An Analysis of Selected Pension and Health Care Initiatives for Informal Sector Workers in India

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Abstract

India’s demographic trends portend moderately rapid ageing of the population. This, combined with the limited coverage of pension and health care programmes in terms of population, types of risks covered, and benefit levels has led to greater urgency in extending the coverage and reform directions of the current pension and health care programmes.

This article analyses three pension and health care initiatives in India directed at the workers and their families engaged in the informal sector. The first initiative, India’s National Social Assistance Programme (NSAP), undertaken in 1995 provides budget-financed transfers targeted at older persons. It is funded by the Union government but implemented by the state governments. The second initiative, called Swavalamban, was started in 2010, but has been subsumed under Atal Pension Yojana (APY), in the 2015–16 budget. Both are voluntary co-contributory initiatives aimed at providing access to retirement income to low-income individuals (government co-contributing with the individual). Unlike Swavalamban, the APY initiative has provisions for minimum guaranteed pension benefits, with contributions required by the members adjusted accordingly. Effectiveness in increasing enrollment and in sustaining contributions over a longer period will impact on the extent of retirement income security obtained by the members.

The third initiative, Rashtriya Swasthya Bima Yojana (RSBY), is insurance-based and aims to provide hospital care to low-income households. The article argues that for improving outcomes of these initiatives, more effective implementation, greater fiscal resources, and an integrated and systemic approach which is aided by technology-enabled platforms such as Aadhaar, will be needed.

Keywords

India; Informal sector; Pension and health coverage; National Social Assistance Programme; Atal Pension Yojana; Rashtriya Swasthya Bima Yojana

Introduction

Four important factors lend urgency to broadening the coverage of pension and health care programmes in India. The first is that for India to sustain broad-based high growth, visible progress towards attaining a degree of economic security for the population is essential.

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The second factor is demographic. Over the next two decades, India will transit from its currently demographically advantageous position of a high old-age support ratio of 13 persons aged 15–64 for every person above the age of 65, to the ratio of only 5 persons (UNDESA 2013). The number of elderly in India will triple from around 100 million in 2014 to 300 million in 2050 (CRISIL Insight 2015). The sheer numbers of elderly and the pace of ageing will pose significant challenges to the policymakers.

Third, India is experiencing rapid urbanization and economic transformation. There are indications that these trends are leading to greater labour mobility across the country, and resulting in a shift from joint to nuclear families. This is likely to increase the role of state-intermediated income and other support for the elderly.

Lastly, around three-quarters of India’s workforce is in the informal sector without any employer- and earnings-linked social security (KPMG 2014). The moderately rapid pace at which these changes are taking place will pose challenges, as social security reform initiatives will need to be made effective in a relatively shorter time.

Since independence in 1947, India has constructed an elaborate, fragmented social security system, mainly focusing on the formal sector employees (Asher 2010). There have, however, been several initiatives in India to provide pensions and health care coverage for workers in the informal sector. This article examines three such initiatives. First, the National Social Assistance Programme (NSAP) is a social pension programme providing modest benefits to targeted older persons, widows and persons with disabilities (discussed in the second section).

The second initiative, called Swavalamban, was started in 2010, but has been subsumed under Atal Pension Yojana (APY), in the 2015–16 budget. Both are voluntary co-contributory initiatives aimed at providing access to retirement income to low-income individuals (government co-contributing with the individual). Unlike Swavalamban, the APY initiative has provisions for greater choice of minimum guaranteed pension benefits, with contributions required by the members adjusted accordingly. The effectiveness in increasing enrollment and in sustaining contributions over a longer period will impact on the extent of retirement income security obtained by the members (discussed in the third section).

The third initiative, Rashtriya Swasthya Bima Yojana (RSBY), is insurance-based and aims to provide hospital care to low income households (discussed in the fourth section). The final section provides the concluding observations.

The article has wider significance as progress towards a more comprehensive social protection system in India is more likely to arise from the type of initiatives and analyzed in this article then through the construction of a unified national social security system. This, however, does not imply that formal social security programmes are not in need of urgent reforms, or that other progress in reforming tiers and branches of social security should not be emphasized (Asher 2010).
National Social Assistance Programme

The NSAP initiative was introduced in 1995, with the aim of establishing a national minimum standard for social assistance for groups with low capacity to manage economic and social shocks affecting their livelihoods.

