

# 29th Indian Fellowship Seminar

## 1-2 June 2018

### **Current Issues with Health Insurance**

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# Agenda



Health Insurance -  
Overview



Current issues in Health  
Insurance

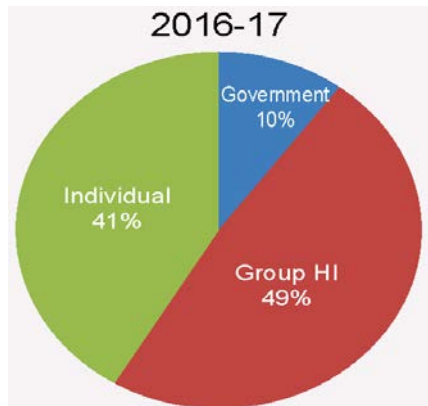
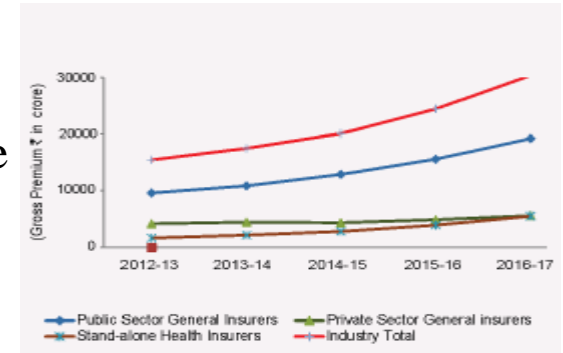


Resolutions – Way Forward

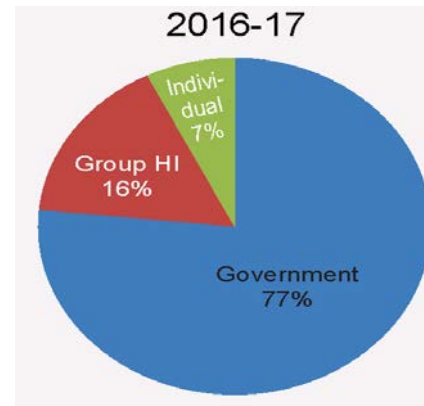
# Health Insurance - Overview



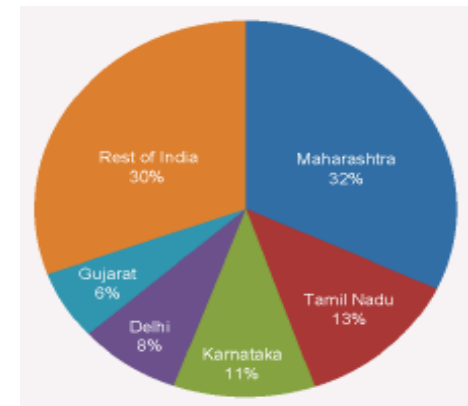
- During 2016-17, Health Insurance Companies collected INR 30392 crore as Health Insurance Premium, registering a growth of 24.3 %



