

Out-of-pocket expense jumps as consumables' share in bill rises

SUBRATA PANDA
Mumbai, 9 July

The Covid-19 pandemic has led to higher out-of-pocket expenses for policyholders as the proportion of consumables in hospital bills, which is not paid for by insurance companies, has increased significantly.

According to industry estimates, consumables earlier made up between 2 per cent and 8 per cent of hospital bills. But during the pandemic, this has increased to 15-20 per cent, with some putting the figure to as high as 30 per cent.

Consumables are usually, but not restricted to, medical aid/equipment that have to be discarded after use. The cost incurred from the consumables is directly billed to the patient. There are four major heads under consumables — administrative charges, housekeeping charges, part of room charges, and disposable treatment items.

Bhaskar Nerurkar, head of health claims at Bajaj Allianz General Insurance, said, "During the pandemic, the administrative and housekeeping expenses for hospitals have gone up because of various reasons, including the regular disinfection of the premises." "Consumables made up approximately 8-10 per cent of the hospital bill before the pandemic. But, now, it has gone up to 25-30 per cent," he added.

Amit Chhabra, health business head at Policybazaar.com, said: "Because of strict sanitisation measures as well as higher usage of PPE kits, gloves, and other items, consumables are now almost 15-20 per cent of the bill amount." After Covid struck and hospi-



■ Consumables usually not covered in health insurance

■ It is therefore an out-of-pocket expense for policyholders

■ From low single digits, it has moved up to as high as 20-30%

■ Much of it is because of administrative and housekeeping expenses

■ Insurers are coming up with riders to cover such costs

■ Experts say such covers work well for all stakeholders

tal bills started going up, the industry body — General Insurance Council — made an agreement with some hospitals, and insurers decided to pay a certain amount of the bill footed under consumables.

However, not all insurance companies are adhering to the agreement.

"We had reached a certain understanding last year with some hospitals on how much can be paid as part of claims as far as consumables are con-

cerned, despite the fact that this cost had not been factored in while pricing the product. But given the pandemic, insurers agreed to pay some part of it," Nerurkar said.

According to Bhabatosh Mishra, director of underwriting, products, and claims at Max Bupa Health Insurance, if PPE kits are removed from consumables, the impact is not so drastic.

"Max Bupa pays over 85 per cent of the reported claim amount in Covid cases because we have been paying a part of the cost attributed to PPE kits."

He said for other diseases and in the pre-Covid period, the firm would pay anywhere between 88 per cent and 92 per cent. "There is a 5-10 percentage point enhancement in the consumables as a proportion of the hospital bill. So, earlier 5-10 per cent of the bill was consumable items, now it has moved up to 18-20 per cent," he said.

Some insurance companies have come up with "riders" that cover all the costs associated with consumables as well as non-payable items. This has increased the claim payout percentage.

"This works well for all the stakeholders because there will be less out-of-pocket spending for policyholders. For hospitals, cashless processing will be faster and for insurers, other than the fact that there is some additional premium coming in, if the cashless processing is faster, there will be operational savings for them", Mishra said.

Policybazaar's Chhabra said: "According to industry data, the proportion of claims settled using riders that cover consumables is way higher in comparison to policies that don't cover consumables i.e. 83 per cent versus 94 per cent."