It comprises five elements. These are, Indira Gandhi National Old Age Pension Scheme (IGNOAPS), Indira Gandhi National Widow Pension Scheme (IGNWPS), Indira Gandhi National Disability Pension Scheme (IGNDPS), the National Family Benefit Scheme (NFBS) and the Annapurna Scheme (AS). While the first three schemes provide monthly benefits entirely financed from the government budget. Thus these three pension schemes may be classified as non-contributory.

The NFBS provides a one-off payment to the family in the event of the untimely death of the sole breadwinner in the family. The AS scheme provides food grains at a subsidized rate to old age pensioners. The discussion on NSAP in this article focuses on the schemes providing monthly benefits due to their larger coverage and scope. In spite of some refinements, the essential non-contributory, non-universal and non-contributory nature of these schemes has remained unchanged since 1995.

The three pension schemes under the NSAP are funded by the Union government, but implemented by each state government. The Union government provides broad guidelines, but each state government is given the responsibility for identification of beneficiaries (each state can set criteria for eligibility), setting the benefits levels (each state is free to provide benefits in addition to the uniform amount allocated by the Union government) and for disbursement. Because of differing implementation and fiscal priorities and capacities of the states, variations in implementation effectiveness arise across the country.

Between 2009–10 and 2013–14, the total NSAP expenditure incurred by the Union government ranged from 0.07 per cent to 0.08 per cent of gross domestic product (GDP) (Reserve Bank of India 2014). The total national expenditure on NSAP is not available as the amount spent by each state in addition to the allocation by the Union government is not aggregated, a gap which needs addressing.

Table 1 provides the eligibility criteria and benefit levels under the NSAP. The data suggests that the targeted beneficiaries are those below the poverty line. Thus how this line is defined and used to target beneficiaries has significant impact on the effectiveness of the NSAP. The age of the eligibility for IGONAPS is relatively low at 60 years as India’s average life expectancy at birth was 66 years in 2011 (Government of India 2012). The life expectancy at age 60 is likely to be much higher, and may be increasing. The benefit levels remain low. Thus for IGONAPS those below 80 years receive benefits equivalent to 4 per cent of the per capita income, while the corresponding amount for those above 80 years is 9 per cent.

While benefit levels are low, a study concerning the state of Rajasthan suggests that almost 75 per cent of pensioners listed the pension benefits as their most important source of income (Dutta et al. 2010).
The numbers of individual beneficiaries under the three pension schemes of the NSAP for the 2009–10 to 2012–13 periods are provided in table 2. The data suggest that the old age pension scheme (IGNOPS) accounted for more than four-fifths of the total beneficiaries during the period. The total number of beneficiaries has increased from 20 million in 2009–10 to 28 million in 2012–13. For the IGNOPS, the coverage is only around one-fifth of the total elderly of about 100 million.

If the benefit levels were to be increased and indexed to the per capita income of the country, this would result in an increase in spending on IGNOPS. If 70 per cent of persons above 60 years were to be covered at

Table 1
NSAP: eligibility criteria and benefit level (as of December 2014)

<table>
<thead>
<tr>
<th>Scheme</th>
<th>Eligibility criteria</th>
<th>Benefit amount (INR per year)</th>
<th>Benefit as % of per capita income</th>
</tr>
</thead>
<tbody>
<tr>
<td>IGNOPS</td>
<td>60+ years old</td>
<td>2,400</td>
<td>4</td>
</tr>
<tr>
<td></td>
<td>Below poverty line household</td>
<td></td>
<td></td>
</tr>
<tr>
<td>IGNOPS</td>
<td>80 + years old</td>
<td>6,000</td>
<td>9</td>
</tr>
<tr>
<td>IGNWPS</td>
<td>Widow</td>
<td>3,600</td>
<td>5</td>
</tr>
<tr>
<td></td>
<td>Below poverty line household</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>At least 40 years</td>
<td></td>
<td></td>
</tr>
<tr>
<td>IGNWPS</td>
<td>Widow above 80 years</td>
<td>6,000</td>
<td>9</td>
</tr>
<tr>
<td></td>
<td>Below poverty line household</td>
<td></td>
<td></td>
</tr>
<tr>
<td>IGNDPS</td>
<td>At least 80% disabled</td>
<td>3,600</td>
<td>5</td>
</tr>
<tr>
<td></td>
<td>Below poverty line household</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>


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Table 2
Beneficiaries of the pension schemes under the National Social Assistance Programme, 2009–10 to 2012–13 (in millions)

