Health Insurance Needs Bitter Pill

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Health insurance is meant to be a safety net. But over the past three years, it has become an unsustainable financial burden. This hike far exceeds medical inflation or any logical adjustment. It's not just a personal grievance but also emblematic of a larger systemic issue: a regulatory framework that facilitates grievances but fails to enforce accountability.

Insurance Regulatory and Development Authority (Irda) is mandated to protect policyholders' interests and adjudicate disputes. Its guidelines state that insurers cannot change premiums for at least three years unless there is a significant change in risk factors or claims experience. Yet, in practice, insurers justify steep hikes with vague references to 'loss ratios' or 'medical inflation'. Consumers, meanwhile, are left with little clarity about what constitutes a 'significant change'.

Perhaps Irda has forgotten its duty. This approach creates a systemic loophole, reducing the regulator to a passive facilitator rather than an enforcer. For senior citizens reliant on fixed incomes, such failures in regulation are more than frustrating. They are a direct threat to their ability to access affordable healthcare.

India's health insurance market is reportedly booming, with non-life insurers collecting over ₹1 tn in premiums in FY24, a 20.2% increase from the previous year. But this growth may not be sustainable if rising premiums alienate consumers.

Steep premium hikes, especially in group insurance schemes, risk reversing gains in insurance adoption. Vulnerable groups, including senior citizens, may opt out of coverage altogether, undermining financial inclusion goals.

Along with increasing premiums, policyholders face another alarming trend: rising claim rejections. In FY24, reports suggest that insurers rejected health claims totalling ₹26,040 cr — a 19% increase from the previous year. A recent LocalCircles survey revealed that 43% of policyholders faced difficulties with claims, including rejections and partial approvals. This dual burden of paying more while receiving less erodes trust and discourages long-term participation in the insurance market.

According to Irda, health insurance accounts for the largest out-of-pocket (OOP) expenditure for families. Premium hikes exacerbate this burden, reducing disposable income and stalling consumption.

For a country where four-fifths of health expenditures are OOP, the lack of a robust public health system makes citizens even more vulnerable. It is also reported that hospitals charge non-insured persons more, increasing the economic burden.

Have a heart

To restore trust and ensure market sustainability, regulators and insurers must address these systemic issues with the following reforms:

▶ **Mandate transparency** Insurers must provide a detailed, publicly audited breakdown of factors driving premium hikes, including claims experience and administrative costs.

▶ **Cap annual premium increases** Introduce regulatory caps on premium hikes, especially for group policies and senior citizens.

▶ **Strengthen adjudication powers** Empower Irda to not only facilitate grievances but also adjudicate them, with the authority to impose penalties for exploitative practices.

▶ **Enhance consumer representation** Establish advisory panels that include consumer voices in regulatory decisions.

Health insurance is not just a financial product, it's also a promise of security and trust. When insurers exploit this promise, and regulators confine themselves to facilitation, the entire system risks collapse.

India's health insurance market must balance growth with fairness. For millions of policyholders, this is not just a matter of affordability but also a matter of survival. An underlying factor is an unregulated health system, which GoI must consider as a priority in the upcoming Union budget if the expansion of health insurance is to be seen as a way forward.

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