Classification of Health Insurance Business

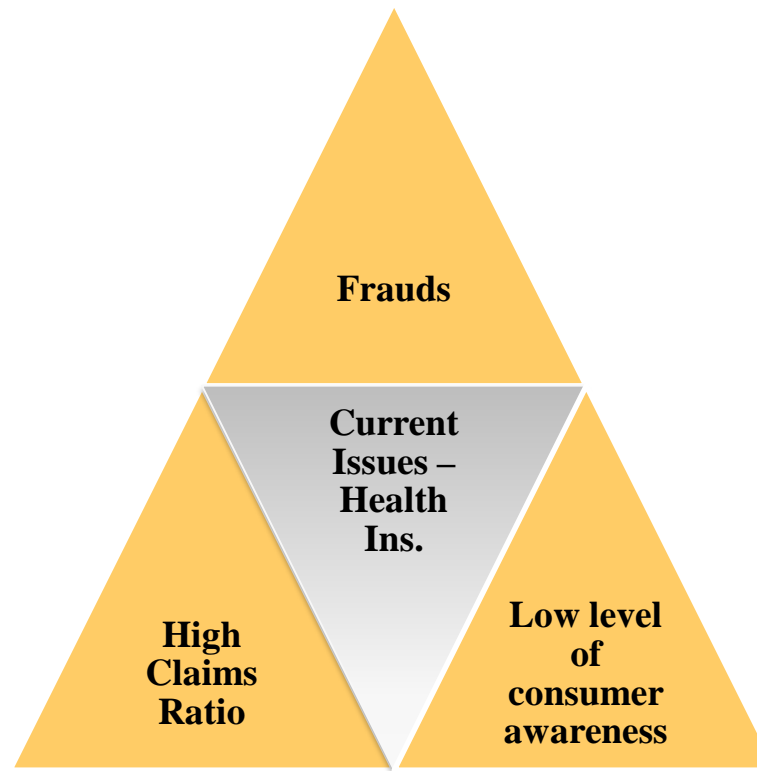


Number of person covered – Share of different classes of Business



Share of states in Health Insurance Premium

# Current Issues – Health Ins.



# Fraud – Introduction



- An act or omission intended to gain dishonest or unlawful advantage for a party committing the fraud or for other related parties (as per International Association of Insurance Supervisors, IAIS)
- According to a recent survey by Insurance Institute of India, false claims account for 10%-15% of total claims.
- Healthcare industry in India loses approx. INR 600-800 crores on fraudulent claims annually.

# Types of Fraud

- Hard Fraud – deliberate attempt either to stage or invent an accident, injury or other type of loss that would be covered under an insurance policy
- Soft Fraud – also called opportunity fraud; more common and includes exaggeration of legitimate claims by policyholder

# Parties Involved

- Policyholder Fraud and/or Claims Fraud – Fraud against the insurer in the purchase and/or execution of an insurance product, including fraud at the time of making a claim.
- Intermediary Fraud – Fraud perpetuated by an intermediary against the insurer and/or policyholders.
- Internal Fraud – Fraud/mis-appropriation against the insurer by a staff member.

# Common Frauds – Customers



- Concealing pre-existing diseases (PED)
- Manipulating pre-policy health check-up findings
- Fake/fabricated documents to meet policy terms conditions
- Duplicate and inflated bills
- Impersonation
- Purchasing multiple policies
- Participating fraud rings
- Staged accidents & fake disability claims



# Common Frauds – Agents & Brokers

- Providing fake policy to customer and collecting premium
- Manipulating pre-policy health check-up records
- Guiding customer to hide PED/material fact to obtain cover or to file a claim
- Facilitating policies in fictitious names
- Channelizing customers to rogue providers
- Fudging data in group health covers

# Common Frauds – Providers

- Overcharging, inflated billing
- Billing for services not provided
- Unwarranted procedures, excessive investigations
- Unbundling and upcoding
- Overutilization, extended length of stay
- Fudging records, patient history
- Billing for services to family members or other individuals accompanying the patient

# Fraud Indicator Examples

- Claims made shortly after policy inception
- Multiple claims with repeated hospitalization, multiple claims towards end of policy period
- Claims made immediately after policy sum insured enhancement
- Young policyholders between 25-30 years getting admitted for acute medical illness
- Claims from hospital located far away from insured's residence
- Reimbursement claim from a network hospital
- Claims with a relatively high proportion of pharmacy costs
- Claims from members creating abnormal pressure to settle claims

# Current Action against Fraud



- Action limited to:
  - Rejection of claims for serious fraud – all the cases
  - Cancellation of policy – in serious fraud cases and not abuse or mis-declaration
  - Most companies do not have an underwriting loop for cases of mis-declaration and non-declaration
  - Action against agents limited
- Legal action against fraud not very common
- Recoveries are rare

# IRDA Guidelines on Fraud



- Corporate Governance guidelines mandate insurance companies to set-up a Risk Management Committee.
- Anti-Fraud Policy duly approved by the Board
- Fraud Monitoring Department (FMD)
- Reports to IRDA on an annual basis