<table>
<thead>
<tr>
<th>Year</th>
<th>IGNOPS</th>
<th>IGNWPS</th>
<th>IGNDPS</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>2009–10</td>
<td>16.33 (80.6)</td>
<td>3.21 (15.6)</td>
<td>0.70 (3.4)</td>
<td>20.25 (100.0)</td>
</tr>
<tr>
<td>2010–11</td>
<td>17.06 (80.4)</td>
<td>3.43 (16.1)</td>
<td>0.73 (3.4)</td>
<td>21.21 (100.0)</td>
</tr>
<tr>
<td>2011–12</td>
<td>21.38 (82.8)</td>
<td>3.63 (14.0)</td>
<td>0.79 (3.0)</td>
<td>25.81 (100.0)</td>
</tr>
<tr>
<td>2012–13</td>
<td>22.79 (82.3)</td>
<td>4.13 (14.9)</td>
<td>0.74 (2.6)</td>
<td>27.66 (100.0)</td>
</tr>
</tbody>
</table>


Notes: IGNOPS = Indira Gandhi National Old Age Pension Scheme; IGNWPS = Indira Gandhi National Widow Pension Scheme; IGNDPS = Indira Gandhi National Disability Pension Scheme; details may not add up to 100 because of rounding.
a 10 per cent per capita of GDP benefit level, our crude simulations which do not take into account any behavioural responses, indicate that the expenditure would range from 0.54 per cent of GDP in 2010 to 0.86 per cent in 2030. The expanded fiscal space will therefore be needed, and will need to be planned.

For those who are covered under the NSAP, there is a high probability of receiving the funds. The challenge has been for members to receive the funds in a timely and predictable manner. States have struggled with the mode of provision of the monthly pension. Some states provide the pension amount in cash on a quarterly basis; others utilize the banking-based model.

The capability of each state to deliver NSAP benefits

Therefore, in delivering this social pension programme the capacity at the sub-national level is extremely important. For example, the NSAP scheme itself relies on state-specific lists for eligibility but again because of a lack of accurate income-expense data of the concerned households, the lists contain errors in identifying those who should not be eligible (inclusion error), and those who should receive benefits but are not (the exclusion error).

The mode of payment of the benefit varies between the states, but is limited to only one uniform method of payment within each state. Serious consideration should be given to permitting each state to deploy more than one method of payment, depending on the local context.

The transition to the banking system is not working too well in some areas (Gupta 2013). On the day pensions are delivered, the banks are overwhelmed with the rush of customers therefore making it difficult to deliver pensions effectively and in a timely manner. To overcome such challenges, states such as Andhra Pradesh are using an innovative banking correspondent model to disburse the benefit. Under the banking correspondent model, a bank representative using a portable machine verifies biometrically the identity of the person, providing the ability for the beneficiary to withdraw funds that are centrally transferred to his or her bank account. This innovation of a banking correspondent is being implemented by a number of banks across the country.

This innovation could be significantly aided by the Pradhan Mantri Jan Dhan Yojna (PMJDY) initiative. It aims to substantially expand access to financial services, including bank accounts, and to accident insurance cover to those without access to banking services. Between August 2014 and February 2015, 137 million new bank accounts (nearly three-fifths of the accounts were in rural areas) were opened under PMJDY. While more than three-fifths of the accounts had a zero balance, the total deposits were INR 1,269 billion, nearly INR 2,500 per account (not including those with zero balances) (Pradhan Mantri Jan Dhan Yojana 2015).

There is an increasing tendency by some of the states to require beneficiaries to obtain an Aadhaar card as a condition for receiving NSAP benefits.
An overall assessment of the two decade old NSAP initiative is that it has provided small but effective income support to those in need, and that there are pressures on the state for effective delivery to identified beneficiaries (Dutta et al. 2010). The analysis in this article supports their overall assessment.

The Swavalamban Initiative

The Swavalamban initiative is a co-contributory scheme started by the Government of India in 2010 under the National Pension Scheme (NPS), administered and regulated by the Pension Fund Regulatory and Development Authority (PFRDA) (2014), to encourage low-income persons working in the informal sector to voluntarily save for retirement.

In India’s 2015–16 budget, APY was announced. It also envisages voluntary membership and co-contribution by the government. However, unlike Swavalamban, APY has provisions for minimum guaranteed pension benefits, with contributions required by the members adjusted accordingly. It thus is able to be attractive to not just the local income in the informal sector but also to a section of the middle class in both formal and informal sectors. Its aim therefore is to help expand coverage of pensions.

