



Customer Behaviour while Purchasing Health Insurance

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INTRODUCTION

Health insurance serves a critical role in easing the financial burdens associated with healthcare expenses, ensuring that individuals and families can access medical services without facing significant economic strain. This is particularly crucial in areas where a considerable portion of household income is dedicated to healthcare costs. For instance, data from the World Health Organization reveals that more than 800 million people, predominantly residing in low and middle-income countries, allocate at least 10% of their income towards healthcare, often leading to their descent into poverty.

The contemporary sedentary lifestyle has contributed to the proliferation of lifestyle-related diseases such as cardiovascular ailments and diabetes. As a result, there is a growing imperative for health insurance providers to adopt innovative strategies to tailor their offerings to meet the evolving healthcare needs of consumers.

Beyond providing financial security, health insurance acts as a source of assurance, alleviating concerns regarding unforeseen medical expenses. It serves as a safety net, empowering individuals and families to navigate through the financial uncertainties associated with both sudden medical emergencies and chronic health conditions.

Understanding consumer behavior in the realm of health insurance acquisition is of paramount importance, especially in light of regulatory reforms like the Affordable Care Act (ACA) that have reshaped the healthcare landscape. The ACA has not only expanded access to health insurance but has also influenced market dynamics and consumer purchasing behaviors, highlighting the need to grasp the decision-making processes involved.

Consumers progress through various stages in their quest for suitable health insurance solutions, including recognizing the necessity for coverage, seeking information, evaluating options, making purchasing decisions, reflecting on post-purchase experiences, and engaging in subsequent purchasing behaviors. Recent trends underscore the growing impact of technology, personalized marketing strategies, and consumer-centric approaches in shaping the health insurance market, emphasizing the necessity for providers to adapt and innovate to cater to evolving consumer preferences and needs.

OBJECTIVE

1. To explore the background of health insurance purchasing behaviour.
2. To identify the factors that influence the decision-making process of consumers.
3. To examine the theoretical implications of health insurance purchasing behaviour.
4. To analyse the recent trends related to health insurance purchasing behaviour.
5. Assess the influence of socioeconomic variables on the accessibility and utilization of health insurance services
6. Analyze disparities in health insurance coverage among marginalized populations.
7. Investigate the barriers preventing certain demographic groups from obtaining adequate health insurance.
8. Identify strategies to address gaps in health insurance access and utilization, particularly for underserved communities.

LITERATURE REVIEW

Ashok Mishra, Mohammed Jamshed, Asad Ahmad Swati Garg and Dag Øivind Madsen (2024)- Factors influencing the intention to purchase health insurance: a study of Indian tobacco and alcohol consumers examines factors affecting health insurance purchase in India. The research focuses on tobacco and alcohol consumers and uses an extended theory of planned behaviour (TPB) model. The findings suggest that subjective norms, perceived

product risk, and perceived behavioural control significantly influence the intention to purchase health insurance. The study highlights the importance of understanding consumer behaviour in promoting health insurance expansion in India.

Durgesh Agnihotri & Pallavi Chaturvedi (2017)- A study on consumer buying behaviour towards health Insurance in Kanpur the study surveyed 200 respondents, with 59.5% aware of health insurance services, but only 44.5% had availed them. Expensive healthcare was the primary motivator, while lack of clarity, negative word of mouth, and no maturity benefits were the main reasons for not availing health insurance.

Rayenda Brahman, Ritzky Karina Brahmana & Gesti Memarista (2018)-Planned Behaviour in Purchasing Health Insurance This research on health insurance purchase intention in India reveals that TPB explains psychological drivers, and perceived usefulness, perceived risk, and health value significantly impact attitude towards purchasing. Health value moderates the TPB model. To increase demand, a planned behaviour approach should be adopted, considering psychological factors like perceived usefulness, perceived risk, health value, subjective norms, and behavioural control.

Dipti Saraf & Narayan Base (2023)-Influence of fear on purchase of health insurance This study examines the impact of COVID-19 on health insurance purchases in Ahmedabad, India. A binary logistic model analyses the significant factors for health insurance purchases and the influence of fear on the decision. The research is based on primary data collected from 200 individuals during the pandemic. The results show a shift in behaviour towards health insurance due to COVID-19 fears.

