

Health plan: Compare features, costs; port if you find better deal

Combine base policy with super top-up; buy multi-year policy to cope with rising health insurance premiums

KARTHIK JEROME & BINDISHA SARANG

Health insurance premiums are on their way up. A survey of 11,000 owners of personal health insurance policies by LocalCircles found that 52 per cent had witnessed an over 25 per cent increase in their renewal premiums in the past 12 months.

An index (based on the average premiums of India's top five health insurance providers) compiled by insurance distribution platform PolicyX shows that premium rates for new policies rose 5.54 per cent year-on-year (Y-o-Y) in the first quarter of 2024.

High medical inflation

One major reason for escalating premiums is medical inflation, which has averaged between 12 and 15 per cent per annum in recent years, and resulted in larger-sized claims. "It is driven by advancements in medical technology and improved healthcare facilities, which have resulted in higher treatment costs," says Rakesh Jain, chief executive officer, Reliance General Insurance. Sophisticated procedures, which are lifesaving, also, at times, push up costs.

Manish Dodeja, head-claims and underwriting, Care Health Insurance, attributes rising hospital rates to increasing costs of drugs, implants, and other inputs.

The increased incidence of lifestyle and other diseases (some linked to environmental degradation) is also leading to higher claims.

"India is the diabetes capital of the world. The incidence of hypertension, heart ailments, and cancer is also going up," says Shilpa Arora, co-founder, Insurance Samadhan.

Both during the Covid-19 pandemic and in its aftermath, the number of hospitalisations surged, leading to an unprecedented increase in number of claims. This put pressure on insurance providers.

RISING PREMIUM COSTS: WHAT NOT TO DO

- Getting rid of the policy cover; remember that health insurance can take care of recurring claims in subsequent years (or even same year) whereas a corpus could get steadily depleted due to repeated hospitalisations
- Reducing the sum insured as no-claim bonus accumulates: It could mean you may not be able to cope with medical inflation
- Buying medical insurance only up to the level of premium on which tax benefit is available: Sum insured should be determined by your family's needs and medical history
- Including elderly parents in the family floater (put them in a separate plan); doing so will push up the cost of your floater



YOUR MONEY

"Insurers in India faced elevated costs attributable to the heightened frequency and quantum of claims," says Ajay Pruthi, founder, PLNR.

Low insurance penetration is another factor. "If penetration were to increase, costs could be spread over a larger customer base," says Arora.

The 18 per cent goods and services tax (GST) also drives premiums up.

Vishal Dhawan, board member, the Association of Registered Investment Advisors (ARIA), points out that premiums of individual policies go into subsidising the premiums of group covers.

Lifestyle inflation

Several individual-related factors also drive premiums up. One is the age band. "When an individual moves from one age band to another, his insurance premium rises, even though the policy's premium rates may not have increased," says Dodeja.

Lifestyle inflation also plays a part. With growing affluence, people prefer to go to higher-end hospitals in metros and stay in private air-conditioned rooms, including suites. The cost of the entire treatment package is influenced by the room the patient stays in.

Compare and port

Health insurance should not be a purchase that, once made, is forgotten. "Keep comparing the policies from different providers to ensure you get the best premium and coverage," says Jain. If you can find a policy that offers comparable or better coverage at a lower price, consider porting.

Combining a base policy with a super top-up is another option. Dhawan suggests that the deductible on the super top-up should be equivalent to the base policy's sum insured.

A young person who has a health policy should, upon getting married, convert it into a floater plan and add his wife (and later child) to it. Doing so is more cost-effective than buying separate plans for each member.

Arora advises that fitness-conscious individuals should go for policies that offer activity-based discounts (walk a certain number of steps each day and get a discount).

Dodeja suggests buying a multi-year policy, which can provide protection against both a hike in premium rates by the insurer and an increase in premium due to a change in age slab. Dhawan suggests going for a quality professional group cover (if you belong to one and a cover is available).

If you can't afford the premium, opt for co-pay as a last resort. This will, however, increase your out-of-pocket expenses. "Fully understand the terms and conditions if you go for this option," says Dodeja.