through a combination of long-term vision – that of universal coverage of the Indian BPL population – and careful attention to details such as process standardisation.

### Some key success factors are:

#### Plan in advance and build consensus

- All stakeholders – including insurance companies, state governments, smart card vendors, printer manufacturers, manufacturers of fingerprint readers and smart-card readers – were consulted in advance so as



*Awareness campaign for RSBY in remote mountain area, delegation and on donkey*

to build consensus and reach agreement on guidelines and specifications. Though consensus-building remained a major objective, all final decisions were made by the central government.

### Standardisation

- To ensure that the scheme operates uniformly throughout India without confusion or friction, the central government standardised all essential implementation documents, such as contracts between state governments and insurance companies or formats for collecting data in the field.
- Software and hardware were standardised and guidelines issued regarding their preparation, usage and certification.
- The rates for surgical packages were also defined at the central government level. At the same time, however, state governments were given some latitude for revising these as appropriate in their own state.

### Be flexible but keep sight of the big picture

- Since its inception there have been several revisions in the scheme based on on-site experience and stakeholder feedback.
- However, the implications of every change were taken into account for the scheme as a whole and for the IT system.

## Challenges

Before RSBY, no central-government-funded scheme had been successful at reaching beneficiaries. A further complication was that no smart card government projects had been on this scale thus far. Thus RSBY faced major challenges both before and during implementation:

### Marketing of the scheme

- Since RSBY was not mandatory for state governments, the central government had first to convince state governments of the scheme. RSBY could succeed only if all state governments bought into the idea whole-heartedly.
- The insurance companies and smart card industry also had to be convinced to support the scheme.

### Availability of hardware

- Since the smart cards are printed and issued locally, in the villages, the support hardware necessary for production in sufficient numbers had to be made available. When the scheme was first launched, there was a severe shortage of hardware such as smart card printers and fingerprint scanners.
- However, after some initial reluctance, the smart card industry responded to demand and manufactured hardware in the required amounts.

### Increasing enrolment

- Initially, there were problems registering BPL people because of migration, death and inaccurate data, and because people were simply unaware of the scheme and its possibilities.
- Insurance companies and state governments came up with innovative solutions such as contracting grass-roots NGOs for awareness campaigns to improve the enrolment ratio.

### Improving utilisation of the scheme

- In the initial phases, scheme utilisation was low because beneficiaries were unaware of it. This was a major challenge, since the scheme could not be considered a success only based on how many smart cards were distributed but rather whether people actually used the hospitals for treatment or not.
- State governments and insurance companies worked together to improve awareness within the target group. Tools like health camps, engaging NGOs and awareness events in schools are used to increase awareness and bring beneficiaries to the hospitals.
- The availability of the hospitals in remote areas is another major challenge in increasing utilisation of the scheme. New demand demonstrates that RSBY fosters the establishment of additional hospitals even in these areas.

### Capacity development of stakeholders

- To successfully implement a complex scheme like RSBY, capacity building is necessary on all levels. Building the managerial and conceptual capacities of the organisations and individuals involved has proved to be a major challenge.
- Intensive capacity-building needs to be carried out on each level to improve the performance of the people and organisations involved.

### Institutional development

- At the central government level, RSBY is still being operated by MoLE. Successful models from around the world indicate that the Government of India needs to create an institutional structure on the national level to operate the scheme in future.
- Once such an institution is formed, its development into a full-fledged working body will be another important challenge.

## The road ahead

In India, RSBY is currently being extended to other informal sector workers living above the poverty line, and many worker groups would like to use RSBY as an insurance platform while bearing the costs of premiums themselves. MoLE is currently working out a process to enable these non-BPL groups to use the RSBY platform without compromising the basic principles of the scheme.



*People queueing up to receive medication*

After less than two years of operation, RSBY is considered one of the most successful government-funded social protection schemes in India in terms of outreach and visibility. It is therefore considered as an example for other social protection schemes such as old age pensions or unemployment benefits – not only inside the country.

Many Asian and African countries are showing an interest in RSBY and are planning to incorporate some of its features into existing or proposed schemes. The RSBY team, supported by German Development Cooperation and the World Bank, is attempting to respond to this interest by facilitating cross-border collaboration in the form of South-South cooperation.

For more information please visit the website: [www.rsby.in](http://www.rsby.in)



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