# Managing Fraud

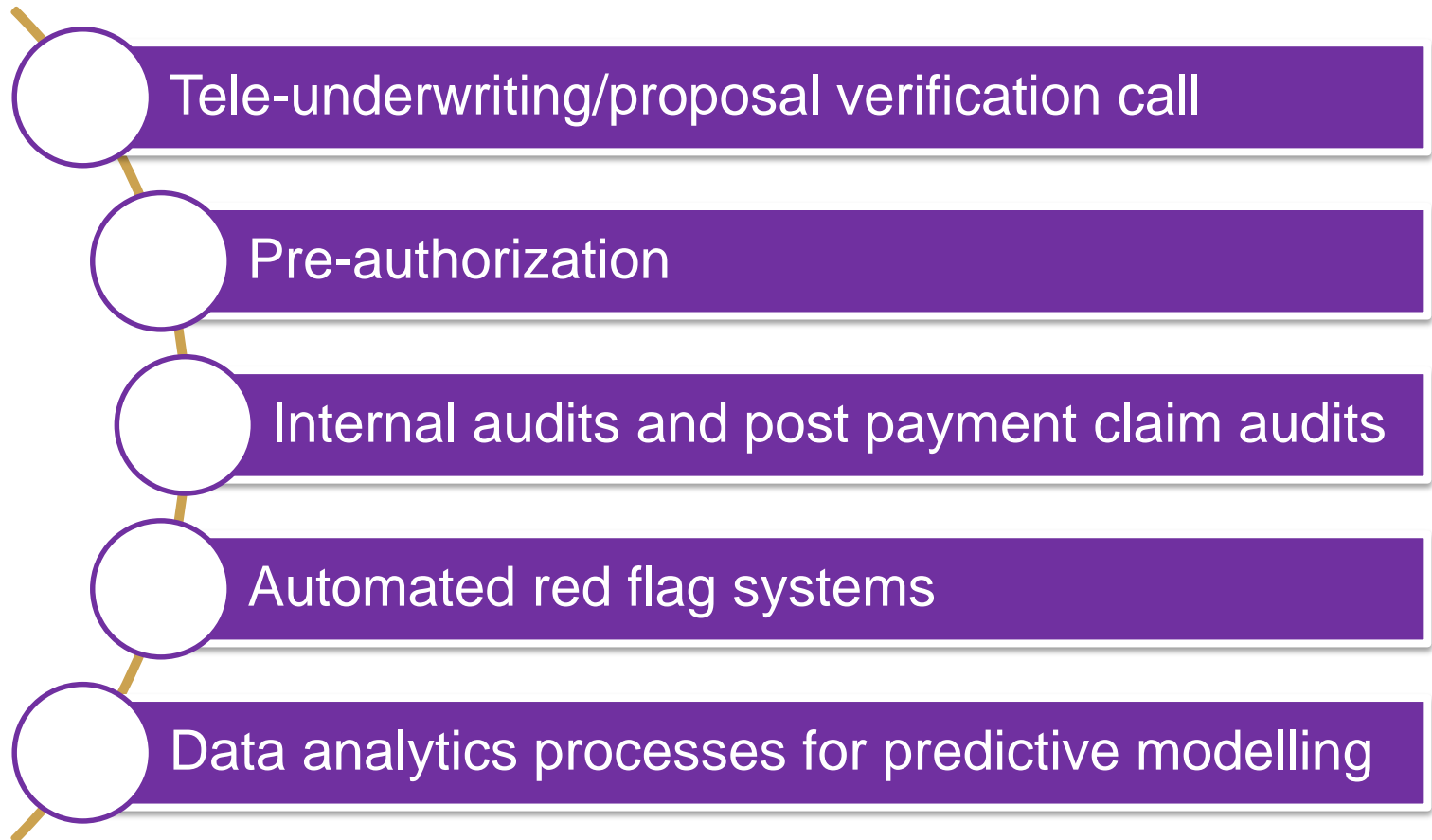
- Tele-underwriting/proposal verification call – helps minimizing agent-led fraud and use of recorded calls help substantiate evidence of fraud at claims stage
- Pre-authorization
- Internal audits and post payment claim audits
- Automated red flag systems
- Data analytics processes for predictive modelling

