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Third Party Administrators and Health Insurance in India: Perception of Providers and Policyholders

By

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Under the guidance of

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PREFACE

The project has been completed under the guidance of Mr. Rohit Khatri, Senior Manager at Vipul MedCorp TPA Pvt. Ltd. This project describes the findings of a survey study, which was carried out with the objective to ascertain the experiences and challenges perceived by hospitals and policyholders in availing services of TPA and to understand awareness among the policyholders of health insurance about the TPAs.

TO WHOMSOEVER IT MAY CONCERN

This is to certify that **BHAWPREETA** student of **Post Graduate Diploma in Hospital and Health Management (PGDHM)** from **International Institute of Health Management Research; New Delhi** has undergone internship training at **Vipul MedCorp TPA Pvt. Ltd. from 1st March'2015 to 30th May'2015.**

The Candidate has successfully carried out the study designated to him during internship training and his approach to the study has been sincere, scientific and analytical.

The Internship is in fulfillment of the course requirements.

I wish him all success in all his future endeavors.

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Certificate Of Approval

The following dissertation titled "Third Party Administrators and Health Insurance in India: Perception of Providers and Policyholders" at **"Vipul MedCorp TPA Pvt. Ltd."** is hereby approved as a certified study in management carried out and presented in a manner satisfactorily to warrant its acceptance as a prerequisite for the award of **Post Graduate Diploma in Health and Hospital Management** for which it has been submitted. It is understood that by this approval the undersigned do not necessarily endorse or approve any statement made, opinion expressed or conclusion drawn therein but approve the dissertation only for the purpose it is submitted.

Dissertation Examination Committee for evaluation of dissertation.

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UNDERTAKING

Company has asked me to sign the 1 year employment bond in lieu of signing dissertation certificate, feedback forms, using their name, data and symbol of company in dissertation report on 15th May 2015 after completion of dissertation period and signing bond was not part of initial contract of employment.

Because of personal constraints I am unable to sign that bond hence report does not contain any dissertation certificate from the organization, Feedback form and confirm that dissertation report only include the hypothetical data and names.

Request you to please acknowledge the same.

Regards

BHAWPREETA

PG/13/012

06/6/15

Certificate from Dissertation Advisory Committee

This is to certify that **Ms. Bhawpreeta** a graduate student of the **Post- Graduate Diploma in Health and Hospital Management** has worked under our guidance and supervision. He/ She is submitting this dissertation titled **"Third Party Administrators and Health Insurance in India"** at **Vipul MedCorp TPA Pvt. Ltd.** in partial fulfillment of the requirements for the award of the **Post- Graduate Diploma in Health and Hospital Management.** This dissertation has the requisite standard and to the best of our knowledge no part of it has been reproduced from any other dissertation, monograph, report or book.

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ABSTRACT

The advent of Third Party Administrators (TPAs) is expected to play an important role in health insurance market in ensuring better services to policyholders. In addition, their presence is expected to address the cost and quality issues of the vast private healthcare providers in India. However, the insurance sector still faces challenge of effectively institutionalizing the services of the TPA. A lot needs to be done in this direction. Towards this the present paper describes the findings of a survey study, which was carried out with the objective to ascertain the experiences and challenges perceived by hospitals and policyholders in availing services of TPA in NCR. The major findings from the study are:

- Low awareness among policyholders about the existence of TPA; policyholders mostly rely on their insurance agents.
- Policyholders have very little knowledge about the empanelled hospitals for cashless hospitalization services.
- TPAs insist on standardization of fee structure of medical services/procedures across providers.
- Healthcare providers do experience substantial delays in settling of their claims by the TPAs.
- Hospital administrators perceive significant burden in terms of effort and expenditure after introduction of TPA and no substantial increase in patient

  turnover after empanelling with TPAs.

However, there is an indication that hospital administrators foresee business potential in their association with TPA in the long-run. There is a clear indication from the study that the regulatory body needs to focus on developing mechanisms, which would help TPAs to strengthen their human capital and ensure smooth delivery of TPA services in emerging health insurance market.

