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Obscure Policy wordings: Hampering the growth of Health Insurance as a product In India

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ABSTRACT

IRDA, the regulator of the insurance market in India on 20/02/2013 came out with an exhaustive list of 46 commonly used terms in health insurance policies on the line of Statement of Best Practice for sales of Individual and Group Private Medical Insurance published by Association of British Insurers(ABI) in order to standardize the interpretation of key words used in Health Insurance in India .The variation in interpretation of these key words has been seriously impeding the growth of health insurance in India. Though a very bold attempt to rein in the widespread criticism of health insurance as a product yet, many teething problems continue to obfuscate the customers when it comes to interpret some of the key words that were either left out or not considered important. This paper makes an attempt to delve into some of such words and expressions that need to be addressed immediately with view to broadening the base of health insurance as a product among the common mass.

Introduction

The preamble/benefit clause of most policies issued in the Indian market begins in this manner "NOW THIS POLICY WITNESSES that subject to the terms, conditions, exclusions and definitions contained herein or endorsed, or otherwise expressed hereon the Company undertakes that if during the period stated in the Schedule or during the continuance of this policy by renewal, any insured person contracts any disease or suffers from any illness(hereinafter called DISEASE) or sustains any bodily injury through accident (hereinafter called INJURY) and if such disease or injury requires any such insured Person, upon the advice of a duly qualified Physician/Medical Specialist/Medical practitioner (hereinafter called MEDICAL PRACTITIONER) or of a duly qualified Surgeon (hereinafter called SURGEON) to incur hospitalisation expenses for medical/surgical treatment at any Nursing Home/Hospital/Day Care Centre in India as herein defined (hereinafter called HOSPITAL) as an inpatient, the Company

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will pay through Third Party Administrator (hereinafter called TPA) to the Hospital / Nursing Home or the Insured Person the amount of such expenses specified under Covered Expenses incurred as are Medically necessary and reasonable and customary in respect thereof by or on behalf of such Insured Person subject to Basis of Payment Clause but not exceeding the Sum Insured in aggregate in any one period of insurance stated in the schedule hereto.

Or a very simple worded benefit section states that "The Policy covers reasonable expenses incurred towards medical treatment taken during the Policy Period for an Illness, Accident or condition described below if this is contracted or sustained by an Insured Person during the Policy Period and subject always to the Sum Insured, any subsidiary limit specified in the Product Benefits Table, the terms, conditions, limitations and exclusions mentioned in the Policy and eligibility as per the insurance plan opted for in the Product Benefits Table and as shown in the Schedule of Insurance Certificate"

If we look at both the policy wordings contained in the benefit clause, it is evident that a health insurance policy triggers in the event of a medical/surgical treatment necessitated due to illness/ disease, accident etc. as per the terms and conditions of the policy issued. The important point to be noted here is word 'treatment'. The guidelines on standardization in health insurance – while defining the various commonly used terms in health insurance policies, somehow didn't define the term "treatment'. On the other hand, the guideline directed all the companies dealing with health insurance to include the definitions of Acute Condition and Chronic Condition in the policies issued by them.

The definition given by IRDA for Acute condition mentions it as a disease, Illness or Injury that is likely to respond quickly to treatment which aims to return the person to his or her state of health immediately before suffering the disease/Illness/Injury which leads to full recovery.

Similarly a chronic condition is defined as a disease, illness, or injury that has some or more of the following characteristics:- it needs ongoing or long-term monitoring through consultations, examinations, check-ups, and/or tests- it needs ongoing or long-term control or relief of symptoms –it requires your rehabilitation or for you to be specifically trained to cope with it- it continues indefinitely – it comes back or is likely to come back.

The policies issued by Indian insurers are silent about the conditions in which the policy will trigger i.e. whether the policy will trigger in case of an acute condition or in case of a chronic

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condition or in case of both. The policies in Private medical insurance in U.K. market triggers only in case of acute illness and not in case of chronic illness. The policy wordings in U.K market carry the definitions of treatment along with acute and chronic diseases/illness and thus dispel the doubt from the minds of customers about the nature of treatment paid by them.

BCWA Healthcare defines treatment as "surgical or medical procedures, including diagnostic procedure, the immediate purpose of which is the cure of acute illness and not the alleviation or management of long term illness".

Similarly Norwich Union, defines treatment as "Surgical or medical procedures, the sole purpose of which is the cure or relief of acute illness or injury".

The ABI Statement of Best Practice for sales of individual and Group Private Medical insurance defines treatment as surgical or medical services (including diagnostic tests) that are needed to diagnose, relieve or cure a disease, an illness or injury.

It is evident from the definitions of treatment given above that the policies issued in U.K. market triggers only in case of acute conditions/diseases and not in case of chronic diseases. However, the policies also trigger in cases where chronic diseases become acute. But the intention in the UK market is very clear – that they don't pay for chronic diseases/illness. As per the definition of chronic illness- the treatment given to chronic illness can at best alleviate them but cannot cure them. The element of fortuity is not there in case of chronic illnesses as they are mostly known and, therefore, not suited to insurance. Insurance as we all know deals with uncertainty.

Back home in India, in the absence of definition of the term "treatment" it is not very clear whether the Indian insurers have intention to pay for chronic conditions. Looking at the exhaustive definition given to chronic condition, one gets a strong feeling that the Indian insurers most likely don't have the intention to pay for chronic conditions.

