

ORIGINAL ARTICLE

Changing behavior of poor in micro health insurance Moral hazard or moral opportunity? Evidences from India

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ABSTRACT

Aim of the study & Material - Methods

Economists and policy analysts use the concept of moral hazard in insurance to argue against broad social provisions of insurance and any kind of assistance to the needy. Emerging micro health insurance concept, which addresses health care challenges faced by the poor households living in developing countries, counter the economists and policy analysts view point. In this paper, we have tried to highlight the same by analyzing the impact of Rashtriya Swasthya Bima Yojana (RSBY), an innovative mass level micro health insurance scheme of Government of India to eradicate the healthcare problems of poor people. Further, this paper has laid down suggestions to improve the sustainability of this unique initiative for moral integrity.

Results

The contribution of RSBY scheme to improve health outcomes and standard of living of poor population is commendable. But one cannot completely ignore the economic outcomes caused by changing behaviour for the same sustainability of the scheme. The best solution without moral hazard for these risk-averse poor families is full cover insurance. In other words, if expenditure on treatment for preventive care will be covered in the scheme, poor people will not have any motivation to misuse the schemes' benefits.

Conclusions

Poor people rush for more health care believing that more care is better care; or to specialists because this means more competent care; or to more tests because this translates to more comprehensive results; and finally to more drugs and more treatments because these mean a longer, happier life because it is "free" cannot be simply concluded as moral hazards for the people living in chronic poverty. As it is a golden opportunity to put forward a step toward healthy and equitable world.

Keywords:

Micro Health Insurance, Moral Hazard, Below Poverty Line, Health Care Seeking Behavior, Public Policy, Health Care Utilization

INTRODUCTION

Economist and policy analysts argues that it does not matter whether country is using private or public provision for health care financing, the consumer just pays only a small part of the total cost i.e. out-of-pocket at the occasion of consumption. While insurance company pays for the bulk of the cost in case of a private system, government ketties are used if provision is public. But irrespective of how health care is financed, one fact will remain same that once people have fallen ill they face incentives to consume more than optimal health care, since they do not have to pay the full marginal cost for the care they utilize.^{1,2} The health economics literature refers this kind of behavior as a moral hazard.³ But this argument is not correct for population living in chronic poverty without any health insurance cover.

Health risks probably pose the greatest threat to lives and livelihoods of poor households.⁴ Approximately 150 million people around the world experience financial catastrophe i.e. they are obliged to spend on health care more than 40% of the income available to them after meeting their basic needs.⁵ Typically, when a poor household experiences a health shock, their medical expenses rise and their contribution to household income and routine household expenditure declines.^{6,7,8} A short-term health shock can further contribute to long-term poverty.^{9,10} Due to scarcity and low income, these households generally forego high-value care and often opt for low quality health care¹¹ which further leads to poor health outcomes and poverty. Health insurance for poor people in the form of micro health insurance (see index) has addressed some of these problems in various developing and industrialized countries.¹²⁻¹⁶ But at the same time, while opting for micro health insurance for poor one can not ignore the adverse effects of health insurance on health outcomes in terms of changing behavior towards healthcare utilization root of moral hazards. In this study we have put forward our argument that this changed behavior of poor towards utilization of healthcare due to micro health insurance is not a moral hazard rather than it is a moral opportunity to uplift the standard of living of poor people. To prove this we have

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