Mrs. Deepa, Dr. S. A. Senthil Kumar, Dr. D. H. Malini (2022)-PURCHASING BEHAVIOUR OF HEALTH INSURANCE AMONG UNORGANIZED SECTOR POPULATION. This research on health insurance behaviour among the unorganized sector finds that purchasing is positively associated with income, and satisfaction is influenced by agent, customer service, and product attributes. To improve satisfaction, prompt responses and expanded insurance benefits are recommended. The government should ensure coverage for poor individuals.

Dharmendra S. Mistry and Pallavi C. Vyas (2021)-FACTORS AFFECTING BUYING BEHAVIOUR OF CONSUMERS – A STUDY OF HEALTH INSURANCE IN GUJARAT Personal (income, age) and Marketing factors (product design, agent knowledge) positively influence health insurance buying decisions in Gujarat, while Social factors (government responsibility) negatively impact it. These three factors significantly distinguish between insurance buyers and non-buyers.

RESEARCH DESIGN

Statement of the Problem: This research endeavour sets out to delve into the multifaceted realm of factors that shape consumers' choices in the realm of health insurance procurement. It aspires not only to elucidate the historical context and critical importance of this aspect but also to probe deeper into the theoretical frameworks that underlie such decision-making processes. Additionally, it seeks to illuminate recent developments and shifts in health insurance purchasing behaviour, thereby enriching our understanding of this dynamic domain.

Nature of the Study: This research paper is a descriptive study that aims to provide a comprehensive overview of health insurance purchasing behaviour.

Research Gap: effectiveness of various health insurance schemes, the satisfaction levels of claimants with different insurance providers (public vs private), and the factors influencing individuals' decisions to enroll in health insurance policies, particularly among low-income populations. Additionally, there is limited research on the impact of regulatory changes and the competitive landscape of the insurance sector on healthcare accessibility and affordability in India.

Research Methodology: This research paper is based on a comprehensive review of the literature on health insurance purchasing behaviour. The study will use both primary and secondary data sources.

The COVID-19 Earthquake: Reshaping Health Insurance in India

The COVID-19 pandemic wasn't just a health crisis; it significantly reshaped the Indian health insurance industry. Let's delve deeper into the cracks it created and the aftershocks we're still feeling, particularly how it impacted health insurance demand and different plan types.

A Surge in Demand: Waking Up to Health Security

The pandemic served as a wake-up call for many Indians. Witnessing the overwhelming impact of COVID-19, particularly the financial burden of hospitalization, led to a **greater awareness of the importance of health insurance**. People who previously hadn't considered health insurance rushed to get coverage, resulting in a **spurt in growth** for the health insurance industry.

- **Shifting Priorities:** Health became a top priority. People re-evaluated their financial preparedness for medical emergencies, leading to a surge in inquiries and purchases of health insurance plans, especially those explicitly covering COVID-19 hospitalization.
- **The Fear Factor:** The pandemic highlighted the potential financial risks associated with health issues. The exorbitant costs of COVID-19 treatment emphasized the need for financial safety nets, prompting more individuals to seek security through health insurance.

The Impact on Insurers: A Double-Edged Sword

The pandemic presented a complex situation for insurers. While they experienced a rise in demand, it also came with its challenges:

- **Rising Claims:** A significant increase in COVID-19 related hospitalization claims put a strain on insurers' resources. This influx of claims resulted in a financial burden for the insurance industry.
- **Fewer Elective Procedures (A Silver Lining with a Cloud):** Partially offsetting the financial strain, there was a decrease in claims for elective surgeries and other treatments postponed due to lockdowns and fear of contracting the virus. However, this could have long-term implications for public health as people might delay necessary treatments due to cost concerns.

Tailored Suits or One-Size-Fits-All? The Impact on Different Plans

The COVID-19 storm didn't affect all types of health insurance plans equally:

- **Individual & Family Floater Plans (The Frontline Soldiers):** These plans, covering a single person or a family, were on the frontline of the battle. They likely saw a significant rise in claims due to COVID-19 hospitalizations. While this impacted insurers' finances, the increased demand for these plans with COVID-19 coverage might have helped balance things out in the long run.
- **Senior Citizen Health Insurance (The Vulnerable Group):** This segment might have seen a disproportionately high number of claims due to the increased vulnerability of senior citizens to the virus. This could put a strain on insurers offering such plans.
- **Critical Illness Insurance (Relatively Stable Ground):** Claims for critical illness might have remained relatively stable. COVID-19 typically wouldn't be categorized as a critical illness under most critical illness insurance plans. However, the pandemic might lead to insurers re-evaluating their definitions of critical illnesses in future plans.

