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A Case Study with Overview of Health Insurance Portability in Insurance Sector

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Abstract

Health Insurance Portability is a regulation set by IRDA where an individual is allowed to switch between insurers at their own choice without having to worry about their no claim bonus and pre-existing diseases cover. The study aims to highlight the purpose of portability, a system that allows the policyholder to move the policy from one insurance company to another, in case of dissatisfaction with respect to the existing policy or the services or to switch over to an innovative/ another product, which could be available elsewhere in health insurance services. The Indian health insurance market share is a mix of mandatory Social Health Insurance (SHI), voluntary private health insurance, and Community- Based Health Insurance (CBHI). Health insurance is really a small player in the Indian health ecosystem. The study is based on the secondary data collected from IRDA and research papers from various journals. The study concluded that it has been more than 2 years since health insurance portability came into force but due to its complex nature, lack of interest of insurance agents, improper communication and lack of customer's awareness, it is not that much popular in health insurance services.

Keywords: Health Insurance, IRDA, Portability.

1. Introduction

Insurance is an arrangement by which the losses, incurred by a small number of insured are divided over many exposed to same type of risks.

According to health insurance portability regulation, an individual is able to switch between insurers at their own choice without having to worry about their no claim bonus and pre-existing diseases cover. Health insurance portability is quite similar to motor insurance plans where an individual can move from one motor insurer i.e. general insurance company to another and yet get a no-claim bonus if there hasn't been any claim in the previous year. So, if one is not happy with his insurer, one can move to another insurance company who promises better services. Therefore, due to portability, existing health insurance policyholders are allowed to freely switch over to another insurance provider, without losing any advantages due to health insurance portability.

2. Health Insurance in India

In India, penetration of health insurance has been low, only 3% to 5% of Indian people are covered. The size of the commercial insurance is hardly 1% of the total health expenditure in the country, in terms of the market share. The Indian health insurance market share is a mix of mandatory Social Health Insurance (SHI), voluntary private health insurance, and Community- Based Health Insurance (CBHI). Thus, health insurance is really a small player in the Indian health ecosystem[3].

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As of date, there are total 34 Companies in India which are providing Health Insurance and are broadly divided into 3 categories: General Insurance Companies providing Health Insurance, Life Insurance Companies providing Health Insurance and Health Insurance companies providing Health Insurance plans.

According to Memon[7], healthcare in India is in a state of huge change owing to increased income, health consciousness, price liberalization, and introduction of private insurance players in health insurance services. The study focuses on health insurance system, scheme, and its working in India and United States, further it obverses the level of awareness among people about Health Insurance and their criteria for selecting health insurance. The study is descriptive in nature, and data was collected from both primary and secondary sources from Ahmedabad and Baroda cities. The study shows that there is no significance difference between the Health Insurance sector in India and the US. More or less, the types of Health Insurance covers are the same like employer-sponsored, individual insurance, and government health insurance for the poor, especially in India. But the difference in both the countries is the quality of services provided and level of awareness health insurance facilities, which are better in the US[7].

Kasirajan[5] opines that health insurance is the fast emerging mechanism to finance health care needs of the people. According to them, improved literacy, modest rise in incomes, and rapid spread of print and electronic media, have led to greater awareness and increasing demand for better health services. Their study covers two blocks from Tuticorin District viz, Pudur and Kayathar. They recommend that the government should come out with a clear cut policy, where the public can be made to contribute compulsorily to a health insurance scheme to ensure unnecessary out-of-pocket expenditures and also better utilization of their health care facilities. In the present scenario, the annual expenditure on health in India amounts to about $7.00 in rural areas and $10.00 in urban areas per person, majority of care being provided by the private sector[5].

Venkatesh[9], suggests that the Insurance in India can be broadly divided into three areas: Pre Nationalization, Nationalization and Post Nationalization. Formation of Malhotra Committee and Insurance Regulatory Development Act (IRDA) is considered to be a major step for opening up insurance for private players. According to them, the trend percentage is improving year by year but low insurance density, poor literacy; lack of awareness, and slow process of claim settlement are the barriers[9].

The research study of Barot[2], administered a structured questionnaire to 333 customers, residing in Gujarat state. Their finding showed that the factors, namely empathy and human skills were significant contributors in satisfying customers. This study provides an understanding of the service quality in insurance sector, thus helping insurance managers to design strategies to maximize customer satisfaction.

The study of Yellaiah[11] identifies the determinants of awareness of health insurance in Hyderabad city of Andhra Pradesh. The study shows that 33.5 percent of the respondents were aware of health insurance, while 66.5 percent of were unaware of health insurance. The present paper concludes that the determinants, such as the higher education and higher income had positive relation to the awareness of health insurance.

The research study of Mittal and Kumar[8] used 150 respondents who are the customers of public and private insurance companies at Indore city. Factors like product attributes, customer delight, payment mode, product flexibility, risk coverage, grace period, professional advisor and maturity period of the product are taken into consideration.

The research study of Kuhlemeyer and Allen[6] explores consumer satisfaction relevant to the purchase of insurance products and compares satisfaction in a broker or agent assisted transaction with that of direct placement (no broker). The study hypothesizes that consumer satisfaction with the life insurance agent is a function of four primary factors: trust, competence, product selection, and consumer goals. The research finding shows that trust, competence, and product appropriateness play an integral part in consumer satisfaction.

The research study of Alamelu[1] analyzed the financial soundness of Indian Insurance Companies in terms of capital adequacy, asset quality, reinsurance, management soundness, earnings and profitability, liquidity and solvency ratios for promptly claim settlement. The research is conducted on basis of comparative analysis of data, related to life insurance penetration and per capita, capital adequacy, asset quality, reinsurance and actuarial issues, management soundness, earning and profitability, and liquidity of last 6 years collected from IRDA annual reports. The research shows that the growth of public and private life insurers is remarkable. By increasing the number of branches, companies have increased their market shares; still proper asset- liability management framework is required for financial stability. Along with that, they have developed innovative means of distribution which helped in improving insurance penetration[1].

