

41st India Fellowship Webinar

Date: 13th & 14th June 2024

Inclusive Health Insurance Product Development and Pricing Strategy

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Agenda

- Introduction
- Considerations for product design
- Considerations for product pricing
- Risks and risk mitigation techniques
- Conclusion

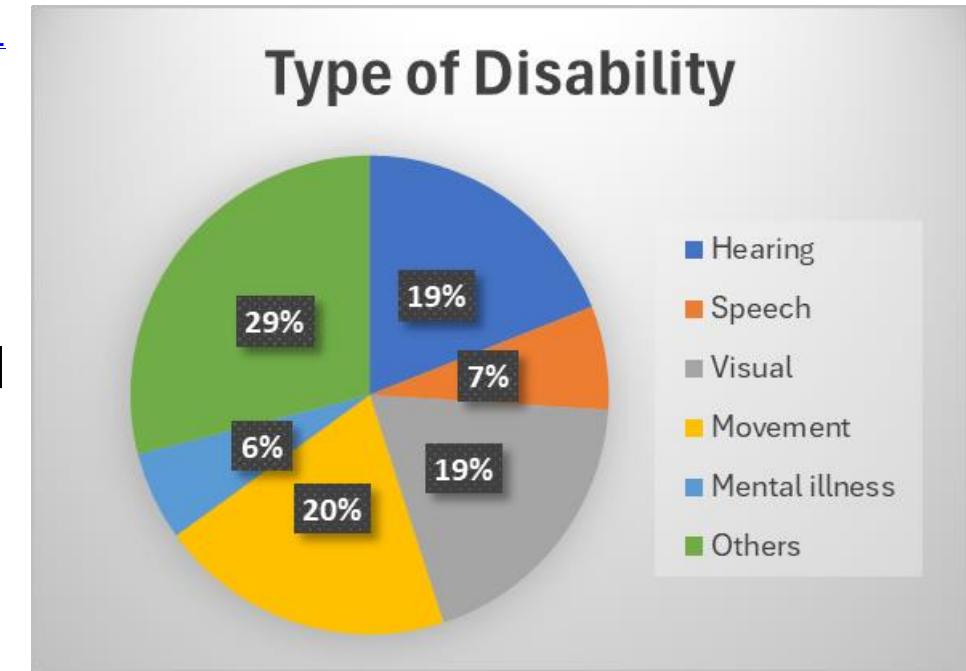
Introduction: Target Market

- Providing Health Insurance Coverage to:
 - ❖ Persons afflicted with Mental Illness/Conditions
 - ❖ Persons with Disabilities
 - ❖ Persons afflicted with HIV/AIDS



Introduction: Target Market

- As per Census 2011, approximately 2.7 Cr. people with disabilities in India, constituting 2.2% of the total population¹
- As per UNAIDS estimates for 2022, the total number of people living with HIV in India was **25 lakhs**, with a prevalence of **0.2%** among the adult population aged 15-49³
- India witnessed around **66,000 new HIV infections**, resulting in an incidence rate of **0.05 new infections per 1000 uninfected population**



Source: Department of Empowerment of persons with disabilities²

Introduction: Target Market

- In 2017, approximately 19.7 Cr. Indians were affected by various mental disorders⁴
- Approximately 5.6 Cr. and 3.8 Cr. suffer from depression and anxiety disorders, respectively
- The contribution of mental illnesses to overall India's disease burden, measured in terms of DALYs (Disability-adjusted life years) increased from 2.5% in 1990 to 4.7% in 2017.



Major Acts/Regulatory Framework

- Section 21(4) of the Mental Health Care Act (MHCA), 2017
- Section 3 of the Rights of Persons with Disabilities Act, 2016
- Section 3(j) of the HIV AND AIDS (prevention and Control) ACT, 2017
- Insurance Products Regulations, 2024
- Master Circular on Health Insurance issued by IRDAI 2024
- Expense of Management Regulations, 2024



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Product Design- Approach

- Conducting Market Research- to understand the insurance needs and challenges of PWD, HIV and those with mental illness
- What is the Market Size under each segment and Demographics e.g. Age, Gender, Location and Socioeconomic Status etc.
- What are the Prevalent health conditions within each segment
- Understanding the types of medical treatments, hospitalizations, medications, and therapies required
- Assessing the financial burden associated with healthcare expenses
- Determining the specific coverage needs for each group:
 - Disabilities: Coverage for assistive devices, rehabilitation, and specialized care
 - HIV: Comprehensive coverage for antiretroviral therapy, regular check-ups, and related treatments
 - Mental illness: Coverage for psychiatric consultations, therapy sessions, and medication

