Determinants of Consumer Purchase Decisions of Health Insurance Policies in Dindigul District

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Abstract

    This study aims at understanding the determinants of consumer purchase decision of health insurance policies in Dindigul District. The major consumer purchase decision models are reviewed and identifying some gaps, a model incorporating three sets of variables, related to personal, marketing and social factors is developed. Based on data collected from a sample of consumers and potential consumers, the proposed model is evaluated. It is hoped that the findings of the study are relevant to the marketing organizations to understand consumer expectations better and to the government agencies to enhance their efforts to provide better health care to different social sectors.

Keywords: Purchase decision of health insurance policies, Marketing and Personal factors of Health insurance Policies.

Introduction

    A healthy and competent workforce is the biggest asset of any nation. Therefore every progressive country is keen on providing access to healthcare to its citizens. World Health Organization (WHO) defines health as complete physical, mental and social well being and not merely the absence of disease and injury. As per WHO, a country's health systems comprise of all the organizations, institutions and resources that are devoted to produce health actions (World Health Report, 2000). Providing health care also has a cost component. This is met by several groups that include the central government, state government, local bodies, private or voluntary organizations, insurance companies and the affected individual himself.

    Health Insurance in India was introduced in 1986 in the form of Mediclaim by the public sector general insurance companies. Post liberalization, several private insurance companies entered the market with attractive packages and as of 31st March 2012, there are 22 organizations, that include stand alone health insurance companies, providing health insurance scheme of some form or other to the consumers. In spite of this, the managers of health insurance companies are of the opinion that the response to health insurance schemes by consumers of the state is not very encouraging. They are keen to learn the reasons for the purchase behavior of consumers: why people buy health insurance, why they do not buy, and what influences decisions like amount of cover, brand selection, re-purchase etc.

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    Therefore this study aims at understanding the determinants of consumer purchase decision of health insurance in the District of Dindigul. The major consumer purchase decision models are reviewed and identifying some gaps, a model incorporating three sets of variables, related to personal, marketing and social factors is developed. Based on data collected from a sample of consumers and potential consumers, the proposed model is evaluated. It is hoped that the findings of the study are relevant to the marketing organizations to understand consumer expectations better and to the government agencies to enhance their efforts to provide better health care to different social sectors.

Review of Literature

    According to the information processing perspective (Ostergaard and Jantzen, 2000; Blackwell et al., 2001) the interaction between the consumer and stimuli in the environment is an ongoing cognitive process in which the consumer develops beliefs and attitudes towards the environment. Personal factors are the individual specific factors like attitudes, age, family composition, knowledge etc that can influence a purchase decision. The impact of marketing activities on consumers in creating preference vary due to factors that influence his cognitive and thought process such as educational background, profession/employment, locality of residence, age, gender, income and social class, marital status, number of minor children and chronic health problems like diabetes, asthma etc in the family of the respondent (Devi, Sarkar 2007).

Research Problem

    There is general feeling that health insurance is needed - but not many take a health insurance cover. It is

something that can 'wait', and often it doesn't happen. When fallen ill/met with accident, which involves considerable expense on hospitalization, people regret their postponed decision. Customer awareness on health insurance is increasing due to marketing communication from companies, social changes, influence of activities by Non Governmental Organizations (NGOs) and word of mouth communication. Recent efforts by government to provide health insurance to lower sections of the society through schemes like Rashtriya Swasthya Bhima Yojana (National Health Insurance Scheme), micro insurance schemes etc are likely to influence the consumers from various sections of society in creating a favourable disposition towards health insurance. According to health insurance company executives, there is reluctance among the population, especially the younger age group to opt for health insurance due to many reasons. Studies conducted by governmental agencies have shown that in spite of the higher level of education, health consciousness, rising occurrence of lifestyle diseases and increased cost of health care.

Objectives of the Study
1. To understand the factors influencing the purchase decision of health insurance policies.
2. To assess the extent of influence exerted by dominant factors on purchase decision of health insurance policies.
3. To develop an integrated model of dominant factors in an individual's health insurance decision.
4. To identify factors that distinguishes a health insurance subscriber from a non subscriber.

Scope of the Study
The study is conducted in the District of Dindigul with samples taken from three legislative constituencies from the three geographic regions of south, central and northern.

