

Health insurance to get better, but more costly

Health covers are more inclusive than before and high healthcare costs can hurt you

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The global pandemic has definitely helped people realize the importance of having adequate health insurance. India is among the least insured countries and as of 2019, the density of non-life (which includes health) insurance in the country was a mere 19%, according to data from the Insurance Regulatory and Development Authority of India (Irdai), and the biggest reason for this is the lack of trust. Density is measured as the ratio of premium (in US dollars) to total population. To deal with this, the regulator last year brought about a host of changes to health insurance products which could result in hike in premiums.

According to Policybazaar.com, an online insurance marketplace, health insurance premiums are set to increase by 5-25% starting October 2020. "In its continuous efforts to make health insurance products more customer-centric, Irdai last year issued various guidelines. Insurers are trying to build innovative products that apart from providing coverage as per the guidelines also focus on all-round wellness of policyholders. Having said that, re-filing of health plans after the revamp of the products will lead to a price rise," said Amit Chhabra, health business head, Policybazaar.com.

Unlike life insurance, where premiums are fixed, health insurance premiums vary every year depending on factors such as inflation. We tell you the reasons for the possible hike in premiums this time around.

INCREASE IN PREMIUMS

In order to remove ambiguities, in October last year, Irdai put health insurers on a deadline to standardize exclusions, diseases or medical conditions that are not covered under a policy. The regulator listed exclusions that will no longer be allowed in health insurance policies (not including personal accident and travel covers). Diseases contracted after buying the policy (other than the conditions excluded for which standard wordings are prescribed by Irdai) cannot be excluded. Treatment for mental illness, stress or psychological and neurodegenerative disorders have also been brought under the purview of health insurance.

"If the increase in premiums is within the range of 5%, then it can be done on the basis of certification. But if the increase is more than 5%, then the regular process of file and use (re-filing) has to be followed," said Rashmi Nandargi, head, retail health, personal accident and travel underwriting, Bajaj Allianz General Insurance Co Ltd.

Further, modern treatment methods such as oral chemother-

apy, balloon sinuplasty, deep brain stimulation, among others, will now be included. These treatments shall be covered either as in-patient or as part of domiciliary hospitalization or as daycare treatment in a hospital. Read more at [bit.ly/3acQy6O](#).

"Health insurance policies are priced depending on the coverage and the list of ailments included. Since insurers don't have adequate historical data for the diseases which were excluded earlier, the premium rates will be based on claim experience as well. Therefore, depending on the claim incidents and payouts, there is a possibility that the premiums could be revised again," said Subrata Mondal, executive vice-president, IFFCO-Tokio General Insurance Co. Ltd. This is definitely good news for policyholders who didn't understand how exclusions in health

products worked until they filed a claim, but the rise in premiums could become a deterrent.

Chhabra said the regulator is aiming at improving service standards in the health insurance sector, thereby broadening

the scope of coverage and making the insurance buying journey easier for consumers. "In order to make up for the more extensive coverage that the new guidelines now cover, insurance companies are re-filing their products at a revised pricing, making plans more comprehensive for users," added Chhabra.

Pankaj Chauhan, managing director and chief executive officer, EPOCH Insurance Brokers, said that given the current scenario, the industry may push for a premium increase of up to 10%. "But it will be difficult to get Irdai's nod for an increase exceeding 10% keeping in view the past track record," he said.

Whether the ongoing pandemic—for which the cost of treatment in private hospitals can be quite high—will have an impact on premiums is something that remains to be seen. Mahavir

Chopra, a health insurance expert said, because large-scale pandemics are a once-in-a-hundred-years phenomenon, the pricing was not taken into consideration anywhere in the world. "I don't think anyone understood that the cost of treatment for pandemics could go as high as ₹7.5 lakh if you get treated in a private hospital. The cost can go even higher if the patient is very critical. My understanding is that there will be a review of the possibilities of how costs can go up because this is something insurers and reinsurers are grappling with currently," added Chopra.

Though the claims ratio of private insurance companies is less than 100%, Chopra said it isn't enough for them to absorb additional costs that could come by way of standardization or high-value covid-19 claims. "If insurers are

increasing the scope of the policy, they will have to provision for that. Mental illnesses were not covered earlier but now Irdai is asking insurers to cover those as well. However, there is no data available to know the cost that insurers will incur in doing so. If insurers are increasing the premiums scientifically and not abruptly just because there's an opportunity, then I think a 5-25% hike is fair," he said.

WHY YOU SHOULD BUY

Medical inflation is increasing at almost double the rate of overall inflation and the cost of treatment, especially for modern technology treatments, is only going up. The new guidelines bind the insurer to standardize the exclusions and cover procedures and treatments in line with technical advances. "The new guidelines allow policyholders to buy health insurance even with existing conditions such as Parkinson's and Alzheimer's which are considered high-risk by insurers. Insurers can make these diseases permanent exclusions and cover the policyholder. This will improve

transparency and reduce confusion," said Mondal.

If you still haven't bought a health insurance policy, now is the time to make that purchase. "The objective of the new guidelines is to lower the rejection rate of claims and the number of grievances. This will further enhance trust among policyholders, and in turn, improve overall penetration because policyholders will begin to see value," said Dr S. Prakash, managing director, Star Health and Allied Insurance Co. Ltd.

The current infrastructure of government hospitals is not very conducive and the facilities are often overcrowded. Chauhan said there is a general run for private hospitals where the cost of treatment is much higher. Such costs are difficult to meet with your personal savings and more difficult to

be borne in the event of a serious ailment. "The ongoing covid-19 crisis should be a trigger for people to purchase health insurance, which is way more affordable than the cost of hospitalization that one will have to bear if infected,"

added Chauhan.

Though premiums could go up, remember that you could use cost-effective options such as top-ups and family floater plans to enhance your cover at affordable rates. "With the advent of top-up plans, policyholders have the option to combine a basic family floater plan with a top-up plan to meet the need for a higher sum insured. It is observed that a basic plan is more expensive than a combination cover (for same sum insured) by an average of 35-40%," said Mondal.

Don't delay buying health insurance just because premiums are higher than expected, because with the new guidelines, policies are more inclusive than before. Also, note that not all insurers may increase premiums for existing policyholders. It makes sense to check with your insurer individually.



(Stock)

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