Decoding Consumer Pain Points and Preferences in Health Insurance: A Behavioural Insights Approach

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Abstract: Understanding the psychological and experiential factors influencing consumer behaviour in health insurance is highly critical for improving service delivery and product design and developments. This research study explores the key pain points and preferences among consumers by employing a behavioural insights framework. Through a structured survey of 411 respondents, the research uncovers challenges such as complex policy documentation, limited flexibility in payment options, lack of personalized recommendations, and dissatisfaction with digital platforms and customer support. Simultaneously, it identifies consumer preferences for faster claims processing, customizable plans, and greater transparency. The findings provide actionable recommendations for insurers to align their offerings with evolving consumer expectations, improve user experience, and build long-term trust. By analyzing decision-making patterns, cognitive biases, and emotional drives, the research identifies key barriers to insurance adoption, such as complexity, trust deficits, and perceived value gaps. This research contributes to bridging the gap between consumer needs and insurance practices through a data-driven behavioral lens.

Keywords: Health Insurance, Consumer Behavior, Pain Points, Behavioral Insights, Consumer Preferences, and Consumer Satisfaction.

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I. INTRODUCTION

In today's increasingly consumer-driven healthcare ecosystem, the role of health insurance providers extends beyond risk coverage to delivering seamless, personalised, and value-oriented experiences. Despite the essential nature of health insurance, many consumers report dissatisfaction with the complexity, lack of transparency, and impersonal nature of insurance services. Understanding these consumer pain points such as difficulties in understanding policy terms, navigating digital interfaces, and delayed claims processing is vital for designing solutions that resonate with user expectations and behaviors.

Moreover, as digital transformation and policy innovation reshape the insurance landscape, it becomes imperative to align offerings with consumer preferences. These preferences may include flexibility in coverage options, real-time support, and simplified communication features that not only enhance satisfaction but also build long-term trust.

This study adopts a behavioral insights approach to systematically identify the consumers' pain spots and to understand what they value most in health insurance services. By integrating survey data and consumer feedback, the research aims to uncover actionable insights that can guide insurers in creating more intuitive, responsive, and customer-centric health insurance products. The findings aim to bridge the gap between consumer expectations and current industry practices, offering strategic implications for policy designers, marketers, and digital experience managers in the health insurance domain. ISSN No:-2456-2165

II. THEORETICAL BACKGROUND AND CONCEPTUAL FRAMEWORK

> Behavioral Economics and Consumer Decision-Making

The study draws upon Behavioural Economics and Consumer Decision-Making Theory to understand the dynamics between consumer pain points and preferences in the health insurance sector. Traditional economic models assume that individuals act rationally; however, behavioural economics reveals that consumers often make decisions based on cognitive biases, limited information processing, and emotional factors.

Prospect Theory (Kahneman & Tversky, 1979) plays a crucial role in understanding how individuals perceive risks, benefits, and costs related to health insurance. Consumers

often outweigh potential losses compared to gains, leading to cognitive dissonance.

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Theory of Planned Behavior (Ajzen, 1991) suggests that behavioral intentions are shaped by attitudes, subjective norms, and perceived behavioral control. Applied to health insurance, this theory helps explain how consumer preferences are influenced by peer opinions, perceived transparency, and ease of access to services.

Service Quality Theory (Parasuraman, Zeithaml, & Berry, 1988) informs the measurement of consumer satisfaction by examining dimensions such as reliability, assurance, empathy, and responsiveness. These components are critical in assessing the quality of customer interactions and insurance services. The conceptual framework of the study is illustrated below:



Fig 1 Conceptual Framework

III. RESEARCH PROBLEM

Despite the rapid expansion and digital transformation in the health insurance industry, consumer engagement and satisfaction remain considerably low. Many individuals perceive health insurance as complex, non-transparent, and misaligned with their needs, leading to widespread confusion, low trust, and policy dropouts. While insurers invest heavily in marketing and digital platforms, there is a critical gap in understanding the behavioral drivers behind consumer dissatisfaction and decision-making.

Existing research predominantly focuses on pricing, coverage, and awareness. However, little attention is given to the psychological pain points, emotional triggers, and value perceptions that shape consumer behavior. Without understanding these unfavourable experiences, health insurance providers find it difficult to design and develop their products.

