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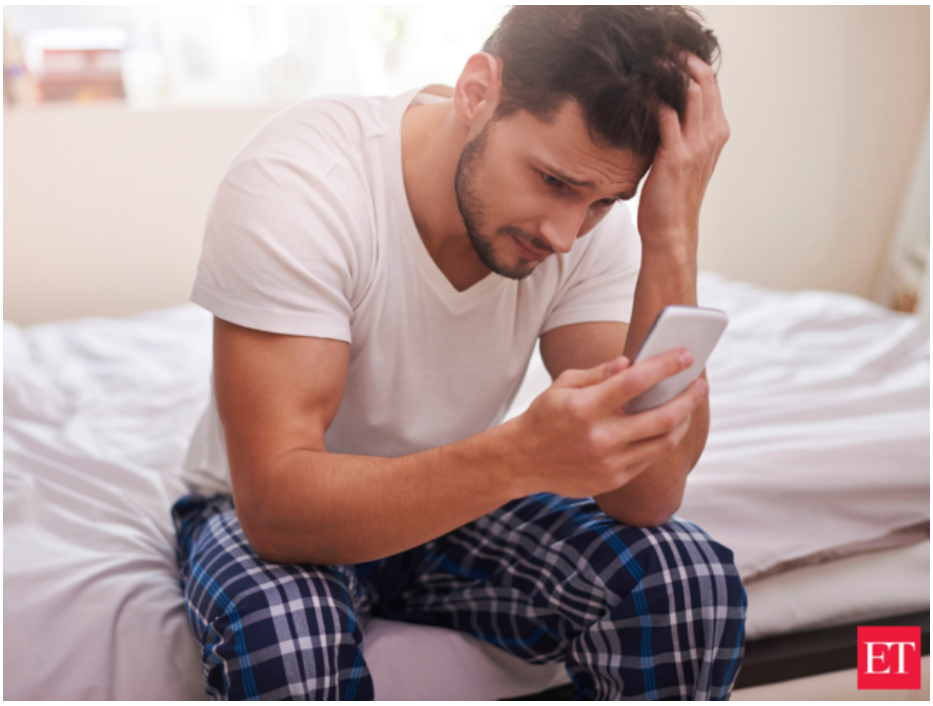
Surging premiums & unfulfilled claims: The problem with buying health insurance in India



STORY OUTLINE

- Medical inflation in India is around 14%, which means that any medical procedure that costs Rs 3 lakh today, could cost around Rs 6 lakh 5 years down the line.
- None of us are strangers to stories of policyholders having poor experiences with insurance companies.
- In the backdrop of rising healthcare expenditures, data shows that health insurance claims in India are not paid as much as they should be and India has the highest complaints rate when compared with other countries like Canada, Australia and the UK

Prior confirmation with the insurance company, submission of a dozen documents, a doctor's sanction and a bill well under the coverage amount. Despite all these assurances, 26-yr old fintech employee Rahul Pinaki got a reimbursement of a grand total of rupees zero after undergoing a complex, expensive medical procedure.

All because the material inserted while getting tested was different from the one the policy covers, something that Pinaki wasn't informed about initially.

"I had spoken to the insurance company before undergoing the procedure and they informed me that it will be covered under the scheme," says Pinaki, who after many weeks of haggling and follow-ups with the insurance company, had to give up dreams of getting any money back.

"It a classic case of misselling of insurance. It is simply not worth the mental agony," he says.

But not everyone is fortunate enough to prioritise mental well-being over monetary indemnification.

"I had to beg and cry my eyes out to the insurance company to pay me what was due. Every time a different person picked

up the phone call and I was forced to explain the situation every single time, all in vain," says 57-year-old Vidhisha Sharma who underwent a hysterectomy.

Sharma initially wanted a cashless claim but the procedure had to be rushed and she was assured by the insurance company that she would be reimbursed post the surgery.

However, the doctor informed her that mid-surgery it was discovered that an additional device would have to be used as there were more cysts in her uterus than initially diagnosed. She was charged Rs 85,000 for this device and the insura company promptly refused to pay more than Rs 23,000 as her policy, with a coverage of Rs 15 lakh, did not cover this device.