A close examination or dissection of the definition of chronic condition which is defined as a disease, an illness, or injury that needs ongoing or long-term monitoring through consultations, examinations, check-ups, and/or tests- also needs ongoing or long-term control or relief of symptoms gives the impression that the definition of chronic condition also covers Palliative care. It may be noted here that Palliative care provides relief from pain and other distressing symptoms. One is once again not sure whether the Indian insurers have the intention to pay for palliative care.

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In the absence of specific definition of treatment, we often find that TPAs are paying for known chronic illnesses/diseases and thus shooting up the incurred claim ratio of the insurance companies beyond a manageable limit. The management of known chronic illnesses/diseases calls for a different tool of risk management.

Another important term – a policy exclusion which has not been defined in the guideline is Cosmetic surgery – often a bone of contention. However some insurers in India have tried to define this term. Cosmetic surgery, according to Heartbeat Health Insurance Plan, of Max Bupa Health Insurance is a "treatment undergone purely for cosmetic or psychological reasons to improve appearance, unless such treatment is Medically Necessary as a part of treatment for cancer or injury resulting from Accidents or burns and is required to restore functionality.

The Easy Health policy of Apollo Munich Health Insurance defines Cosmetic, aesthetic and re-shaping treatments and surgeries -a Plastic surgery or cosmetic surgery or treatments to change appearance unless necessary as a part of medically necessary treatment certified by the attending Medical Practitioner for reconstruction following an accident, cancer or burns.

VARISTHA Mediclaim for Senior Citizens Policy of National Insurance Co.Ltd excludes "Change of life or cosmetic or aesthetic treatment of any description, plastic surgery other than as may be necessitated due to as accident or as part of any illness"

Similarly The Healthcare Plus Policy issued by ICICI Lombard doesn't cover aesthetic treatment, cosmetic surgery and plastic surgery including any complications arising out of or attributable to these, unless necessitated due to Accident or as a part of any Illness.

Mediclaim 2012, a policy by The New India Assurance Co. Ltd. – India's biggest health insurance company also excludes expenses arising from change of life/sex change or cosmetic or aesthetic treatment (except for burns/Injury) of any description such as correction of eyesight, etc. from its cover. It also excludes Plastic Surgery other than as may be necessitated due to an accident or as a part of any illness.

The last three companies did not define the terms like cosmetic /plastic /aesthetic treatments .They excluded them but at the same time mentioned categorically when they are payable.

The Heartbeat Health Insurance Plan of Max Bupa maintains that expenses arising out of cosmetic surgery are payable if they are medically necessary as a part of treatment for cancer or injury resulting from Accidents or burns and is required to restore functionality. Similarly The

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Easy Health policy of Apollo Munich Health Insurance also does not cover a Plastic surgery or cosmetic surgery or treatments to change appearance unless necessary as a part of medically necessary treatment certified by the attending Medical Practitioner for reconstruction following an Accident, cancer or burns.

Both the above two exclusions are restrictive in nature as they pay for cosmetic or plastic surgeries only when they are medically necessary due to accidents, burns or cancer.

But the policy wordings of National Insurance, ICICI Lombard and The New India Assurance Co. Ltd., are broader as they for plastic, aesthetic or cosmetic surgery when they are medically necessary 'as part of any illness' in addition to accidents /injury or burns .The New India policy is restrictive in case of cosmetic surgery but broader in terms of plastic surgery without defining both the terms.

Breast enlargement is a common problem with many women and they go for Reduction mammoplasty - a plastic surgery procedure used for reducing the size of large breasts. Most insurance companies don't pay the expenses of this surgery considering it a plastic surgery/cosmetic surgery –medically not necessary. A doctor or any who is handling preauthorization at the TPA desk when presented with a case of breast reduction which calls for plastic surgery must look at the indications for breast reduction surgery in order to decide whether the surgery is medically necessary as part of an illness. The indications of breast reduction can be physical, aesthetic, and psychological .If the indications are aesthetic or psychological – yes they are not payable. But if they are physical and medically necessary as part of illness– they are payable in such policies which covers it. Any woman who suffers from macromastia often has heavy, enlarged breasts weighing more than 500 gm. per breast on the Schnur sliding Scale which is based on the patient's body surface area. The body surface area is calculated by taking the square root of height (cm) multiplied by weight (kg) divided by 3,600. The enlarged breasts cause chronic pains to the head, neck, shoulders, and back of the patient. A heavy bust also leads to plenty of ancillary health problems such as poor blood circulation, impaired breathing, chafing of the skin of the chest and the lower breast.

The reduction mammoplasty is considered medically necessary when it leads to physical functional impairment symptoms like back pain or drooping shoulder for a longer duration. The conservative treatment is not yielding positive result and the breast tissue to be removed is quite high on the schnur sliding scale.

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It may be noted here that reduction mammoplasty is considered cosmetic if it doesn't lead to physical functional impairment.

Anything that leads to enhancement of appearance is cosmetic but it is not cosmetic if it results in restoration of appearance following a disease, an injury or a scar.

It is time now that the regulator in India to come out with proper definition along with proper interpretation of these terms and similar other terms to help health insurance customers – suffering mainly for want of proper interpretation. Make health Insurance – a complete and all encompassing product.

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