All the members of the Swavalamban initiative would be automatically migrated to APY, unless they opt out. All members under PMJDY, who are not members of any statutory social security scheme are eligible for APY.

Design and operations of the Swavalamban Initiative (now subsumed under Atal Pension Yojana)

Under the Swavalamban scheme, NPS members making a minimum annual contribution of INR 1,000 to INR 12,000 are eligible to receive a co-contribution of INR 1,000 from the government. As it stands currently, the government co-contributions are expected to be provided until 2019–20, and there are indications that the scheme might be extended for a longer term. The pay out from the scheme starts at the minimum age of 60 with a combination of a lump-sum payment and annuities.

Of those subscribers who are registered under the Swavalamban scheme, not all may be eligible for the INR 1,000 matching grant. The eligibility for the grant is based on the amount of contribution made by the subscriber. If the contributions by the member are not within the prescribed threshold, the subscriber is not eligible for the INR 1,000 matching grant from the government. In addition, eligibility is also based on whether the subscriber is enrolled on any other pension scheme.

Unlike the Swavalamban Scheme, the new version of the scheme, APY will provide defined benefits for a level and period of contribution. The subscribers have the option to contribute to one of the five guaranteed pension benefits and their contribution will depend on the benefit ensured and the duration for which contribution would be made, with a minimum duration of 20 years. To ensure the minimum duration of contribution, the enrolment in the scheme is restricted to the age group between 20 and 40 with benefits payout guaranteed at the age of 60 years. The government will also
contribute 50 per cent of the beneficiaries’ premium limited to INR 1,000 each year for five years, for new accounts opened before 31 December 2015.

The Swavalamban scheme is unique in its ability to keep costs low and provide affordable pension programmes for the workers in the informal sector. This has been possible because the Swavalamban scheme uses the same infrastructure as the regular scheme that has higher operating costs. APY will continue to be implemented using the same NPS architecture which incorporates modern technology-enabled pension administration practices (Asher 2010).

Swavalamban is operationalized through aggregators that act as the intermediaries between the subscribers and the National Pension System. In December 2014, there were 79 aggregators including state government entities, public sector banks, regional rural banks, microfinance institutions, non-banking financial corporations and private sector entities. The marginal cost to the system for operating the Swavalamban scheme is limited to the opening of the accounts. Currently, the PFRDA provides aggregators incentives to increase the Swavalamban subscribers.

The withdrawal from the Swavalamban scheme as well as the new version, APY, is on the same terms as the other NPS tier-I account, with exit at age 60 with a minimum of 40 per cent annuitization of pension wealth or exit before age 60 with a minimum of 80 per cent annuitization of pension wealth. There is one overriding condition, that the annuitized wealth must be sufficient to yield an amount of INR 1,000 per month. If the amount is not sufficient, then the per cent of wealth annuitized will be increased to reach the INR 1,000 per month threshold. This amount may be revised from time to time.

The Swavalamban scheme funds are invested like other NPS funds – 85 per cent in bonds both government and corporate and 15 per cent in equity.

There was a sharp increase in the number of subscribers in the year 2013–14 (PFRDA 2014). This is further expected to increase in the next few years. Significantly, 73 per cent of the total subscribers for the Swavalamban scheme are female (PFRDA 2014). The challenge will be to sustain their contributions over a longer period, as the voluntary nature often leads to low priority by members to retirement saving. The age profile of subscribers is relatively young. Fifty-five per cent of subscribers are aged under 40. Approximately 19 per cent are aged under 30.

Regional variations

The goal of the Swavalamban scheme is to provide pension products to persons in remote areas at a low cost. In addition to the private informal sector, state government has also shown an interest in this fast-growing scheme. In the last two years, some of the state governments have also taken up the Swavalamban scheme – Karnataka, Haryana, Andhra Pradesh, Jharkhand and Rajasthan have already adopted the scheme. In 2013–14, Delhi, Bihar and Assam also implemented the scheme. These have been implemented for construction workers, anganwadi workers and helpers, and unorganized sector workers engaged in identified occupational groups.
Integration of Swavalamban with Pradhan Mantri Jan Dhan Yojana

In 2015, the government’s target was to provide the Swavalamban scheme to at least 70 subscribers at each bank branch with the hope of reaching 5.6 million Swavalamban subscribers in 2014–15. Currently, there are approximately 3.5 million subscribers. This increase is expected as a result of the tying up of the Swavalamban programme with the Prime Minister’s Pradhan Mantri Jan Dhan Yojana (PMJDY). The APY initiative envisages that all PMJDY Jan Dhan Yojana subscribers will have an option to join the APY, provided they meet eligibility criteria.