# Managing Fraud (Contd.)



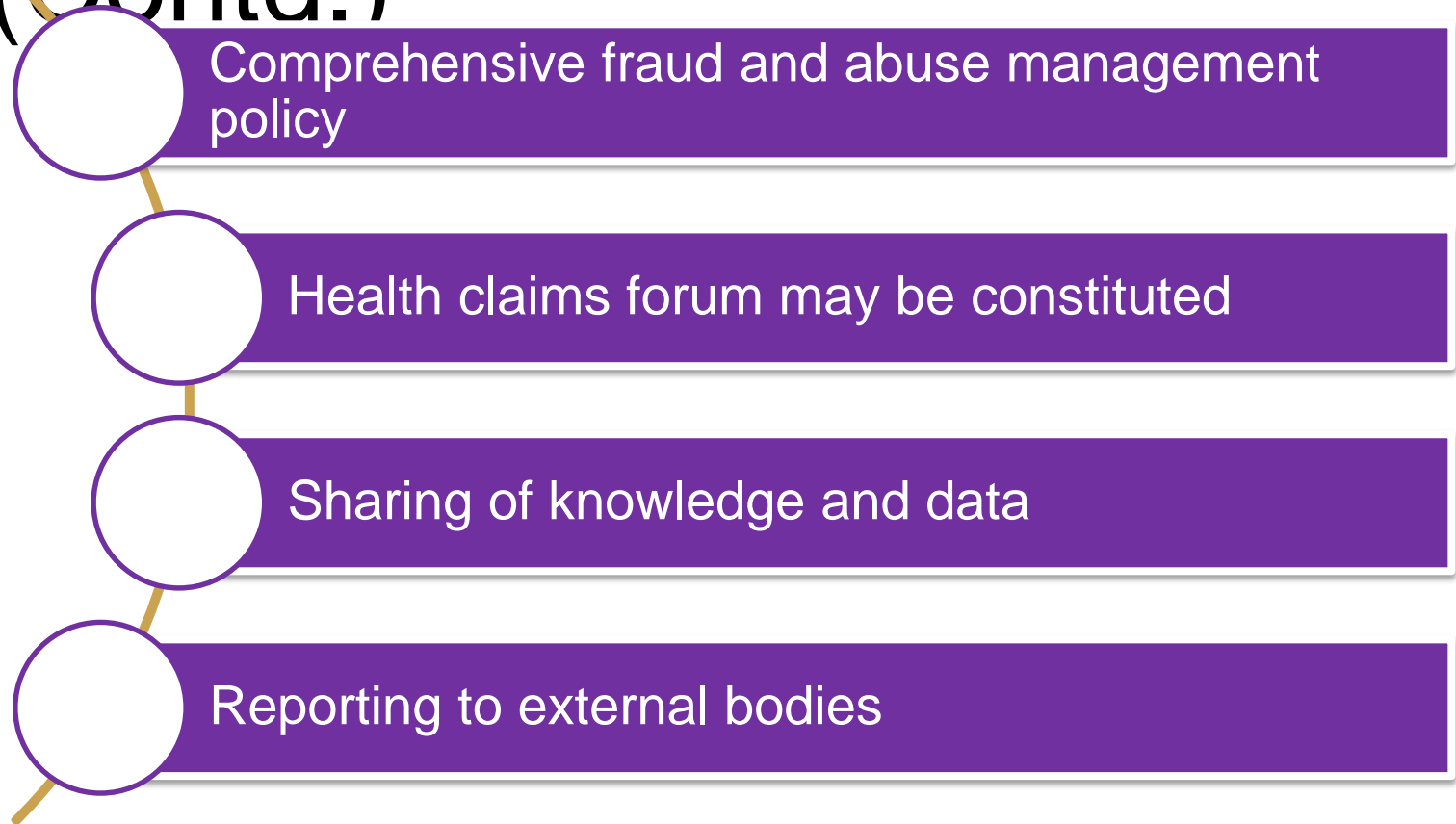
- Comprehensive fraud and abuse management policy including documentation of definition of types of fraud and abuse; policies, procedures, controls; company's action and review mechanism
- Health claims forum may be constituted
- Sharing of knowledge and data including fraud patterns and case studies, fraud customer list and intermediaries, fraudulent providers and investigators etc.
- Reporting to external bodies such as MCI, IRDA can be looked at

# Managing Fraud





# Managing Fraud (Contd.)



# Claim Ratio ?

$$\text{Claim Ratio (CR)} = \frac{\text{(Incurred Claims + Reinsurance payments + Reinsurance recoveries)}}{\text{(Earned Contributions)}}$$

