

ECONOMIC & SOCIAL

INCLUSION

PRE-LAUNCH ISSUE

Promoting socio-economic inclusion



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Value of Purchasing HEALTH



INSURANCE



Health insurance has its own dynamics yet they come with simplicity. In order to understand the dynamics of health insurance we need to consider the value of purchasing health insurance. The scope of this review will encompass how much insurance coverage is adequate? When is the ideal time to purchase insurance? the concept of Health insurance and other related aspects.

Importance of Health

Ensuring proper healthcare of every member of the family is vital. There is truth in the saying that 'if Wealth is gone nothing is lost but if Health is gone something is lost' this infers that wealth can be regained if lost, but once health is lost you might attain that state of health again. Funds saved in a bank account, Equity or Mutual fund portfolio which has been accrued over a period time so as to address specific needs such as child's education and retirement or other future necessities may be spent on regaining normal state of wellbeing.

The life experience of Mr. Pawar (name changed) is noteworthy. Mr. Pawar is a highly Energetic, Focused, Self Motivated, Disciplined, Organized and Healthy gentleman who works in a Multi-National Company. He worked religiously and his job was foremost in his life. Everyday he left for office at 7:00am and arrives at the office at 8:45am, since work commenced as early as 9:00am. Immediately he turns on his computer his mail box is graced with myriad of mails and he faces stress till evening when he leave the office around 6:30pm, sometimes he works overtime due to heavy work load and in order to reach performance targets. To be factual his stress level was always heightened prior to his resumption at the office from the moment he wakes up in the morning. The stress of getting ready, rushing to catch transport, driving or riding down to office facing

traffic and noise and undergoing the same stress level while returning from work at night by 8:30pm was overwhelming. He couldn't spend quality time with family and friends and he suffered from dearth of sleep. For few years it was not apparent as he used to appear fit, healthy and energetic but suddenly he had a heart attack while he was sleeping at night. He was taken to the hospital and the doctor suggested administering bypass which would cost Rs. 4Lacs plus additional hospital expenses and post hospitalization expenses which equaled his entire life saving. The sad part was that he will not be able to carry out work related activities at optimum level anymore. The bottom line is that he lost his health, wealth and capacity to acquire wealth again.

Facts about Health and Surveys

According to various studies and surveys, the age of getting heart attacks has declined from 40 to 30 years in the last decade apart from poor eating habits, a sedentary lifestyle and lack of exercise triggers heart diseases. India is presently viewed as diabetes and oral cancer capital of the World, as huge numbers of sufferers are found in India. We would not deny the fact that we have heard news about friends and family member who are facing any of these issues in life such as Obesity, related chronic diseases, Hypertension, Diabetes, Heart Disease, Cancer or any other life threatening diseases. Stress has become an inevitable part of our daily life from college students to working professionals even individuals who are not working but stay at home can come across any of these diseases. It is a fact that even if we change our lifestyle and stress level we need to understand and accept the fact that we have damaged our health already to certain extent. It is important to understand the need of health insurance which can act as a savior, protect us financially and keep us healthy to attend many milestones events and attain future financial needs of self and family.

What is Health Insurance?

Health insurance is a plan which protects your savings, investments and other assets that can be impacted by unforeseen medical emergency situations. As health issues have increasingly become more complicated and unmanageable in nature, it is a wise choice to have a health insurance plan in place. These provide coverage and safeguard your financial assets against any medical emergencies.

How much do you need?

- Depends on Affordability

A big factor which decides how much health insurance a person requires is "Affordability" of the premium cost. Not everyone would be able to pay premium fixed at Rs 20 lacs or 50 lacs. For example, if premium cost is fixed at 2.5% of yearly income and a person earns Rs 10 lacs a year he will be comfortable paying an annual premium cost of Rs 25,000 or may find an alternative method.

- As percentage of Income, lifestyle and complete risk transfer

An Ideal Health Insurance cover should commensurate with your expenses or the savings made from your income, specifically 100% of your annual income is the ideal figure for your health insurance cover. This infers that a person earning Rs. 10Lacs a year should be obtain Rs. 10Lacs coverage, it is important to always take your lifestyle, present medical expenses into consideration and if you desire to transfer complete risk of critical illness opt for higher health insurance cover. However, an upper limit can be kept say Rs. 30Lacs because a person may not need health insurance of over Rs. 30Lacs especially at a young age and it is possible to increase the coverage with time after a critical evaluation of various options available with the insurance firm.

How much does it costs?

Health insurance has a wide range of features and options which are made available to cater for the diverse needs of individuals. Health insurance has various ways of handling different health situations so it's important to know what features and options are available and how do they suit your health insurance need. It is important to consider certain things before you purchase any health insurance policy.

- Research about Health insurance

One of the most important step is to consider carefully all the options available in the market and provided by the various insurance firms. There are many different policies so it is important to check with each provider to find one which suits your needs.

- Compare prices

There are different policies, providers, options available in health insurance segment which attract varying

charges and it is of importance to compare offers and what type of coverage you are getting for your money. Donot forget to read the terms and conditions of coverage before purchasing.

- Cut the costs with Medical Top up policies

There are many ways to keep your private health insurance whilst combatting expensive premiums by taking a few cost cutting measures. One option is adding a higher excess to reduce premiums, this means that you will effectively pay for minor treatments but your insurer will cover the open ended costs of more serious illness.

