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## Double whammy for insurance policyholders

M SARASWATHY  
Mumbai, 5 March

It is a double whammy for insurance policyholders. Last year, service tax was made applicable for insurance premiums; in the Budget presented on Saturday, finance minister Arun Jaitley raised the rate of service tax from 12.36 per cent to 14 per cent. With this, premiums are set to go up and policyholders who paid higher price last year will have to do so this year, too.

This will not only impact the middle-class and upper-class customers, but also those enrolled in specific health care schemes. Anuj Gulati, managing director and CEO, Religare Health Insurance, said: "The marginal increase in service tax to 14 per cent will certainly impact the consumer, with a larger impact being experienced by low-income con-

sumers of health care schemes wherein there has been a long-standing industry request of removing the service tax levy."

Besides, the goods and services tax (GST) to be implemented from April 1, 2016, will further increase the premiums. Apart from service tax, insurance premiums are dependent on mortality tables dealing with life expectancy and past claims. While insurance premiums came under service tax purview from January 1, 2014, insurers passed it on to customers in a gradual manner.

Insurance experts are of the view that the insurance business would be impacted even in the next financial year with GST being implemented, which proposes a higher rate of service tax.

Ajit Banerjee, chief investment officer at Bharti AXA General Insurance, said that the increase in service tax would

result in rise of premium to policy holders. He added this might further increase to 16 per cent from April 16 to facilitate transition to GST.

The head of actuarial department at a mid-size life insurer said it would file the revised premiums of products from the next financial year, keeping in line with the service tax hike.

Insurance premiums had come under the service tax ambit from calendar 2014 when the government had made changes to the Finance Bill. After this, the service tax impositions were passed on to customers in the form of an increased premium rate.

Rajesh Sud, CEO and managing director, Max Life Insurance, said the increase in service tax could also be a deterrent to the insurance sector. Life insurance premiums have been on a decline in

the current financial year with a drop in new premiums by 8.7 per cent.

However, it is still not clear whether there will be a gradual premium hike as well as what impact would there be on renewal premiums. Insurers expect some short-term impact on persistency (the number of policies that are active after the first year) due to the premium increase.

Earlier, the United Progressive Alliance government had widened the base of service tax to include insurance policy premiums paid by life insurance policyholders. Here, the service tax rate on traditional life insurance products was set at 3.09 per cent. For term-plans and unit-linked insurance policies, it was set at 12.36 per cent.

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*money*

# AT HOME

## Insurance companies cover some home care expenses but only under certain conditions

**By Dipak Mondal**

**C**HEMOTHERAPY is a painful procedure. Add to this hospital visits (one or twice every month) and the cost of each session (₹20,000 to over ₹1 lakh a month). And the fact that the treatment can continue for six-eight months, maybe more. Just imagine the time, money and effort involved in all this.

But what if the treatment is administered at home and that too at a lower cost?

Home care services, already a ₹3 billion industry in the US, have caught the fancy of Indian start-ups as well as big players such as Max Healthcare and Dabur Ltd promoters.

In India, the industry is estimated to be worth \$2-4 billion.

"As a result of advances in communication and medical technology, a lot of interventions that were earlier possible only in hospitals are now possible at home. This helps patients save on room rent and allied costs. Total savings come to 20-25 per cent," says Hareesh Trivedi, director, Max Home Healthcare.

**WHAT THEY DO**

Home care companies provide attendants, nurses, physiotherapists and doctors at home to take care of senior citizens as well as patients after surgery. They employ people who can carry out medical procedures such as chemotherapy and dialysis at home. Some also provide medical equipment and surgeries.

We discuss some of the most common services offered.

**Post-surgery care:** After surgery, most patients remain in hospital under observation. If they are discharged earlier and rehabilitated at home, they will save a lot of money. The hospital, too, will make more money by giving the bed to someone else.

There is another benefit too. "There is a drop in compliance to the treatment plan after discharge from hospital. A home care service provider can provide support at home," says Meema Ganesh, co-founder and CEO, Pacta Medical, a home care service provider.

Post-surgery services include pain management, intravenous antibiotic therapy, diet monitoring, wound care and physiotherapy. In most cases, this requires the expertise of a nurse or an attendant. If provided in hospital, the bill may include doctor's fee (at times for just stopping by) and equating about your well-being, room rent and cost of food. At home, you can cut down the cost of room rent and food.

**An alternative, home care providers offer services such as day-to-day disease management, regular observation, pain & diet management and chronic setting.**

"The savings can be 10-20 per cent depending on the surgery," says Gulati.

