

Health Insurance Not Forthcoming for Senior Citizens

The Committee appointed by the IRDA on health insurance for senior citizens submitted its report nearly six months ago. IRDA owes it to the senior citizens to inform them of the outcome of its deliberations on the Report. Senior citizens are quite exercised about it. The long delay in taking the follow up action is all the more surprising since the Report of the Committee, in which representatives of the insurance industry were adequately represented, was unanimous.

The two central concerns of the senior citizens are access to health insurance and the affordability of premiums. On the question of access, it was argued before the Committee that an insurance policy is in the nature of a contract, voluntarily entered into between two willing parties. If an insurance company finds that the 'proposal' for insurance entails high risk it could legitimately refuse to offer insurance to the proposer. The Committee did not find this reasoning adequate to deny health insurance to senior citizens above a certain age as a *class*. Even accepting that insurance policy is in the nature of a contract, it is so between the company and the individual. Hence, the risk assessment needs to be made with reference to each individual. Medical science is advanced enough to calibrate risk assessment on the basis of certain easily observable parameters of individual's health condition. World Health Organisation has issued general guidelines on such risk assessment. In a lighter note, insurance companies should pause and ask themselves the relative risks posed by an eighty year old senior citizen with spartan living habits vis a vis an IT professional in mid-thirties doing night shifts and eating junk food.

Secondly, all contracts must subserve public policy as reflected in the laws of the land. Relevant in the context is Art 41 of our **Constitution** that says: “The State shall, within limits of its economic capacity and development make effective provision for securing the right to public assistance in cases of unemployment, old age and other cases of underserved want.” Health insurance is an underserved want of the senior citizens. Government of India recognised this and the **National Policy on Older Persons (NPOP)** as adopted by the Parliament says: “Development of health insurance will be given a high priority to cater to the needs of different segments of the population and have provision for varying contributions and benefits. Packages catering to lower income groups will be entitled to state subsidy.” Denial of health insurance to senior citizens as a class thus contravenes public policy.

The further question in this regard is guaranteed renewal. Even in the case of senior citizens who are within the ‘insurable’ age policies are not renewed automatically especially where claims have been made. This is unfair. There is no denying that insurance companies are bound to address the problem of ‘moral hazard’ – submission of spurious or inflated claims – but the solution lies in pursuing specific cases to their logical conclusion rather than denying renewal whenever a claim is made. The Committee, therefore, recommended that all senior citizens should have access to health insurance regardless of age, health condition or claim history, except in cases where the person is diagnosed with certain terminal or incurable illnesses at the time of first entry. Once a senior citizen enters the health insurance system he should have the benefit of guaranteed renewal of policy.

The Committee recognised that for such a system to work, senior citizens too should cooperate by entering the system early. The medical community is unanimous that any meaningful planning for healthy ageing should commence no later than at the age of 50 years. The Committee, therefore, exhorted that associations of senior citizens should persuade their members to take health insurance policies at as an early age as possible. It also recommended that insurance companies should incorporate suitable incentives in the premium structure towards this end.

Insurance is a game of numbers; if all senior citizens take health insurance, and at an early age, premiums will come down to affordable levels. Right now what is happening in the unfriendly environment of the health insurance industry is that only those senior citizens who foresee the need for insurance claims take up health insurance. In the jargon of insurance industry, 'adverse selection' is taking place; hence, claim ratios are high resulting in increase in premium levels. The Committee recommended that IRDA should play a proactive role in reforming the approach of health insurance companies on the one hand and popularising health insurance among the senior citizens on the other. IRDA is not just a 'regulatory' authority. It has a prior responsibility for the 'development' of health insurance. One of the specific steps it needs to take is to set up an 'insurance pool' to cover high risk cases of senior citizens.

Affordability

As rightly mandated to do, the Committee's recommendations kept in view the commercial viability of health insurance industry. It has made several recommendations in this regard, including the grant of fiscal concessions to stand-alone health insurance companies. If all its recommendations are accepted, not only that health insurance would become profitable (even with the obligation of having to insure all senior citizens) but also the premiums would come down to moderate levels.

The question of affordability of premiums to senior citizens at different income levels would still remain. The routine approach generally taken to address the question of affordability is to formulate a grand scheme of subsidising people below the poverty line (BPL) and simultaneously throw a few income tax sops for the higher income group. The Committee found this approach wholly inadequate when it comes to senior citizens. An overwhelming majority of senior citizens are neither in the BPL category nor have such high incomes as to significantly benefit from tax concessions.

The NPOP said that some kind of Government subsidy would be available to 'lower' income groups. As a corollary, senior citizens not belonging to the lower income group cannot expect any state subsidy. Where to draw the income line? The average per capita income in the country is about Rs 30,000. Assuming 10% of the household budget could be a reasonable outlay on health insurance (and another 10% outlay on healthcare not covered by insurance) affordability of health insurance premium for someone with the average per capita income would be around Rs 3000 per annum. The Committee, therefore, exhorted the insurance companies to promote health insurance policies with base premium levels of around Rs 3000 per annum.

This would still leave out senior citizens with annual income below Rs 30000 but above the poverty level. A vast majority of senior citizens would be in this category. The Committee recommended that Government should give them a subsidy of Rs 100 per month in the form of a 'health insurance voucher' to enable them to buy health insurance policies suited to their individual needs and pockets. Government needs to explain the delay in acting on the Report made in pursuance, and within the framework, of NPOP.

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