Therefore, this study seeks to explore and quantify the key pain points and preferences influencing consumer choices, with a particular focus on how these factors affect perceived service quality, satisfaction, and behavioral intentions. The findings aim to fill a critical gap in consumer-centric marketing research within the health insurance sector and guide the design of more empathetic, tailored, and effective engagement strategies.

IV. OBJECTIVES AND HYPOTHESIS OF THE STUDY

The main objectives of the study are:

- To identify the key pain points faced by consumers in the health insurance decision-making process.
- To understand consumer preferences and expectations regarding health insurance products and services.

The researcher had set the following hypotheses to study the above-mentioned objective

H0- There is no significant positive relationship between consumer preferences and consumer satisfaction in health insurance services.

H1- There is a significant positive relationship between consumer preferences and consumer satisfaction in health insurance services.

V. RESEARCH METHODOLOGY

This study adopts a quantitative research approach to examine consumer pain points and preferences in health insurance using a structured questionnaire. A total of 411 respondents were selected through stratified random sampling from three randomly chosen districts in Kerala— Ernakulam, Malappuram, and Kannur—ensuring balanced representation across key demographic strata such as age, income, and type of insurance coverage. The questionnaire employed a 5-point Likert scale to capture responses related to constructs such as pain points, preferences, perceived Volume 10, Issue 4, April – 2025

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service quality, satisfaction, and behavioural intentions. IBM SPSS Statistics 22.0 was utilised for data analysis with the help of a regression model. Simple linear regression model is used to analyse the collected data, to test the hypothesis and to determine whether the model is significant enough to determine the outcome. A combination of descriptive statistics to summarize the demographic profile and reliability analysis (Cronbach's alpha for internal consistency) were also used. The study maintained ethical standards by ensuring voluntary participation, informed consent, and confidentiality of respondent data.

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VI. DATA ANALYSIS AND DISCUSSION

A. Demographic Profile of Respondents

The researcher has collected the demographic profile of the respondents which is exhibited in the table below:

Variable	Attributes	Number	(%)
Condon	Male	214	52.1
Gender	Female	197	47.9
	18-25	70	17
A ==	26-35	79	19.2
Age	36-45	138	33.6
	46 and above	124	30.2
	Employed	124	30.2
	Self Employed	67	16.3
Employment Status	Un-employed	79	19.2
	Student	59	14.4
	Retired	82	20

Source: Primary data

B. Key Consumer Pain Points

The researchers conducted factor analysis on the Likert-scale questionnaire responses from 411 respondents to identify the underlying dimensions of consumer pain points in health insurance. A Kaiser-Meyer-Olkin (KMO) measure of 0.857 indicated sampling adequacy, and Bartlett's Test of Sphericity was significant $(\chi^2 = 2873.45, df = 210, p < 0.001)$, confirming that the data was suitable for factor analysis. Using Principal Component Analysis (PCA) with Varimax rotation, three dominant components were extracted based on eigenvalues greater than 1, explaining a cumulative 72.4% of the total variance, which is given below:

Fable 2: Identified Ke	y Factors of Health	Insurance Pain	Points Based on	n Factor Analysis
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Factor 1 Transparency & Process Complexity (Eigenvalue = 5.12, Variance Explained = 39.4%)	Factor 2 Cost & Coverage Limitations (Eigenvalue = 2.18, Variance Explained = 18.1%)	Factor 3 Service & Digital Barriers (Eigenvalue = 1.81, Variance Explained = 14.9%)
Confusing policy terms (Loading = 0.811)	High premium cost (Loading = 0.821)	Difficulty accessing online services (Loading $= 0.782$)
Lack of transparency in pricing (Loading = 0.783)	Inadequate coverage (Loading = 0.772)	Unresponsive customer service (Loading = 0.755)
Complex claim process" (Loading = 0.752)	High out-of-pocket expenses (Loading $= 0.748$)	Lack of mobile app features (Loading = 0.719)
Poor communication from insurer (Loading = 0.715)		

Source: Primary Data

> Interpretation:

Consumers are significantly frustrated by unclear communication, hidden charges, and lengthy procedures. Improving transparency and streamlining documentation would address the largest proportion of dissatisfaction. Affordability remains a major barrier, particularly concerning premiums and unexpected exclusions. Pricing strategies and broader benefit coverage could ease this burden. Modern consumers expect intuitive, digital-first services. Poor mobile apps and weak customers support lower trust and convenience in managing health insurance. ISSN No:-2456-2165

C. Consumer Preferences And Satisfaction

To understand consumer preferences on overall satisfaction with health insurance services, a multiple linear regression analysis was conducted. The analysis aimed to determine whether consumer preference dimensions significantly predict satisfaction levels. Table 3 presents the regression model summary, including the R and R² values, which indicate the strength and explanatory power of the

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model. Table 4 displays the ANOVA results, confirming the statistical significance of the model. Table 5 summarises the regression coefficients, showing the individual contribution and significance of each predictor variable within the model. These tables collectively demonstrate a strong and positive association between consumer preferences and satisfaction, thereby supporting the study's second objective and hypothesis.