According to Yellaiah[12], health insurance as a tool to finance healthcare has very recently gained popularity in India. The study discusses the coverage and features of major health insurance schemes in India, examines the role of A.P state health insurance scheme (Rajeev Aarogya Sri) in Andhra Pradesh. The study is descriptive in nature, based on secondary data, and it shows that the Aarogyasri health insurance Scheme is giving more protection to the poor people and can access Government hospital or Private hospital which are required for treatment. Most of the people were giving priority to the private/corporate hospitals in urban areas of the Andhra Pradesh.

3. Health Insurance Portability

From October 1, 2011, the Insurance Regulatory and Development Authority (IRDA) has allowed the switch over of a health insurance policy from one insurer to another under the portability initiative, while ensuring that the existing benefits to the policyholder are not lost. The main motive of portability is to provide a system that enables the policyholder to transfer the policy from one insurer to another in case of dissatisfaction with respect to the existing policy or the services of the existing insurance company or to switch over to an innovative/another product which could be available elsewhere with the other insurer. This is a welcome move and to the great extent very advantageous of the customers. Due to portability, when someone changes his/her health insurance policy from one insurance company to another, one doesn't have to lose the benefits that have accumulated i.e. no claim bonus and pre-existing diseases cover. But in the past in health insurance policies, such a move resulted in losing benefits of no claim bonus and credit time duration. IRDA guidelines on portability protect the insured by giving the right to port policy to any other insurer of insured's choice. It has laid down that new insurer "shall allow for credit gained by the insured for pre-existing condition(s) in terms of waiting period". This applies not only when insured move from one insurer to another but also from one plan to another with the same insurer. Even though portability clause is very laudable but still acceptance or rejection of risk or ported policy has to be as per the board-approved underwriting policy, irrespective of whether the proposal is fresh or for renewal. As long as the acceptance and rejection is as per such underwriting policy, the insurer can't be forced to accept any risk or ported policy which otherwise could have been rejected based on such policy.

3.1 Porting from Group Cover to Individual Cover

Under health insurance portability, portability from a group medical coverage, given by an employer to an individual cover is also allowed but the person, who is opting portability, will get credit transfer only for the period he has been insured with the current group medical coverage. Here, the customer is not having much advantage, especially if he has not made any claim with the previous insurance providing company and also the person can switch over only to the individual medical cover of the same insurer first. It is after one year only, if so desired, individual can opt for next portability to other insurance providing company.

3.2 Porting for Co-payment Clause for Dependent Senior Citizens

This is common in-group mediclaim covers, provided by the employer and, particularly for the claims made by the employees for their dependent parents. This co-payment clause refers to a part of a claim cost a customer agrees to pay while the company agrees to pay the remaining cost. This part too needs to be analyzed by the person planning for portability.

There are certain rights of the insured person for portability, which are as follow as:-

- Anyone can port policy from and to any general insurance company or specialized Health Insurance Company.
- Anyone can port any individual/family policies
- New insurer has to give the credit related waiting period for pre-existing conditions that one has gained with the old insurer.
- New insurer has to insure at least up to the sum insured under the old policy
- The two insurers should complete the porting as per the time limit prescribed in the IRDA Regulations and guidelines

3.3 Terms and Conditions Need to be Fulfilled for Portability

- One can port the policy only at the time of renewal. That is, with the new insurance company there will be new insurance period
- Apart from the waiting period credit, all other terms and conditions of the new policy including the premium are at the discretion of the new insurance company
- At least 45 days before policy renewal is due, customer has to
- Write to his/her old insurance company requesting a shift,
- Mention company to which customer want to shift the policy,
- Renew his/her policy without a break (there is a 30 day grace period, if porting is under process)[10].

4. Future and Road Ahead

From the majority of public, there is a constant demand to remove the concept of pre-existing diseases because due to that repudiation of claims by the insurance companies are done, and this has gained credibility that around 60% of the complaints filed at the offices of the Insurance Ombudsmen pertain to mediclaims. Even though, it may not be possible to completely remove the concept of preexisting diseases under health insurance policies, but there are proposals to follow certain exception with this clause, such as if there is no claim from that particular pre-existing illness or disease for a period of 2–4 years after taking the policy. Today, already many health insurance companies are following this provision with certain conditions. Recommendation of 51% FDI for health insurance companies is given by IRDA committee. Committee has also suggested a separate syllabus and exclusive training for the insurance agents who would be dealing in health insurance. According to a report of Ernst & Young under the aegis of CII, health insurance premium in India is expected to touch 30000 cr by 2015. There is need of Health insurance for the masses in India and spreading of awareness. The huge rising costs of hospitalization are ruining a large number of families and by taking health insurance at the right time for a right amount, may be, one will be able to save a lot of medical expenses and preserve fortune in the future for the families and even create good sum amount of capital. Health insurance portability may well lead in an era of higher efficiency and transparency in the matter of claim settlement; and ultimately draws a roadmap for healthy growth of the health insurance industry[4].

5. Conclusion

The concept of portability is to provide a system, which enables the policyholder to shift the policy from one insurer to another in case of dissatisfaction with respect to the existing policy or the services or to switch over to an innovative/another product, which could be available elsewhere. IRDA ensures to protect the right of both Insurer i.e. health insurance company and the Insured i.e. policyholder by providing specified guidelines and conditions for the portability. It has been more than 2 years since health insurance portability came into force but due to its complex nature, lack of interest of insurance agents, improper communication and lack of customer's awareness, it is not that much popular in health insurance services.

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