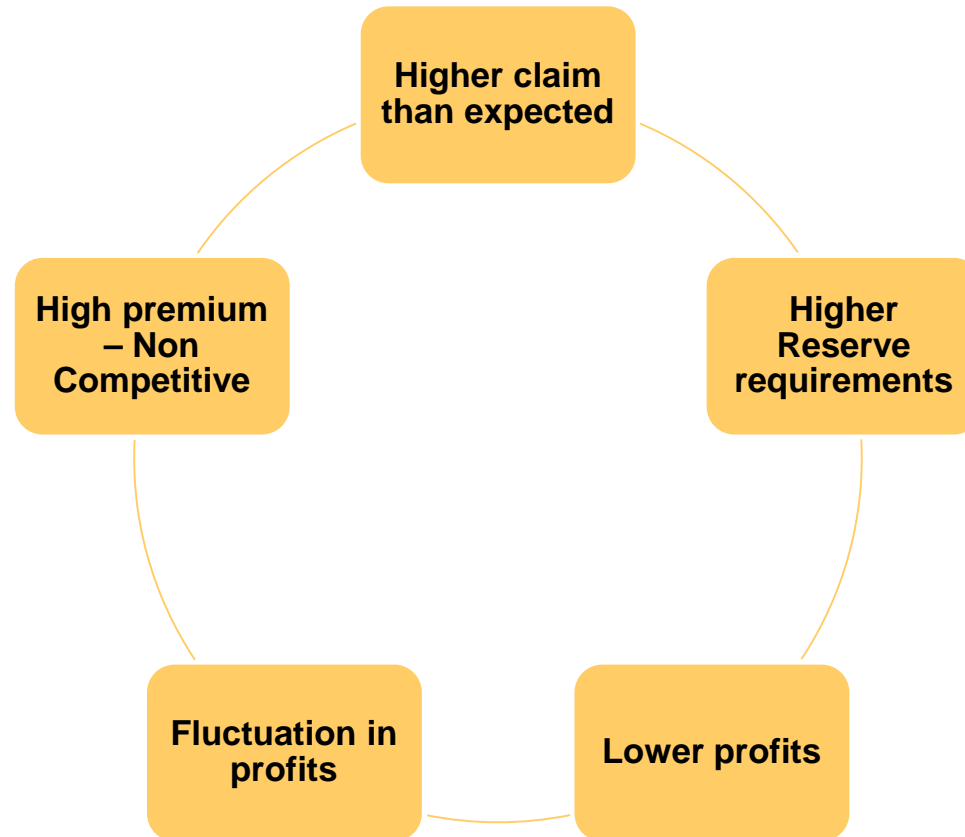


For every Rs.100 company collect as premium, they are paying more than Rs.100 as a claim for a year. Instead of profit, they are into loss

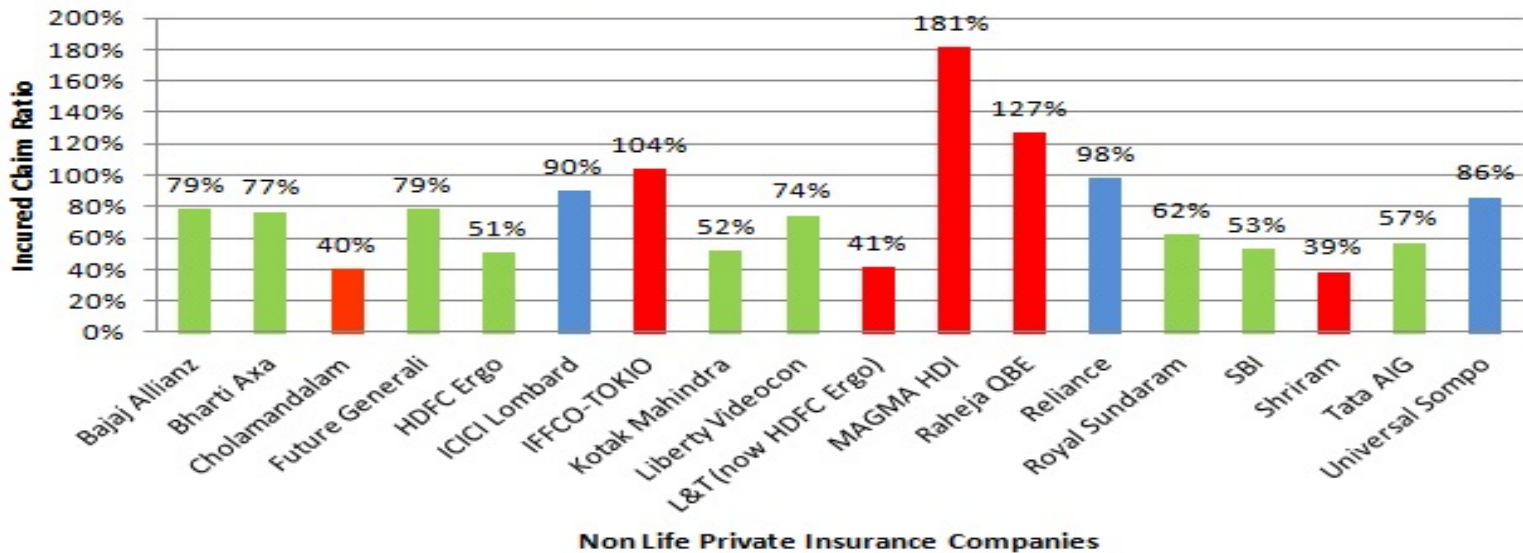
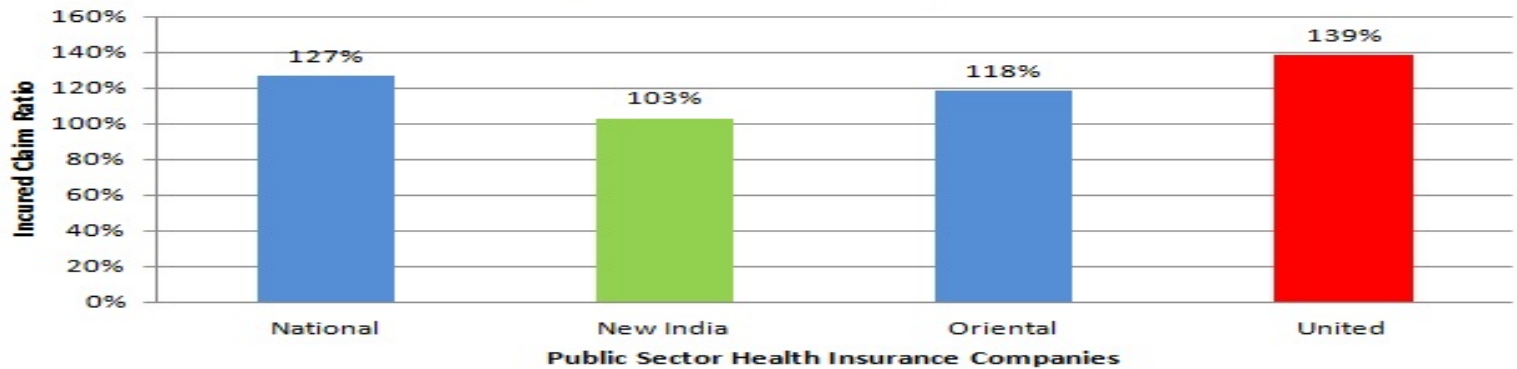