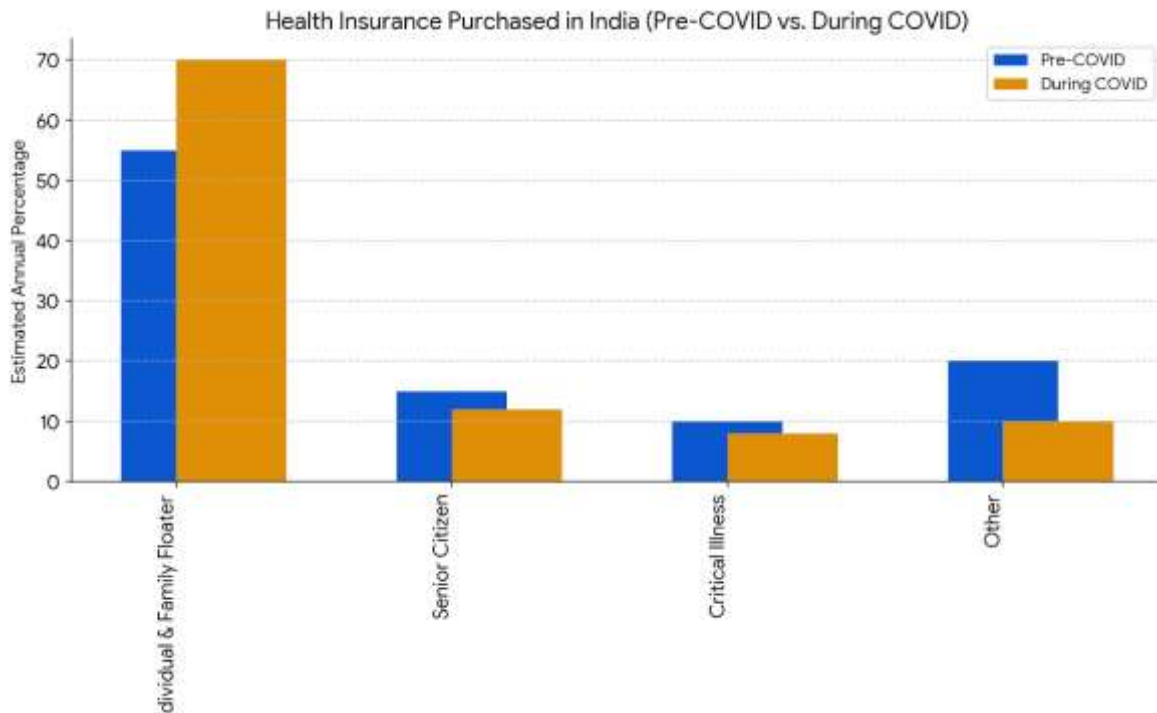
Aftershocks and Tremors: The Long-Term Effects

The tremors of COVID-19 are still being felt in the health insurance sector. Here's what we might see in the coming years:

- **Potential Tremors in Your Wallet: Premium Hikes:** The rise in COVID-19 claims may lead to increased premiums in the future. Insurers may need to adjust pricing to reflect the higher risk of pandemics and ensure financial sustainability. This could make health insurance less affordable for some.
- **Stricter Underwriting Practices (Getting Your Foot in the Door):** To manage risk, insurers might introduce stricter underwriting practices, making it more difficult for some individuals to qualify for health insurance, especially those with pre-existing conditions or a higher risk of COVID-19 complications.
- **Policy Exclusions (The Fine Print Matters):** Future policies might have exclusions related to pandemics or specific infectious diseases. This could limit coverage in case of similar outbreaks, so reading the fine print of your policy becomes even more crucial.