**Chronic care:** Non-communicable diseases (or chronic diseases) account for 40 per cent hospitalisation cases in India. These include coronary heart diseases, chronic respiratory diseases, cancer and diabetes. If not managed, these can sharply increase costs.

So, chronic care is an important aspect of the health care system. Given the need for expert day-to-day care, getting these services in a hospital means regular visits, even a short period of hospitalisation. This is inconvenient and costly.

As an alternative, home care providers offer services such as day-to-day disease management, regular observation, pain & diet management and counselling and carry out procedures such as chemotherapy and dialysis.

"We offer services in managing chronic obstructive pulmonary disorders and asthma, neuro problems and chronic congestive heart failure. We also offer post-operative wound management for diabetics and home physiotherapy for pain management and rehabilitation," says Vishal Bhat, co-founder and chairman, Medwell Ventures. Medwell offers services under the Nightingales brand, which it acquired recently. Nightingales earlier used to serve only senior citizens.

"Our effort is to reduce recurrent hospitalisation cost by 20-30 per cent every year for patients with chronic diseases. Our one-month package for severe stroke recovery is ₹20,050 as against the hospitalisation cost of ₹1,300 a day," says Bhat.

**Geriatric care:** Life expectancy is rising in India, thanks to improved health services. The population of those aged 60 and above will increase from 8 per cent at present to 12 per cent by 2025 and 15 per cent by 2040.

Taking care of ageing parents is already a major issue given the shrinking size of families. So, home care providers also offer nurses and trained attendants and, if needed, doctors to take care of senior citizens.

Infirmity can restrict a person's movement in old age and he/she may need help for bathing, dressing, eating, medication and mobility.

ILLUSTRATION: PRAGATI

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## KEY DRIVERS OF HOME HEALTH CARE

### 1 POOR HEALTH INFRASTRUCTURE

India has seven physicians and 17.1 nurses per 10,000 people. The global average is 14.1 and 29.2 respectively

### 2 POOR SOCIAL SECURITY

60% health expenses are financed out of pocket

### 3 HIGH PREVALENCE OF NCDs

60% of deaths and 40% of all hospitalisation is due to chronic diseases like cancer, respiratory problems and coronary ailments; income lost every year due to

non-communicable diseases (NCDs) is equivalent to 1.27% of GDP

### 4 GROWING ELDERLY POPULATION

By 2050, one-fifth of all Indians will be above 60 years

### 5 POOR HOSPITAL HYGIENE

In India, 30-35% of hospital stays result in hospital-induced infections

### 6 LOW HOME CARE PENETRATION

While home care industry is worth \$75 billion in the US, in India, it is just around \$2-4 billion

## HOW INSURERS COVER HOME CARE SERVICES

CATEGORY	WHAT IS COVERED
Out-patient cover	Doctor's consultation, physiotherapy, nursing, lab tests
Day care	Procedures which do not require 24-hour hospitalisation—hemodialysis, chemotherapy, etc
Domiciliary care	Illness/disease/injury which in the normal course will require care at a hospital/nursing home but is actually treated at home
Pre- and post-hospitalisation	Expenses incurred before and after hospitalisation for treatment of a disease
Value-added services	Some insurers offer discount on home care



**HELPING ELDERLY PEOPLE DOESN'T NEED EXPERTISE OF NURSES BUT TRAINED ATTENDANTS**

— P. Thiyaarajan, Co-founder, India Home Healthcare

**THERE IS A DROP IN COMPLIANCE TO THE TREATMENT PLAN AFTER DISCHARGE FROM HOSPITAL**

— Meena Ganesh, Co-founder and CEO, Portea Medical



P. Thiyaarajan, co-founder, India Home Healthcare, which provides care gives, says earlier the company used to hire nurses but later realised that helping the elderly in mobility, eating, bathing, medication, etc. does not require their expertise. "So, we started hiring people who would otherwise work at domestic help."

"They are trained for three months before being deputed," he says.

India Home Healthcare charges ₹18,000 a month for a trained caregiver (12-hour shift). The caregivers double up as companions for older people who are unable to move out of their bed or homes.

However, depending on the need, care providers also arrange visits of doctors, nurses and physiotherapists.

Care to new mothers, newborns and other services: Both new borns and their mothers need a lot of care.

While at hospital they are taken care of by the staff, some service providers offer similar care at some after discharge. Some also

offer services for children born with disabilities, including training and counselling.

Other services include collection of samples for tests, delivery of medicines, physiotherapy and sale and renting of medical equipment.

### FRINGE BENEFIT FOR INSURERS

Though many medical procedures can be cheaper when carried out at home, they may not be covered by your insurance policy.

So, we talked to insurers—standalone health insurers and general insurance companies—to know where they stand on these services. This is what we found.

