

Health Insurance Under A Cloud As COVID-19 Rages

With a spike in cases insurance companies are acting pricey while private hospitals are changing patients for PPE kits

By Jeevan Prakash, Anagh Pal and Nirmala Konjengbam

Everybody has seen those social media forwards. A picture of private hospital charges for COVID-19 patients: a list of services, with astronomical figures that could cause a cardiac arrest even in the healthy. That one picture frames the famine of health resources Indian consumers face right now. It's a pincer grip—scarcity at one end, and sheer unaffordability at the other, unfolding just like a famine.

The early reprieve India got during the COVID-19 pandemic now seems a distant story. The very nightmare the lockdown sought to prevent is now upon us. Existing hospital capacities are swamped.

We have an active caseload of 2 lakh-plus, leaping up by 16,000+ every day. The turnover of the sick is so huge that governments, both at the Centre and in states, have inevitably turned to private hospitals. But that has brought in the inevitable

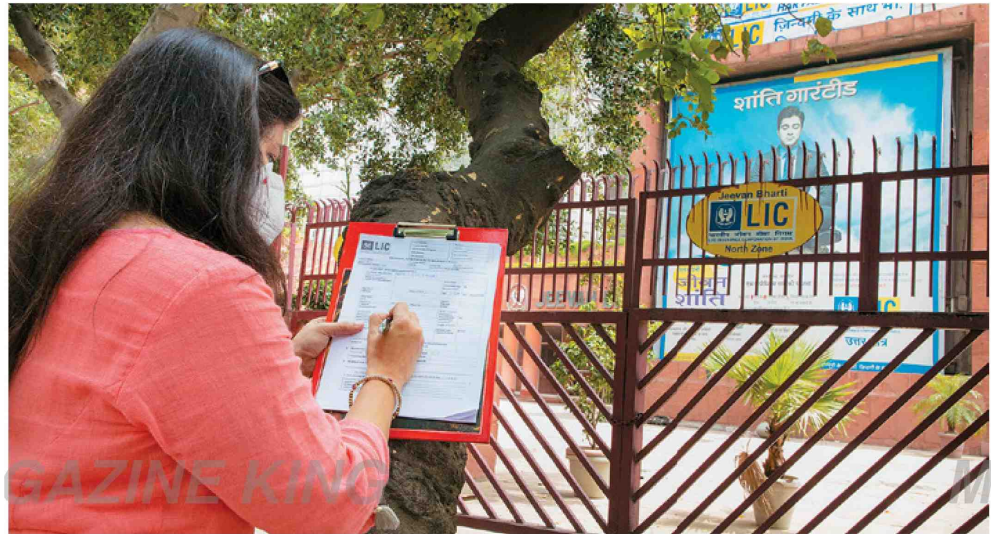


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question: who'll foot the bill?

This is where the insurance drama begins. The biggest bone of contention: insurance companies refusing to reimburse patients. Consumers are understandably angry at private hospitals for seemingly profiteering from a calamity—at a time when India's wallet is thin. Hospitals have their own reasons and sob stories; yet, the government has moved to cap charges in places like Delhi. But why are insurance companies acting pricey? Because a pandemic is an unprecedented situation even for them.

The Insurance Regulatory Authority of India (IRDA) says existing health insurance policies suffice to cover COVID-19 expenses. Alongside, it's encouraging insurers to come out with new COVID-specific policies. But for consumers,

the latter should still be a choice—an older policy should suffice to cover a new disease. But several insurance companies are dragging their feet and looking for ways to cut corners. As it stands, the number of distraught patients—crying about not being reimbursed—can itself become a small graph among India's COVID graphs.

Thing is, a cumulative demand is putting strain even on insurance companies, just like a run on the bank would. Smaller firms are reportedly putting their policies on hold for new clients, fearing huge losses. Most are refusing to reimburse the cost of Personal Protective Equipment (PPE) kits—which typically form a big part of medical bills. Others, as consumer rights activist Bejon Kumar Misra says, “are refusing cashless treatment and asking patients to pay from their own pocket and get reimbursed later.”

Insurers point to the huge, unforeseen, extra burden on them. It's not only PPEs that cost between ₹4,000-8,000 a day—which, as Deepesh Mehta, CEO, Grow Wealth, says “falls under a non-medical expense, and cannot be covered”. Take co-morbidities: it can go undeclared in a policy form, but a virus will unerringly smell it out and strike, creating an unseen mountain of risk for insurers during a pandemic.

The IRDA is scrambling to address this urgent set of challenges. Since existing policy contracts seem to be cracking at the seams, the thrust is on a proposed COVID-specific insurance policy. Here, consumers will have two options, beginning July 15: an indemnity policy and a benefit-based product. The first will cover PPE costs if hospitalised. But the problem of PPE costs stays unresolved: a less-than-

JAYAN MATHEWS

Co-Founder and Chief Product Officer, Vital Insurance



Those with smaller sum insured have to pay large amount from their pocket

exhaustive list of uncovered items includes an expenditure head for 'Care & Hygiene products.' That's what PPEs fall under, even if not specifically mentioned.

Mahipal Singh Bhanot, zonal director, Fortis Hospital, says the private sector too is seeking to find solutions. "By and large, all third party administrators (TPAs) are covering PPEs under the cashless facility," he says. There are new guidelines here: "one per day for isolation room, 2-3 per day for a single room, 4-5 per day for ICU." But cashless itself has to become a seamless reality for that to fructify. As Ravi Vishwanath, president-accident & health, HDFC ERGO General Insurance, says, only a regulated COVID-specific package can "help eliminate ambiguity and expedite claim settlements."