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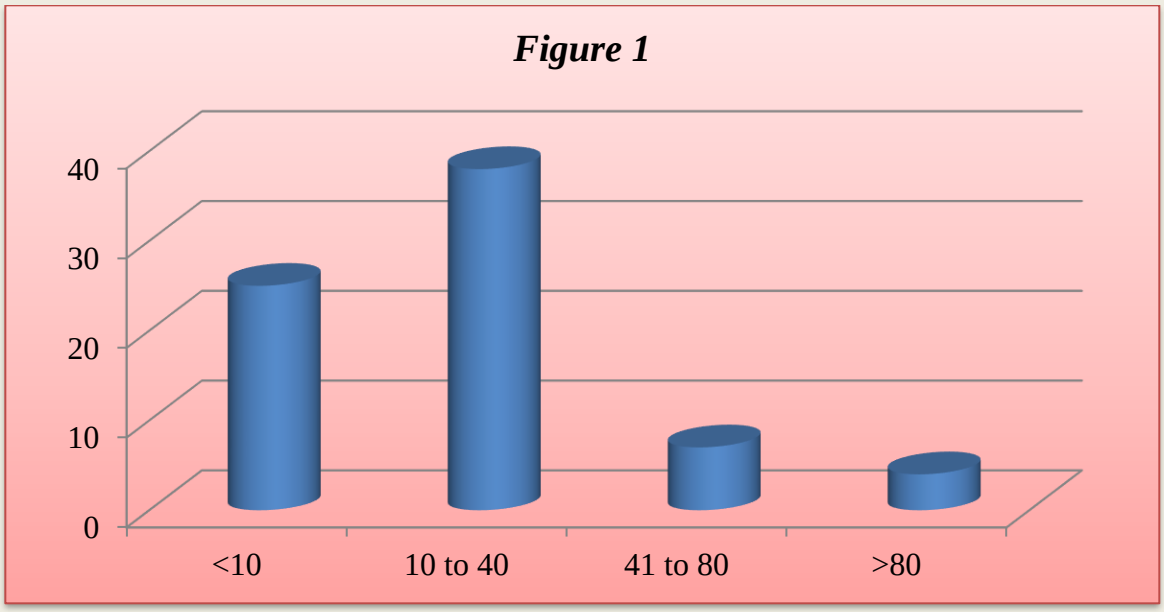
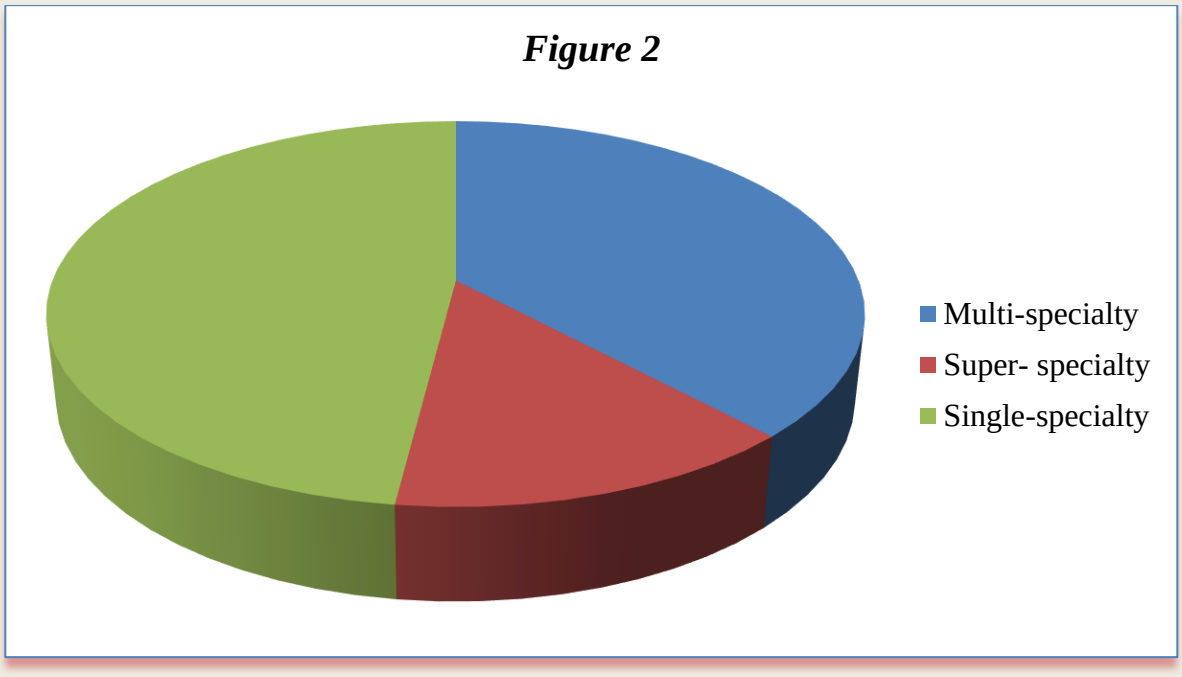


Bed-strength wise distribution of hospitals



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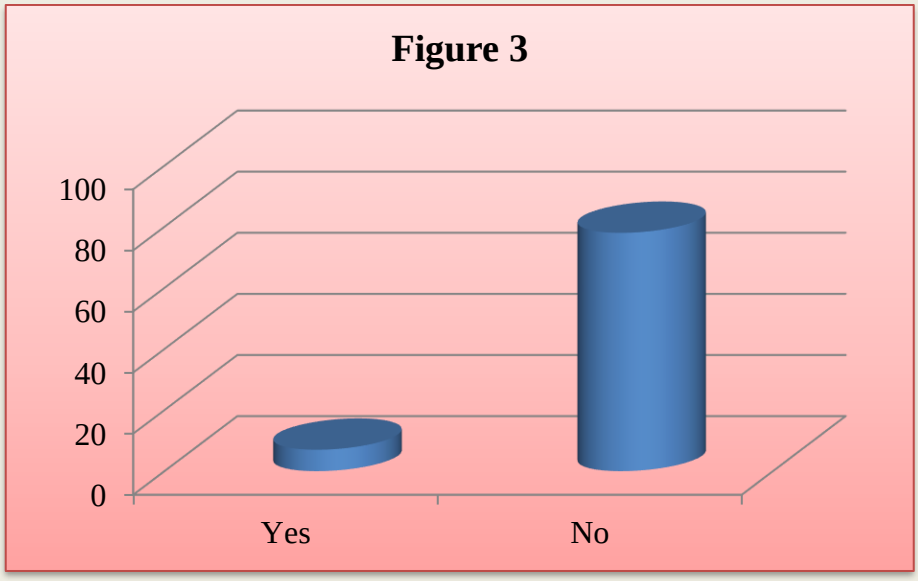