Product Design- Approach



- Affordability:
 - ❖ Evaluate the affordability of health insurance premiums for these vulnerable groups
 - ❖ Consider income levels, affordability thresholds, and willingness to pay
 - ❖ Evaluate the optimum features considering the competition and regulatory norms
- Awareness and Accessibility:
 - ❖ Assess the awareness levels amongst the potential policyholders regarding health insurance options
 - ❖ Investigate the accessibility of insurance products through distribution channels (NGOs, agents, online platforms, etc.)
- Studying the Products/Govt. schemes available in the Market: e.g. Model Product, Swavlamban Health Insurance Scheme, Nirmaya Health Insurance Scheme and doing the gap analysis

Product Design- Benefit Structure



- **Comprehensive Outpatient Coverage:** covers outpatient treatment costs, including therapy sessions, counselling, and medication. This is crucial as mental health treatment often involves regular therapy sessions which can be costly. Many times, an HIV patient also needs such counselling sessions to fight the disease in a stronger way
- **Coverage under AYUSH:** Should cover expenses incurred for inpatient care treatment under Ayurveda; Yoga and Naturopathy ; Unani; Siddha and Homeopathy
- **Post-Hospitalization Support:** Provide coverage for post-hospitalization support services, such as rehabilitation and home care services. This can help ensure continuity of care and support recovery.
- **Specialized Care Coverage:** Cover specialized mental health services like addiction treatment, eating disorder therapy, and post-traumatic stress disorder (PTSD) treatment, Specialized care to HIV/AIDS patients
- **Teletherapy/Telemedicine Coverage:** With the rise of digital health platforms, teletherapy has become more common. The product would cover online therapy sessions, making health services more accessible and convenient

Product Design- Benefit Structure



- **Day Care Treatment:** Product would cover usual Day Care procedures for all such lives as are covered for other lives
- **Wellness Program Integration:** Integrate wellness programs that focus on mental health, such as stress management workshops, mindfulness training, and yoga classes. Policyholders could get discounts or rewards for participating in these programs.
- **Preventive Care:** Offer coverage for preventive care services like regular health screenings and check-ups. Early detection and treatment of health issues can lead to better outcomes.
- **Family and Group Therapy Coverage:** Mental health issues often affect not just individuals, but also their families. Providing coverage for family and group therapy can be beneficial.

Product Design- Benefit Structure



- **Educational Resources:** Include access to educational resources about mental/HIV health, such as e-books, webinars, and online courses. This can help policyholders better understand and manage their mental/HIV health.
- **24/7 Helpline:** Establish a 24/7 helpline that policyholders can call for health support and crisis intervention.
- **Flexible Policy Terms:** Allow policyholders to customize their coverage based on their unique needs and circumstances. For example, they could choose to add more coverage for certain types of therapy or medications
- **Emergency Services:** Ground Ambulance services
- **Waiting Periods:** Reasonable levels of waiting period to make the coverage more attractive

Product Design- Benefit Structure



- **Other Important Aspects on Design:**
 - Eligibility Criteria e.g. Minimum/Maximum Entry Ages; Percentage of minimum disability required; Certification from Medical Board for PWD
 - Minimum Maximum Sum Insured Limits
 - Co-Pay/Deductible
 - Policy Duration e.g. 1-Year/2-Year/3-Year
 - Renewability
 - Portability option
 - Freelook Period- as per extant Regulations
 - Standard/Special Exclusions
 - Revision of Premium Rates
 - Change of Sum Insured
 - Moratorium Period
 - Pre-Policy Medical Check up
 - UW loadings for other co-morbidities
 - Number of Diseases/Procedures/Conditions covered

Product Design- Benefit Structure

- **Standard Exclusions**

- Obesity/Weight Control
- Gender Change
- Cosmetic/Plastic Surgery
- Hazardous/Adventure Sports/Activity
- Breach of Law
- Excluded Providers
- Alcoholism, drug abuse
- Treatments received in health hydros, nature cure clinics, spas
- Dietary supplements
- Sterility/Infertility



Product Design- Benefit Structure

- **Specific Exclusions**

- Outside India Treatment
- Hospitalization for organ donation
- Nuclear damage caused by radiation or contamination by radioactivity
- War, invasion etc.
- Suicide, self inflicted injuries
- Venereal/ Sexually Transmitted disease
- Stem cell storage





Product Design- Benefit Structure

- **Renewability**

- The policy shall ordinarily be renewable except on grounds of fraud, moral hazard, misrepresentation by the insured person
- Renewal cannot be denied basis the ground that there were claims in previous years
- Grace Period is available but without any coverage
- No loadings on renewal premium basis individual claim experience

- **Revision of Premium Rates**

- Possible with prior approval from IRDAI
- Advance notice is required e.g. 3 months