For every Rs.100 company collect as premium, they are paying less than Rs.100 as a claim for a year. Such companies are making a profit

# High Claim Ratio - Issues

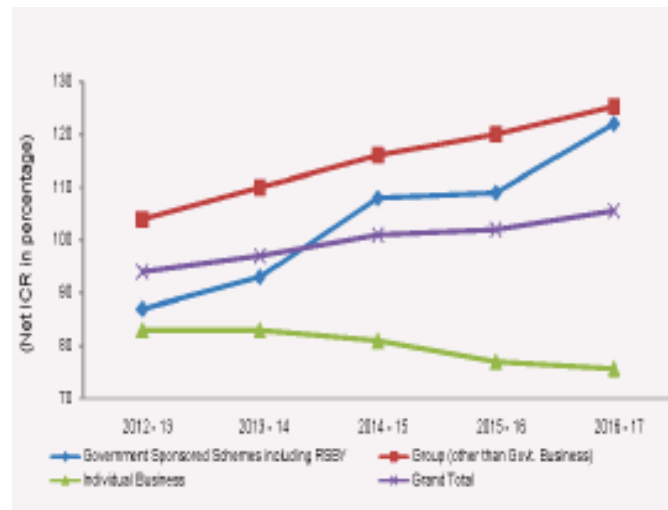


# Claim Ratio – Comparison Public/ Private



# High Claim Ratio – Trend Analysis

- Net ICR is high for Group Business (>100%) for each of the preceding five years and also consistently increasing over the same period.
- Net ICR increased for Government Sponsored Health Insurance from 87 percent during 2012-13 to 122 percent in 2016- 17
- Improvement in Net ICR of individual business - gradual decline from 83 percent in 2012 - 13 to 76 percent in 2016-17



# Claim Ratio – Precepts of standards

- Standard claim definition across industry. Such as definition of critical illness, family floater, ADL's
- Sensible comparison of data and analysis of claims ratios
- Generic terms used e.g. exclusions, deferment period

# Managing High Claim Ratio



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Alternatives    Create Large pools of similar risks

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Increased Participation

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Reduce anti selection

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Premium levels - Stable over time

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Underwriting – Adequate

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Improve premium rating rules - health status, age, gender, geography, tobacco use, industry/occupation, and family size

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Reinsurance-Adequate

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Standardisation of medical treatment across service provider treatment

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Standardisation of tariffs for procedures across all medical service providers

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# Customer Awareness ?



