Satisfaction Level of Health Insured and Financial Profitability of Health Insurance Companies from Health Insurance Product

Mahnoor Surahio^{*1}, Preh Bhatti², Vinesh Kumar³, Rashid Qureshi⁴

^{1,2,3,4} Shaheed Zulfikar Ali Bhutto Institute of Science and Technology (SZABIST), Hyderabad, Sindh, Pakistan.

* Corresponding author: surahiomahnoor@hotmail.com

The research is focused on finding whether the insurance companies are providing health insurance to their clients are enough to meet their expectations or the employees are bound to pay the premium for availing the employer-based health insurance. Another part of the study is focused on finding the financial profitability of health insurance companies particularly, from the health insurance product they are offering to their clients. The premium these companies charging are enough to generate the profitability of health insurance companies or there is not any significant impact on their profitability from this product. It is obvious that a sick employee would be less interested in his or her work and the ratio of absenteeism will increase. The main purpose is to evaluate if providing health insurance is a profitable activity for both sides. This research was conducted through primary data; the data has been collected with the help of adopted questionnaire and a sample size is of 70 respondents. It is found from the research that employees are moderately satisfied with employer-based insurance facility and there is not any significant difference between premium paid and utilized. So, insurance companies are earning less from health insurance product.

Keywords: Health insurance, Satisfaction level, Financial profitability

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INTRODUCTION

This study has been divided into two parts; the first part focuses to find out the satisfaction level of health insured customers of Health Insurance Companies in Pakistan. It is generally thought that after having a health insurance all your health related expenses will be borne by Health Insurance Companies. That gives an assumption that people who have insured their health with the insurance companies must be very satisfied as they have a relief that they will not have to pay for their medical treatments.

The second part of this study focuses to find out the profitability of the Health Insurance Companies of Pakistan. Since we have a concept that Health Insurance Companies spent most of their premium on the health expenses of their customers therefore this study intends to find out whether the health insurance companies are earning profits or they are not earning enough profit from health insurance product they are offering. In such a dynamic environment, every organization needs healthy workforce just to remain competitive, productive and profitable. A sick workforce will reduce the consistency of performance and this will reduce the overall profitability of organization too. This is the only answer to the question why employer based health insurance came into existence (Aamir & Qureshi, 2012).

Workers are more reluctant to give the jobs in America that provide health insurance. Not being able to find another job that provides health insurance or to afford insurance in the individual market may lead workers to stay at a job even when it is a poor fit (Baker, 2015).

Research Questions

Are health insured customers satisfied with their health insurance companies?

Are health insurance companies earning profit from health insurance product?

Hypotheses

H₀₁: Health insured customers are not satisfied with the health insurance companies.

H_{a1}: Health insured customers are satisfied with the health insurance companies.

H₀₂: Health insurance companies are earning profit from health insurance product.

H_{a2}: Health insurance companies are not earning profit from health insurance product.

Research Limitations

Following are two research limitations of this study:

- Companies were not willing to disclose their profitability and other related information.

The annual reports of the insurance companies show profitability of all the products offered by insurance companies, but this study was focused to find profitability of health insurance products only. So, there were no separate profits of health insurance mentioned in the annual reports of insurance companies.

Literature Review

Satisfaction level of health insured

Satisfaction level of employees working in private sector with the employer based health-insurance provided to them in Pakistan was observed. The extracted results from the survey conducted from different private sector showed that employee's satisfaction level is high with the health insurance policy provided by respective employer (Aamir & Qureshi, 2012). M.Sabbir, Osman, Fadi, Abdel, & Nusrtae (2014) conducted a research on repurchase intentions for health insurance, which reflects the satisfaction level of policy consumers in Malaysia. An exploratory data analysis was used for this purpose,

results of which showed a positive relationship between these two factors. Abd & Izham (2016) analyse the satisfaction level of employees and also to analyse the trend of increasing spending on health care expenditure among employees, few characteristics were measured that could contribute to it. For this purpose research demographics were tested (age, gender, education level, ethnicity) on satisfaction level. Exploratory interviews were conducted with administrators from both insurance company and client. T-test and One-way ANOVA showed no significant attribution to satisfaction. A comparative study between private and public sector was conducted to examine the satisfaction level of health insurance policy holders in India. The study is focused on understanding the level of commitment of respondents towards particular sector and certain factors were kept in view. Like premium rates, renewal pattern, pre-existing disease coverage, link with hospitals and claim settlement pattern are compared. Primary and secondary data both were collected through questionnaires and secondary from books and journals. Through this collected data the results were extracted that showed the satisfaction level of public and private policy holders are more or less equal, but on comparison the private insurers holds an upper hand (Varier, 2016).

