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Introduction



- **Guidelines on Standardization of exclusions in Health Insurance**
[Circular Ref: IRDA/HLT/REG/CIR/177/09/2019 dated 27th September 2019]
- **Modification guidelines on standardization in Health Insurance**
[Circular Ref: IRDA/HLT/REG/CIR/176/09/2019 dated 27th September 2019]
- **Impact of the new guidelines for Health Insurance industry on:**
 - Product
 - Pricing
 - Customers
- **Possible challenges in Implementation of the new guidelines**

GUIDELINES ON STANDARDIZATION OF EXCLUSION IN HEALTH INSURANCE

Overview



- In the “Guidelines on standardization of exclusions” circular dated 27 September 2019, IRDAI specified regulation related to the following:
 - Chapter I: Introduction to Objectives, Applicability, Definitions
 - Chapter II: Exclusions that are not allowed
 - Chapter III: Standard wordings of exclusions
 - Chapter IV: Existing diseases that may be permanently excluded
 - Chapter V: Modern treatment methods that may be covered
 - Chapter VI: Other guidelines

Chapter I: Objectives



- Rationalize and standardize the exclusions
- Keeping pace with advancement in healthcare technologies
- Uniformity across industry, especially given the increasing number of players and products

Chapter I: Applicability



- Applies to **all** health insurance products except:
 - Personal Accident
 - Travel Insurance (domestic / overseas)
- Applies to Individual & Group products
- Effective from 1st October 2019 for all new products
- Existing products that are not in compliance cannot be offered after 1st October 2020 deadline

Chapter II: Exclusions not allowed

- Diseases contracted after commencement of policy
- Injury or illness related to hazardous activity
 - Exception: treatment necessitated due to participation in adventure sports
- Impairment of person's intellectual faculties by usage of drugs, etc prescribed by medical practitioner
- Artificial life maintenance

Chapter II: Exclusions not allowed

- Mental illness or psychological disorders
- Puberty and menopause related disorders
- ARMD (Age related Macular Degeneration)
- Behavioural and Neuro development disorders
- Admission primarily for enteral feeding
- Internal congenital diseases / genetic disorders
- Specified aiteology for medical condition is not known
- Failure to seek/follow medical advice/treatment

Chapter III: Standard wordings

- Codes specified for each exclusion
- Insurers to incorporate same wordings in verbatim in health insurance policies

Chapter III: Exclusion codes



Excl01 Pre-existing diseases

- Expenses for PED shall be excluded until expiry of “x” (max. 48) months of continuous coverage, irrespective of insurer
- In case of enhancement of sum insured, exclusion shall apply afresh to the incremental amount.
- Above conditions are subject to being declared at time of underwriting and being accepted by the insurer

Excl02 Specified disease/procedure waiting period

- List of diseases with respective waiting period to be specified
- Max. waiting period of 48 months
- Waiting period does not apply to accidental claims.

Excl03 30-day waiting period

- Expenses related to treatment of any illness within 30 days of first policy date can be excluded
- Exception: Accidental claims

Excl04 Investigation and Evaluation

- a) Expenses related to admission primarily for diagnostic / evaluation are excluded
- b) Diagnostic expenses not related to current diagnostic / treatment are excluded

Excl05 Rest Cure, rehabilitation and respite care

- Expenses related to enforced bed rest and not for receiving treatment are excluded

Excl06 Obesity / Weight Control

- Expenses related to surgical treatment of obesity can be excluded. Exception: If they satisfy all following 4 conditions:
 - Surgery advised by Doctor
 - Surgery supported by clinical protocols
 - Member is 18 years or older
 - BMI: greater than or equal to 40 OR greater than or equal to 35 with either of specified co-morbidities (4 in total)

Chapter III: Exclusion codes



Excl07 **Change-of-gender treatments**

- Expenses related to treatment, including surgical management, to change characteristics of body to opposite sex shall be excluded

Excl08 **Cosmetic or plastic Surgery**

- Expenses related to cosmetic or plastic surgery shall be excluded.
- Exception:
 - Reconstruction following accident, burn or Cancer
 - Part of treatment to remove direct health risk

Excl09 **Hazardous or Adventure Sports**

- Expenses related to any treatment necessitated due to participation as a **professional** in hazardous or adventure sports

Excl10 **Breach of Law**

- Expenses for treatment directly arising from or consequent to commit a breach of law with criminal intent

Excl11 **Excluded Providers**

- Expenses incurred towards treatment by any hospital / practitioner specifically excluded by insurer.
- The exclusion list must be specified on website or notified to the insured
- Exception: In case of life threatening situations, expenses up to the stage of stabilization are payable by the insurer

Excl12 **Alcoholism / Drug abuse**

- Treatment for Alcoholism, drug or substance abuse or any addictive condition and consequences thereof.