Calculating costs

This looms as a big challenge: there's no standard. "Average cost is a bit of a misnomer," explains Bhaskar Nerurkar, head-health claims, Bajaj Allianz General Insurance. "Pan-India, it's ₹1.2 lakh. But it might be ₹70,000 in a smaller town, ₹4 lakh in Mumbai. Also, some patients go home in 7 days, some stay for 14. Some need isolation, some need ICU, some a ventilator." But he says

Be Prepared

- Ensure that you have a comprehensive health insurance cover
- Pay your premium on time to ensure continuity of your policy
- Top up your existing policy to increase your cover
- Avoid buying COVID only insurance. However, you can consider it as a top up your existing health insurance plan

ANUP SETH

CRO, Edelweiss
Tokio Life



Discretionary spending has taken a backseat to goal-based financial planning

existing policies cover COVID as any other claim. "Till now, we have received about 500 COVID claims: an average claim size of ₹2 lakh, as high as ₹7.5 lakh in some cases," he adds. Krishnan Ramachandran, CEO, Max Bupa Health Insurance, too says old policies cover COVID—same claim process, travel history no bar, home treatment covered if the policy has built-in OPD benefits. "We are also covering treatment costs at quarantine centres, including hotels," he says. Bireesh Giri, appointed actuary, head of product development & CRO, Acko General Insurance, says even testing is covered "if you are hospitalised post-testing." But he adds a nuance: "It's essential to have an adequate sum assured. From our experience, customers with smaller sum insured bands have to pay a significant amount from their own savings." Jayan Mathews, Co-Founder and Chief Product Officer at Vital, recommends a cover of ₹5 lakh for small towns, and ₹10 lakh or more for metros.

COVID Plans

Policies specific to COVID-19 will come, as mentioned, in two types: a benefit-based product, which pays an assured sum, or an indemnity-based that reimburses you like any other policy. Mehta explains the basics of the first: an entry age-band from three months to 60 years, but with a fixed premium for all; a sum insured ranging from ₹25,000 to ₹2 lakh, the premium



Costs That Matter

- Treatment in private hospitals: ₹1.65- 7.5 lakh
- Treatment with medication only: ₹2-3 lakh with 10-12 day stay
- ICU stay for critical cases where monitoring is required : ₹5-7 lakh with 10-14 day stay
- Very critical cases where ventilation support is required – ₹12-15 lakh with 20-25 days stay

for the latter costing roughly ₹4,500 per annum; 50 per cent of the sum insured for quarantine, full sum if diagnosed with COVID.

Ramachandran, however, says “it’s always advisable to opt for a comprehensive policy” that covers hospitalisation and also the pre- and post- phases. To that end, he believes “a COVID benefit-based rider with a regular policy will be more beneficial for customers”.

It’s a fact, of course, that a ₹50,000 insured sum won’t help a patient who’s paying up to ₹2.5 lakh for treatment. “A COVID policy only takes care of today’s concern,” says Mathews. It may make sense, he too feels, to add on that benefit to an existing policy.

Who should buy?

We make a case for standard plans with COVID benefits, but who can opt for COVID-specific policies? If you are one of the unfortunate ones who’ve recently lost a job or faced salary cuts, a COVID plan with a relatively lower premium is a good option. For those living in hotspots, there’s no time to waste. If not a high-cost standard plan, at least secure some immediate cover with a COVID plan. Even if health insurance is not your thing, an affordable plan just

for a pandemic is not a bad thought: consider spending a few hundred, especially a family floater plan that secures your loved ones too. For those who can afford it, there never was a time when the need for comprehensive cover was more crystal-clear. At least now, health cannot be seen as an afterthought.

New initiates can learn from experienced consumers who are throwing up interesting patterns of behaviour. Subramanyam Brahmajosyula, head-underwriting & reinsurance, SBI General Insurance, talks of “a reduction in the overall number of claims reported during the lockdown”. Isn’t that a paradox during a pandemic? No. “People are merely choosing to postpone elective treatment.” So the price of health is a constant vigil.

“We are certainly seeing a permanent change in customer behaviour: discretionary spending has taken a backseat to goal-based financial planning,” says Anup Seth, CRO, Edelweiss Tokio Life. Insurers too are functioning amid an unprecedented crisis. As the pandemic set in, their biggest challenge was to ensure the safety of their own employees: providing alternative work arrangements et al. “Another was to overcome set

cybersecurity protocols to enable the safe exchange of confidential information from outside office,” adds Brahmajosyula. Now, many have updated their websites to ensure seamless, user-friendly features for customers. Demand for health insurance, naturally, is rising: the crisis is indeed an opportunity for the industry. “Consumer awareness about having at least a basic cover has gone up significantly; most insurers are receiving enquiries,” says Vishwanath.

During the lockdown, insurers observed “an increase in renewals and fresh policy sales,” he says, and retail health premiums logged a growth of 14 per cent in this phase.

Regulator’s role

The present moment, though, is still one of intense anxiety. And the IRDA, while trying to evolve new norms, is seen as being less than helpful on the core issue of settling claims, especially those related to unique factors like PPEs. Its pronouncements are seen as taking a legalistic view of contracts signed before the pandemic, and thus not protective of policyholders. Factoring in customer feedback is vital at this stage of evolution, says Mishra—that would “give confidence to those buying new policies and thus increase the insurance business, while bringing down insurance costs”. Consultation with policyholders was a regular feature in the years after 1999 when IRDA was set up—that’s been “totally missing for the last 10 years,” he adds. At this point, even the media is finding it hard to get IRDA to engage. Outlook Money contacted, serially, Mathangi Saritha, assistant general manager, communications, then DVS Ramesh, GM, health, and was finally asked to contact Subhash C Khuntia, chairman, IRDA...several calls were made to his office, in vain. A bit of sunlight may not kill the virus but would be ideal in terms of collective response from India. ■

anagh@outlookindia.com