Policyholders charged for TPA services

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Table 1: Observed and Actual network of TPAs

TPA	Actual network	Observed Network*
Vipul	300	70
E-Meditek	150	31
Paramount	50	19
Vidal	10	3

** Will not sum up to 72 due to multiple responses*

Table 2: Sample Characteristics Consumer Study

Sample Characteristics	Mean	Standard Deviation
Age of respondent	48.59	11.61
Family size of person with family cover	4.32	1.44
Years since insured	3.34	2.85

Table 3: Claims incurred vs. Period since insured

Period since insured	Never	Once	Twice	Thrice	> Thrice	Total
1 year	29					29
2 year	4					4
3 year	11	6	3			20
4 year	6	1	1			8
5 year	3	2	2	1	1	9
6 year		1				1
7 year	1	1	1			3
9 year		1				1
10 year	1		1			2
12 year			1		2	3
13 year		1		1		2
15 year		2			1	3
Total	55	15	9	2	4	85

Table 4: Agreement on cost with hospitals

Items	Response	Count	Percentage
Agreement on cost of treatment	Yes	67	93.05
	No	5	6.95
Agreement for all treatment	Yes	47	64.38
	No	21	28.77
Don't know		5	6.85

Table 5: TPA activities during patient admission

Activities that TPAs carry out when patient is admitted	Per cent (%)*
Arrange for specialized consultation	0
Asking about treatment protocols	13.92
Audit and scrutinise the bills	18.13
Equire about test/room rates	20.82
Enquire about the length of stay	22.20
Never comes	48.64
Any other	15.30

** Will not add up to 100 per cent due to multiple responses*

Table 6: Claim settlement with hospitals

Item		Count	Percentage
TPAs delay in claim settlement	Yes	66	91.67
	No	4	5.56
	Don't Know	2	2.77
Agreed time schedule	1 week to 1 month	48	66.67
	1 month to 2 month	14	19.44
	More than 2 month	7	9.72
	Don't Know	3	4.17
Actual time of claim settlement	2-4 weeks	2	2.78
	1-2 months	17	23.61
	2-3 months	25	34.72
	3-4 months	11	15.28
	More than 4 months	13	18.06
	No response	4	5.56
TPAs reimburse 100per cent of the bills	Yes	37	50.68
	No	32	43.84
	Don't know	4	5.48
Pay Interest on due amount	Yes	5	6.94
	No	67	93.06

Table 7: Correlation matrix

	Influence of TPA	Effect on hospital performance	Effect on hospital expenditure	Training of TPA	Right decision to join
Influence of TPA	1.00				
Effect on hospital performance	0.34**	1.00			
Effect on hospital expenditure	-0.07	-.05	1.00		
Training of TPA	.44**	0.27*	-0.31*	1.00	
Right decision to join TPA	-0.20	0.32**	0.12	-0.05	1.00

** *Correlation is significant at the 0.01 level (2-tailed).*

* *Correlation is significant at the 0.05 level (2-tailed).*

LIST OF SYMBOLS & ABBREVIATIONS

TPA- Third Party Administrator

IRDA- Insurance Regulatory & Development Authority

NCR- National Capital Region

CEO- Chief Executive Officer

CAO- Chief Administrative Officer

INTRODUCTION

The health infrastructure in India is facing daunting challenge of meeting the health goals and complexities emerging from the changing disease pattern. The proliferation of various healthcare technologies and increase in cost of care has necessitated the exploration of health financing options to manage problems arising out of increasing healthcare costs. Health insurance is emerging fast as an important mechanism to finance the healthcare needs of people. Further, the uncertainty of disease or illness is accentuating the need for insurance system that works on the basic principle of pooling of risks of unexpected costs of persons falling ill and needing hospitalisation by charging premium from a wider population base of the same community. However, the complexity of health insurance industry has been much talked about but less understood, especially in Indian scenario. With the advent of Third Party Administrators (TPAs) this sector has assumed a new dimension. TPAs are presumed to infuse new management system and enrich knowledge base of managing healthcare services and costs. Their presence is aimed at ensuring higher efficiency, standardisation and improving penetration of health insurance in the country. TPAs potentially have a wider role to play in standardisation of charges and managing cash-less services in health insurance.

However, their actual roles and responsibilities have remained less understood, less clear and much debated. There are questions that in what ways the TPA is going to influence the developments in the health sector. The influence of TPAs to a large extent would be determined by their activities, the way they organise their services and their revenue generation model. In present form, TPAs earn their major revenue from fees charged as commission on insurance premium. Insurance Regulatory and Development Authority (IRDA), the regulatory body for insurance sector in India has standardised this rate. Besides this, TPAs have a potential source of revenue from benefit management,

medical management, provider network management, claim administration and information and data management. However, the insurance sector still faces challenge of institutionalising the TPA services and there is substantial scope for improvements. TPAs also face challenge of developing appropriate system of financing their operations. Experts argued that the current health insurance sector would require substantial amount of working capital and bank guarantee to finance operations of TPAs. There are various challenges the industry faces. These include lack of data to determine price of products and ability to negotiate payment rates with providers, a regulatory framework that does not recognise the unique features of health insurance products, lack of quality assurance measures for health providers, and lack of consumer awareness about the benefits of health insurance. The studies strongly argue broader role of IRDA in amending current regulations so that some of the sources of malpractice could be stemmed. Based on the literature available on TPA sector in India; we carried out a survey study of key stakeholders involved in the health insurance industry. This paper attempts to present and discuss the findings of this study. The study focuses on developing an understanding what healthcare providers and policyholders think about the role played by TPAs in the insurance industry. In the present survey we focus on healthcare providers and Mediclaim policyholders in NCR. The paper specifically aims:

- To understand the perception of healthcare institutions about the performance of TPA system;
- To understand awareness among the policyholders of health insurance about the TPAs;
- To examine issues and challenges faced by the healthcare industry with reference to the role of TPAs.

