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Public Perception and Affordability of Health Insurance after GST Removal: A Study in Tirupati Town

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Abstract

The removal of Goods and Services Tax (GST) on health insurance policies was introduced as a policy measure to improve affordability and increase insurance coverage. This study examines public perception and the affordability of health insurance following the removal of GST in Tirupati town. The research is based on primary data collected from 50 policyholders through structured interview schedules, supported by secondary data from reports and publications. The findings reveal that 53% of respondents still experience claim rejection issues, while 51% face delays in hospital approval, indicating persistent service quality problems. Additionally, 26% of respondents reported only limited improvement in affordability, suggesting that the expected benefits of GST removal have not been fully realized. The study concludes that although GST removal has slightly reduced the cost burden, factors such as increased base premiums and inefficiencies in service delivery continue to affect policyholders. It highlights the need for improvements in claim settlement processes, transparency, and regulatory monitoring to enhance the effectiveness of health insurance as a financial protection mechanism.

Key words: Health Insurance, GST Removal, Affordability, Premium Burden, Service Quality, Policyholders' Perception

Introduction

Health insurance plays a vital role in ensuring financial protection against rising medical expenses. In India, the introduction of GST increased insurance premiums, making policies less affordable for many individuals. Previously, health insurance premiums were subject to 18% GST, significantly increasing the overall cost. Recognizing this concern, the Government of India decided to remove GST on individual

health insurance policies, which was seen as a major reform aimed at improving affordability and increasing insurance penetration. On September 22, 2025, the government of India announced a historic reform by exempting health insurance from Goods and Services Tax (GST). This landmark aimed at reducing the financial burden on individuals and families while improving access to quality health care through affordable insurance.

Key features

Zero GST on health insurance policies offers a range of features that ensure comprehensive coverage without the added tax burden. Some important features include

Affordability premiums: save up to 18% on health insurance costs.

Wide coverage options; choose from sum insured options ranging from Rs 10 lakhs to 50 lakhs.

Cashless treatments: Access cashless health care at over 10,000 network hospitals across India.

Pre- and post-hospitalisation cover: enjoy financial relief for expenses incurred before and after hospitalisation.

Tax benefits: Continue to claim deductions under section 80D of the Income Tax Act.

Review of Literature

Previous studies have highlighted that taxation significantly affects insurance affordability and demand. Research indicates that higher premiums discourage individuals from purchasing or renewing policies. Studies on GST implementation showed an increase in insurance costs, leading to reduced penetration among middle-income groups. Other research has emphasized that affordability alone is not sufficient; service quality plays an equally important role in customer satisfaction. Issues such as claim settlement delays, rejection rates, and lack of transparency often reduce trust in insurance providers.

However, there is limited empirical research focusing specifically on the impact of GST removal on health insurance in India, particularly from the policyholder perspective. This study aims to fill that gap.

Objectives of the Study

1. To examine how health insurance premium amounts have changed after the removal of GST.
2. To assess the level of affordability of health insurance for policyholders after GST removal.
3. To evaluate the service quality of health insurance, particularly issues related to claims and customer support, after GST removal.

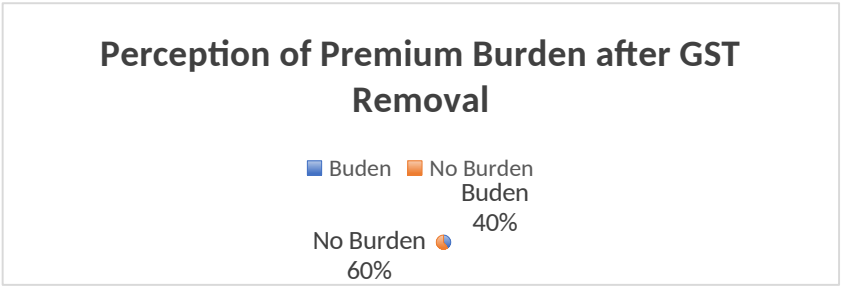
Research Methodology

This study uses both primary and secondary data. Primary data was collected from 50 health insurance policyholders in Tirupati using structured interview schedules to gather their opinions and experiences. Secondary data was obtained from various sources, including reports, journals, publications of the Insurance Regulatory and Development Authority of India, and relevant websites. The respondents were chosen through convenience sampling, considering ease of access and time constraints. For analysing the data collected, percentage analysis was employed to present and interpret the responses clearly and simply.

Data Analysis and Interpretation

1. Premium Burden after GST Removal

The analysis of the collected data reveals important insights into the perception of policyholders regarding health insurance after the removal of GST. It was found that **43% of respondents still feel that health insurance premiums are high**, while only **57% experienced some relief**. This indicates that the removal of GST has not significantly reduced the premium burden, as other factors such as base premium rates, administrative costs, and insurance company policies continue to influence pricing.

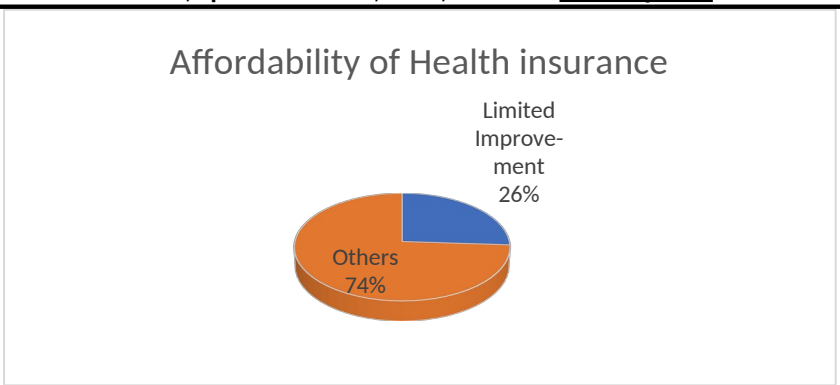


Data Source: field survey

The removal of GST has not fully translated into a reduced premium burden. This indicates that other factors, such as base premium pricing, administrative costs, and insurer policies, continue to influence premium levels.

