

Health insurance: Irdai for redefining sub-limit rules in policies

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Draft exposure aims to restrict proportionate deduction which would lead to, in most cases, the insured being able to get a higher percentage of the bill reimbursed by insurer



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In order to standardise health insurance claims, especially as the coronavirus pandemic spreads in the country, the insurance regulator has put out a draft exposure where health insurers have to define associate medical expenses in the terms and conditions of policy contract. The regulator has underlined that expenses related to cost of pharmacy, cost of implants and medical devices and cost of diagnostics will not be allowed to be part of the definition of 'associate medical expenses'. It notes that as a part of product design, insurers propose proportionate deductions of the associated medical expenses when a policyholder chooses a higher room category than the category that is eligible as per terms of the policy.

Room rent

The Insurance Regulatory and Development Authority of India's (Irdai) draft exposure is likely to change the norms which govern how much of the hospital bill will be reimbursed to a policyholder in case of a claim. Analysts say the proposed changes are expected to benefit policyholders with insurance policies which have sub-limits.

In fact, in most health insurance policies, if the room rent opted by the insured exceeds the rent covered in the policy, then the amount which is more than the eligible room rent bill is not reimbursed fully by the insurance company. In such a case, the insurer subjects the bill to proportionate deduction. The proposed changes by the regulator aim to restrict proportionate deduction which would lead to, in most cases, the insured being able to get a higher percentage of the bill reimbursed by the insurer.

Regulatory changes

Irdai has underlined that insurers will not recover any expenses towards proportionate deductions other than the defined 'associate medical expenses' while processing claims."Insurers shall ensure that proportionate deductions are not applied in respect of the hospitals which do not follow differential billing based on the room category. Towards this, the policy conditions shall be specified that the proportionate deduction would be applied only in case of a hospital that follows differential billing practice based on room category, it says.

The regulator has also said that insurers are not permitted to apply proportionate deduction for 'ICU charges' as different categories of ICU are not there. Pankaj Arora, MD & CEO, Raheja QBE General Insurance, says that the regulator's proposal will help in better claims settlement for the policy holder at large, increase transparency on policy benefits, leading to enhanced customer experience.

Proportionate deduction

In health insurance, proportionate deduction happens when a policy holder opts for a room where the tariff is more than the tariff capped by the insurer. All other associated medical expenses are also linked to the proportionate deduction. For example, if the room rent is capped at 1% of sum insured and the sum insured is Rs 1 lakh, then the insurer will only pay Rs 1,000 and any room rent amount more than this will have to be paid by the insured. Similarly, doctors' fees, surgery/ operation charges, nursing expense, medicine cost can have sub-limits.

If Irdai's proposal is implemented, it will benefit surely benefit those policyholders who have opted for sub-limits. In fact, most policies sold in the market have such sub-limits and policyholders do not get the entire claim amount. Experts say it is always better to go for a health insurance policy which does not have any sub-limit on medical expenses and room rent. Though such policies come with higher premium, it is always better in the long run, especially when there is a claim.