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Standardization of Exclusion Clauses in Health Insurance Contracts

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Agenda

- Introduction
- Need for Standardization
- Variations & International Practice
- Standardization Guidelines
- Deep Dive – Changes & Challenges
- Focus HIV/AIDS
- Summary
- Questions

1. Introduction

- Health Insurance premiums have grown from INR 19,000 Cr (2013-14) to INR 42,000 Cr (2017-18)
- Health Insurance Premiums has registered consistent growth in excess of 20% in the last 3 years
- Industry projected to grow to INR 100,000 Cr by 2021
- General Insurers providing health products have grown at 15% while standalone health players have grown at 49%
- Tremendous growth opportunities continue to attract more players into the market with increasing complexity of product design
- Approximately 55 million Indians were pushed below the poverty line in 2017-18 due to health related costs
- Health costs in India are projected to inflate at double the average rate of inflation in 2018
- Increased spending on healthcare (including preventive care) from 1.4% of GDP (17-18) to 2.5% by 2025
- Products on offer have also seen immense growth in diversity as well as complexity
- Need for insurance sector to rise up to provide affordable and innovative product solutions

Sources: *https://www.irdai.gov.in/ADMINCMS/cms/whatsNew_Layout.aspx?page=PageNo3729&flag=1*
https://www.moneycontrol.com/news/business/economy/health-costs-to-be-double-the-inflation-rate-in-2018-survey-2700371.html

2. Need for Standardization

Why Standardization ?

- Taking forward standardization bought in by HI Regulations 2016 and TPA Regulations 2016
- Lack of consistent policy wordings across insurers
- Varied interpretations across various products - impacting benefit realization
- Minimization of exclusions - a significant positive impact on consumers.

Issues with Standardization

- Limited regulations for providers
- Standard treatment guidelines and protocols
- Lifelong guaranteed renewability
- Parity with Group Contracts – Affinity Groups

3. Variations & International Practice

Wide variation in exclusions are leading to an unstructured approach towards Health Insurance leading to a need to standardize the content..

Purpose of Exclusions	Typical Examples	Variations	International Practice
• Limited Data Availability • No Past experience. E.g. new diseases such as Nipah virus • Avoid large frequency / severity of claims so as to make the policy more competitive • Avoid anti selection & moral hazard due to informational asymmetry • Avoid a near certain claim. E.g. due to pre-existing condition • Comply with regulations / T&C set by partners such as Reinsurers	• Range of pre-existing conditions: hypertension, diabetes, kidney / heart ailments etc.. • Sex / Gender Change procedures • Fertility related issues • Self Inflicted injury • Substance Abuse / injury caused to self under influence of mind altering substances • Mental Illnesses • Genetic diseases • HIV / AIDS related complications • Dangerous Sports / Activities • Pregnancy • Elective / Cosmetic Surgery • Criminal Acts	• Definition of pre-existing conditions & tolerance thresholds. E.g. defining diabetes based on fasting / regular blood glucose level. Some insurers are known to capture pre-diabetic state or chances of developing the disease as well into rating methodology • Several variations exist on covered procedures while being hospitalized. E.g. a new experimental type of treatment may not be covered • Insurers are known to deny claims citing complex rules in the pre-existing rule book	• International practice especially in countries like Singapore and Hong Kong are more standardized and developed • Statistical studies have been conducted on pre-existing conditions like HIV / AIDS to study the impact of terminal / serious ailments on the quality of life (study done for South African market) • Less variations and more standardization means insurance cover is more affordable, innovative and agile to respond to changing demands of the population

4. Standardization Guidelines

To help standardize the Health Insurance market & promote innovation, confidence & stability, a proposal to standardize the Exclusions was brought forward by IRDA..