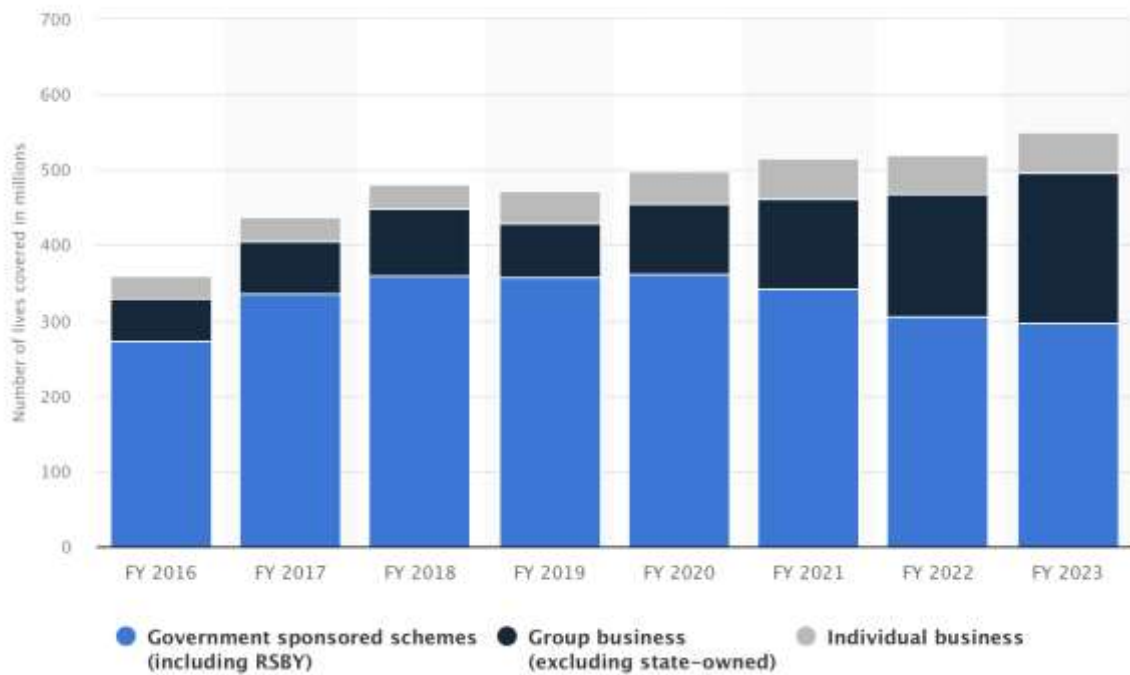
A Renewed Focus on Public Health Insurance: Building Back Stronger

The pandemic exposed the limitations of private health insurance penetration, particularly in rural areas. Many who needed medical care lacked proper coverage. This might lead to a renewed focus on strengthening government health insurance schemes like Ayushman Bharat PM-JAY, aiming to provide wider healthcare coverage and reduce dependence on private insurance, especially for vulnerable populations.



The graph compares health insurance purchased in India before the COVID-19 pandemic to health insurance purchased during the pandemic. It focuses on four specific plan types:

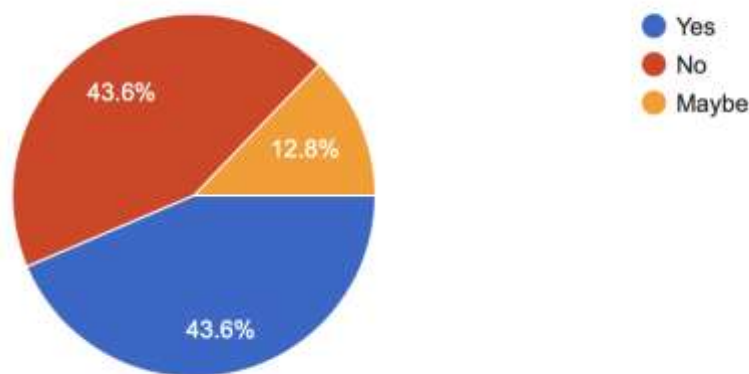
- Individual & Family Floater Plans
 - Senior Citizen Health Insurance
 - Critical Illness Insurance
 - Other (presumably other health insurance plans not included in the first three categories)
-
- Overall, the graph suggests that fewer health insurance policies were purchased across all plan types "During COVID" compared to "Pre-COVID".
 - The greatest decrease appears to be in "Individual & Family Floater Plans" and "Senior Citizen Health Insurance".