OBJECTIVE

General Objective:

The project describes the findings of a survey study, which was carried out with the objective to ascertain the experiences and challenges perceived by hospitals and policyholders in availing services of TPAs.

Specific Objective:

- **To understands the perception of healthcare institutions about the performance of TPA system.**
- **To understand the awareness among the policyholders of health insurance about the TPAs.**
- **To examine the issues & challenges faced by the healthcare industry with reference to the role of TPAs.**

LITERATURE REVIEW

Parekh (2003) examined the training aspects of the TPAs and concluded that there is a dearth of knowledge and training in the TPA community and training for the leadership team alone is inadequate. The lack of training at most insurance companies is also woefully insufficient and alarming. So the study suggested that IRDA should arrange for adequate training facilities for TPAs which will enhance their knowledge and the ultimate benefit will be reap by the community. Sureka (2003) conducted a study on the TPAs and its regulator and concluded that TPAs are forced to provide service to the policyholder for an obsolete product – the Mediclaim policy which was introduced at least almost two decades ago. Beside this if the policyholder is made to pay for the services he is availing, then why is the insurer imposing a TPA on the policyholder? The study provided that a policyholder should have the right to accept or refuse the services of a TPA for such absolute products. Gupta, Roy and Trivedi (2004) examined the role of TPAs and the issues that required to be taken into consideration while evaluating their usefulness and functioning in India. The study based on a series of meetings, discussions and interviews with various TPAs, insurance companies and providers. No doubt the TPAs face different barriers in terms of capital, capacity and connections, but still they are providing cashless transaction at the time of service delivery to the customers. The IRDA and Health Ministry should come together so as to ensure TPAs which in turn will ensure active role of the TPAs in Community and Universal Health Insurance Schemes. Bhat and Babu (2004) provided that introduction of IRDA has paved the way for (TPAs) Third Party Administrators who are playing the role of insurance intermediaries in setting up of managed health care systems. The objective behind setting up of TPAs was to ensure better services to policy holders and to mitigate the negative consequences of private health insurance. However the TPAs face immense challenges in the health sector because of demand and supply side complexities of private health insurance and health care market. IRDA has defined the role of TPAs as

insurance intermediary in the management of claims and reimbursement, but at the same time their role is not well defined in controlling the cost of health care and ensuring appropriate quality of care. Mohapatra (2005) provided that TPAs form a vital link between insurers, healthcare service providers and policyholders. Beside this also provided that for a smooth functioning of the system, the TPAs should be judiciously governed and meticulously regulated. Under the present dispensation, the issues of standardization/ governance between the TPA and the providers is left to the vagaries of market forces, the respective parties flexing their muscles to browbeat one another, forcing the TPAs to negotiate local agreement. Further it is recommended that IRDA constitute a consultative mechanism consisting of representative from providers, insurers, TPAs and consumer bodies to attack the various issues affecting smoother governance. If need be, necessary changes can be brought about in the regulatory compliances. Bhat, Maheshwari and Saha (2005) ascertained the experiences and challenges faced by hospitals and policyholders in availing the services of TPA in NCR. The results of the study shown that only a small percentages of respondents have knowledge about existence of TPA, there is substantial delay in settlement of claims between TPAs and health care providers, administrators of hospital perceive burden in terms of efforts and expenditure after the introduction of TPA. The study concluded there is no mechanism to appraise the performance of TPAs and regulatory body need to focus attention on developing mechanism, in order to strengthen the TPAs so as to ensure smooth delivery of TPAs services in the emerging health insurance market. Ruchismita, Ahmed and Rai (2007) highlighted the challenges in financing health in India and examined the role of health insurance in addressing these challenges. The study provided with an operational framework for developing sustainable health insurance model under national rural health mission which will respond to the contextual need of different states. Moreover innovative pilots of partner agent model led micro insurance could give useful insights for designing a national level programme, led by

an apex body could systematically impact the health system in the country. Jaswal (2010) examined the cashless hospitalization which was evolved during the last decade, as an integral part of health insurance claim offering, making claim under health insurance policy indeed a customer friendly process. The study concluded that the practice to pay claims through physical cheques is quite outdated and inefficient; it would benefit all, if newer methods of payment like electronic fund transfer were to be implemented. Moreover, Indian medical industry being unregulated, there are no standard treatment guidelines or uniform medical protocols which are followed by medical professional all over the country, in all hospitals.