- Standardize and rationalize the exclusions
- Applicable to all GI selling Health products and SAHI (excluding PA and Travel)
- Key sections -
  1. Exclusions not allowed
  2. Standard wording of some of the exclusions
     eg. PED, Waiting Periods, Hazardous or Adventure Sports
  3. Existing diseases which may be permanently excluded
     (17 Diseases with ICD mappings)
  4. Modern treatment methods which may be covered
     (Oral Chemotherapy, Robotics Surgery etc)
  5. Other Norms on Exclusions
     Including exclusion of consumables. Many consumables are expected to be part of Room Cost/Procedure Cost/Treatment Cost.
- Expected to be effective from **Apr 2020**

1 *Exposure Draft on Guidelines on Standardization of Exclusions in Health Ins Published 16/05/2019*
https://www.irdai.gov.in/ADMINCMS/cms/frmGeneral_List.aspx?DF=Exp%20Dft&mid=4.4
2. *Report of the Working Group For Standardization of Exclusions in Health Insurance Contract Published 02/11/2018*
https://www.irdai.gov.in/ADMINCMS/cms/frmGeneral_NoYearList.aspx?DF=Creport&mid=12

5. Exclusions – Deep Dive

Proposed Changes vs. Existing Market Practices

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1. Diseases contracted after taking the health insurance policy.

Existing practice:
Exclusions such as Alzheimer, Parkinson's, HIV, morbid Obesity etc are common

Significant Changes :
All diseases (except PED) to be covered

Interpretation and Implementation :
Not all illnesses can be adjudicated to prove to be a PED

- Insurers may have Waiting Period, disease specific waiting periods
- PED exclusions to stay
- Existing policyholders – changes from next renewal?
- Patients undergoing treatments

Pricing Challenges:
Will increase cost

- Data Sources - Analysis of Rejection Data (quality issues, ICD coding, Complete Cost etc)
- Prevalence of commonly rejected diseases in the population (varied age wise impact)
- Lack of India specific data
- Reinsurer help, International markets
- More margins

5. Exclusions – Deep Dive

Proposed Changes vs. Existing Market Practices

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8. Internal congenital diseases, genetic diseases or disorders.

Existing practices:

- Insurers started covering post court order Feb 18

Significant Changes :

- Specifics are allowed to be permanently excluded like heart, pancreatic and kidney (if PED)

Interpretation and Implementation :

- Non disclosures
- Waiting period
- Sub limits

Pricing Challenges:

- Impact will be high of others conditions need to be estimated
- Non disclosure & Anti Selection
- Risk of development/discovery of new conditions

5. Exclusions – Deep Dive

Proposed Changes vs. Existing Market Practices

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5. Treatment of mental illness, stress or psychological disorders and neurodegenerative disorders.

Existing practices:

- Mental illness to be covered post mental illness Act 2017

Significant Changes :

- More impact on OPD

Interpretation and Implementation :

- Exercising sub-limits, Waiting periods, Lifetime limits
- Standard Medical Protocols

Pricing Challenges:

- OPD is likely to be impacted more than IPD

5. Exclusions – Deep Dive

Proposed Changes vs. Existing Market Practices

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7. Behavioural and Neuro developmental Disorders:

Disorders of adult personality including gender related problems;
Disorders of speech and language including stammering, dyslexia;

Existing practices:

- Widely excluded

Significant Changes :

- Covers a wide range of disorders
- Though specific exclusion for Alzheimer and Parkinson's can be exercised (If PED)

Interpretation and Implementation :

- Waiting periods
- Sublimits

Pricing Challenges:

- Lack of data
- Treatment protocols
- Possibilities of anti selection

5. Exclusions – Deep Dive

Proposed Changes vs. Existing Market Practices

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2. Injury or illness associated with hazardous activities. (Explanation: However, only treatment necessitated due to participation in adventure or hazardous sports is permitted as an exclusion.)

Existing practices:

Hazardous activities	- are generally excluded
Hazardous Sports	- varied practices insurer differentiate basis participation type profession/paid/rewarding participation is excluded

Significant Changes :

Insurer's choice on classifying any activity as hazardous activities goes away

Interpretation and Implementation :

Removes ambiguity

Other exclusions like Intentional self injury remains

Pricing Challenges:

Significant impact will be due to hazardous sports – for which exclusion is likely to stay

No major change/challenge

5. Exclusions – Deep Dive

Proposed Changes vs. Existing Market Practices

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3. Impairment of Persons' intellectual faculties by usage of drugs, stimulants or depressants as prescribed by a medical practitioner.