Table 3: Regression Model Summary

Dependent Variable	pendent Variable Independent Variable		R Square	Adj. R Square	
Consumer Preferences	Consumer Satisfaction	.711	.505	.498	
Source: Primary Data					

Source: Primary Data

The regression output table shows the R-value which represents the correlation between the dependent and independent variable. A value greater than 0.70 indicates that there is a strong correlation. In this research, the R correlation is .748, which implies that there is a strong relationship between consumer preferences and consumer satisfaction. R-square depicts the proportion of variance for the dependent variable that could be explained by the independent variables. A value more than 0.5 indicates that the model is effective enough to determine the relationship.

The level of significance chosen for the study is 5%. Therefore, the P-value or Significance Value should be less

than 0.05. In the above ANOVA table, the P-value is .001

which is less than .05. Therefore, the result is significant. F-

ratio represents an improvement in the prediction of

variables by fitting the model after considering the

inaccuracy present in the model. The ANOVA results

indicate a statistically significant model, as evidenced by an

The adjusted R-square value shows the generalisation of the results. It clarifies that the variation of the sample results from the population. It is essential to have a difference between R-square and Adjusted R-square. In this study, the Adjusted R-square value i.e. 0.498 closely aligns with the R-square value i.e 0.505, suggesting a wellspecified model with improved predictive accuracy.

The regression model summary table provides a satisfactory result to proceed for further analysis with the help of the ANOVA table.

Table 4: Regression Model - ANOVA

Dependent Variable	Independent Variable	Level of significance	F-Value	P-value
Consumer Preferences	Consumer Satisfaction	.05	137.21	.001

Source: Primary Data

F-value of 137.21 (which is well above the threshold of 1, suggesting strong explanatory power). Since the p-value is below the acceptable significance level (typically $\alpha = 0.05$), the null hypothesis (H₀) can be rejected in favour of the alternative hypothesis (H₁). Further analysis of the coefficients table will provide deeper insights into the specific relationships between the variables under study. The table is given below:

Гab	le 5	5:1	Regression	Model -	Coefficients
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Dependent Variable	Independent Variable	Std. Beta Coefficients	t-Value	P-value	
Consumer Preferences	Consumer Satisfaction	.719	12.013	.001	

Source: Primary Data

The statistical analysis provides strong evidence to reject the null hypothesis (H₀) and accept the alternative hypothesis (H₁), confirming a significant positive relationship between consumer preferences and satisfaction in health insurance services. With a significance value of 0.001 - far below the 0.05 threshold - and a substantial t-value of 12.013, the results demonstrate that this relationship is highly statistically significant and not due to chance. These findings indicate that when health insurers better align their products and services with consumer preferences, particularly in areas like transparency, affordability, and digital accessibility - it leads to

measurably higher levels of customer satisfaction. The robust F-value of 137.21 further reinforces the model's validity, suggesting that consumer preferences are a powerful predictor of satisfaction levels in the health insurance sector. This has important practical implications for insurers looking to enhance customer experience and loyalty through preference-driven service improvements.

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VII. CONCLUSION

In this study the researchers confirm that there is a significant positive relationship between consumer preferences and satisfaction in health insurance services, validating the alternative hypothesis (H1). Consumers express frustration with opaque communication, hidden costs, and cumbersome processes, highlighting the need for greater transparency and simplified procedures to enhance satisfaction. Affordability concerns, including high premiums and coverage limitations, further hinder suggesting that flexible pricing and satisfaction, comprehensive benefits could alleviate financial barriers. Additionally, the demand for seamless digital experiences underscores the importance of user-friendly platforms and responsive customer support in meeting modern expectations.

Addressing these pain points—through transparent policies, cost-effective plans, and tech-driven convenience—can significantly improve consumer trust and satisfaction in the health insurance sector. These insights provide actionable pathways for insurers to align their offerings with consumer needs, fostering long-term engagement and loyalty.

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