Significance of Research
This research work was to study the level of awareness of consumers about health insurance concept and market, consumer perceptions about health insurance providers, schemes and various factors that influence buying decision of health insurance. There is need to bring entire age group – high risk and low risk under health insurance cover.

Profile and Data Analysis
The major factors that prompt a customer to purchase a health insurance policy and the factors that prevent purchase – these are important considerations for the health insurance marketer.

H0: There is no relationship between income and medical expenditure
HA: There is relationship between income and medical expenditure
The test was found to be significant with ($p < 0.05$). Hence the relationships explained above are statistically significant.

Table 1
Results of Goodness of Fit Test

	VALUE	df	Sig.
Likelihood Ratio	26.003	12	.011
Pearson Chi-Square	25.858	12	.011

It is concluded that there is an association between monthly income and average monthly medical expenditure. This could be because the higher income group people take medical facilities from high end hospitals.

Test of Awareness vs Educational Qualification
Table 2
Table showing results of Chi-Square Tests

	VALUE	df	Sig.
Pearson Chi-Square	50.922a	12	.011
Likelihood Ratio	53.315	12	.011
Linear-by-Linear Association	31.655	1	.000

The awareness rating of respondents with different educational qualifications is checked for any association between education group and awareness level reported.

Accident or hospitalization * intention to take/renew policy
Table 3
Chi-Square Test to find out association between intention to buy and hospitalization

	VALUE	df	Sig.
Pearson Chi-Square	11.325a	3	.010
Likelihood Ratio	10.829	3	.012
Linear-by-Linear Association	1.609	1	.205

As the marketing professionals are looking for groups that have a higher intention to opt for health insurance policy, and considering that a person who has experienced hospitalization and has paid the expenses, is more likely to opt for health insurance than people who have not; it is hypothesized that there is an association between hospitalization and intention to take policy. The chi-square test, gives a significance value of 0.01, which is less than the critical value of 0.05, it is to be concluded that there is an association between hospitalization and intention to take policy.

Table 4
Significance values obtained by Independent Sample-T Test for awareness between demographic groups

S.No	Component of Awareness	Significance value		
		Between Genders	Between Family Status	Across Locality
1	Aware of Companies	.000	.206	.055
2	Aware of Schemes	.089	.035	.893
3	Aware of Cost per Lakh cover	.021	.315	.119
4	Aware of Benefits	.064	.088	.393
5	Aware of Diseases Not Covered	.032	.287	.932
6	Aware of Claim process	.018	.119	.462

An analysis of the difference in different factors of awareness across demographic groups showed that:
a) There is no significant variation in awareness across regions, income groups and locality.
b) Between age groups, there is significant difference in awareness other than in awareness of companies.
c) Across education groups, significant difference is not there in awareness except about claim process.
d) Between married and unmarried people there is not much significant difference except in awareness of schemes.
e) Between respondents of different genders, significant difference in awareness is reported in awareness of companies, cost of coverage, exclusions of illnesses from coverage and claim process.

Current Scenario
A healthy and competent workforce is the biggest asset of any nation and ensuring health for all therefore, is a priority objective of every progressive government. With increasing standards of life, need for advanced medical care and rising cost of health care, this is one area that forms a considerable part of GDP. Compared to international standards, the percentage of healthcare expenditure spent from personal sources is high in India. The state of Kerala is advanced in terms of literacy, human development index and general standards of living, and at the same time facing the problem of higher incidences of life style diseases.

Summary of Objectives of the Study
This study aims at understanding the pattern of health insurance awareness and consumption among various demographic groups and to learn the determinants of consumer purchase decision in health insurance in the Dindigul District. Further, effort is made to assess the influence of important factors on purchase decision, individually and collectively. The specific objectives include:
a) Identifying the factors those distinguish an insurance subscriber from a non subscriber, and
b) Suggesting an integrated model by connecting dominant factors that influence an individual's health insurance purchase decision.

Conclusions
Through the study, a description of the health insurance policies market in Dindigul District is presented which gives an idea about the potential and need to promote health insurance, and areas marketers need to focus on to develop the market.

With the government of India and that of the states keen on achieving the target of 20% health insurance coverage by 2017, the topic of health insurance is of great importance. A substantial section of the society, that does not come under government schemes of any kind have to look up to the private and public sector health insurance companies in an environment of rising health care cost and serious health concerns.

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