- **Accessibility of Product Literature**

- offering alternative formats for policy documents, customer support through multiple channels like text-based communication for hearing-impaired individuals, accessible online platforms, Visual aids or Braille for PWD



Product Design- Benefit Structure

- **Change of Sum Insured**
 - Increase/Decrease in Sum Insured at the time of Renewal or at any time, subject to underwriting
 - For any increase in Sum Insured, the waiting period shall start afresh only for the enhance portion of the Sum Insured
- **Moratorium Period**
 - 5 years moratorium period
 - After the expiry of Moratorium Period no health insurance claim shall be contestable except for proven fraud and permanent exclusions
- **Pre-policy medical check-up:**
 - Only from network providers
 - Insurer can bear part of expenses incurred on medical check up

Product Design- Benefit Structure

- **Loadings**

- Additional loadings for other comorbid conditions (i.e. other than disability/HIV/AIDS)
- based upon the declarations made in the proposal form and the health status of the persons proposed for insurance

- **Cancellation**

- Refund premium on short term rates for the unexpired Policy Period subject to advance notice e.g. 15 days

Timing of Cancellation	Refund of Premium (basis Policy Period)
Up to 30 days	75%
31 to 90 days	50%
91 to 180 days	25%
181 to 365 days	0%

- Similar approach to be followed for longer duration policies.



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Pricing considerations

- **Data collection and analysis**

- ❖ **Collection of Data (Service Provider/Insurer/Re-insurer/Desktop research)**

- Collection of relevant, reliable, adequate and credible data (as far as possible)
 - Relating to treatments
 - Including medication
 - Hospital stays
 - Outpatient visits, and
 - Other medical services

- ❖ **Collection cum Analysis of Demographic Data**

- Age
 - Gender
 - Geographic location
 - Disability type, and
 - Occupation



Pricing considerations

- **Medical Advancements**

- Consider the impact of medical trend/advancements and
- Changing treatment protocols on the cost of care

- **Epidemiological Data**

- Gather data on the incidence and prevalence of conditions within the target population

- **Risk Assessment**

- Analyse the morbidity and mortality rates associated with HIV/Mental illness/Disabilities, which impact the frequency of claims
- Co-morbidities - account for common co-morbidities

- **Cost Estimation**

- Medical costs (inpatient/out-patient/Health check-up etc.)
- Non-medical costs – like education, counseling and support services
- Trend analysis – Project future costs basis trends



Pricing considerations

- **Regulatory considerations**

- Ensure compliance with local insurance regulations and healthcare laws regarding the coverage of PWD/HIV/Mental illness treatment
- Account for allowed waiting periods/exclusions/Co-pay/Deductibles/Sub-limits etc.

- **Pricing model development**

- ❖ Actuarial methods

- Pricing assumptions used/validation of assumptions
- Frequency-severity method to calculate risk premium for each rating cell
- Smoothing/extrapolation of derived risk premium for smoother rate progression
- Trending of the risk premium to reflect future claim cost

- ❖ Risk pooling

- Consider the size of the target population/Business volume
- Uniform spread of risk/Homogeneous groups



Pricing considerations

- **Reinsurance support**
 - Explore the possibility of having reinsurance support
 - Consider the cost of having reinsurance
 - Estimate the potential risk mitigation for large losses
- **Loading to risk premium**
 - ❖ Expense loading
 - Administration expenses (Direct/Indirect expenses)
 - Claim handling expenses/TPA costs
 - Any other costs attributed to policy/claims
 - ❖ Acquisition costs loading
 - The cost of distribution of the product, i.e. commission to brokers/agents etc.
 - Digital marketing costs – for direct customers



Pricing considerations

- ❖ Adjustment for investment income
- ❖ Reinsurance cost, as applicable
- ❖ Profit margin
- ❖ Contingency loading

- **Other considerations for pricing**

- ❖ The premium structure should reflect the co-pay/sub-limits/deductibles etc.
- ❖ Some cover can be on capitation basis as well– like Outpatient cover, wellness cover
- ❖ Expenses for pre-policy medical check-up/amortisation over average policy duration
- ❖ Loadings for instalment options/ discounts for higher tenure options
- ❖ Capital requirement for the product launch
- ❖ Scenario testing - impact on the pricing with changes in key assumptions
- ❖ Stress testing
 - Financial stability of the product under extreme conditions
 - The product should be profitable and sustainable in the long run



Pricing considerations

- **Market considerations**

- ❖ Competitor analysis (premium/coverage)
- ❖ Affordability

- **Monitoring and adjustments**

- ❖ Claim experience

- Continuously monitor claims experience to identify trends and adjust pricing as necessary
- Use of one-way/two-way analyses/GLM if adequate data is collected
- Compare the results with the pricing assumptions (actual vs. expected analysis)