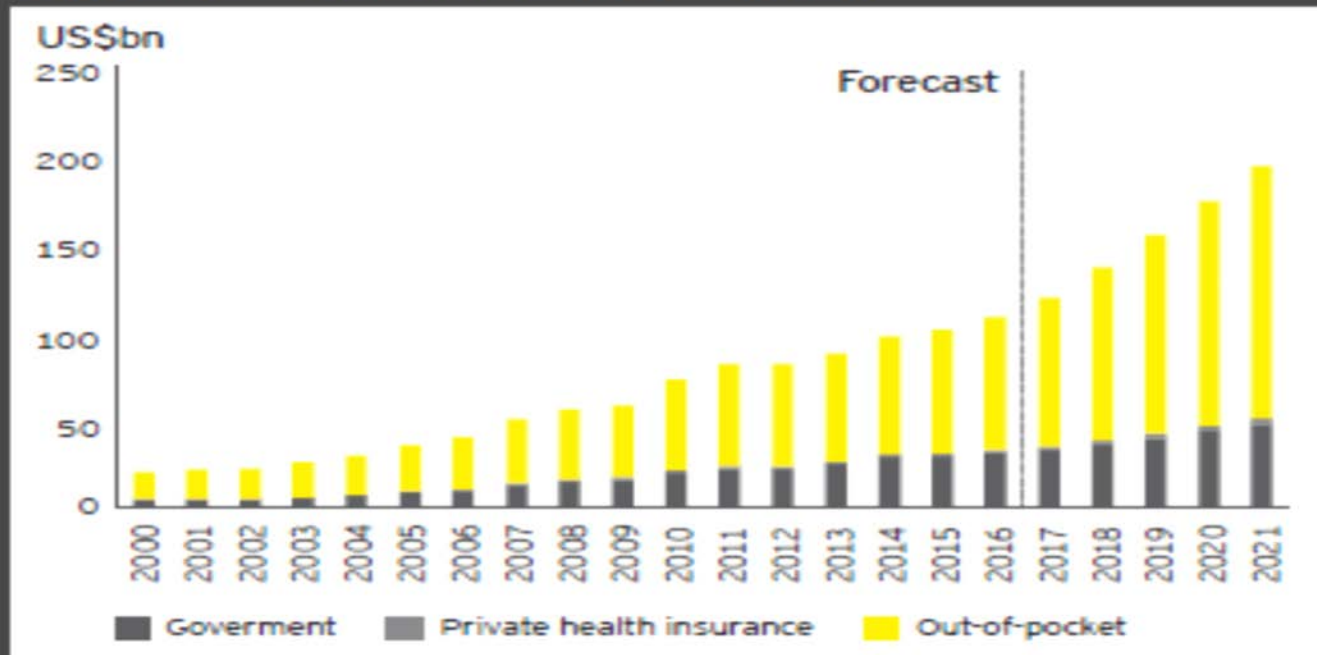
The Business Dictionary defines it as

- The understanding by an individual of their rights as a consumer concerning available products being sold.
- The concept includes
  - Choice – Availability of products
  - Information – Able to understand Terms and Conditions
  - Right to be heard – Grievance redressal mechanism