Existing practices:
Impairment due to abuse is generally excluded
Any impairment caused during authorized treatment is likely to be paid.

Significant Changes :
Assertion on payment of genuine cases

Interpretation and Implementation :
All unauthorized usage continues to be excluded? "Unauthorized" may invite disputes

Pricing Challenges:
Low as insurers are paying most of genuine claims

5. Exclusions – Deep Dive

Proposed Changes vs. Existing Market Practices

4. Artificial life maintenance, including life support machine use, where such treatment will not result in recovery or restoration of the previous state of health under any circumstances unless in a vegetative state as certified by the treating medical practitioner.
(Explanation: Expenses up to the date of confirmation by the treating doctor that the patient is in vegetative state shall be covered as per the terms and conditions of the policy contract)

Existing practices:
Varied – insurer may differ on "restoration of previous state"

Significant Changes :
Insurer's choice of state of health goes away

Interpretation and Implementation :
Removes ambiguity – emphasis on vegetative state
Brain Dead is better term?
Capping Days?

Pricing Challenges:
- Rare conditions but may lead to a large claim
- More impact on high sum insured

5. Exclusions – Deep Dive

Proposed Changes vs. Existing Market Practices

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9. Expenses related to any admission primarily for enteral feedings and other nutritional and electrolyte supplements.

Existing practices:

- Excluded as most of it would relate to general Evaluation and Management

Significant Changes :

- Cannot repudiate these expenses, but E&M are excluded

Interpretation and Implementation :

- More disputes are insurer may adjudicate it as E&M

Pricing Challenges:

- Low

5. Exclusions – Deep Dive

Proposed Changes vs. Existing Market Practices

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10. If specified aetiology for the medical condition is not known.

Existing practices:

- Practice of repudiation in case of suspected fraud, abuse etc

Significant Changes :

- Onus to provide aetiology goes away
- All Evaluation & Management cases continues to be excluded.

Interpretation and Implementation :

- Differentiating with general E&M cases will be a challenge
- May increase disputes

Pricing Challenges:

- Low however will depend on claims management

5. Exclusions – Deep Dive

Proposed Changes vs. Existing Market Practices

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6. Age Related Macular Degeneration (ARMD)

Existing practices:

- Varied – Excluded/Waiting period/Not excluded specifically

Significant Changes :

- Need to completed removed

Interpretation and Implementation :

- May be implemented with sublimits
- No definitive treatment

Pricing Challenges:

- No major challenge
- Can be estimated from available data

5. Exclusions – Deep Dive

Proposed Changes vs. Existing Market Practices

11. Puberty and Menopause related Disorders: Treatment for any symptoms, Illness, complications arising due to physiological conditions associated with Puberty, Menopause such as menopausal bleeding or flushing.

Existing practices:

- Exclusion not widely practiced

Significant Changes :

- Low unless elective in nature

Interpretation and Implementation :

- Will it cover HRT as a treatment for Menopause flushing

Pricing Challenges:

- Low

5. Exclusions – Deep Dive

Proposed Changes vs. Existing Market Practices

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12. Failure to seek or follow medical advice or failure to follow treatment.