During the financial year 2023, an impressive figure of over 550 million individuals in India were protected under various health insurance policies. Notably, the majority of these individuals were covered under government-backed health insurance programs, while individual health insurance plans accounted for the smallest portion of the insured population.

The pandemic has highlighted the limitations of out-of-pocket healthcare expenses, particularly for those in lower-income groups. As a result, the government and insurance companies have taken steps to increase awareness and accessibility of health insurance schemes, particularly for the unorganized sector population.

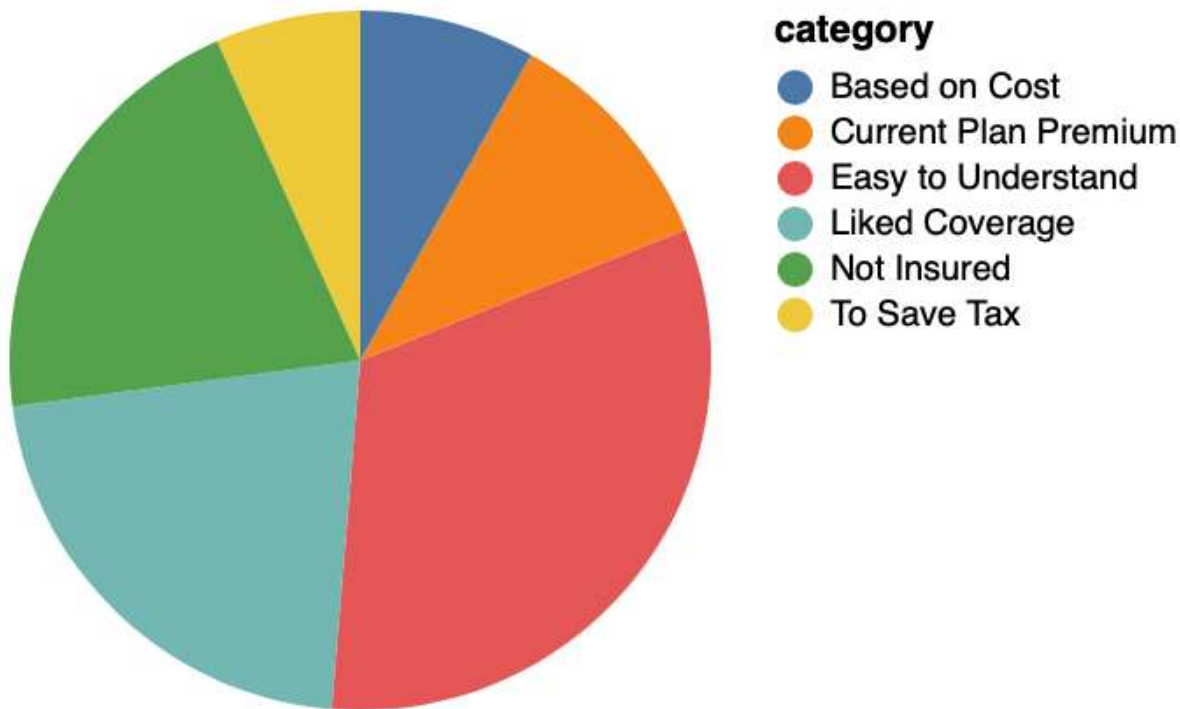
HEALTH CARE PLAN AMONG THE POPULATION



the data indicating that 43.2% of respondents are covered under a health care plan, 33.2% are not covered under any health care plan, and the remaining percentage are unsure provides valuable insights into the health care coverage landscape and individuals' insurance status. The significant percentage of respondents covered under a health care plan highlights the importance of health insurance in providing financial protection and access to medical services. Health care plans play a crucial role in safeguarding individuals against the high costs of medical treatments and ensuring timely healthcare services when needed. The data suggests that a considerable portion of respondents have taken proactive steps to secure health care coverage, reflecting a sense of financial preparedness and risk mitigation. On the other hand, the percentage of respondents not covered under any health care plan underscores the potential financial vulnerability and lack of protection against medical expenses for a significant portion of the population. The absence of health care coverage can expose individuals to financial risks in the event of unexpected illnesses or medical emergencies, highlighting the importance of expanding health insurance coverage to ensure broader financial security and access to quality health care services. The percentage of respondents who are unsure about their health care coverage status indicates a lack of clarity or awareness regarding their insurance status. This uncertainty may stem from a lack of