Indemnity plans do not cover home care as a separate category. However, some services offered by home care providers are covered only if prescribed by doctors or if expenses incurred are an extension of hospitalisation. These are covered under these broad categories:

**Domiciliary Treatment:** This refers to treatments done at home which otherwise need hospitalisation.

"We cover domiciliary or home care only if there is a physical condition due to which the patient cannot go to hospital or there is non-availability of room," says Roopam Arthana, chief executive officer and director, Liberty Viecocon General Insurance.

Max Bupa Health Insurance covers home care services for the elderly if prescribed by a doctor. It also covers home care under domiciliary treatment.

Some insurers cap the cover under domiciliary treatment. For example, Religare Health Insurance covers domiciliary treatment up to 10 per cent sum insured. That means if the sum insured is ₹3 lakh, it will pay an expense of up to ₹30,000 on domiciliary treatment.

Day care treatments and OPD: Some medical procedures can be done without the patient having to stay in a hospital for 24 hours (the basic criterion for getting covered under an indemnity plan).

Some common day-care procedures include cataract surgery, hemodialysis, chemotherapy and radiotherapy.

Some insurers cover only a few home services under the OPD category. Cigna TTK provides health maintenance benefits ranging from ₹500-₹15,000 a year for consultation, nursing care, pharmacy expenses, diagnostic tests and physiotherapy under ProHealth plan.

"Under the Global Health Group Plan, we also cover home nursing up to the full sum insured irrespective of whether it is associated with hospitalisation or not," says Bhandeep Patel, CEO, Cigna TTK Health Insurance. ICICI Lombard also

covers some home care treatments under OPD.

"Some services like physiotherapy, consultation, routine diagnostics, etc. can be covered in the OPD category," says Sanjay Datta, chief, underwriting & claims, ICICI Lombard General Insurance. Pre- and post-hospitalisation: Medical expenses before and after hospitalisation are covered by all insurers.

The expenses should be due to the illness that led to hospitalisation. The period of pre- and post-hospitalisation coverage differs from insurer to insurer.

For example, Religare Health covers expenses of up to 30 days before and 60 days after hospitalisation, while Cigna TTK covers expenses up to 90 days before and 180 days after hospitalisation.

"Our Care policy covers 30 days pre-hospitalisation & 60days post-hospitalisation expenses; this applies to any treatment availed of by the insured pertaining to the ailment for which she has been hospitalised and is limited to the sum insured," says Anuj Gulati, MD & CEO Religare Health Insurance Company. Home care services such as post-surgery and chronic care can be covered under this category.

Other than the above, some home treatments are covered as part of value-added services by Bajaj Allianz General Insurance. "Any Bajaj Allianz Health Insurance policy holder can avail of discounts with some home care service providers with whom we have a tie-up," says Renuka Kanvinde, associate vice president, health insurance, Bajaj Allianz General Insurance.

### INSURERS' APPREHENSIONS

"Though companies and medical fraternity talk about insurance beyond hospitalisation, it seems insurers are still apprehensive about covering home care as a separate category."

Kanvinde of Bajaj Allianz says that there is need to first standardise basic health services covered by insurance; home health care is not even on the radar of companies.

She says the country needs to develop an effective accreditation system for hospitals and doctors before we can think of home health care.

"While home care can be instrumental in managing clinical pathways to enable better outcomes and reduce costs, standardisation with some basic protocols, including empanelment of doctors, is a key requirement," says Somesh Chandra, COO and chief quality officer, Max Bupa Health Insurance.

Indemnity plans do not cover home care as a separate category. Some services by home care are covered if prescribed by doctors.

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# Focus on need while buying health cover



Substantial tax breaks announced in the Budget are a bonanza for health insurance buyers, but avoid buying or enhancing your cover solely to exhaust the limit.

PREETI KULKARNI

**C**alls from agents peddling investment-cum-insurance schemes to help you exhaust the Section 80C limit is ritual between January and March every year. From the next tax-saving season, this ritual might include health insurance thanks to Finance Minister Arun Jaitley's Budget proposal to extend the deduction limit for health insurance premium under Section 80D from ₹15,000 to ₹25,000. For senior citizens, the cap has been raised from ₹20,000 to ₹30,000. If you are paying premiums for your parents aged over 60, apart from yourself, spouse and children, you can claim total deductions up to ₹55,000.

#### Utility, not tax benefits key

This is where insurance distributors could step in to seize the "opportunity" to sell larger health covers or premium variants to you.

