Medical Aid Plan of Voluntary Health Services – Chennai

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Introduction

The Voluntary Health Services (VHS) is a noted NGO established by the legendary Dr Sanjivi in 1958 to provide comprehensive care to the underprivileged in rural and slum areas in a cooperative manner. Currently it provides health care through a referral hospital (VHS Hospital and Medical Centre) and a network 14 Mini Health Centers (MHCs). The VHS Hospital is a multi speciality hospital with 405 beds and manned by doctors, many of who provide their service on a honorary basis. The MHCs are manned by 2 Multi purpose workers (MPWs) and provide curative and preventive care to the 6000 – 10000 population in their catchment area. The MPWs work closely with Lay First Aiders (LFAs) who are equivalent to Village health workers (VHWs) and provide promotive health care in their villages. A single MO visits these MHCs on a weekly basis. The VHS also provides training (for MOs, Nurses and other para-medicals), conducts research and implements projects (ranging from AIDS care to de-addiction clinics).

The VHS hospital is located in Adyar, which was once the outskirts of Chennai city. Today many important institutions surround it and it is in the midst of the booming IT industry. The MHCs are in 2 blocks of St. Thomas Mount and Thiruporur, both of Kancheepuram district. Most of the villages have access to facilities in Chennai through a very efficient bus service and a network of good quality roads. Of the 14 MHCs, 10 are within 10 km of the VHS hospital. The furthest village is about 45 km from the VHS Hospital. Most of the villagers are casual labourers, working in the fields or industries in and around Chennai. There are about 104,247 villagers in the catchment area of the MHCs. There is a good network of government and private doctors in this area.

The Medical Aid Plan (MAP)

The Medical Aid Plan (MAP) is the health insurance component of the VHS services. It was started in 1972 to protect the poor families from impoverishment. The main objective was to develop a health financing mechanism for the poor in a cooperative manner based on their ability to pay. The scheme was designed and implemented by Dr Sanjivi.

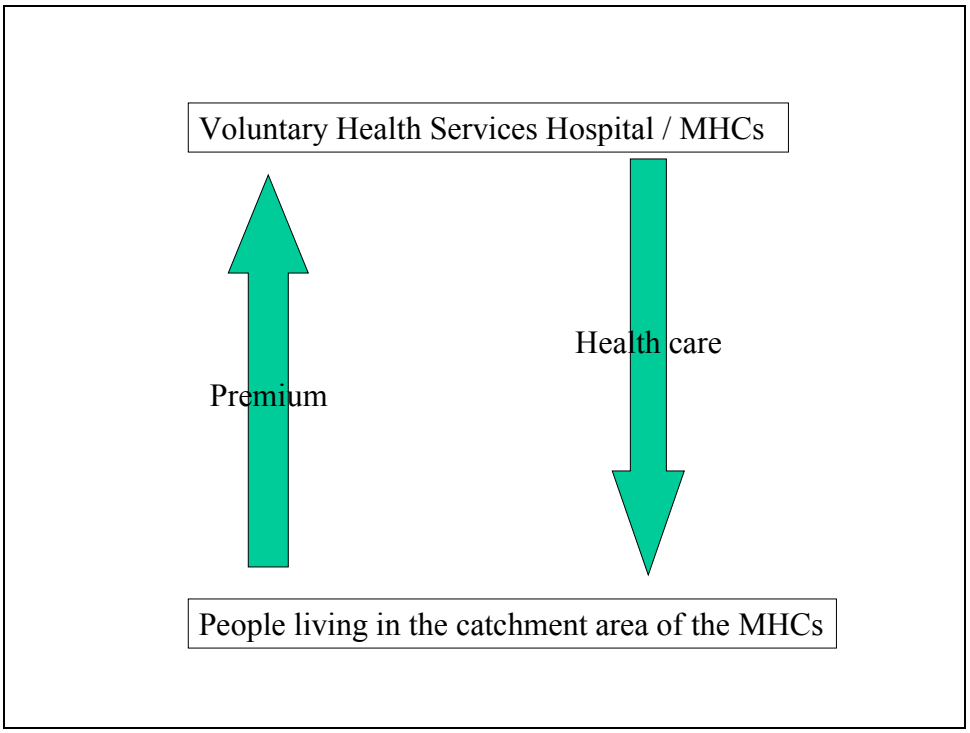
Design

The MAP is basically a provider model wherein the NGO (VHS) is both the provider of health care as well as the insurer of the scheme. They collect insurance premiums from the community and in turn provide health care. The details are given in Figure 1.

Community

The community eligible to enrol are basically the people living in the catchment areas around the MHCs. This is predominantly a rural area. The poorer sections of society tend to enrol in the MAP scheme. The average daily wage is about Rs 50 to Rs 80 for men. It is noticed that residents from other areas (and predominantly around the VHS hospital) also enrol at the hospital by paying the premium at the hospital.

Figure 1: The design features of the Medical Aid Plan



Premium

The premium is an income rated premium i.e. the amount depends on the reported monthly income of the family. The tariff rates are given in Table 1. It appears that the VHS staff collects an official donation especially from those who are enrolling as a family. However, there appears to be some flexibility and the staff can reduce or even waive this donation, depending on the socio-economic status of the subscriber.

While the VHS encourages family as the enrolment unit, it is possible for individuals to enrol also. This is done predominantly at the hospital level. Once paid, the premium is valid for one year. However, there is neither a definite collection period nor a waiting period. It is noted that patients approach the MHC / Hospital at the time of illness and purchase insurance and avail of the services immediately.