understanding about health insurance options, coverage benefits, or the importance of having health care coverage. Addressing this uncertainty through education, outreach, and information dissemination can help individuals make informed decisions about their health care coverage and financial well-being. Overall, the data on health care coverage status among respondents provides valuable insights into the current landscape of health insurance uptake, financial preparedness, and awareness among the population. Understanding the distribution of individuals covered under health care plans, those without coverage, and those unsure about their status can inform policy decisions, insurance outreach efforts, and initiatives aimed at improving health care access and financial protection for all individuals.

Unveiling the Reasons Behind Health Insurance Plan



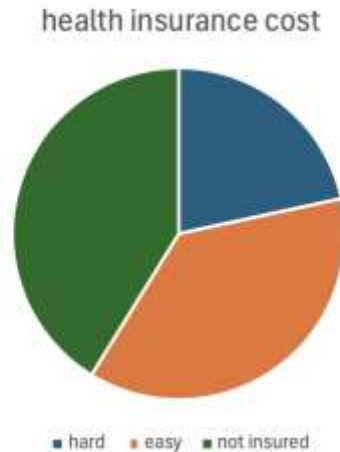
The data presented in your research paper provides valuable insights into the factors influencing individuals' choices when selecting health insurance plans. Among the respondents surveyed, 32.4% found the health insurance plan easy to understand, leading them to opt for it. This highlights the importance of clear and transparent policy details in influencing consumer decisions.

Individuals are more likely to choose a health insurance plan that they can easily comprehend, emphasizing the significance of simplicity and clarity in plan information. Additionally, 21.6% of respondents favoured health care plan coverage, underscoring the importance of comprehensive coverage in their decision-making process. The level of coverage offered by a health insurance plan plays a crucial role in ensuring financial protection and access to necessary healthcare services. Individuals are inclined to select plans that provide extensive coverage to address various medical needs and potential health risks.

Furthermore, 10.8% of respondents based their choice of the current plan on the premium amount. This indicates that the affordability of the premium is a significant factor influencing individuals' decisions when selecting a health insurance plan.

Cost considerations are pivotal in determining the suitability of a plan for individuals as they strive to balance coverage benefits with premium affordability for financial feasibility. Moreover, 8.1% of respondents made their decision based on the cost of the plan, demonstrating a focus on cost-effectiveness and value for money. Individuals are likely to prioritize plans that offer competitive pricing while delivering adequate coverage and benefits. This underscores the importance of cost considerations in the decision-making process when choosing a health insurance plan. Additionally, 6.7% of respondents cited tax savings as a motivating factor in their decision to purchase a health insurance plan. Tax benefits associated with health insurance plans can incentivize individuals to invest in coverage for financial security while also optimizing tax savings. This highlights the dual benefit of health insurance in providing protection against medical expenses and offering tax advantages to policyholders. The data also reveals that a portion of respondents, representing the remaining percentage, are not insured.

Health insurance cost



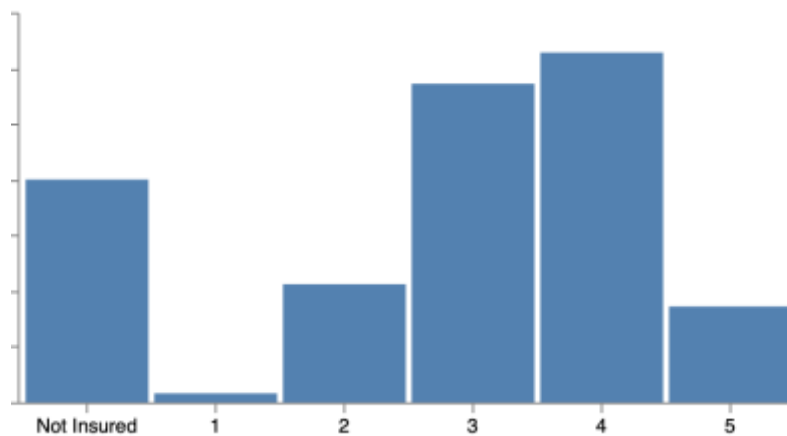
The data presented indicates that 21.6% of individuals find it challenging to afford health insurance costs, while 37.2% find it manageable, and the remaining percentage are uninsured. This data suggests that a significant portion of the population faces financial difficulties when it comes to paying for health insurance coverage.