The latter category offers a host of services like second opinion, vaccination expenses reimbursement, maternity cover, healthcare vouchers etc. Some variants have done away with sub-limits, apart from enabling policy holders to book high-end rooms in private hospitals. While you could find such offerings useful, make sure you do not buy them merely to optimise tax breaks. "I recommend caution in buying feature-rich policies that have a higher value perception than justified. The insured needs to consider how and in what situations he may need the facilities offered and buy them based on the actual assessment of their utility," says Arvind Laddha, CEO, Vantage Insurance Brokers. He focussed on the main proposition—insurance cover—on offer rather than fringe benefits, including tax saves.

He is echoed by Sudhir Sarnobat, CEO, [swiftnudge.com](http://swiftnudge.com), a health insurance consultancy firm. "Though people may look at increasing their cover by some amount, I would definitely not recommend buying something that does not fit your needs. It's like buying a product that you don't need just because there is a free gift attached to it," he says.

#### The ideal sum insured

So, how do you identify the ideal cover for your family? There are several factors to

## DO YOU REALLY NEED A HIGHER DEDUCTION?

A floater cover for a family of four costs just ₹10,000-12,000 a year. Even an elaborate cover won't hit the enhanced limit.



	Oriental Happy Family Floater	Religare	Cigna TTK Prohealth Plus
SUM INSURED	₹5 Lakh	₹5 Lakh	₹5.5 Lakh
PREMIUM	₹10,258	₹12,505	₹19,461
CO-PAY	10%	NIL	NIL
SUM INSURED RECHARGE	X	✓	✓
ANNUAL HEALTH CHECK-UP	X	✓	✓
SECOND OPINION	X	✓	✓
MATERNITY BENEFIT	X	X	✓
VACCINATION OF BABY	X	X	✓
OPD BENEFIT	X	X	✓
WORLDWIDE COVERAGE	X	X	✓
CRITICAL ILLNESS COVER	X	X	✓

A high premium floater cover will include benefits which may not be of any particular value to the family needing it.

X NO  
✓ YES

Assuming insured members are a 38-year-old male, his 34-year-old spouse and two kids aged 11 & 6 years living in a metro. Source: [www.medhedge.com](http://www.medhedge.com)

consider, the size of your family and age being the main ones. "You need to factor in family health history or predisposition towards any ailments, your lifestyle, preferred hospitals, place of residence and your ability to pay premiums as well as bear the burden of some restrictions or sub-limits," says Laddha. If yours is a young family of four, comprising a couple (aged around 35) and two children living in a metro, you can initially look at a cover of ₹5 lakh, say industry observers. "Increase the cover every 5 years. At 40, the cover should be enhanced to ₹7 lakh and to ₹10 lakh by the time they turn 45," says Sarnobat. A simple indemnity cover should suffice, even if it comes with internal ceilings on room rent, ICU charges or co-pay. Regular covers could cap room rent at say 1% of the sum insured or ₹5,000-8,000 per day. Unless you insist on high-end rooms at corporate hospitals, these restrictions will not make you shell out money from your pocket.

**Supplements for basic cover**

While some advisers recommend a cover "as large as possible" to beat medical inflation, it need not mean single indemnity-based policy. For instance, you can evalu-

ate defined benefit and top-up plans to enhance your protection portfolio. A top-up cover kicks in only after your base cover is exhausted and hence is cheaper than an independent product. You can buy a ₹10-lakh top-up cover for ₹2,500-7,000, depending on the insurer. You can also take this route to boost your total coverage if you are already covered by your employer's health insurance.

The other option is to buy benefit policies that can complement your indemnity-based cover. "Benefit-based products are designed to cater to expenses over and above the basic hospitalisation expenses. They should be bought to get complete protection from financial distress due to illness," says Steve Hollow, Deputy CEO, SBI General Insurance. While your regular cover will pay for the hospitalisation, such add-ons can come in handy for taking care of ancillary or excluded expenses like food, travel, recuperation, health aids and so on. Under benefit policies, the amount is handed over to policyholders once the claim is made, allowing them freedom to use it the way they wish to. Remember, you can make a claim under benefit policies even if you have already received the payout under your in-

demnity plan. "In case you have a family history of diseases like hypertension or diabetes, etc, you should get a reasonable cover to protect yourself against critical illness. The sum insured for critical illness could be anything beyond ₹5 lakh," adds Hollow. Critical illness policies, too, are benefit-based policies.

Finally, if you are keen to maximise the tax reliefs, you must insure your parents, if you aren't doing so already. Buying top-ups, per-

sonal accident and benefit policies can be considered later. "If the basic limit of exemption is still not exhausted, don't try to stretch your budget. It's better to let the tax benefit remain unutilised than to spend the money on something that won't be of use," sums up Sarnobat.



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