Existing practices:

- No specific exclusion of this type;
- Some Insurer may have a practice of repudiation basis negligence

Significant Changes :

- With No such exclusion allowed – possibility of moral hazard
- Intentional self injury exclusion to remain

Interpretation and Implementation :

- Update claim adjudication process
- No penalizing authority with insurer

Pricing Challenges:

- Low

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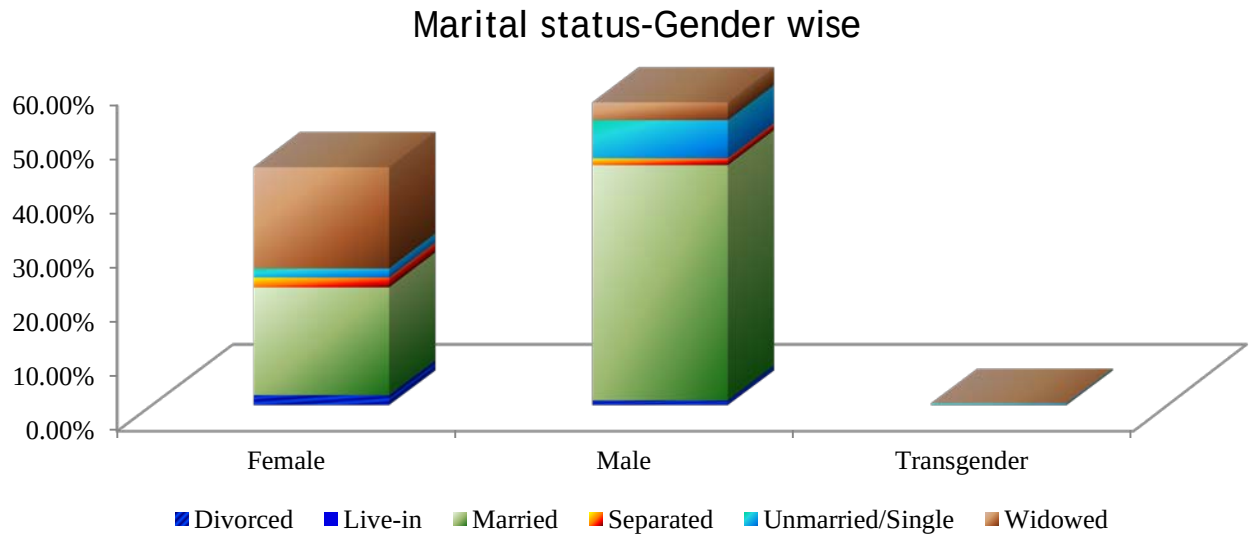
Specific Focus – HIV/AIDS

6. Setting the scene:

Demographic Study of HIV

- As per the India HIV Estimation 2017 report, National adult (15–49 years) HIV prevalence in India is estimated at 0.22% in 2017.
- The total number of people living with HIV (PLHIV) in India is estimated at 21.40 lakhs in 2017.
- Demographic profile:



- Male representation is 56% where as females are 44% (approximate)
- Larger proportion (18.55%) of widows among women.

Source: http://naco.gov.in/hiv-facts-figures
Source: http://www.actuariesindia.org/downloads/Research/completed/Understanding%20Demographic%20profile%20and%20medical%20needs%20of%20People%20Living%20with%20HIV.pdf

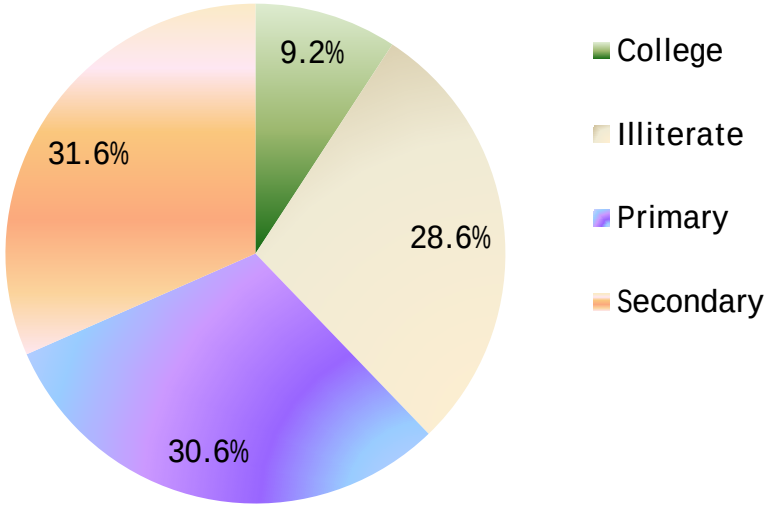
6. Setting the scene

Age & Education Levels

- Proportions of infected lives falling in different age groups -

Age Bands	*0-19*	*20-24*	*25-34*	*35-44*	*45-49*	*50-59*	*60 & above*
Infected Lives	*1.6%*	*3.9%*	*29.3%*	*42.2%*	*12%*	*8.9%*	*2%*