Table 1: Premium tariff of the VHS

Monthly Income slab (Rs)	Category	*Premium (Rs) per year*			
		For families	For individuals	Donations	Total for family
< 500	C 1	75	30	175	250
501 – 1000	C 2	120	40	130	250
1001 – 2000	C 3	140	50	110	250
2001 – 3000	C 4	250	60	0	250
> 3000	C 5	450	80	0	450

The premium is predominantly collected at the MHCs by the MPWs. However, some patients also pay the premium directly at the hospital. A receipt is given to the subscriber and this acts as the evidence of insurance status. The money that is collected at the MHCs is submitted to the VHS hospital on a fortnightly basis alongwith the details of the subscribers. The staff is given an incentive to collect the premium – Rs 50 for collecting Rs1000 per month.

Benefit package

The MAP provides a comprehensive benefit package for its subscribers. This ranges from primary care at the MHCs to OP and IP care at the VHS hospital.

At the MHCs all subscribers get totally free care, including medicines. Non subscribers have to pay a flat rate of Rs 15 per visit. At the VHS hospital, the patient receives subsidised OP as well as hospitalisation benefits. Both secondary and some tertiary health services are provided to the patients at the hospital. Co-payments are charged depending on the income status (and hence the category of enrolment). This is summarised in Table 2.

While earlier there was a strict referral system, currently this does not exist and patients can approach the hospital directly. Generic medicines are used at the MHC level.

Provider

The provider is the VHS hospital and its 14 MHCs. The staff at the MHCs and the hospital receives a fixed salary. Many of the doctors at the hospital also provide honorary services and thus the costs are lower compared to other hospitals of similar size and capacity.

Formal insurance company

There is no linkage with any insurance company

Table 2: Fee structure for the insured and non insured at the VHS hospital.

Level	Items of service	For subscribers	For Non subscribers

MHC	Consulting fees	Nil	Nil
	Medicines	Nil	Rs 15
	Laboratory (only at one MHC)	Cost	Cost
VHS OP	General Consultation fees	Nil	Cost
	Specialist Consultation	Subsidised (Rs 12 – 88, depending on category)	Rs 100 per consultation.
	Medicines	110% of costs	110% of costs
	Laboratory	Subsidised (depending on category)	As per tariff rate
VHS IP	General ward	Subsidised (Rs 0 to Rs 85 per day, depending on category)	Rs 85 per day
	Special wards	As per tariff rate	
	Theatre charges	Subsidised (Rs 50 to Rs 600 depending on category)	Rs 1500

Claims and reimbursements

As the scheme is a direct provider model, there are no claims or reimbursements. The hospital accounts department settles the bills of the insured patients from the insurance fund.

Administration

The administration is minimal and is mainly handled by the MPWs at the MHCs. They create awareness about the MAP and sell the product. They do all collection of the premium and filling the necessary receipts and registers. At the hospital level, the accounts department handles the claims and reimbursements. There is a manual system of MIS, that is not very user friendly.

Changes over time

The MAP has been flexible and has changed with the times. The main changes are in the premium amount and in the co-payment schedules. Unfortunately some of the initial measures like collection period, referrals and targeting the catchment population were modified, thus diluting some of the strengths of this scheme.

Risk Management

VHS's MAP seems to be weak in managing risks, especially adverse selection and moral hazard. As there is no waiting or collection period, patients can enrol at the time of illness. This has severe implications on the health of the insurance fund. While family as the unit of enrolment is promoted, it is possible for individuals to join, again promoting adverse selection. And finally by removing the referral system, the demand side moral hazard is not controlled adequately. Only co-payments are used to control unnecessary use. And this is not a good measure as there are no fixed scales. Thus the patient is left with some uncertainty at the time of hospitalisation. This goes against the insurance principles.

Generics do promote better quality of care and fixed salaries do control for supply side moral hazard. Fraud is controlled to a certain extent by the receipts.

Achievements

About 2,214 families (9573 individuals) enrolled during 2002. Usually most of them (77% in 2001) subscribe to the lowest tariff. This indicates that the enrolment rate is only 9%. In 2001 another 3821 individuals had enrolled directly at the VHS hospital, indicating that about 45% of patients are subscribing directly and probably out of the catchment area.

The utilisation rate at the MHCs and the VHS hospital is much higher for the insured as compared to the non-insured. However, these figures should be taken with precautions, as the denominator is not satisfactorily demarcated. The utilisation rates are given in Table 3.

Cost recovery data was not available and so this was not attempted. But from interviews with the key informants, it is clear that the MAP was never planned as a financially viable programme. It was meant to meet the needs of the poor.

Table 3: Utilisation of MHC / VHS hospital by patients

	1999	2000	2001	2002
Utilization of MHC OP	18466	21649	30031	**38191**
Utilization of MHC OP by members				**31015**
VHS admissions	8038	8226	7628	NA
Utilization of IP facilities by members	4935	3701	3087	NA
%age of VHS admissions who are members	61%	45%	40%	NA
Utilization rate of IP by members (admissions per 100 members)	33	34	24	NA
Utilization rate of IP by non members (admissions per 100 non members)	4	5	5	NA

Conclusions

The MAP is one of the older CBHIs in the country and started with philanthropic motives. It has made health care services affordable for many of the poor around the MHCs. Providing a comprehensive package makes it acceptable and people enrol inspite of other options. However with time, some changes have weakened it. Currently unless measures to control adverse selection and moral hazard are instituted, this scheme is in danger of becoming bankrupt.