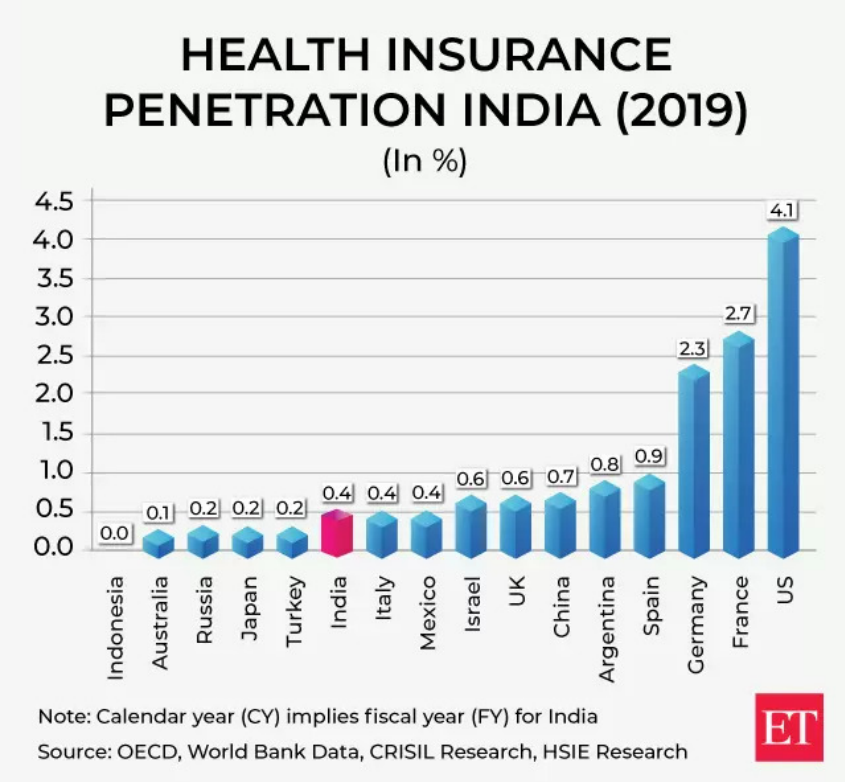
None of us are strangers to stories of policyholders having poor experiences with insurance companies.

A working paper titled Fair Play in Indian Health Insurance shows that health insurance claims in India are not paid as much as they should be and India has the highest complaints rate when compared with other countries like Canada, Australia and the UK.

Another factor plaguing the policyholders in India is the fact that most policies cover only hospitalisation costs. Other matured economies cover hospitalisation along with clinical visits and medication.

Of late, select policies have started offering OPD. However, it still doesn't remain a part of the basic coverage and puts the consumers at a disadvantage as plenty of medical tests which can run into 5-figures+ are done without hospitalisation and policyholders cannot invoke the claim unless they are hospitalised.

ET Online



Graphics by Sanjita Kalra

The settlement ratio mirage

A settlement ratio shows you how claims the insurers settle. If the claims settlement ratio is 90%, it means that the

insurer made payments against 90 claims out of 100 claims and did not pay for the remaining 10 claims during the specified period.

“Settled is a very vague term. Companies mark cases as settled when they are processed from their end, even if they are rejected. So even if the companies have a settlement ratio of 95%, it just means 95% of cases were processed and not necessarily fully paid,” says Chirag Nihalani, General Manager, Insurance Samadhan, a platform which helps policyholders get their grievances resolved.

Citing too many technicalities, few insurance companies have also rejected claims or settled claims on the lower side.

“Most of the time customers are not aware of what is covered and what is not. In such cases, insurance companies sett claims on the lower side,” says Chirag.

In many cases, insurance companies outright reject the claims on technical grounds that consumers are seldom aware of.

Claim rejections

There are multiple reasons why policyholders’ claims are rejected. Prominent ones include companies seeking redundant documents that the customers can simply not produce within the stipulated time. Sometimes claims are dismissed on the grounds that the customers did not disclose a disease at the time of taking the policy.

There have been cases of clients not being aware of the disease in their bodies.

For example, one individual bought a policy in 2021. They were diagnosed with a brain tumour in January 2022 but informed the doctor about having headaches for a few years. Claims have been rejected on the grounds of non-disclosure in such scenarios.

“Nowadays the most common grievances we come across are claims rejected on the grounds of ‘misrepresentation and fraudulent claims'. A lot of companies which vaguely quote terms and conditions based on which they just reject claims,” says Chirag.

The Covid influence

The perception of consumers toward health insurance has seen a swift change post-pandemic. A large chunk of Indians are known to buy insurance mainly for tax purposes. And around 80% of the income-tax filers own a retail health policy, as per HDFC Securities.

Data shows that Indians have refrained from buying health insurance in anticipation of no major healthcare spending in the near future, translating into one of the highest out-of-pocket healthcare expenditures (OOPE) at 55%.

This is primarily because people don’t have a health insurance policy and/or they have an insurance policy but with a lower sum assured, said HDFC Securities.

“While insurance continues to remain a push product, the pull factor has increased significantly. Health insurance premium has been the primary lever of the non-life insurance industry since the commencement of the Covid-19 pandemic,” says Saurabh Bhalerao, Associate Director, CareEdge.

During the various waves of the Covid-19 pandemic, hospitalisation rates saw a significant rise. Insurance claims in this

period shot up and so did reports of companies rejecting them 'unjustly'.

