

Finance Fundamentals

Author Profile



Abhishek leads the Corporate business line for SecureNow Insurance Broker, focused on advising corporates to structure and procure Employee Benefits, Property and Liability Insurance solutions. He is a Chartered Accountant, Chartered Financial Analyst and graduate from Shri Ram College of Commerce. He has 7 years of business advisory experience focused on Insurance in US and India. His last position was that with McKinsey & Company.

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Room rent capping in Group Health Insurance (Group Mediclaim)

Room rent restriction is one of the clauses of Group Health Insurance that often clients or buyers find difficult to understand. Given the way hospitalization costs are linked to 'room type' in India, this restriction is often the most important clause that causes difficulties to lay persons. Please see below an example of the kind of difficulties this clause poses and how we can structure our Group Health Insurance accordingly.

Variation in health-care costs by room type

Before we understand the insurance terminology, let us look at how hospitalization costs vary by room type. The figures below show the cost of Single AC room and Shared Room along with the cost of Heart By-pass surgery for these rooms respectively. These costs are actual costs for a leading hospital in Delhi.

Room rent per day:

Single AC Room: Rs 9,900

Shared Room: Rs 4,000

Cost of heart surgery by room type:

Single AC Room: Rs 2,92,000

Shared Room: Rs 2,00,000

Claim admissibility by room type

In general, the insurance policy wordings indicate that the amount payable for the package cost shall be at the rate applicable to the entitled room category. In case the Insured person opts for a room with rent higher than the entitled category, the charges payable shall be limited to the charges applicable to the entitled category.

So, if for instance, one had a health policy with sum assured of Rs 4 lakh, and a room eligibility of up to Rs 4,000, then the claim payable would be limited to Rs 2 lakh. So, despite the sum assured being much higher, the Insured would have to pay Rs 92,000 out of his/her pocket.

Opportunity to customize in Group Health policy

Fortunately, one can customize the Group Health policy to choose the room rent type. One can opt for any of the following:

- As proportion of Sum Assured (1%, 1.5%, 2%)
- Single AC room (irrespective of the costs)
- No room rent capping all

Conclusion

It is critical that such an important factor should be suitably decided based on the incremental cost and the desired benefits for employees. It is recommended for employers to choose an expert professional, i.e., an Insurance Broker to help design the Group Health Insurance policy benefits accordingly.

If you have any more detailed questions, feel free to contact SecureNow Insurance Broker.

Links to Bondia's articles in previous issues:

http://www.fisme.org.in/newsletters/July_1_2012/docs/addressing_the_Issue_Abhishek.pdf

http://www.fisme.org.in/newsletters/June_15_2012/docs/addressing_the_Issue_Abhishek.pdf

http://www.fisme.org.in/newsletters/June_1_2012/docs/addressing_the_Issue_Abhishek.pdf

http://www.fisme.org.in/newsletters/May17_2012/docs/addressing_the_Issue_Abhishek.pdf

http://www.fisme.org.in/newsletters/May1_2012/docs/addressing_the_Issue_Abhishek.pdf

http://www.fisme.org.in/newsletters/April1_2012/docs/finance_fundamentals_abhishek.pdf

http://www.fisme.org.in/newsletters/March15_2012/docs/addressing_the_Issue_Abhishek.pdf