- ❖ Medical advancements

- Stay informed about new treatments and their impact on costs
- Medical inflation trends



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Risks & Mitigations – Morbidity Data



- **Risks related to morbidity data used for pricing**
 - ❖ No specific morbidity studies carried out for PWD, HIV or Mentally ill individuals
 - ❖ These sub-sets are too small for data to be credible
 - ❖ Even if the data is credible, it could be unreliable or not suited for target market
 - ❖ Random fluctuations
- **Mitigation**
 - ❖ Use of any locally conducted morbidity studies available for PWD, HIV or Mentally ill individuals
 - ❖ Overseas studies could also be used after adjusting for target market
 - ❖ Taking reinsurance assistance for product pricing
 - ❖ Allowing for appropriate margins after considering for competitiveness
 - ❖ Option to review premium every year
 - ❖ Monitoring the experience and re-pricing if required

Risks – Onboarding and Claims

- **Risk related to onboarding and claims includes**
 - ❖ Poor underwriting where type or severity of illness not identified appropriately for such individuals
 - ❖ Poor policy wordings
 - ❖ Poor claims investigation and settlement process
 - ❖ Fraudulent and early claims
 - ❖ Hospitals recommending expensive treatments or making fraudulent claims given insurance cover
 - ❖ These risks become significant given new customer segment of PWD, HIV and Mentally ill individuals



Mitigation – Onboarding and Claims

- **Mitigation**

- ❖ Proper training of underwriting and claims staff specially when addressing new segment of customers
- ❖ Medical check ups above a certain sum assured to assess the risks more accurately
- ❖ Developing and monitoring systems and process
- ❖ Carefully drafting policy wordings with consultation of various internal stake holders like underwriting, claims, actuarial and legal team
- ❖ Waiting period clause to avoid early claims
- ❖ Tie – ups with hospital to avoid any malpractices by hospitals
- ❖ Policy holders can get cashless treatment from tied hospitals to make it more effective
- ❖ Taking assistance from reinsurer



Risks & Mitigation – Medical Costs



- **Risks related to medical cost**

- ❖ Higher medical expense inflation due to local economic environment or external factor
- ❖ Availability of more effective but expensive treatments for PWD, HIV or mentally ill individuals

- **Mitigation**

- ❖ Tie-ups with hospitals to lock in medical cost for most likely treatments
- ❖ Hospital partners could also provide insights into upcoming medical technologies, which could help in taking timely action (e.g. re-pricing or re-wording of policy documents)

Risks & Mitigation – Others

- **Other risks include**

- ❖ Poor administration of policies resulting in losses
- ❖ Poor record maintenance resulting in incorrect reserving and experience analysis
- ❖ Loss of reputation due to rejection or repudiation of claims
- ❖ Conflicts with third parties like reinsurers, agents / intermediaries and so on

- **Mitigation**

- ❖ Setting up proper admin system and process along with training of staff
- ❖ Also setting up of IT infrastructure for this new product given the complexity of new target market
- ❖ Signing contract / treaties with all relevant stake holders which clearly specifies roles and responsibilities of each parties, also include a section for conflict resolution
- ❖ Making Ex-gratia payments for certain claims after carefully evaluating cost and benefits



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Conclusion

- **HIV Coverage:**

HIV remains a significant public health concern globally. By offering health insurance products that cover HIV, we contribute to:

- Early diagnosis and timely treatment.
- Reducing stigma associated with HIV.
- Improving overall health outcomes.
- Supporting affected individuals and their families.

- **Persons With Disabilities (PWDs) Coverage:**

PWDs face unique challenges and require specialized care. Insurance coverage for PWDs:

- Ensures accessibility to assistive devices, therapies, and rehabilitation.
- Promotes social inclusion and equal opportunities.
- Supports families in caring for their disabled loved ones.





- **Mental Illness Coverage:**

Mental health affects millions of Indians. Insurance products covering mental illnesses:

- Encourage seeking professional help without financial burden
- Address the rising prevalence of depression, anxiety, and stress
- Promote mental well-being as an integral part of overall health.

- **Inclusivity:** By offering comprehensive health insurance, we constitute a more compassionate and equitable society.

By offering these products, we create a positive ripple effect by enhancing trust in the company, resulting in eventual win-win for all.

Closing thoughts...



Collectively we can:

- Bridge the gaps
- Break the barriers
- Ensure that no one is left behind in achieving the great objective of 'Insurance for All' by 2047.

THANK YOU!



Annexure

Sources for web data:

1. depwd.gov.in
2. <http://www.ccdisabilities.nic.in/resources/disability-india>
3. <https://www.unaids.org/en/regionscountries/countries/india>
4. main.icmr.nic.in