# Total health care spending

Figure 1: India – composition of total health spending

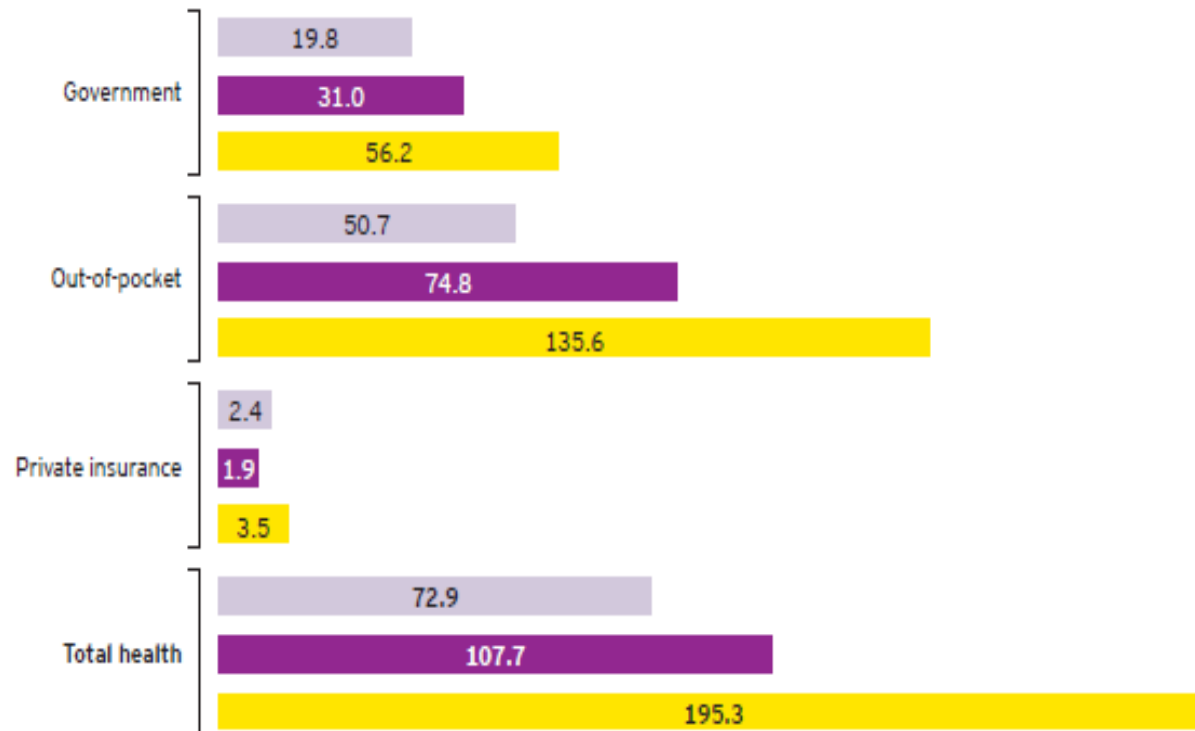


# Customer Awareness- Low?



Spending, US\$b

2010 2016 Forecast of 2021



Source: Oxford Economics/Haver Analytics

# Customer Awareness -Low?



**A Study on Customer Awareness towards Health Insurance  
With Special Reference to Coimbatore City**

**Analysis of Distribution of the Respondents On The Basis Of  
Problems Faced By Policy Holders**

<u>Problems Faced By Policy Holders</u>	<u>RANK</u>
• Terms & Conditions Stated By The Company	1
• More Formalities While Claiming	2
• Less No Of Hospitals	3
• Poor Service	4
• Rate Of Premium	5
• Poor Response From Agents At The Time Of Claiming	6
• Mis-Statement Given By The Agents	7
• Expected Amount Not Sanctioned	8
• Delay In Claim Statements	9

Source::iosrjournals.org/iosr-jbm/papers/Vol17-issue7/Version-3/I017735054.pdf

# Low Customer Awareness - Effect



- In a recent survey conducted by Aviva Life Insurance Company it was found that Indians dream big but are weak at financial planning.

Plan index 24%

- shows how Indians plan financially towards achieving their life goals.

Dream Index 61%

- which explains how aware Indians are of their life goals

- While 61% of Indian's in the survey had big dreams only 24% of the people had a financial plan to reach there.
- **One of the reasons is unexpected out-of-pocket medical expense due to lack of health insurance.**

## Low Customer Awareness – Effect Cntd..



- Lower awareness of health products
  - Lower Sales
  - Field force needs to toil more
  - Higher commission
  - Lack of innovative products
- Lower awareness about Terms and Conditions
  - Possibility of misselling
  - Dissatisfied customers
  - Lower Persistency
  - Regulatory Interventions

# Low Customer Awareness – Possible solutions



## Some common approaches

- **Educating consumers** - by a public authority, non-profit or community body
- Sales force can also undertake education as part of their marketing strategy.
- **Recommendation from influential individuals** - Trusted members of the community such as health workers, are engaged to explain and demonstrate the product.
- **Bundling with more familiar products** - with other familiar complementary products and therefore get to experience the new product.
- **Initial discount** - The product is subsidized so that there are incentives for enterprises to invest in raising awareness until there is a demand for it.

## Low Customer Awareness – Possible Solutions



- Awareness programs – eg. phone in program , press release, radio jingles, Awareness materials
- Tax incentives – Reduce GST on premium
- Compulsory insurance – (eg. Motor) beyond certain income level
- Leverage of Social media to increase awareness.
- Any compulsory "rural obligation" for health companies so that there will be push to increase the size of volume from Rural and Semi urban
- Companies to file and sell different policies to cater to the needs of population residing in different cities (e.g. A class, B Class, C class and deep rural etc) – such as budget plans to meet the needs of economically backward population.

## Low Customer Awareness – Possible Solutions

A Study on Customer Awareness towards Health Insurance  
With Special Reference to Coimbatore City

### Source of Awareness about Health Insurance

SOURCE	PERCENTAGE
• Advertisement	27.4
• Agents	45.5
• Friends & Relatives	19.1
• Doctors /Hospitals	7.4
• Employees	0.6

Source:[iosrjournals.org/iosr-jbm/papers/Vol17-issue7/Version-3/I017735054.pdf](http://iosrjournals.org/iosr-jbm/papers/Vol17-issue7/Version-3/I017735054.pdf)



## Low Customer Awareness – Possible Solutions



- Simplified products
- Minimal documents at Point of Sales
- Quicker Issuance
- Training to agents
- Collective advertisement across industry
- Family insurance – Develop a deeper base of customers by insuring entire family
- Using technologies – linking health insurance programs to smart phone applications etc
- Creating networks – eg. Create a network of diagnostic labs and hospitals to help prospective customers by setting up a call center.

## Enhancing the scope

- AYUSH Treatment – broadened to improve access and affordability
- Health plus Life Combi-products are allowed - Increasing Penetration
- Group Credit Linked Health Insurance Policies
- Lobby for Increased Government funding – National Health protection scheme
- Facilitate the provision of wellness and preventive features as part of Health Insurance Policies

## Customer Awareness – Right to be heard



- Improving Grievance redressal cells within insurers
- Collective redressal mechanism for the entire industry eg. Easy accessible 3 digit phone number.
- Separate cell for senior citizen.

*Thank You!*



**Any Questions?**