Challenges and opportunities

The challenge faced in such a scheme is two-fold. The first is to ensure that members continue to contribute after the opening of an account. There is no official data published regarding how many accounts continue to contribute and the density of contribution. Indications are that nearly a quarter of the accounts have an extremely low density of contributions, implying that members after joining are not regularly contributing. Improving the density of the contributions therefore remains a challenge. Currently, the accumulated balances in the Swavalamban accounts are relatively low at INR 3,000 per account compared to the general NPS accounts with balances of approximately INR 75,000 per account. Second, the awareness levels for the accounts are relatively low. A coordinated effort is needed to increase the awareness of pension accounts.

As of March 2015, the Swavalamban initiative attracts the exempt-exempt-taxed (EET) treatments whereby, while contributions and investment income are exempt, withdrawals at the payout phase are taxed. There is a strong case for the EET treatment to provide uniform tax treatment to in line with other retirement products (Asher 2010). The EET treatment will also facilitate the reported proposals for the formal sector workers to choose between the retirement schemes of the Employees Provident Fund Organization and the NPS.

The RSBY

The RSBY is the largest government-sponsored social health insurance initiative mainly covering families below the poverty line, but also includes specific vocational groups. As of April 2014, the scheme covered around 37 million families in 436 districts across 29 states (RSBY n.d.).

The health insurance coverage or total sum assured is US$750 (INR 30,000) per below poverty line (BPL) family per annum on a family floater basis. The beneﬁt package of the scheme covers hospitalization expenses (including outpatient department [OPD] expenditure9 and transportation expenditure10) of all diseases11 including pre-existing diseases. Some states have added additional beneﬁts in the package such as OPD coverage or additional financial coverage (more than US$750 per year). The beneﬁciary is entitled to seek treatment across the country in any of the RSBY empanelled (approved by the relevant authorities to provide designated services) hospitals—both public as well as private.
The scheme is funded through general taxes where state and central government both contribute in the ratio of 75:25. The scheme is 100 per cent pre-paid, as there are no user charges or co-payment at the time of utilization of services. Beneficiaries are only required to pay a token amount of US$0.5 as a registration fee per annum.

The family is the unit of coverage, and the definition of family in the scheme includes a family of five – a husband, a wife and three dependents. Families who are in the state BPL list can enroll in the scheme by paying registration fee. On enrolment, they receive a smart card with a value of US$750 that can be used throughout India at any RSBY network hospital. The scheme covers hospitalization expenditure, though the beneficiary may end up paying for drugs and transportation as providers generally do not cover these costs (Amicus Advisory Private Limited 2011).

For each district, the implementing state government agency contracts with an insurance company to provide defined health insurance coverage to a defined population in a district, on the basis of a premium per family decided through a competitive bidding process. The insurance company provides health insurance coverage, and defined health care services in collaboration with other agencies and health care facilities from both the public and private sectors.

**Challenges of the RSBY initiative**

One of the key challenges is the narrow and limited coverage of the scheme. The scheme has increased health care utilization among the insured population (Devadasan et al. 2013), but it only covers hospitalization, and therefore the beneficiary incurs significant out of pocket (OOP) expenditure. As hospitalization forms only one-quarter of the total OOP expenditure (Planning Commission and others 2011: 70), the financial coverage provided by the scheme is shallow. Thus the depth of the coverage needs to be expanded to provide required financial security in context of the available fiscal space.

The second key design issue is the shorter contract period. In the present design, the contract is renewed every year in the scheme, providing agencies limited time for learning and investment, as the investment cycle is too short. The limited contract duration prevents agencies from investing in strategies for improving scheme performance such as pricing of premiums, and investment in preventive measures rather than curative care. Because of the renewal of the contract every year, a massive exercise of enrollment of beneficiaries takes place every year. With the change in the contract, there is also a change in the insurance company, the TPAs, the empanelled hospitals, the information centres for the beneficiary, causing a complete disruption to services and continuity of care.