A PIL alleging unjust denial of claims and causing wrongful losses to policyholders was filed by Manav Seva Dham against various insurance companies before the Bombay High Court, Mint reported. The IRDAI has agreed to look into it.

"A lot of cases have been rejected by companies simply by saying that the patient was asymptomatic," says Chirag.

Surging premiums

The health segment has grown by 21.9% for year-to-date FY23, which is lower than the growth of 33.4% witnessed for th same period in FY22. Health insurance policies have witnessed quite a bit of repricing given the elevated medical inflation, adverse claims ratio in the prior periods and enhanced coverage.

Medical inflation in India is around 14%, which means that any medical procedure that costs Rs 3 lakh today, could cost around Rs 6 lakh 5 years down the line.

"Health insurance premiums increase from time to time owing to soaring medical inflation. The rise in number of hospitalization cases during the Covid-19 pandemic, for example, led to large number of claims leading many insurers to undertake price hikes," says Vivek Chaturvedi, CMO and Head of Direct Sales, Go Digit General Insurance.

Owing to the pandemic, the health insurance premiums in the industry may have risen in the range of 10-15% in the last couple of years," Chaturvedi adds.

Poor insurance coverage

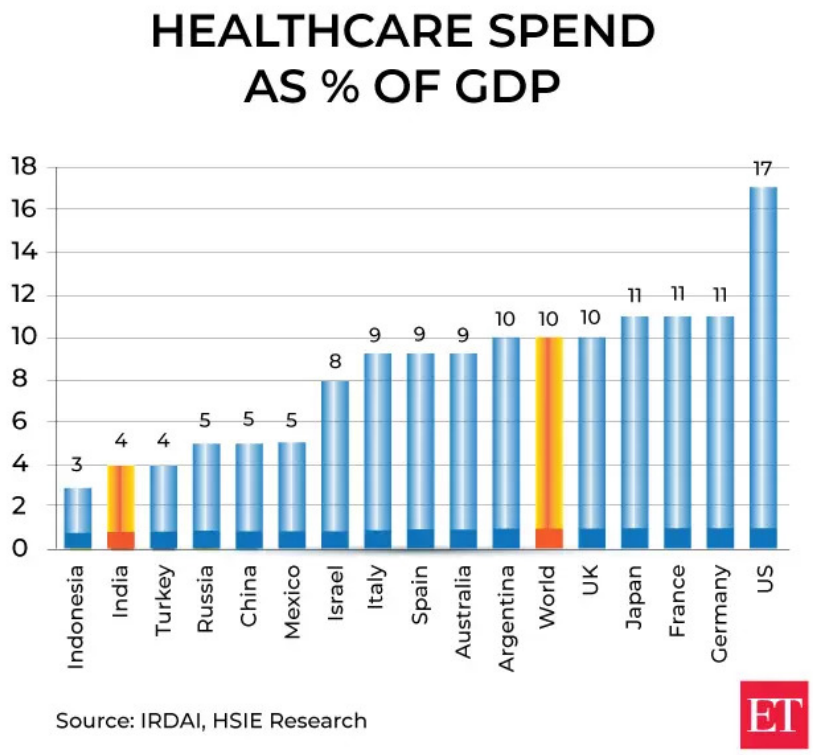
The penetration of health insurance as compared to other countries also remains low. Data shows that it stands at 0.4% in India, compared to 0.7% in China and 4.1% in the US.

Lower per capita income followed by lack of awareness and education around insurance, and financial stability are some of the reasons behind this number.

Since health insurance remains a vanity for a large chunk of India's population, the government over the years has offered a variety of insurance schemes, predominantly for the lower-income groups.

Some of these schemes include Ayushman Bharat Yojana, Central Government Health Scheme, Employment State Insurance Scheme, Pradhan Mantri Suraksha Bima Yojana, and Aam Aadmi Bima Yojana, among others. Data shows that the government schemes' low premiums have driven deeper penetration in the country.

"Given that a large section of the country's population falls under the low to middle-income group, we see that most people are underinsured for large and critical claims because they end up taking a health cover of less than Rs. 5 lakh," says Chaturvedi.



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However, healthcare still remains a neglected area. After rising steadily from 2004-05 to 2017-18, government expenditure on health as a percentage of GDP has fallen for the first time in this period to just under 1.3% in 2018-19, data from the National Health Accounts shows. Total expenditure on health, which includes what families and insurers spend, has declined over this 15-year period from 4.2% to 3.2% of GDP.

Government spending at 3% of GDP on healthcare is a widely-accepted norm.

The premium for a Rs 5 lakh cover ranges from Rs.3,000 to Rs. 6,000 based on the nature and features of the policy. Given the medical inflation, insurance premiums have also seen a marked increase in the last few years.

Insurance premiums can vary from person to person depending on various factors like smoking habits, genetic conditions, and pre-existing health issues. Personal finance experts advise buying health insurance policies at an earlier age as it offers lower premiums.