

Health insurance: Understanding room-rent limit is crucial

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Health insurance is a necessity today, as it gives the insured critical financial support during a medical emergency by covering the medical expenses, cost of hospitalisation and ambulance charges, to name a few. At times the policyholders are not aware of various clauses or intricacies of the product and this often leads to confusion or dissatisfaction, at the limit of claim. One such clause, which is often misunderstood and which has a significant impact on the claim, is 'room rent capping'. Let us understand what the room rent limit is all about and how it affects the claim.

What is room rent capping? Room rent capping refers to the limit/amount your insurer will bear for the room rent in a hospital. Usually, the room rent limit is mentioned up to a percentage of the policy sum insured. For example, if the room rent limit is 1% of the sum insured and the sum insured is Rs 3 lakh, then it means that the room rent in the policy is restricted to Rs 3,000. A few policies also mention the room rent limit in absolute numbers, for example, the policy may mention the room rent limit as Rs 3,000. A few insurers also apply room rent capping on the type of

rooms, like twin sharing rooms or single private rooms or semi-deluxe rooms. Whatever the case may be, the room rent clause is explicitly mentioned in the policy copy.

So what happens when the insured exceeds the room rent limit? If the insured exceeds the room rent limit specified in the policy, then a concept called 'proportionate deductions' comes into effect while settling claims. According to this clause, the insurer will make a proportionate deduction from all 'associated medical expenses' in the same ratio in which the room rent limit has been exceeded. This is called room-rent co-pay. This happens because many charges in the hospital like doctor visits, operation charges or tests are directly linked with the room rent and can vary depending on the category of room selected. Therefore, a surgery may cost Rs 15,000 in twin-sharing but Rs 20,000 in single-private A/C room and for a still higher category, such as a suite, the same surgery may cost Rs 1 lakh.

Let us understand this with the help of an example. Suppose person Mr. A has a policy of Rs 3 lakh sum insured and the room rent cap is 1% of the sum insured, i.e. the room rent allowed is Rs 3,000/day. He had to undergo surgery



and he gets admitted to a hospital for three days. Mr. A did not know about the room rent clause and he stays in a room priced at Rs 4,000/day. One assumes that the insurance company will pay Rs 9,000 for the room rent for 3 days and only the additional Rs 3,000 (i.e. 10% extra for each day) will go from the pocket of the insured.

However, this is not the case; proportionate deductions will be imposed on all associated medical expenses. As per this example proportionate reimbursement will be 75% (room rent allowed / actual room rent x 100) on all associ-

ated medical expenses. So, if the surgery cost is Rs 50,000, then after proportionate deduction, the claimant will get Rs 37,500; similarly if the doctor visit charge is Rs 20,000, it will come down to Rs 15,000 after proportionate reduction, as for the room rent charges, Rs 3,000 will be paid as against the cost of Rs 12,000. However, no proportionate deduction is imposed on medicines, this is because the medicines are sold on MRP and are not part of associated medical expenses. The proportionate clause does not apply to expenses like consumables, implants, and medi-

cal devices, to name a few. Also, it is important to know that proportionate clause does not apply to ICU charges, as normally, there are no different categories of ICU.

Since room rent clause influences the claim to such a large extent, it is advisable to take a stock of the limit and accordingly go for a room that is within the sub-limit as per the policy. Rest assured, most of the insurers keep the room rent limit in line with the changing room-rent prices in various cities.

So is there any way to do away with room rent capping? Yes, a few insurers offer 'Room Rent Co-pay Waiver' as an add-on. This waiver helps remove room rent restrictions in the policy for an additional annual premium. You can alternatively look for policies with no room rent restriction as well.

Now that you know how the room rent capping works and how it influences your claims, take a close look at this clause while buying a health insurance policy. It is best to know the terms and conditions of the policy, as it helps avoid confusion and conflict during the time of claim.

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