HEALTHCARE SYSTEM AND ROLE OF HEALTH INSURANCE

India has developed an extensive network of healthcare infrastructure. The system envisages availability and accessibility of publicly funded healthcare to all, regardless of their ability to pay. However, over a period of time due to the expansion in size and shortfall in budgetary support, the public healthcare system has lagged behind in terms of its ability to meet the challenge of fulfilling the health needs of large segment of population. To meet this challenge partially, private healthcare sector has grown in size and scope. Consequently, the present healthcare system is characterised by having providers belonging to ownership of both public and private and providers practicing in different systems of medicine. Both public and private facilities provide health services, but the bulk of the curative services are skewed towards the urban areas and dominated by the private sector. According to the recent Human Development Report (2004), India ranks 171 out of 175 countries in terms of public spending on health, while in terms of private spending, the country ranks 18. Increasing per capita income in the country is further increasing the skewness of health expenditures. For every 1 per cent increase in state per capita income, per capita public health expenditure has increased by around 0.68 per cent while for every 1 per cent increase in real per capita income the real per capita expenditure on health has gone up by 1.95 per cent. Private health expenditure in nominal terms is growing at 18 per cent per annum. With the proliferation of medical technology and new treatment protocols, the health care costs are increasing. These developments justify the need for health insurance. Though the need for health insurance is high but its growth has been slow. One of the reasons for its slow growth has been regulations in this sector. With the passage of the Insurance Regulatory and Development Authority (IRDA) Bill 1999, the industry has undergone a transformation. It has opened the insurance sector for private players. This opening up of insurance sector and growth of private healthcare system, particularly characterised

by setting-up of corporate hospitals, poses lot of challenges to be addressed by the insurance industry and its regulators. Some of the key challenges faced by the industry are summarised below:

- An estimated one-third increase in claim amount due to the moral hazard, the adverse selection problem and/or the provider-induced demand; An estimated one-third increase in claim amount due to the moral hazard, the adverse selection problem and/or the provider-induced demand;
- Rationalising the cost structure of treatment in a private healthcare sector that is characterised by uncontrolled and unregulated expansion. Currently more than one- third of reimbursements are made towards doctor's fees, followed by diagnostic charges which accounts for about one-fourth;
- Lack of actuarial data, lack of standardised billing and under reporting of information by private providers;
- High administrative cost of insurance companies;
- Slow claim processing. Insurance companies took on an average 121 days to settle the claim.

The evolution of a new body for cashless/claim processing in the form of Third Party Administrators (TPAs) marks a new chapter towards addressing some of the problems of health insurance industry.

Third Party Administrators and their role

Third Party Administrator (TPA) was introduced through the notification on TPA-Health Services Regulations, 2001 by the IRDA. Their basic role is to function as an intermediary between the insurer and the insured and facilitate the cash-less service of insurance. For this service they are paid a fixed per cent of insurance premium as commission. This commission is currently fixed at 5.6 per cent of premium amount. Figure 1 provides a graphical representation of working environment of insurance industry and role of the TPA in the system. The core product or service of a TPA is ensuring cashless hospitalisation to policyholders. Intermediation by TPAs ensures that policyholders get hassle-free services, insurance companies pay for efficient and cost-efficient services, and healthcare providers get their reimbursement on time. By doing this it is expected that TPAs would develop appropriate systems and management structures aiming at controlling costs, developing protocols to minimise unnecessary treatments/investigations, improve quality of services and ultimately lead to lower insurance premiums. However, the system is currently going through teething troubles. Cash-less policies, where the insurer directly pays the hospital bills to the healthcare provider, have not yet fully materialise

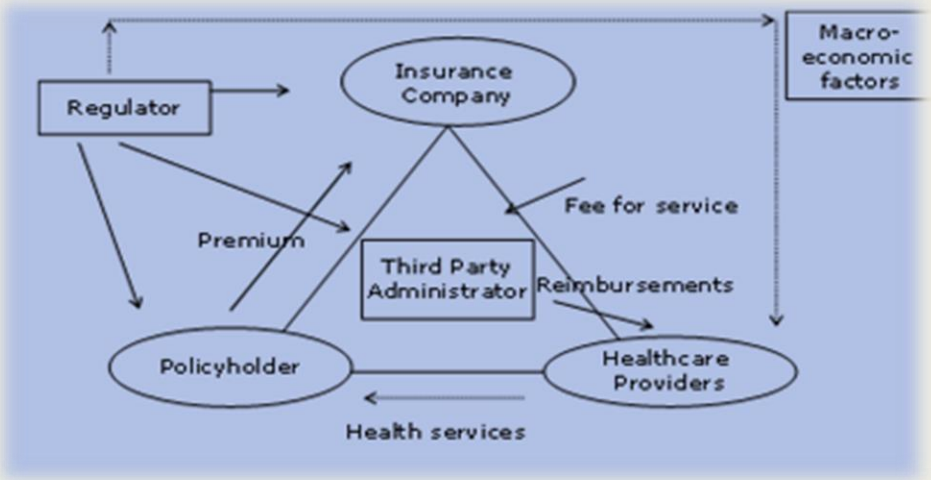

Figure 1: Working environment of TPAs

As of July 2004, 24 TPA-Health Services are registered with the IRDA. They, in their current form in India are suffering from weak hospital networking, delay in issuing of identity cards to policyholders, poor standardisation of billing procedures for hospitals (Sir Ganga Ram Hospital and Max Saket). The industry is feared to be suffering from an informal nexus among corporate houses, corporate hospitals, TPAs and insurance companies in ensuring high claim ratio on corporate insurance and low on individual insurance. The current survey attempts to understand the concern of hospitals and awareness among policyholders in NCR about the performance of TPAs.