Profitability of insurance companies

Premium charges are another important factor people mostly consider it a health care cost which they have to pay after each interval even if they are not utilizing it most of the time. To investigate, the willingness of people to purchase the policy and their connection with health cost and health status, a research was conducted keeping these factors into consideration (Ajmal & Haq, 2015). The research conducted by (Perminus & Wilson, 2017) for finding the root cause of profitability of insurance firms in Kenya. The primary data was obtained by questionnaires. The descriptive statistics results indicated that majority of respondents agreed their firm positively influenced consumer's perception through fair pricing in setting premium prices. Reduction in operation costs were kept in consideration. Effective premium pricing-strategy had led to more sales of their insurance products. Results of regression and correlation analysis showed a positive relationship between the premium prices the firms are charging with its financial profitability.

Methodology of the Study

Research Approach

Mixed approach is used for the purpose of this research in which quantitative and qualitative approaches both are used. The research aims to explore the profitability of insurance companies. For this purpose, the study adopts a 'Mixed research approach' to examine how much insurance companies are earning from the Health insurance product particularly and also to find the satisfaction level of employees from employer based health insurance policy provided to them.

Research Design

The descriptive research design is in the form of a questionnaire survey for the data collection process. The questionnaire is adopted from Kaiser family foundation with few changes in it.

Data Source

The data source of the study is 'Primary', which involves collection of research data directly from the respondents. In other words, primary source is the direct data source related to the subject or problem. Here, data will be collected directly from the participants using a structured adopted questionnaire after making few changes in it based on satisfaction level of employees availing the policy and health insurance companies' profitability from particularly this product they are offering to their clients.

Sampling Strategy

In a primary research, sampling is an important component, which determines the number of respondents participating in the research study. Due to several constraints, including time, geographic and finance, it is important for a study to select a subset for the population. The sampling process can be either probability or non-probability. In this case, 'random sampling technique is used, which is a form of non-probability sampling, and considers accessibility and proximity of the respondents (Weiss, 2012). The research study selects a sample size, as it is practically not possible to explore the entire research population, due to many limitations. In this study, to ensure an adequate sample, data was collected from 70 respondents Table 1.

Table 1. Company wise sample size

Insurance Companies	Sample size
Adamjee	38
IGI	09
EFU	08
Jubilee	15
Total	70

Research Instrument

The data source of the study is primary, and therefore data is collected directly from the research participants with the help of 5-point Likert scale Questionnaire. Likert scale is measured as follows particularly for finding the satisfaction level of health insured.

- 1-Very slightly or not at all
- 2-A little
- 3-Moderately
- 4-Quite a bit
- 5-Extremely

Research instrument of the study is adopted from single source, the questionnaire is measuring the difference between the premium paid and utilized by the clients of insurance companies.

Data Analysis

ONE SAMPLE T-TEST

The test is used to check whether a population mean is different or not from some hypothesized value. Satisfaction level of health insured is tested using one sample t-test. To check the significant difference and satisfaction level one sample t test is used in this study.

PAIRED SAMPLE T-TEST

Financial profitability of insurance companies is extracted by using paired sample t test method. This test is used to compare two samples (two different conditions results on one group). Similarly, for the purpose of this study to uproot the outcome of findings of premium paid by health insured and utilization of premium is checked.

RELIABILITY ANALYSIS

Reliability is the fundamental element in the evaluation of a measurement instrument. It should be noted that the reliability of an instrument is closely associated with its validity. An instrument

Cannot be valid unless it is reliable. So, for this purpose most widely used tool is Cronbach's Alpha measure for reliability (Tavakol, 2011)

Discussion

Results from one sample t test

Satisfaction level of health insured The tested scores at the value of 35 showed that employees are moderately satisfied.

Table 2. One-Sample Test

	Test Value = 35					
	t	Df	Sig. (2-tailed)	Mean Difference	95% Confidence Interval of the Difference	
					Lower	Upper
score	-.971	69	.335	-.4857	-1.484	.512

Test value of 35 shows the Sig. (2-tailed) is .335; Therefore, Null hypothesis is accepted.

Table 3: One-Sample t-test

	Test Value = 30					
	T	Df	Sig. (2-tailed)	Mean Difference	95% Confidence Interval of the Difference	
					Lower	Upper
score	9.02	69	.000	4.51	3.51	5.51

Test value of 30 shows the Sig. (2-tailed) is .000, Null hypothesis is rejected.

Table 4: One-Sample Test

	Test Value = 40					
	T	Df	Sig. (2-tailed)	Mean Difference	95% Confidence Interval of the Difference	
					Lower	Upper
score	-10.96	69	.000	-5.48	-6.48	-4.48

Test value of 40 shows the Sig. (2-tailed) is .000, Null hypothesis is rejected

Results from paired sample t test

FINANCIAL PROFITABILITY

Table 5: Paired Samples Statistics

		Mean	N	Std. Deviation	Std. Error Mean
Pair 1	Premium paid	20178.57	70	14442.047	1726.154
	Premium utilized	23556.42	70	65009.283	7770.095

To test the significant difference in means of premium paid and premium utilized paired sample t test was conducted.

The Table 6 shows the significance (2-tailed) result which is showing no significant difference between premium paid and premium utilized. Therefore, the conclusion can be drawn from the result mentioned above is insurance companies are not generating much of the profit from health insurance product they are offering. Hence the null hypothesis is accepted. The difference between the two means is because of sampling.