- Education has significant influence to HIV infection/ prevention of HIV infection; only 9.2% infected have college and higher education.



- Employed: Unemployed bear the ratio 57:43 among PLHIV
- Average annual income employed men is Rs 56,341 For employed women is Rs. 36,600 only
- Low levels of annual income are obvious in view of most of the infected lives fall in lower education levels

6. Setting the scene

Anti Retroviral Therapy

- HIV is incurable, but can be managed by Antiretroviral Therapy (ART)

- ART manages the condition by
  - Suppressing the virus (reduce viral load)
  - Maintaining function of the immune system (increase CD4 count)

- Key elements that determine life expectancy are
  - Stage of disease when therapy starts
  - Time since starting therapy
  - Adherence to therapy

7. Existing Market Practice

- Widely Insurers are excluding any condition directly or indirectly caused by or associated with HIV or Variant/mutant viruses and or any syndrome or condition of a similar kind commonly referred to as AIDS in the health plans.

- Star Health being the only insurer offering an insurance policy designed specifically for HIV-positive individuals under **Star Health Net Plus Plan.**

7. Proposed Change

The draft states as follows-

"It is clarified that Insurers shall comply with the provisions of Section 3 (j) of the HIV and AIDS (Prevention and Control) Act 2017 which specifies that no person shall discriminate against the protected person on any ground including the denial of, or unfair treatment in, the provision of insurance unless supported by actuarial studies.

Significant Change:

- With the proposed draft the insurer can only incorporate HIV/AIDS as permanent exclusion at the time of underwriting, if they have actuarial study to support denial of the health insurance coverage.
- Major challenge will be opportunistic infections associated with HIV/AIDS which are not covered now.

8. Challenges in Implementation

- Lack of India specific actuarial studies - proving HIV to be high morbidity pool
- Overseas studies indicate- HIV patients depending on the stage of diagnosis have very high levels of mortality and morbidity.
  - Active management through ART is an imperative
  - Earlier the patient is put on the treatment the better - **a patient on ART at stage 4 claims nearly 1.3 times more than a patient on ART at stage 1**
  - Even with ART treatment, **a HIV patient's claim size is nearly 3 times that of a non-HIV patient**
- ART – Primarily dependency on State
- More prevalent in population with low income and low education
- Permanent Exclusion of HIV/AIDS (if PED) – May induce Anti selection/Non-disclosure
- Unaware Customers buying HI – Disputes w.r.t. Non Disclosure
- Premium Affordability may be impacted
- Better to have Separate products with specific Health Management for HIV population
- Pre Policy Check ups/Waiting periods/Sub limits/Lifetime limits

9. Summary

- Standardization of exclusions is a step in right direction – **reducing ambiguity, enhancing scope**
- With increased customer's confidence it is expected to aid in **HI penetration**
- Certain challenges for Insurers in extending covers which were earlier excluded- data limitation
- While some changes will have an immediate price impact
- Few may not have an immediate impact as most of the covers will take time to show any material impact on morbidity
- Need for innovations in product design and claim management specially Fraud and Abuse Management to keep HI accessible & affordable to public at large
- Similar **supporting regulations/legislation for healthcare providers?** – to ensure affordable care
- **Need for expansion of private insurance pool to make such standardisation/minimalist exclusions sustainable**
  - Reduce GST on insurance premiums
  - Industry wide broader awareness campaigns like the Mutual Fund Sahi Hai
  - Mandatory HI cover for above BPL families

9. Questions

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