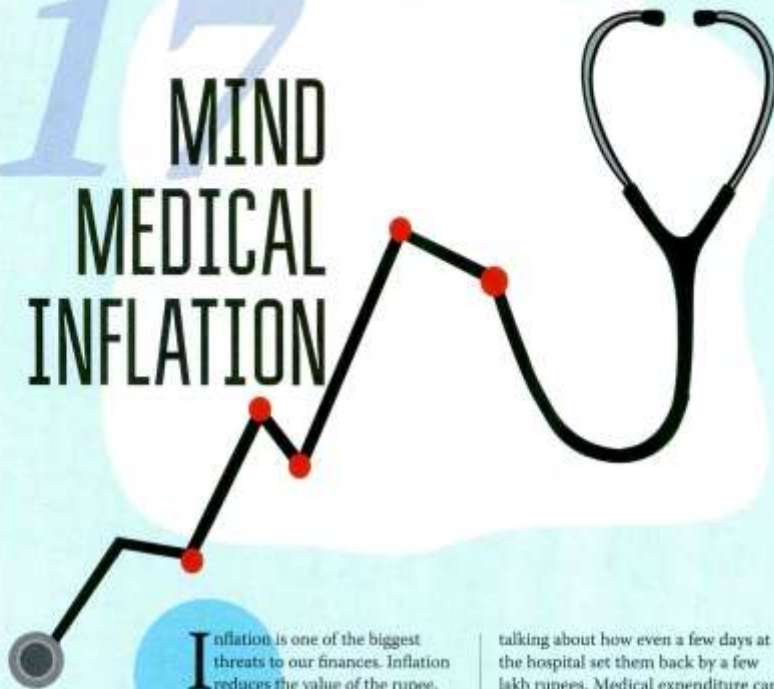


Cover Story

# 17 MIND MEDICAL INFLATION



**I**nflation is one of the biggest threats to our finances. Inflation reduces the value of the rupee, which makes goods and/or services more expensive. Typically, inflation is assumed to be in the range of 5-7 per cent per annum.

However, medical inflation is much higher, with some estimates placing it around 20 per cent. Not surprisingly, you would hear people

talking about how even a few days at the hospital set them back by a few lakh rupees. Medical expenditure can cause significant financial stress if a family member develops a serious ailment, or multiple members need hospitalisation.

“Medical inflation is simply the increase in the average cost of healthcare services over a period of time. Though the figures could



### Medical Fund

Health insurance and a medical fund are not interchangeable. It's not uncommon for insurers to reject claims on grounds such as pre-existing diseases and exclusions. In some cases, you might even have to pay upfront before the insurer steps in. A medical fund can come in handy in such cases



**WILLIAM BERNSTEIN**  
US Financial Theorist And Neurologist

**“No one, not the pundits from the big brokerage firms, not the newsletter writers, not the mutual fund managers, and certainly not your broker can predict where the market will go tomorrow or next year**

be different in individual years, it is generally understood that medical inflation is around 15-20 per cent. Some of the reasons behind higher medical inflation are increase in the cost of medical supplies, shortage of quality medical staff, and new research leading to new, but costly innovations in life-saving medicines,” says Amit Suri, CEO, AUM Wealth, a financial services company.

He adds that medical inflation has always been higher than normal inflation because of cumulative effects. Normal inflation factors in the cost of many ingredients, some of which may not increase.

#### **Insurance To The Rescue**

To a large extent, health insurance can take care of your medical needs, but it is important to have adequate coverage, too. “Purchasing a health insurance coverage is essential, depending on your age, family situation, and general health. Choose a policy that meets your needs, because insurers today offer a variety of health insurance plans along with the option to modify them to meet your needs,” says Bhaskar Nerurkar, head, health administration team, Bajaj Allianz General Insurance.

For instance, you must decide if you want to purchase a family floater or an individual policy for each member of your family.

If you want to increase the amount

of coverage, a super top-up policy can be an affordable choice. Purchasing a conventional policy without first making sure that it meets your needs will only pose problems later. Making an informed choice before purchasing the policy and researching its coverage will pay off at the time of making the claims.

“It is important to understand your requirement while choosing a health insurance policy, as it will help you opt for the right cover. Also, apart from looking at just the premium and the cost, factors such as deductibles, co-pay, sub-limits, disease waiting periods, and density of network also need to be assessed so that you are not distressed at the time of making a claim,” says Nerurkar.

#### **Create A Buffer**

While having adequate medical cover is essential, it may not be enough for everyone, especially senior citizens.

The elderly should surely have a medical corpus in addition to health insurance, since the sum insured available to them may be limited, and certain diseases may be excluded from coverage.

In addition, senior citizens should take a few add-ons like yearly health check-up and outpatient department (OPD) expenses coverage along with their existing health insurance plans, says Suri. Usually, seniors have daily medical expenses that do not need

hospitalisation.

“A medical corpus can be kept in a bank fixed deposit earmarked as health corpus that could be utilised when the need arises,” he adds.

Do note that medical inflation can hit you financially at a time when you may already be struggling with your health. It is crucial to provide for it in advance. □



#### **Fact**

Room rent limit in health insurance can impact the claim amount.

#### **The Story Behind It**

Regardless of the sum insured in your health insurance plan, the room rent coverage is restricted to a certain limit. This is called room rent capping. The total bill is decided in accordance with the room rent charges. So, if the room rent is higher than what is provided in the policy, the total bill may not be eligible as the claim amount.