METHODOLOGY

We chose to study NCR as it has a major healthcare destination in India. Proximity to markets, good purchasing power, availability of resources, good infrastructure and an official vision towards growth of entrepreneurship are some of the factors that enabled NCR to achieve high growth of private healthcare facilities. Delhi itself is among 15 major states (Union Territory) of India with respect to density of hospitals and dispensaries. The share of in-patient between public and private sector in NCR is 46 per cent and 54 per cent as against national average of 50.4 per cent and 49.6 per cent. NCR has about 200 doctors per 100,000 persons and 160 beds per 100,000 persons. On the other hand, NCR is also known for many innovative models of health care delivery system in the non-government sector. A large number of facilities, mainly in the urban areas, and now even in some rural areas, are set up and managed by charity trusts run by the corporate sector, philanthropists or religious organisations. Large private sector health care facilities cater to the high- and middle-income groups. With a mix of centralised and decentralised health care delivery, NCR represents an average Indian city in terms of health indicators and is chosen for the survey.

Introduction of TPA affects primarily three stakeholders, namely the healthcare providers/institutions, insurance companies and policyholders. Based on literature review and discussion with key stakeholders in the industry, few questionnaires were prepared for hospital administrators empanelled with TPA and policyholders of health insurance. The key variables included in the questionnaires and rationales for choosing the variables are discussed below in brief. The perception of the hospital administrators regarding TPA were assessed with respect to the following variables:

Influence in developing standard treatment procedures/protocols: One of the problems with the private healthcare sector has been its uncontrolled and unregulated

expansion. There is lack of adequate standards. Problems of poor billing system and under-reporting have resulted into lack of availability of information for decision making at various levels. Absence of regulation and lack of standardisation of the private healthcare market has led to high claim ratio. This also leads to problem of the moral hazard resulting into over-billing. This study examines the views of empanelled healthcare providers about the role of TPAs in standardising treatment norms and cost of procedures.

TPA services when policyholders need them: TPAs can follow each case in an individualised way, arrange for specialised consultation for the patient, ascertain false claim and thereby reduce the moral hazard and provider induced demand. TPAs could also do comprehensive review of records and maintain constant communication with healthcare providers and families and evaluate the outcome of treatment and have adequate data to compare it across different service providers. TPAs can also play important role in tracking the case of the insured at the hospital and streamline the claim process. They collect all the bills, reimburse them and send all necessary documents for the consideration of claims to the insurer. This gives them an opportunity to design and develop information systems which would allow them to analyse data regarding hospital admissions, ascertain the health needs of patients and check for effective treatment protocols, tracking documents pertaining to each case and tracking shortfalls in claims. This study examined these different roles played by TPAs from providers' and policyholders' perspectives.

Time taken to settle claims of providers of healthcare services: TPAs were introduced as intermediaries to facilitate claim settlement between the insurer and the insured. The agreement between TPAs and healthcare facilities provides for monitoring and collection of necessary information, documents and bills pertaining to the treatment.

Documents are examined and after processing sent to the insurance company for reimbursement. TPAs have the responsibility of managing claims, getting reimbursements from the insurance company and paying to the healthcare provider. It is expected that with the introduction of TPA services, the claim settlement process would be simplified. IRDA has suggested that all claims should be settled in seven days. Outsourcing claim-processing services may help in reducing the claim period, but settling claims in seven days looks very ambitious target in current scenario.

Impact of TPAs on hospital administration and cost: The introduction of TPAs as claim settlement intermediaries in health insurance gives rise to certain concerns. For example, many hospital administrators feel that TPAs put additional burden on their administration. Hospitals have raised concerns about the cost of providing required data. TPAs also influence their payment rates. There are also concerns of selective contracting by insurers with significant market penetration.

Training and commitment of TPAs: TPAs generally have in-house expertise of medical doctors, hospital managers, insurance consultants, legal experts, information technology professionals and management consultants. The effectiveness of TPAs in managing claims and reimbursements depends on their bargaining power vis-à-vis healthcare service providers. The IRDA regulations envisage at least one of the directors of the TPA should be a qualified medical doctor registered with the Medical Council of India. The CEO or CAO of the TPA should have successfully undergone a course in hospital management from an institution recognised by the IRDA and have passed the licentiate examination conducted by the Insurance Institute of India, Mumbai. Apart from this, they should have undergone practical training of at least three months in the field of health management. TPAs should have access to competent medical professionals to advise insurance companies and clients on various matters.

Policyholders questionnaire were designed to assess the following issues:

Awareness about TPA services: With the introduction of TPA, insurers outsource their administrative activities to TPAs. Their activities include issuing identity cards to the policyholders, 24-hour help-line for customer services, informing the customers regarding empanelled hospitals, arranging for specialised consultation and claim processing during admission of the policyholders. Hence, it is expected from them to have strong communication skills in dealing with the policyholders. In a traditional insurance market, heavily dominated by insurance agent, knowledge and impact of TPA is a matter of determination. This survey of policyholders attempts to understand the level of awareness and knowledge among the policyholders about TPA services.

Knowledge about coverage and exclusion in policies: Examination of exclusion clauses in the policy is imperative before authorising admissibility and further treatment. There is a real lack of knowledge about health insurance and the role it can play in mitigating risks and preventing economic hardship.

Services and consumer education by the TPAs: TPAs are expected to provide value added services to the consumers which include arrangement of ambulance services, medicines and supplies, guide members for specialised consultation, provide information about health facilities, hospitals, bed availability, organisation of lifestyle management and well-being programmes and 24-hour help-lines. Policyholders will be directed to an empanelled hospital with which TPA has a tie-up arrangement. However, policyholder has a choice to go to any hospital. But cashless facility will be available at only empanelled hospitals. To put in short, the jobs of TPAs is to maintain database of policyholders and issue them identity cards with unique identification numbers and handle all the insurance policy related issues including claim settlements.