Chapter III: Exclusions codes



Excl13 Spa, etc

- Treatments received in health spas, nature cure clinics, spas or similar establishments
- Private beds registered as nursing home attached to such establishment

Excl14 Dietary supplements

- Dietary supplements and substances, such as vitamins, etc, that can be bought without prescription
- Exception: Unless specified by a medical practitioner as part of hospitalization claim or day care procedure

Excl15 Refractive error

- Expenses related to treatment for correction of eye sight due to refractive error less than 7.5 dioptries

Excl16 Unproven treatment

- Unproven treatment are treatments, procedures or supplies that lack significant medical documentation to support their effectiveness.

Excl17 Birth Control, Sterility and Infertility

- Includes any type of contraception, sterilization or reversal thereof.
- Assisted reproductive services such as IVF, etc and Gestational surrogacy

Excl18 Maternity

- Expenses related / traceable to childbirth except ectopic pregnancy
- Expenses towards miscarriage and lawful medical termination of pregnancy during policy period.

Chapter IV: Permanent excl.: Pre-existing diseases

- There is a list of 16 diseases with specific ICD codes which are allowed to be permanently excluded by the insurer given the Board approved underwriting policy allows this.
- These can be covered with suitable loading if the underwriting policy allows so.
- Policyholder shall be entitled to costs of treatment in respect of any other treatments, other than, treatment directly related to the ICD codes given in Chapter IV

Chapter V: Modern Treatment Methods not allowed as exclusions

- A. Uterine Artery Embolization and HIFU
- B. Balloon Sinuplasty
- C. Deep Brain stimulation
- D. Oral Chemotherapy
- E. Immunotherapy
- F. Intra vitreal injections
- G. Robotic surgeries
- H. Stereotactic radio surgeries
- I. Bronchical Thermoplasty
- J. Vaporisation of the prostate
- K. IONM
- L. Stem Cell Therapy

Chapter VI: Other guidelines



Waiting period

- Max 4 years of waiting period allowed for specific diseases
- For lifestyle conditions, viz., Hypertension, Diabetes, Cardiac conditions, max. 90 days of waiting period

Wordings

- Specific
- Unambiguous

Domiciliary Treatment

- Pre/Post hospitalization cover under domiciliary treatment cannot be excluded
- Where it is offered in place of in-patient treatment

Look Back

- Cannot be applied after completion of 8 years
- After expiry of specified period, no policy shall be contestable except for in cases of proven fraud and permanent exclusion

Chemo / Dialysis

- Claims for chemo therapy (where allowed) cannot be denied
- Claims for Peritoneal Dialysis, where dialysis is allowed subject to product design, cannot be denied.

Chapter VI: Other guidelines



Non-disclosed condition from permanent exclusions list

- If from the list of permanent exclusions, then insurer can (after taking consent) permanently exclude and continue with policy

Non-disclosed condition NOT from permanent exclusion

- Insurer can incorporate additional waiting period of up to a max of 4 years, from the date of noticing the non-disclosed condition

Extra premium

- Wherever non-disclosed condition allows insurer to levy additional premium, insurer may levy the same from date of noticing the non-disclosed condition

Cancellation rights

- The above 3 options does not prejudice the rights of the insurer to invoke the cancellation clause of the policy

MODIFICATION GUIDELINES ON STANDARDIZATION

Pre-existing diseases



Pre-Existing Diseases is re-defined as:

Any condition, ailment, injury or disease:

1. That is/are diagnosed by a physician within 48 months prior to the effective date of the policy issued or
2. For which medical advice / treatment was recommended by / received from, physician within 48 months prior to the effective date of the issue of policy or its reinstatement.
3. A condition for which any symptoms and or signs if presented and have resulted within 3 months of the issuance of the policy in a diagnostic illness or medical condition.

Items for optional cover

- There has been a modification to the Optional Cover items. IRDAI has come up with 4 lists:
 - **List I:** Items that may be retained ‘as it is’
 - **List II:** Costs that are to be subsumed into the Room Charges
 - **List III:** Costs that are to be subsumed into specific procedure charges
 - **List IV:** Costs that are to be subsumed into the costs of treatment

Items for optional cover



- Where the costs are subsumed as per the lists, all claims shall be settled as per the terms & conditions of the policy.
- Insurers to make sure that items are not billed to the policyholders by the hospitals by informing hospitals & policyholders about these changes
- Need to make this a part of SLAs (Service Level Agreements) with TPAs and Hospitals
- In reimbursement cases (outside network), the bill shall be settled as per the terms and conditions of the policy.