2. Affordability of Health Insurance

In terms of affordability, a considerable 26 % respondents reported only a **limited improvement after GST removal**, with middle-income groups still finding it difficult to manage premium payments. This shows that affordability remains a major concern and suggests that removing GST alone is not enough; broader measures related to income levels and pricing strategies are also required.



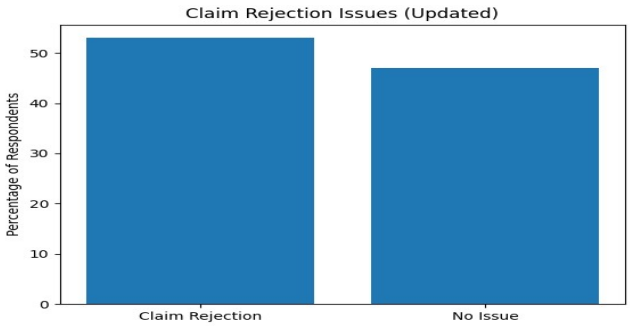
Data source: Field survey

3. Service Quality Issues

Service quality in health insurance remains poor even after GST removal. Policyholders face issues like claim rejection, delays in approval, and complex procedures. These problems reduce trust in insurance companies and affect the effectiveness of insurance services.

a) Claim Rejection

Regarding service quality, several issues were highlighted by the respondents. About **53% reported claim rejection problems**, which may be due to a lack of transparency, strict policy conditions, or poor communication between insurers and customers.



High rejection rates indicate a lack of transparency, strict conditions, or miscommunication between insurers and policyholders.

b) Waiting Time for Approval

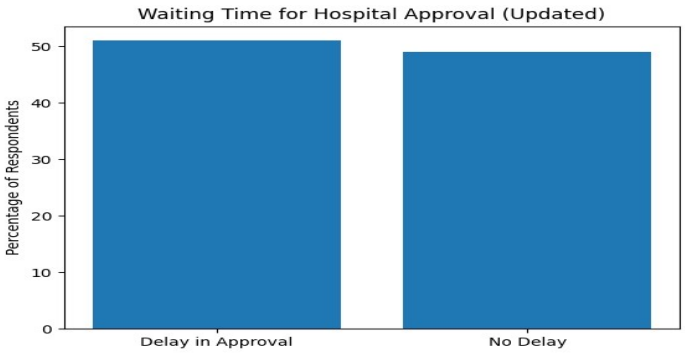
51% of respondents experienced delays in hospital approval, which creates stress during emergencies and reduces trust in insurance providers. Other common problems reported include delay in claim settlement, complex procedures, digital service issues, and lack of proper customer support.

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Findings

1. The majority of respondents feel that GST has increased the premium burden.

A large number of policyholders believe that the imposition of GST led to higher health insurance premiums, increasing their financial burden and making policies less affordable.



Data Source: Field Survey

Delays in getting approval from insurance companies during hospitalization have a significant negative impact on policyholders. During medical emergencies, quick approval is crucial for timely treatment.

Moreover, such delays reduce **trust and confidence** in insurance companies. Policyholders may feel that the purpose of having insurance is defeated if they cannot access timely benefits. This can lead to dissatisfaction, reduced renewal rates, and negative word-of-mouth about insurance

c) Other Service Problems

Respondents reported:

- Delay in claim settlement
- Complex claim procedures
- Digital service issues
- Lack of proper customer support

Findings

1. Removing GST has not greatly reduced the premium burden, as factors like base premium rates, administrative costs, and insurance company policies still play an important role in determining the price.
2. Although GST removal was expected to make health insurance more affordable, the rise in base premiums has limited this benefit, making it less satisfactory for

policyholders.

3. There is no significant improvement in service quality before and after the removal of GST, as problems in the claim process and delays in hospital approvals continue to persist.
4. Tax policy affects the cost of health insurance but does not improve service efficiency.

It is evident that in **2025**, there has been an increase in complaints filed against insurance companies through the Insurance Regulatory and Development Authority of India (IRDAI). These complaints mainly relate to:

- Claim rejection
- Delay in settlement
- Misleading policy terms

This trend supports the findings of the present study and indicates systemic issues in the insurance sector that need immediate attention.

Suggestions

1. Insurance companies should improve the efficiency of the claim settlement process.
2. Awareness programs should be conducted to increase insurance coverage among people.
3. Unfair practices by insurance companies, such as increasing premiums beyond reasonable limits (e.g., more than 10%), should be controlled.
4. Strict monitoring should be implemented to reduce waiting time in hospitals for insurance company approvals.

Conclusion

The removal of GST on health insurance policies was a positive step toward improving affordability. However, this study reveals that the expected benefits have not been fully realized. A significant number of policyholders continue to experience a premium burden, and service quality issues remain a major concern.

For health insurance to become truly effective and accessible, reforms must extend beyond taxation and focus on pricing strategies, transparency, and efficient service delivery. The findings further suggest that, in addition to tax policy changes, greater emphasis is needed on improving service efficiency, strengthening transparency, and enhancing regulatory monitoring.

Only through such combined efforts can health insurance become more affordable, reliable, and beneficial to the public, thereby achieving its goal of providing effective financial protection.

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