Those who struggle with affordability may be forced to go without insurance due to the high costs, as identified in a study by the Urban Institute. On the other hand, individuals who find it easy to pay for health insurance may have higher incomes, access to employer-sponsored plans, or better coverage through public insurance programs.

However, the fact that some individuals remain uninsured despite finding it financially feasible raises questions about other potential barriers to obtaining coverage, such as lack of awareness or personal preferences for self-insurance. This data underscores the importance of targeted interventions to address the affordability of health insurance for those facing financial challenges, including expanding eligibility for subsidized programs, offering financial incentives, and implementing policies to control healthcare costs.

Overall, the findings emphasize the need to ensure that all individuals have access to affordable health insurance to protect against financial risks and ensure access to necessary medical care.

Claims



The data represents the ease of claiming health insurance on a scale of 0 to 5, where varying percentages of respondents rated the process. The data indicates that 20% found the process challenging or were not insured, rating it as 0, while 2.9% rated it as 1, 17.1% as 2, 28.6% as 3, 22.9% as 4, and 8.6% as 5. A higher rating signifies a smoother and more straightforward claims process.

A significant portion, 20%, faced difficulties with the process, rating it as 0. This suggests that many encountered obstacles when claiming insurance benefits, highlighting areas for improvement to enhance customer satisfaction and streamline the process. Additionally, 2.9% rated the ease of claiming insurance as 1, indicating a slightly better but still challenging experience.

This group likely encountered complexities or inefficiencies, emphasizing the need to address these issues for a more user-friendly procedure. In contrast, 17.1% rated the ease of claiming insurance as 2, suggesting a moderate level of ease with room for enhancement. This group found the process manageable but identified areas for improvement. A significant 28.6% rated the process as 3, indicating a relatively smooth and satisfactory experience.

This group likely found the process straightforward and efficient, with minimal complications. Furthermore, 22.9% rated the ease of claiming insurance as 4, signifying a high level of satisfaction. This group experienced a seamless process, reflecting positively on the provider's efficiency and customer

service. Lastly, 8.6% rated the process as 5, representing the highest satisfaction level. This group experienced a highly efficient and customer-centric process, indicating exemplary service from the provider.

Overall, the data provides insights into customer experiences and satisfaction levels with the claims process, highlighting areas for improvement and opportunities to enhance the overall experience for policyholders.

Satisfactory level

The data examines the satisfaction levels of health insurance policyholders on a scale of 0 to 5. The data reveals that 20% are not insured, 10.6% rate their satisfaction as 2, 28.6% as 3, 31.4% as 4, and 8.6% as 5, with the remaining percentage rating their satisfaction as 1.

This information offers valuable insights into the experiences and perceptions of policyholders regarding their insurance providers. The significant portion of uninsured individuals, 20%, underscores a critical issue in the health insurance landscape. This group may face barriers to accessing necessary healthcare services due to financial constraints or other factors, emphasizing the need for action to address these challenges and ensure broader coverage. Among the insured population, 10.6% rated their satisfaction as 2, indicating moderate dissatisfaction. This group may have encountered difficulties or inefficiencies in their insurance experience, such as claim settlement issues or inadequate coverage.

Addressing these concerns is crucial to enhance customer satisfaction and loyalty. A notable 28.6% of policyholders rated their satisfaction as 3, suggesting an average experience. This group may have found their insurance coverage adequate but not exceptional, with room for improvement. Insurance providers can focus on enhancing their services and products to move this group towards higher satisfaction levels. Furthermore, 31.4% of policyholders rated their satisfaction as 4, indicating a high level of satisfaction. This group likely experienced a smooth and efficient insurance process, with minimal complications.