IMPACT OF THE NEW GUIDELINES

Impact on Products



Almost all health insurance products will be impacted

- Policy wordings, Brochures, other sales material will be impacted
- All products will need a re-filing with the IRDAI (can be on certification basis if premium change within +/- 5%)
- Overall benefit structure of products is not expected to be impacted much
- Underwriting policy/terms will need a review given the new guidelines
- Prices of the products are expected to be impacted as mentioned in next slides

Impact on Prices



Prices are expected to go up due to the following:

- Administrative expenses are going to increase for the insurer which would mean higher prices of products
- Exclusion not allowed anymore esp.
 - Inclusion of stress related disorders esp.on outpatient products
 - Artificial life support
 - Age Related Macular Degeneration
 - Behavioral & Neuro development disorders
 - Congenital & Genetic diseases
 - Hazardous activities (other than sports)
- Standard definition of ‘Obesity/Weight Control exclusion’ is generous than before

Impact on Prices



Prices are expected to go up due to the following:

- Allowance for cover for all the diseases except for “Existing diseases allowed to be permanently excluded”
- Allowance of various modern treatment methods esp.
 - Robotic surgeries
 - Oral Chemotherapy
 - Stem Cell therapy
- Non-disclosed conditions are allowed to be covered as PED
- Introduction of Moratorium period of 8 years
- Pre-post under domiciliary is to be covered if pre-post is covered for in-patient

Impact on Prices



Prices are expected to reduce due to:

- Lower claim handling costs due to standardization
- Standard definitions of Exclusions:
 - If a disease falls under the waiting period specified for PED then longer of the two will apply
 - waiting period for certain diseases apply even if contracted post the policy inception date
- Certain diseases are allowed to be permanently excluded

Impact on Prices



Prices are expected to reduce due to:

- 90 days waiting period for lifestyle conditions expected to reduce the premium but more clarity required
- Update in the Pre-Existing definition
 - First 3 month claims can be tagged as PED
- Update in the definition of Optional items:
 - Some items of the hospital bill will come under the room rent which means higher chance to cross the room rent sub-limit and hence lower the overall payment

Impact on Customers



Positive:

- Standardized exclusions across products would mean easier understanding
- Higher customer confidence
- Securer portability terms
- Moratorium period of 8 years
- In case of withdrawal of a product and offer of an alternate product, lower PED waiting period will be applicable
- Non-disclosed conditions can be covered post inception date as well

Impact on Customers



Positive:

- Exclusions not allowed under new guidelines esp.
 - stress related disorders
 - Congenital cover
 - ARMD (Age related Macular Degeneration)
- All exclusions other than mentioned in chapter IV can be covered at terms as mentioned in the underwriting policy.

Impact on Customers



Negative:

- Uncertainty on the Room & Board amount for the customer means higher chances of pro-rata on whole bill
- Any disease for which the claim comes in first 3 months can be tagged as PED: detrimental to genuine cases.
- List of permanent exclusions can be a loss in some cases
- There might be an increase in premiums and certain section of persons will find it high or unaffordable .

CHALLENGES IN IMPLEMENTATION

Possible Challenges in implementation of guidelines

- **Pricing the changes:**
 - Many covers allowed in guideline will not have sufficient historical data for pricing. Eg internal congenital cover.
 - For some exclusions which existed in the past and need to be covered now, data from past declined claims can be used to calculate the impact
 - New advanced treatments to be covered: risk of unknown costs and pricing will be a challenge. Sub limits will be there to limit the costs.

Possible Challenges in implementation of guidelines

- **Pricing the changes (cont.)**
 - Anti -selection may happen against insurer
- **Reserving:**
 - Reserving issues may exist as there is no existing historical data
 - future impact need to be assessed by judgment
- **Administrative work:**
 - Workload is expected to increase for all departments due to re-printing of sales material, refiling of all the products which will increase the cost

Possible Challenges in implementation of guidelines

- **Systems:**
 - Existing IT systems may need to be updated
 - include the changes introduced by regulation on exclusions
 - identifying specific bill items under Room & Board charges

- **Training:**
 - Training will be required to staff and intermediaries to make them aware of the changes , incurring costs and time
 - Data entry people need to be more familiar with the ICD codes, updated with the new exclusion codes
 - Training to identify the items to be put under the Room & Rent limit.
 - Claim assessment will be impacted which will need training of TPAs and many other parties

Possible Challenges in implementation of guidelines

- TPAs
 - SLA with TPAs needs to be revisited
 - For the cashless cases, TPA will have to revisit the terms of SLAs with the providers to get the data in required format
 - Data Entry
 - Difficult to impact the bill format for non-network hospitals reimbursement cases
 - Which will lead to issues in the data entry and uniformity

Thank You