

# Role of Cooperatives in Achieving Universal Health Coverage in India: An Exploratory Study

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## Abstract

With insurance protection gap among the highest in Asia, Indians are vulnerable to health and economic shocks. India is a lower middle-income country (LMIC) but its spending on healthcare is even less than lower income countries (LIC). The penetration of non-life insurance is a mere 0.94 per cent of the GDP and the density of insurance is USD19, which is far lower than its Asian peers. Insurance Regulatory and Development Authority of India (IRDAI) estimates protection gap to be around USD 400 billion. India boasts of a wide network of cooperatives spanning across the length and breadth of the country. The country has over 8.5 lakh cooperatives with a cumulative membership of approximately 290 million. Cooperatives have played a vital role in not only filling the vacuum, but also the way people exercise control over their economic livelihoods. From white revolution and agricultural credit to core banking, cooperatives have now branched into real estate, tourism, healthcare, insurance among others whilst retaining their essence. Cooperatives have existed in India for over a century but their potential still remains untapped. Through this paper, the authors attempt to understand the role cooperatives in India can play and the challenges they face in helping the country achieve its dream of Universal Health Coverage by 2030.

## Objectives

1. Reach and Impact of Cooperatives in India
2. Can Cooperatives help in Achieving Universal Health Coverage in India
3. Challenges faced by cooperatives in offering Mutual health insurance in India
4. Potentials and scope for cooperatives in offering Mutual Health Insurance in India

## Method

Being an exploratory study, the authors have tried to understand the existing landscape of health care financing in India along with the penetration of health insurance in the country to identify the protection gaps and challenges. The study further attempts to understand how this lack of financing and penetration affects the population, both financially as well as the health outcomes.

While acknowledging the challenges to existing healthcare financing as well as the penetration of insurance, the study aims to also explore the role of alternative approaches after drawing lessons from North America and Europe and the country's own strong cooperatives network that has played critical role in providing banking and financial services in the absence of formal banking institutions and achieving financial inclusion.

The study further aims to understand the regulations governing insurance services in the country.

## Results

Until date, cooperatives in India have only been involved in the distribution of existing conventional insurance solutions, both to its members as well as others. One of the biggest challenge for cooperatives in offering insurance and risk management solution on the lines of risk retention of mutual insurance to its members is the regulatory capital adequacy requirement. As per the existing IRDAI laws, an institution offering insurance and risk management solutions is mandated to have a capital base of at least INR 1000 million. This amount is way beyond the capacity of many cooperatives. Another major challenge is the lack of financial savings and financial literacy among members. While significant, these two challenges are not uniform across cooperatives and within a cooperative.

Experience from cooperatives who are offering mutual and cooperative insurance solutions to its members show that there is greater awareness regarding health risks and well-being, financial literacy and reduced out-of-pocket expenses on health (a significant measure for achieving Universal Health Coverage). Though there is reduction in health outgo and there is better awareness, the coverage offered from such existing solutions are unable to meet large healthcare expenditure and hence the problem of underinsurance remains.

An important element for the success of Mutual and cooperative insurance is the common binding factor for its members to stay together, be it profession or geography or both. While this is a huge advantage for cooperatives, there is also an inherent risk of concentration, which may hamper risk management.

## Conclusion

Mutual and cooperative insurance have shown that there is potential and scope for alternative approaches and solution for insurance and risk management to be offered in India. These solutions can complement the existing efforts of the government and private sector in achieving Universal Health Coverage in India and thus reducing the high incidence poverty millions of people face every year due to this.

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