- Family floater policy

If there is a shortage of funds then purchasing Family floater Medical Policy instead of taking Individual policies for every family member would bring policy premium substantially down as compared to individual policy. This works like instead of obtaining separate Health insurance cover for every single member, family members mentioned in the policy shares a common health insurance cover. Once any member or all member of the family spends the Insurance Sum Assured, for the rest of the year all other insured members will be left with no cover until the annual policy is renewed or they obtain cover from another existing health insurance policy.

Price Range (illustration/Example)

For Individual (self) under 40 years for Sum Assured of Rs. 10Lacs, Premium would come around Rs.11,000/- and if going or floater with self + spouse then for common Sum Assured of Rs. 10Lacs premium comes to around Rs.16,500/- If the age is upto 25 years premium will be reduced.

Technically speaking: if an individual purchases a Health Insurance for 15 years a person has paid Rs.1,65,000(11,000 x 15years)throughout the period. Throughout the 15 years duration, if an individual have bought Health Insurance which include hospitalization cost Rs. 8, 00,000 his assets will be protected from life's unforeseen medical expenses.

What all Health Insurance Covers?

- Medical Expenses During Hospitalization: Medical expenses incurred following counsel from a Doctor as an in-patient in a Hospital which includes accommodation cost; Boarding Expenses including patient's diet provided by the hospital or nursing home, further includes nursing care; supervision of medically qualified staff, it also includes standard Pre and Post hospitalization expenses.
- Pre-hospitalization: Medical Expenses incurred in respect of the medical treatment of an Illness during the consecutive 60-day period

which precedes hospitalization. It should be noted that for the same illness the aforementioned 60 days period must start and end within the Policy Period. If the policy gets renewed the 60 days period may fall in the previous policy period.

- **Post-hospitalization:** Medical expenses incurred in respect of medical treatment and required investigations for a period of up to 90 days after discharge from the Hospital related to the illness.
- **Emergency Ambulance Charges:** Cost to a maximum of Rs 1000 per valid hospital claim for transferring to or between Hospitals in the hospital's ambulance or in an ambulance provided by any ambulance service provider.

What are the Health Insurance Exclusions?

Exclusions include a waiting period of 4 years for pre-existing diseases, Joint replacement surgery other than due to accident shall have a waiting period of four years these exclusions are applicable for first 4 years. At the time of proposing for the policy all existing diseases or injuries will be excluded if any claim arises. Any disease contracted during the first 30 days of commencement of the policy the claim for the said medical expenses will be excluded and considered as void. Health Insurance does not cover Cosmetic, Aesthetic or any related treatment.

What if you are medically covered by Employer?

Health insurance coverage through their employers has both benefits and challenges to workers. It is important to understand the pros and cons of getting your insurance where you work. For instance, buying your health care plan through your employer can lower your costs, but it can limit your choices as well.

Lower Costs

Employers might be able to negotiate lower group rates with insurance companies as there are big volume of premium and lives will be insured, and that reduces the premiums for all employees who participate in the plan but when you buy your own health insurance, you might get standard rates applicable for retail insurance policies. In addition to the lower group rates, employers might pick up least part of the coverage for their employees but if you buy a plan on your own you will have to pay the entire cost for all coverage features.

Easier Access

Getting coverage through your employer provides you with one stop solution and makes it easier to find the plan which might suit your needs. If you shop on the individual market, you will need to carry out research on Health insurance, compare prices and benefits and make necessary decisions. The process of identifying the best health care plans and choosing the right one can be both complicated and time-consuming. Simply

choosing a plan from your employer is much simpler and faster but it may not be apt to your needs.

Limited Choices

Perhaps the biggest disadvantage of employer-based health insurance comes with limited number of choices. Depending on the employer, a single plan with limited features may be made available. Even if there would be an access to more than one plan, yet choices would likely be limited to restricted key features. If you buy instead from the retail market, you can have access to a wide range of plans, from comprehensive to add on features, very low to high deductible health plans with complete coverage for the entire year even in case of Loss of job, Retirement, Change to part time or Switching Jobs which is an added advantage. Further disadvantages to employer-sponsored coverage is that employers are not obligated to offer coverage, not all workers have access to it and due to any reason if the job is terminated or one decides to start up a personal business loss of coverage may occur.

Tax Benefits

Health Insurance comes under the tax saving provision under section 80D of the income tax act 1961, the tax benefit can be enjoyed for paying the insurance premium for Health Insurance where tax deduction can be as high as of Rs 60,000 under the section 80D. You can get a tax deduction of maximum Rs 25,000 on the health insurance premium for self and family, if you are not a senior citizen. If you are a senior citizen, you can claim tax deduction on the premium of up to Rs 30,000 for yourself and family. If the parents are senior citizen then maximum limit is 30,000. So technically Rs. 55,000 (Rs.25,000 + Rs. 30,000) deduction to take Health Insurance Self, Family if you are not senior citizen and including senior citizen Parents or Rs.60000 (Rs. 30,000 + Rs. 30,000) in case you are senior citizen too that provides an extensive Tax saving of upto Rs. 18,000 (if an individual income slab comes under 30% slab). This makes buying Health Insurance further a wise decision that can lead to multiple benefits.

Girish Aswani

(writer is Director, Allons Insurance Research & consultants Pvt Ltd)

