

Why hospitals are targeting health insurance buyers

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As India seeks to deepen health insurance adoption, a few companies are combining treatment and care with medical coverage, promising improved outcomes and lower premiums.

Non-life insurance premiums, including health coverage, are expected to grow at an annual average rate of 13–15% in the medium, according to PwC. Such an increase makes consumers less likely to renew due to affordability concerns. Experts say that an integrated healthcare model may offer a solution.

"The future of health insurance and care is where the provider is an active partner," said Ravi Vishwanath, director of Narayana Health Insurance, the insurance arm of publicly listed hospital network Narayana Health.

The company launched its insurance business in 2024, which is part of its [integrated healthcare](#) vertical. While the segment grew the fastest at 90% year-on-year in Q2 of FY26, it accounts for a very small portion of the business, contributing ₹190 million to the company's total revenue of ₹12,331 million.

Unlike traditional health insurance plans, integrated plans offer outpatient department services. The providers of such coverage are betting on multiple benefits: care gets better because consumers only come to hospitals when they are really sick; premiums go down because the policyholders are not falling sick as often thanks to preventive OPD services; and finally, fewer claims are filed, which means the insurer doesn't have to pay out that often.

"Advanced risk-prediction models, remote monitoring tools, and personalized clinical pathways will enable more proactive management of health risks and long-term care," said Shruti Ladwa, partner and insurance leader at EY India.

[Narayana Health](#) is not the only one trying to disrupt how healthcare is delivered in India. PB Fintech's founder Yashish Dahiya launched PB Health last year, raising \$218 million in seed money in a round led by General Catalyst. There are others, including Even Healthcare, a startup that has so far raised \$70 million in total funding from the likes of Khosla Ventures.



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The model isn't new and took off in the US in the 1980s. Kaiser Permanente is the largest integrated healthcare provider in America, operating across eight states. Others, like Intermountain Health, serve communities across the country's South, including Utah, Colorado, Idaho, and Montana. Some like BannerAetna are even more localized, operating primarily in cities across Arizona.

Healthcare up for disruption

Healthcare insurance penetration remains low, with only 29.8% of women and 33.3% of men aged 15–49 covered, according to a Lancet study.

But it is also the fastest-growing segment despite rising costs. Health insurance is expected to grow at a compound annual rate of 12.8% between 2024 and 2028, according to PwC, making it a space which has few competitors, if someone can disrupt it with a different business model.

"The market is ripe for someone who can crack digital presence with regards to insurance, they will capture the market. This is because, at the end of the day, hospitals are recession-proof businesses, patients always come," said Kosturi

Ghosh, partner-general practice at law firm Trilegal.

Even Healthcare recently raised \$20 million in a funding round in January, led by Lachy Groom, a former Stripe executive, along with Alpha Wave. Most of the money will go toward expanding its integrated health model by hiring and establishing more hospitals.

The startup currently runs one hospital and two clinics out of Bengaluru and plans to have six more hospitals operational by the end of 2026. "We're trying to ensure no one is more than five kilometres away from one of our hospitals," said company co-founder and chief executive Mayank Banerjee.

PB Health is opting for a narrow network strategy, in which hospitals are only part of the overall integrated healthcare and insurance push, PB Fintech's management said in the company's September quarter earnings.

Narrow-network [healthcare insurance](#) gives consumers fewer hospitals to choose from for coverage, but they pay lower premiums and still have access to a high standard of care.

Yet companies and experts agree that a few hurdles need to be addressed for the model to succeed.

"With regular insurance, the problem is of mutual mistrust, between the healthcare provider, the person paying out the insurance and the person receiving treatment," said Vishwanath.

A model like Narayana Health's, where both the healthcare provider and the insurance provider are on one side, shifts the focus on ensuring that patients get the care they have paid for, he said.

Ladwa of EY flagged technological barriers, with the adoption of tools and systems often differing from one hospital network to the other, not to mention the urban-rural divide. "Variations in hospital infrastructure, specialist availability, and service quality mean that the population outside major cities struggle to benefit from the promise of integrated, equitable healthcare."

Investors cautious

While experts say the model can work in a country as large as India, investors are cautious given the capital-intensive nature of the insurance business and strict regulations. And then there is the cost of acquiring or building hospitals

Indian companies haven't reached the scale required for it, given their five- to seven-year investment horizon, said Sunil Thakur, partner and head of South Asia at healthcare-focused private equity firm Quadria Capital. "Insurance penetration isn't deep, out-of-pocket spends are still high, not to mention consumers aren't used to proper health triaging."

While his firm may not write larger cheques until companies are more mature, Thakur said they would be willing to make early-stage bets through HealthQuad, the venture capital arm of the Quadria Group. Such a model might work in high-density metro areas, where policyholders would be willing to opt for a narrow insurance-hospital network.

Beams Fintech Fund, a mid-market private equity firm, is open to backing businesses embedding insurance into healthcare.

"We're looking for companies which have strength in a particular segment and that insurance is complementary to the customer," said Sagar Agarwal, founder and managing partner at the fund. It is currently scouting for investment opportunities from its current \$120 million fund and is looking for more from its second fund, which will write larger cheques of up to \$25 million across 10-12 companies.