Insurance providers can build on this success by continuing to deliver high-quality services and products that meet evolving policyholder needs. Lastly, 8.6% of policyholders rated their satisfaction as 5, representing the highest level of satisfaction.

This group experienced an exemplary insurance experience, with their expectations exceeded in terms of coverage, service, and overall satisfaction. Insurance providers can strive to replicate this success across their customer base by focusing on customer-centric approaches and continuous improvement. The remaining percentage of policyholders rated their satisfaction as 1, indicating high dissatisfaction. This group may have faced significant challenges or obstacles in their insurance experience, such as denied claims or inadequate coverage. Addressing these issues is critical to prevent policyholder dissatisfaction and ensure access to quality healthcare services.

Key Factors

- **Ease of Understanding:** The clarity and simplicity of health insurance plans are crucial, with 32.4% of respondents opting for plans that are easy to understand.
- **Coverage:** Comprehensive coverage is a significant factor, as 21.6% of respondents prioritized health care plan coverage in their decision-making process.
- **Cost-Effectiveness:** The cost of the plan is a key consideration, with 8.1% of respondents choosing based on cost, indicating the importance of competitive pricing and value for money.
- **Tax Savings:** Tax benefits associated with health insurance plans are a motivating factor for 6.7% of respondents, highlighting the dual benefit of financial security and tax advantages.
- **Demographic Factors:** Variables such as age, gender, income, education level, and geographic location play a significant role in shaping consumer attitudes and decision-making processes. For instance, individuals with higher incomes and education levels are more likely to purchase health insurance.
- **Biased Responses:** There is a possibility that the responses of the respondents might be biased. This could be due to various factors such as personal beliefs, preconceived notions, or the desire to present themselves in a certain light.
- **Interest of Respondents:** The research acknowledges that the interest level of respondents may affect the quality of the data collected. If respondents are not genuinely interested in the topic, their responses might be less thoughtful or accurate.
- **Product Features:** The features of health insurance products, including coverage, premium costs, deductibles, co-payments, and the network of healthcare providers, are critical factors. Consumers prefer comprehensive coverage with low premiums.
- **Social Influence:** The influence of family, friends, and social networks is considerable. People are more likely to buy health insurance if their social circle has it.
- **Barriers to Purchase:** Affordability concerns, lack of understanding about policy features and benefits, perceived low value, distrust in insurance providers, and complex enrolment processes can prevent consumers from buying health insurance.

- **Psychological Factors:** The theory of planned behavior (TPB) is applied to understand psychological drivers, such as attitudes towards health insurance, subjective norms, and perceived behavioral control, which influence the intention to purchase health insurance.
- **Marketing and Service Quality:** Personal selling, competitive pricing, and service quality significantly influence purchasing decisions, with competitive advantage mediating the relationship between these factors and the decision to buy health insurance.

Conclusion and suggestion

The thorough examination of health insurance purchasing behaviour in India underscores the crucial necessity for accessible coverage. As healthcare expenses rise, consumers are increasingly driven by the need for financial stability and protection against serious illnesses. Despite relatively high awareness of health insurance, there exists a notable deficiency in comprehension regarding policy intricacies among consumers.

Closing this knowledge gap requires a comprehensive strategy considering both personal and external factors influencing purchasing choices. Psychological elements such as perceived usefulness, risk, and subjective norms significantly shape consumer behaviour and necessitate attention from governmental bodies and insurance providers alike.

Furthermore, the emergence of the COVID-19 pandemic has profoundly impacted the insurance landscape, prompting a surge in interest in health insurance and a transformation in consumer behaviour. This presents an opportunity for policymakers to leverage this heightened awareness and enact regulatory reforms that foster competition and innovation in the industry.

Acknowledging the limitations of the study, including potential biases in respondent feedback and the need for a broader regional and cultural perspective, the insights gleaned from this research serve as a cornerstone for evidence-based policies and regulations aimed at enhancing inclusivity and affordability in health insurance coverage.

Hence, well-informed policymaking is vital to sustainably expand health insurance coverage and ensure the welfare of all individuals in India. By addressing the factors influencing consumer decisions and implementing regulatory changes to promote competition and innovation, policymakers can strive for a future where health insurance remains accessible and affordable for everyone.