Experiences of policyholders with healthcare providers: Hospitals empanelled with TPA appointed by insurance company agree on providing cashless facility to policyholders of the insurance. TPAs directly pay the healthcare providers. For this TPAs get reimbursements from the respective insurance company. However, after the introduction of TPA, many hospitals complain delay in getting their reimbursement of bills. Under earlier system the patient directly paid them.

Sample Characteristics

Through random sampling method, 110 hospitals were chosen for the purpose of survey. Finally 72 responses were found usable for the purpose of analysis. Data of policyholders were collected from general insurance companies and insurance agents. Only public insurance companies data were available for this study, as private non-life insurance companies dealing with health insurance products were not willing to share their customer database. In all 110 policyholders were selected at random for the purpose of survey. Finally 85 policyholder responses were found usable and have been analysed here.

Sample Characteristics	Total No.	Responses
No. of Hospitals	110	72
No. of Policyholders	110	85

Pilot testing of questionnaires

The study used two questionnaires: one for policyholders and second for healthcare providers. Both these instruments were pilot tested. The basic objective of pilot test was to examine the feasibility of obtaining unbiased responses to various questions. The results of the pilot gave useful insight into the final design of the questionnaire. Since insurance companies and agents were bit reluctant from the initial stage to share

information about their policyholders, the data collected is still subject to some selection and non-response biases.

The sample of hospitals included in the study represented all types of hospitals. The sample varied from recently started hospital to hospitals that have been in operation for last 30 years. The average age of sample hospitals is 10 years. TPAs in NCR have tie-up with hospitals having bed capacity of 10 beds to large tertiary care hospitals. Thirty-five per cent of the hospitals studied are having bed capacity of 10 beds and 15 per cent of the hospitals surveyed are having more than 40 beds (Fig.1 for size-wise distribution). There are about 50 per cent single-specialty hospitals, 35 per cent multi-specialty hospitals and 15 per cent super-specialty hospitals in our sample (Fig. 2 for specialty-wise distribution).

Vipul Medcorp is the largest TPA in terms of hospitals network in NCR. In our sample seventy hospitals have association with Vipul, 150 with E-Meditek, 20 with Paramount followed by other TPAs like Vidal, Focus health Service and MD India. A review of the brochures of major TPA in NCR shows that Vipul has linkages with a total of 300 hospitals, E-Meditek with 1 5 0 , Paramount with 50 and Vidal with 10 hospitals in NCR. Many of the hospitals have association with multiple TPAs. (Table 1).

Out of 50 policyholders interviewed, 20 per cent were covered under individual policy cover, while 80 per cent were covered under family policy. The mean age of respondents is 50 years (Table 2). Majority of the policyholders were insured within one year of the survey, with the mode value of duration since insured being 1 year and mean duration of insured 3 year. About 60 per cent of the respondent never placed any claim since insured. Majority of these respondents were insured within 1 year. Policyholders submitting any insurance claims were mainly insured for more than 2 years from the date of the survey. (Table 3).

RESULTS

Provider perspective

Agreement on cost of procedure: In cognition with the terms of TPAs, majority of the hospitals reported agreement on cost of procedures with the TPAs. TPAs insist on standardization on in pricing of medical services and various procedures. About 45 hospitals (64.38 per cent) reported having agreement on rates with the TPAs (Table 4). Some of the major treatments excluded are congenital abnormalities, diabetes, hernia, HIV, pregnancy related care, ophthalmic treatment and cosmetic surgery.

TPA services at the time of admission of patients: According to the hospital administrators, almost half of the TPAs (48.64 per cent) never visit their clients during admission in the hospital. Of the cases visited by TPA during admission, the key activities of the TPA are to enquire about duration of stay in hospital (22.20 per cent), enquiring about test/room rates (20.82 per cent), scrutinizing the bills (18.13 per cent) and enquiring about treatment protocols (13.92 per cent). The findings suggest that TPAs do not arrange for any specialized consultation on the patient condition (Table 5). TPAs devote more attention on financial issues than on care management issues.

Claim Settlement: Majority of the hospitals (about 91.67 per cent) report that TPAs always delay in settling claims. While the agreed time for claim settlement with the TPA is less than 1 month (66.67 per cent), actual time for claim settlement varies from 2 to 3 months (34.72 per cent) (Table 6)

Influence and impact of TPAs: In order to understand the influence and impact of TPAs on hospital management practices and activities, questions focusing on different parameters using a scale of 5 (from strongly disagree to strongly agree) were included. Hospital administrators perceive no significant influence of TPAs in their routine hospital administrations. Simultaneously, TPAs have minimal control on treatment

procedure/protocols of the hospitals. Hospital administrators do not perceive having experienced any marked increase in patient turnover after formalising association with the TPA. However, this new partnership imposes significant burden on hospital expenditures as efforts in liaisoning with the insurance companies and TPA increase.

Decision to network with TPAs: When asked to give their reflection on whether the decision to network with a TPA was right or not, most of the responses were positive (average score of 3.5). This indicates that strategically the hospitals perceive the need for these types of intermediaries and perhaps it brings visibility to the hospital. But there are operational problems which impede the effective working of networked relationship. Further, to understand the factors affecting their decision to join a TPA network, we carried out correlation analysis with decision variable to join TPA and variables indicating influence, impact and training of TPA in hospital services (Table 7). The main observations from this analysis are as follows:

Influence of TPA has significant positive correlation (0.34) with effect on performance of the hospital. If the hospitals follow standard treatment procedure, it is likely to have a significant impact on hospital performance. Hospital performance in the questionnaire was measured in terms of effect on bed occupancy in the hospital.