Table 6: Paired Samples Test

		Paired Differences					t	df	Sig.
		Mean	Std. Deviation	Std. Error Mean	95% Confidence Interval of the Difference				
					Lower	Upper			
Pair 1	Premium paid – utilized	-3377.85	64749.62	7739.06	-18816.86	12061.14	-6.93	.664	

RELIABILITY ANALYSIS

In order to find the reliability and internal consistency of scale reliability analysis is conducted for the purpose of this research. The Table 7 shows the value of cronbach's alpha 0.647.

Table 7: Reliability Statistics

Cronbach's Alpha	N of Items
0.647	9

In response to the question of satisfaction of health insured employees. Graphical results showed that employees are moderately

satisfied with employer based insurance policy provided to them Figure 1.

Fig 1. Satisfaction of Health Insured Employees

Conclusion

It can be concluded from the results of this particular study that employees are moderately satisfied with the employer-based health insurance facility they get these days from the organizations they are working in. It is putting a very good impression of a particular organization, those who are providing health insurance and showing that they are concerned about the well-being of their employees but what employees are considering it this is more important to know first.

The second part of this study is mainly concerned about finding the profitability from health insurance product the insurance companies are providing through the premium charges they are charging to their clients. Results of this also showed that they are not generating enough out of this particular product.

Future recommendations

- The Annual reports are showing the financial results of insurance companies as whole and not the sector/product wise which makes it difficult for researchers to extract out the financial profitability of a particular sector and also how much it is contributing or not contributing in to the financial profitability of company. So, the annual reports should be constructed in such way that the sector wise profitability could be checked conveniently.
- This study recommends the insurance companies to spread more awareness among people about the benefits of being health insured.
- This study also recommends the insurance companies to take steps towards reducing product cost and to increase the profitability of the company through health insurance product which is found to be less profitable through this research work

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QUESTIONNAIRE

NAME _____

GENDER _____

OCCUPATION _____

Health insurance survey

Q1: First thinking about your own health status, in general, would you say your health is excellent, very good, good, fair, or poor?

1. Excellent
2. Very good
3. Good
4. Poor
5. Don't know

Q2: Are you insured? What type of health insurance do you have now?

1. Total Insured
2. Insurance through employer
3. Self-purchased insurance
4. Medicare/Medicaid/Other government program
5. Somewhere else
6. Not sure what type of insurance
7. Not Insured

Q3: Do you consider your health insurance as an additional expense?

1. Yes
2. No

Q4: How much amount (in total) did you pay last year as an insurance premium?

1. 0-5,000
2. 10,000-15,000
3. 15,000-20,000
4. 20,000-25,000
5. 25,000-30,000
6. 30,000-35,000
7. 35,000-40,000
8. 40,000-45,000
9. 45,000-50,000
10. 50,000 or above

Q5: How much amount (in total) did you utilize last year from your insurance?

Mention approx. amount -----

Q6: Are you satisfied with health insurance policy?

1. Very slightly or not at all
2. A little
3. Moderately
4. Quite a bit
5. Extremely

Q7: Is the amount you pay for coverage just for yourself, or does it also includes coverage for other members of your family?

1. Coverage just for yourself
2. Includes coverage for other members of your family

Q8: Did your plan paid less than you expected for a bill you received from a doctor, hospital, or lab?

1. Yes
2. No
3. Only once happened

Q9: Which of the following three statements comes closest to your own view about your current health insurance coverage?

1. My health insurance is good and I feel well-protected
2. My health insurance is adequate, but I worry that I might have health care needs that it won't pay for
3. My health insurance is inadequate, and I feel very worried

Q10: Which one of the following do you think is the MOST important reason to have health insurance?

1. To pay for everyday health care expenses, like check-ups and prescriptions
2. To protect against high medical bills in case of severe illness or accident
3. Both

Q11: Which ONE of the following features you rated as very important is MOST important to you (and your family).

1. Having a low monthly premium
2. Having low co-pays when you visit the doctor or fill a prescription
3. Having a wide range of benefits
4. Having a plan that offers a wide choice of doctors and hospitals
5. None very important

Q12: Many employers are trying to find ways to deal with the rising cost of health insurance. If your employer gave you the following two options, would you prefer to give up a future wage increase, or have a larger amount deducted from your pay check each month for health insurance?

1. Give up a future wage increase
2. Have a larger amount deducted for health insurance
3. Don't know

Q13: Would you go without insurance because.....

1. You don't think you need insurance and you can get by without it
2. You don't think you could afford to buy insurance in this situation

Q14: What is the main reason that (you | your family member) did not get the medical care (you | he or she) needed?

1. Cost
2. Considering it unnecessary expense
3. Health is good
4. Some other reason

Q15: Does it cover ailments existing before start of policy?

1. Yes
2. No

Q16: Your plan includes?

1. OPD and Hospitalization benefits
2. Hospitalization only
3. OPD only
4. Hospitalization limit -----
5. OPD limit -----

Q17: Would you like recommending others to get health insurance policy?

1. Yes
2. No