Repeated enrollment leads to beneficiary fatigue as well as a large increase in administrative cost. Because of the shorter duration of the contract and repeated enrollment, the focus of the management authorities is on completing the enrollment of the beneficiary and the control of fraud in the scheme, rather than the utilization of services. Because of poor awareness, the scheme remains highly underutilized, and hospitals and the insurance company use
this opportunity to pocket public money. Expecting lower utilization, insurance companies have bid aggressively leading to unsustainable premiums (as low as US$5 per family per year), and the medical cost ratio has gone lower than 50 per cent as the majority of the premium is spent on the administration of the scheme. A longer contract duration of enrollment every two years would reduce the investment of time and disruption to services and facilitate collaboration between agencies.

The third key design issue is related to the payment method. In the RSBY scheme, costs are reimbursed based on the package of services. The existing package design incentivizes hospital-based curative care rather than preventive and ambulatory care (Desai 2009), and therefore no preventive care is provided in the scheme. The package-based payment method has led to supply-induced demand especially in rural areas, where providers have a monopolistic position and patients have very limited options for a second opinion (Desai 2009). Poorly defined packages and lack of standardization of medical care provide ample discretion to providers, in terms of package choice, course of treatment and quality of service. Providers select low-cost cases, choose a higher paying package, select the cheapest treatment plan, use low quality instruments, consumables and drugs, and discharge patients prematurely risking an adverse impact on health (La Forgia and Nagpal 2012). Collusion has been reported at multiple levels between patients, providers and implementing agencies, leading to a number of fraudulent behaviours incurring extensive transaction cost.

Private hospitals, compared to public hospitals, have higher incentive to induce demand, provide unnecessary care and engage in fraudulent practices. Sensing the opportunity to make money, they bribe to get empanelled in the scheme and, once empanelled, they corrupt the process in hospitalisation and claims management. The fourth key issue is the heavy reliance of the scheme on private sector hospitals to deliver services. Sensing the amount of public money coming in, hospitals have sprung up in rural areas exclusively designed and customized for RSBY patients (International Insurance News 2011), even though package rates under the RSBY scheme are much lower than the usual fee for service charges (Reddy et al. 2011; La Forgia and Nagpal 2012).

Anecdotal evidence suggests that most of these hospitals are connected to the stakeholders involved in the scheme implementation. Hospitals pressurize/collude with the insurance company, third party administrator and district administrator to get empanelled in the scheme. These new hospitals are small and low volume, and provide low quality care (Research Institute 2009, as cited in La Forgia and Nagpal 2009: 73), but insurers have no choice but to empanel these hospitals even if they do not qualify. Once empanelled, these hospitals engage in extensive fraudulent behaviour colluding with other agencies under the protection provided by district level authorities.

In states where public hospitals dominate in empanelment and service delivery under the scheme, such as Punjab, Himachal, West Bengal and the North East states, the extent of fraud in the scheme is comparatively low. The states with higher private sector participation experience greater disputes
in claims management and higher claims ratio. Table 2 presents some of the selected districts in Uttar Pradesh which experienced unexpected claims ratios and hospitalization ratios.

The infantile health insurance industry and information asymmetry limits the capacity of the insurance companies to control fraudulent behaviour of private hospitals. Collusion of district level authorities in the scheme provides further immunity to these hospitals. The present claims monitoring system is only geared towards detecting blatant opportunistic behaviours, given the high volume of claims and lower margins. Insurance companies have incentives to invest in cost controls in longer run, given the short duration of the contract and therefore they do not invest in preventive care fraud control, but rather depend on unethical approaches to control cost in short run, when the claim ratio reaches unsustainable proportions. The weak incentives for controlling fraud have led to the development of various types of nexus among agencies to carry out fraudulent activities, including public hospitals (MedIndia 2011).

The participation of public hospitals not only improves performance in terms of lower levels of fraud, but also improves continuity of care and generates extra revenue for the starving public facilities, which they can use to improve infrastructure, as done in case of Punjab. In order to improve the share of public hospitals, it is important that the role of the Ministry of Health in the scheme is augmented. Compared to the Ministry of Labour, the Ministry of Health is better placed to implement the scheme, given its expertise in the health sector, in managing health insurance programmes and opportunities for synergy with various other health programmes. Experience of RSBY implementation in Punjab and Himachal Pradesh clearly indicate that health departments at the state level are better placed to manage the scheme given their control of public hospitals.