TPAs influence in following standard treatment procedure puts some burden on hospital expenditure although the strength of correlation is not significant.

Influence of TPA is significantly correlated with their training (0.44). This shows that well trained TPAs are in a better position to influence hospital procedures. This is an indication that TPAs need significant amount of investment on developing their competencies and capacities in order to take care of various operational issues in provision of services.

The above observation draws a clear picture that the market is still going to take time before the systems develop and respond to the varied expectations of the TPAs, insurers, hospitals and the insured persons. Amidst all these operational constraints, there is openness among hospital administrators towards networking with TPA as they see lot of future business prospect in the association.

Awareness and perception of policyholders

Knowledge about policy and TPAs: Out of the total 72 respondents, only 25 were having knowledge about existence of TPAs. Gupta, Roy and Trivedi (2004) estimate 40:60 split between cashless and reimbursement health insurance policies. Even from our field experiences, it was quite evident that policyholders have little information about their insurance policy.

They are not aware of TPA: Policyholders perceptually equate TPAs with traditional insurance agent. Generally policyholders avoid dealing directly with their insurance companies due to various procedural hassles. Insurance agents seem to have major influence on policyholders' decisions and policyholders have more trust and faith in them.

It was found that identity cards were issued to only one-third of the policyholders. The insurance companies and intermediaries have to work hard to ensure that policyholders are aware of the policy content, benefits and provisions for TPAs.

Knowledge about coverage and exclusion in policies: Policyholders have inadequate knowledge on illnesses covered in their policies, exclusion of illnesses in the policy; cashless reimbursement and the list of empanelled hospitals (Table 10 for average scores).

Similarly only 8.2 per cent of policyholders are aware of the fact that insurance companies charge extra premium for TPA services..

Awarness	Disease Coverd	Disease Not Coverd	Cashless Service	TPA Allied Hospitals	Reimbursement Without Hospitalization	Percentage (%)
Completely Aware	25	23	12	10	0	28
Aware	11	9	8	10	2	16
Netural	4	6	2	10	2	9.6
Little Idea	7	7	9	7	5	14
No Idea	3	5	19	13	41	32.4

DISCUSSION

This study discusses the perception of hospital administrators and health insurance policyholders about the TPA services. Only small percentages (20 per cent) of the policyholders in the sample have knowledge about existence of TPAs. General awareness about the TPAs existence and services they provide is low. Policyholders rely more on their insurance agents than on the insurance companies or third party administrators. TPAs are the interface between the insurer and the insured and they are in a position to educate the policyholders about health insurance. However, their role in consumer education does not infuse much confidence on their intention or ability to do so. Hospital administrators do not perceive introduction of TPAs has increased their patient turnover and at the same time they perceive that this has increased the burden on their expenditure as effort level to manage the relationship has gone up. However, there is an indication that hospital administrators foresee clear business potential in their association with the TPA system. The TPA services on the other hand need to focus on developing their competencies and capacities and take care of various operational issues in provision of services. This will need significant amount of investment on developing their human capital. TPAs have a role in containing cost of healthcare and standardising the quality of care. However, the current level of services raises doubts on their ability to take this task seriously and effectively in near future.

Currently, there are no mechanisms in place to appraise the performance of the TPAs. The IRDA's present role of TPA appraisal is more based on their financial performance rather than consumer satisfaction. There is a need to link incentive of TPAs with their performance rather than fixed percentage of policy premium. Presently accreditation and grading system are based on quality of care of the hospitals alone. Eventually, the

industry need to gear up to link accreditation for TPAs based on tie-up with insurance companies and quality of TPA services.

CONCLUSION

The study shows the need for further research to examine the impact of TPAs on the health sector functioning. This study does not indicate significant influence of the presence of TPAs on the behaviour and decision making of different actors in the healthcare sector. It shows that in the early phase after introduction of TPAs, asymmetry of information continues and different stakeholders fail to realise the impact of TPAs' presence in the sector. With the maturity of TPA mechanisms, we propose that the impact of TPAs will be experienced in the form of changes in the economic and service delivery behaviour of stakeholders in health sector. This process of behaviour change is likely to be slow owing to the benefits for the service providers and TPAs with asymmetry of information. There is a need to fully expand and develop this stream of literature which is extremely scanty in the context of developing nations at the moment.

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Table 1: Major milestones of Insurance sector in India

Year	Important Happenings
1912	Insurance Act passed
1938	Insurance Act, 1938
1948	ESI Act ushered health insurance in India
1956	Life Insurance Industry nationalized
1972	General Insurance Industry nationalized
1987	Mediclaim by GIC as the first Health Insurance product
1999	IRDA bill passed allowing entry of foreign players
2001	Insurance amendment bill 2001 passed

INSTRUMENTATION

Questionnaires: The study used two set of questionnaires one for policyholders and other for healthcare providers.

Ques: Does TPA provides services when policyholders need them?

Ques: How much time it takes to settle any claim of providers of healthcare services?

Ques: Is there any impact of TPAs on hospital administration and cost?

Ques: Are policyholders aware of TPA services?

Ques: Does policyholders having knowledge about coverage and exclusion in policies?

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