

4. IRDAI Norms for Standard Health Cover

Prelims Level: Governance – Policies.

Mains Level: GS-II Mechanisms, laws, institutions and Bodies constituted for the Protection and Betterment of these vulnerable sections.

Why in News?

- The IRDAI has recently issued guidelines on standard individual health insurance to offer a product that can take care of basic health needs of customers with a maximum sum insured of ₹5 lakh and a minimum of ₹1 lakh.
- In order to make health insurance policies more transparent and inclusive, the IRDAI guidelines has been issued, which also standardize health insurance policies in our country.

Background Info:

- While the health space in India is witnessing **changing technology and novel treatments**, the health insurance policies have to increase their scope in order to keep apace.
- The health insurance sector in India is clogged with issues including lack of awareness about exclusion lists, claim denials, reduced payouts etc.
- In this backdrop, the Insurance Regulatory and Development Authority of India (IRDAI), has prepared **guidelines to standardize health insurance policies** in India.
- The major objective of these guidelines are to:
 - ✓ Standardize Exclusion list
 - ✓ Increase Transparency and
 - ✓ Enhance Uniformity and Inclusiveness and
 - ✓ Make them Consumer-friendly

Challenges in Health Insurance Products:

1. Non- inclusion of Modern Technologies:

- The Current Health Insurance Policies do not cover a number of novel treatments and medical procedures in case of critical illnesses.
- The '**exclusion list**' in most health insurance policies currently incorporates the novel medical procedures such as robotic surgery, hormone replacement therapy, balloon sinuplasty, oral chemotherapy, cyber knife, stem cell therapy including implants, laser surgery in case of cataract, dental treatment and other aesthetic surgeries.

- This increases the out-of-pocket expenditure of the patient.

2. Non-inclusion of New-age Diseases:

I. Life-Style Disorders:

- As a result of growing urbanization, changing lifestyles and nutrition transition, we are witnessing changes in the disease profile in the population with increasing lifestyle disorders including non-communicable diseases.
- Most insurance policies do not cover these lifestyle diseases such as infertility, obesity and other chronic degenerative, physiological diseases.

II. Non-communicable Diseases:

- Non-communicable diseases contribute to 61.8% of the disease burden in India today.
- Non communicable diseases such as hypertension, diabetes, cardio-vascular diseases etc covered under current insurance policies have high waiting periods and thus prove to be ineffective.

3. Lack of Transparency:

- One of the major concerns in health insurance sector in India is **non-declaration** or **Misrepresentation** of material facts in the policy contract.
- In addition, **lack of Standard Terminologies, Ambiguous Wordings** in the policy contract discourages insurance penetration among consumers.

4. Pricing Mechanism

- The pricing mechanism of health insurance products is heavily dependent on a number of non-payables including non-medical consumables such as toiletries, cosmetics, administrative costs, room charges etc.
- Further the add-on features in the health insurance product significantly increase the price of the insurance product.
- **Without the knowledge of non-payables** the consumer end up paying more than expected increasing the out-of-pocket expenditure.
- This is a major **hurdle for health insurance penetration** in India.

Guidelines for Standard Health Insurance Policy:

- In order to overcome the aforesaid challenges, the IRDA has released guidelines to be followed by insurance companies in India for designing a standard health insurance policy.

Main Features of the Guidelines:

1. Basic Cover

- The standard health insurance product should have a minimum basic sum insured of ₹1 Lakh and a maximum limit of ₹5 Lakh.
- The standard health insurance product standardizes entry-age to cover those in the age bracket 18-65years.
- This is aimed at increasing the health insurance penetration in India which is less than 20%.

2. Need-based Coverage:

- The standard health insurance product should be a product with basic mandatory covers and no additional or add-on covers.
- This will standardize the pricing mechanism to a Great Extent.

3. Standardize Exclusion List

- In 2012 IRDA had released a standard exclusion list of 199 products.
- Now the regulator is set to streamline the exclusion list in order to minimize the items in the list.
- The exclusion list will have pre-decided list of diseases which are not covered under the product.
- Besides the exclusion list will be based on diseases and not treatments.
- Thus the 'basic cover' under the **standard health insurance product will cover novel treatments like intensive care unit, treatment of Cataract, Dental Treatment, Plastic Surgery due to disease or injury etc.**

4. Enhanced coverage including AYUSH:

- The standard medi-claim product must also include expenses incurred on treatment under Ayurveda, Unani, Siddha and Homeopathy subject to fixed and standard sub-limits.

5. Post and Pre hospitalization Expenses:

- The standard product should include pre-hospitalisation costs for a period of not less than 30 days prior to the date of hospitalisation and post hospitalization medical expenses incurred for a period of not less than 60 days from the date of discharge.

6. Incentive to Wellness

- The product will include incentives to wellness in General.

- This will be done through free regular health check-ups, disease management, fitness activities etc.

About IRDAI:

- Insurance Regulatory and Development Authority is an **autonomous body** responsible for regulating insurance industry in India.
- IRDA is a **statutory body** set up under the IRDA Act, 1999.
- It is further entrusted with the responsibility of protecting the interests of the policyholders and increase insurance penetration in the country.

Main Functions:

- Frames regulations for insurance industry.
- Registrations of new insurance companies
- Monitoring insurance sector activities
- Licensing and establishing norms for insurance intermediaries
- Regulating and overseeing premium rates and terms of non-life insurance covers
- Ensuring the maintenance of solvency margin by insurance companies
- Ensuring insurance coverage in rural areas and of vulnerable sections of society.