In the coming years, it is expected that the rapid rise in medical cost inflation and the ageing of the population will further increase cost of health care and make the coverage of the scheme shallow, limiting the financial protection offered by the scheme. As the claims ratio increases, and insurance companies start losing money, they will pass on the increasing cost to consumers resulting in higher rates of premiums.

Concluding Remarks

The three initiatives discussed in the article have been targeted at workers who have spent their working life in the informal sector. This article has analyzed the design, implementation and fiscal issues for each of these initiatives. While the specific challenges in enhancing the effectiveness of each of these initiatives vary, these will need to be approached in a changed dynamics of evolving Union-state relations, and greater integration of technologies in their deliveries.

Consistent with the co-operative federalism objective of the Mr Narendra Modi led government, which was entrusted with governance responsibilities in the 2014 general election, the evolving dynamics of Union-state relations are expected to lead to greater unconstrained flow of resources to the states (Asher 2015).
The main implication for the three initiatives for the informal sector discussed in this article is that the states will need to take greater responsibilities for the financing and for the outcomes in the provision of social protection to the elderly in the specific context of each of the states. In order for the state to respond to its specific needs, greater capacity building will be needed especially as related to public financial management, and the development of state level relevant databases, albeit in co-operation with the Union government. In addition, linking beneficiary payments and beneficiary lists using broader technology-based government programmes such as PMJDY and Aadhar will help in better monitoring of the programmes.

It would also be essential to view the types of national initiatives analyzed in this article from a systemic perspective. Thus in order to broaden the coverage of pension and health care programmes, clustering various initiatives at the Union and individual state level, including inter-connections between them from the outcome benchmarking and citizen-centric perspective rather than on the basis of expenditure incurred would provide greater value for money. Greater professional rather than welfare orientation in the design, implementation and evaluation of initiatives that aim to expand the coverage of pension and health care services to the informal sector would be helpful.

Acknowledgements

The authors would like to thank Azad Singh Bali and Kwan Chang-Yee for constructive comments. The usual caveat applies.

Notes

1. India’s 2011 Census estimates the share of urban population at 31 per cent (Government of India 2012).
2. As an example, in the state of Bihar, the state government has created its own scheme in line with NSAP, with a more relaxed age minimum for the widow scheme and a lower disability percentage for the disability scheme. The state government provides the additional funding for the expanded list.
3. Studies suggest that there is urgent need to improve the accuracy and the timeliness of the data used to identify those below the poverty line. Studies estimates the false positive could be as high as 49 per cent (Jalan and Murgai 2007), whereas false negative could be up to 53 per cent (Dreze and Khera 2010). Ram et al. (2009) found extensive variation between states from false positives: around 59 per cent in Andhra Pradesh to 5 per cent in Tamil Nadu.
4. This suggests the need for undertaking rigorous actuarial studies of the future liabilities of NSAP under various scenarios, and planning fiscal space to meet the pension promises.
5. The Aadhaar card is a national identification initiative that biometrically – through finger prints and iris scans provides a unique identity to individuals in the country. Until February 2015, approximately 768 million cards, covering nearly two-thirds of India’s population, had already been issued.
6. The NPS was established in 2004 for the Union government’s civil servants employed after January 2004. It requires contributions from the civil servants as employees and from the government as employer. The contributions are accumulated and investment choices are given to members. At the payout phase, accumulated
balances are divided into lump-sum payment and purchase of annuity products. Nearly all state governments have also based their civil service pensions on the Union government’s system. As of the end February 2015, there were 1.5 million Union government employees, and 2.6 million state government employees who were members of NPS. Subsequently, the NPS Lite and NPs for unorganized sector workers were launched for informal sector workers. Details may be found at http://pfrda.org.in/ (accessed 22 June 2015).

7. The PFRDA has suggested that the Swavalamban initiative (now subsumed under APY) be extended for a much longer period – perhaps as long as another 25 years (Money Control 2015).

8. The five guaranteed benefits are INR 1,000 per month, INR 2,000 per month, INR 3,000 per month, INR 4,000 per month, and INR 5,000 per month.

9. Includes OPD expenditure of five days before hospitalization and post-hospitalization visits (including lab investigations).

10. Transportation assistance of INR 100 per visit up to a maximum of INR 1,000 per year (ten visits in a year).

11. The conditions which are not included are congenital external diseases, drug and alcohol induced illness, sterilization and fertility-related procedures.

References


