HEALTH INSURANCE CLAIM SETTLEMENTS:
AN OVERVIEW OF EXPECTATIONS AND EXPERIENCE OF POLICYHOLDERS

Dr. Nikita Singhal (Corresponding Author)
Associate Professor, School of Commerce & Management, IIMT University, Meerut, India
Email: nikitagoyal.nikki@gmail.com
Mobile No.: 9758947219

Dr. Almas Sultana
Assistant Professor, Department of Commerce, Aligarh Muslim University, Aligarh, India
Email: almassultana89@gmail.com
Mobile No.: 8077480185

Ms. Shikha Goyal
Research Scholar, ACCF, Amity University, Noida, IndiaEmail:
shikhagoyal.sg94@gmail.com
Mobile No.: 9634341881

Abstract

This study aims to get the experience and expectations of policyholders from their health insurance during their critical times. For this purpose, we have conducted interviews with 85 health insurance claimants in Delhi which include those hospitalized due to covid and also due to other diseases. The study concluded that during the pandemic, policyholder faced several problems in getting their claim settled which is a lesson for all of us in understanding that when any type of health crisis occur how the regulator, insurer, and policyholders should be prepared. However, when we interviewed health insurance claimants who were hospitalized due to some disease other than covid-19, they were not faced any problems in getting their claims settled. Hence, it can be concluded that Covid-19 was a black swan event that has affected every facet of life, and because it was new to everyone, it took time for everyone to settle down.

Keywords: Health insurance, Claim settlement, covid 19, policyholders.

1. Introduction

Background of the Study

Health insurance claim in covid scenario is escalated due to large number of hospitalizations which on the one side put strain on finances of health and general insurers and on the other side partial or non- settlement of the claim bringing resentment in policyholders from their insurance providers (Kadyan, Bhasin & Madhukar, 2022). In India, health insurance penetration is very low as compared to other countries but experience of those who paid for health insurance was not satisfactory either. As the number of Covid-19 cases increased, so did the trouble of getting cashless treatment or getting claim reimbursed. There are various figures published in newspapers and reports regarding increase in the health insurance claims due to covid-19, claim settlement practices of insurance companies, problems faced by policyholder in getting claims at the network health care providers, guidelines issued by supervisory authorities on effective settlement of claims and introduction of various covid specific policies.

In this research paper we are attempted to get the experience and expectation of policyholders from their insurance during their critical times. For this purpose, we have conducted the interviews of

85 health insurance claimant in Delhi. The contribution of this study is manyfold. This research is not only important during covid 19 but also helpful in deciding when any type of health crisis occur how the regulator, insurer and policyholders should be prepared. Before covid 19, we never expected any of this kind situation but in Covid-19, when people faced the problem which tumbled the insurance providers and supervisors with increases amount of claims, changing in the claim pattern, remote working, malpractices and many more. To overcome the problem, IRDAI come with several number of guidelines and circulars and insurance sector and policyholders faced a lot of problems during this time. Sometimes, the hospital was not ready with the tariff proposed, inclusion of PPT kit and many more which led to which leads to termination/revision of service level agreement. In between the development of these regulations, many people have suffered. This research will guide us to determine what could be done and what will the strategy for facing any such kind of crisis in future.

Claim settlement practices ofinsurance companies: An overview

The settlement of the claim is one of the most significant interactions a policyholder has with an insurance company. Policyholders expect their insurance providers to be a reliable source of financial relief during tough times, especially during pandemics, when they have difficulty getting medical help due to the scarcity of hospital beds and medical facilities. We believe that their experiences of claim settlement with insurance providers will either strengthen or weaken their relationship and affect how they choose to purchase insurance in the future. A positive experience can drive them to create a long-term relationship, while a negative experience can break trust. To ensure the settlement of claims during the Covid-19 scenario, the IRDAI has issued several guidelines on cashless claims, reimbursement claims, claim rejection, turn-around time (TAT), an extension of the hospital network, and standard COVID-specific products via various circulars and press releases.

Steps involves in claim handling

Existing policyholders' claims experiences are driven by how they have been treated throughout the various claim stages and channels of communication, which begin with the reporting of claims and end with the payment of claims (See Figure 1).

Figure 1: Steps Involved in Insurance Claim Handing

Guidelines for regulating the handling of insurance claims

The supervisory and regulatory authorities have released several guidelines on several domains to ensure the effectiveness of claim handling during COVID-19.

Cashless Claim:

The regulator directed that claim shall compensate as per the tariff determined between the parties in compliance with provisions of Regulation 31 of IRDA (Health Insurance) Regulation, 2016. However, the reference rate of GIC can keep in view along with the rate fixed by the state government and union territories. Additionally, the IRDA mandated that the insurers seek to reach a deal with medical professionals regarding the cost of treating Covid-19 in a manner comparable to other conditions for which rate agreements are in existence. It noticed that hospitals have been demanding advance deposits, charging different rates, and refusing cashless treatment during Covid-19. These actions are not only detrimental to the interests of policyholders but may also violate the service level agreement between the hospitals and the insurance companies. The IRDAI, GIC, state governments, and union territories have all issued press releases and circulars to curb these activities.

Reimbursement claim: Insurance policy must be resolved in accordance with the terms and conditions of the relevant policy contract and must be properly honoured.

Claim Rejection: All claims reported under COVID-19 must undergo a comprehensive evaluation by the claim review committee before being rejected, according to an IRDAI.

Turn Around Time: Following the second coronavirus outbreak, IRDAI issued guidelines on turnaround times that state:

a. The network provider (hospital) must be informed of the decision regarding authorization for cashless treatment for COVID-19 claims within 60 minutes of the time of receipt of the authorization request, along with all necessary hospital requirements.
b. Within ONE hour of receiving the final bill and all required information from the hospital, decisions on the final discharge of patients covered by COVID-19 claims must be reported to the network provider.

The decision was made to assure that there would be no delays in patient discharge and that hospital beds wouldn't be unoccupied.

Difference between insured and uninsured: It noticed that some hospitals differentiate between insured and uninsured individuals for admissions and treatment. IRDAI urged hospitals to foster trust and strengthen public confidence in the healthcare system. "Insurers are encouraged to ensure that policyholders have charged according to the rates agreed to by network providers whenever appropriate while examining cashless requests. Additionally, insurers recommended ensuring that hospitals don't charge more than the rates fixed with the insurers for the same treatment.

Extension of Hospital network: During covid-19, IRDAI has released guidelines on the extension of the hospital network that is:

a) When a policyholder diagnosed as Covid-19 positive is admitted into any makeshift or temporary hospital on the advice of a doctor or appropriate government authorities, notwithstanding the definition of hospital specified in the terms and

conditions of the policy contract, the treatment costs shall be covered by insurers.

b) In cases where a network provider has established a temporary or makeshift hospital, the facility will be treated as an extension of the network provider, and a cashless option will be made accessible.

Standard Covid Specific Products: In a press release, IRDAI announced that it had received many complaints stating that certain insurance companies are not providing Corona Kavach and Corona Rakshak policies, despite a mandate that all general and health insurers must provide these plans.

2. Literature Review

There are several researches on the insurance sector in India at different time period. Most of the researches are focused on digistalization, customer satisfaction, investment pattern of insurance companies and underwriting but there is no comprehensive study on the claim settlement aspects of insurance services. Claim settlement is one of the most crucial interactions existing policyholders have with an insurer which either make or break their trust in insurance providers. There are several cases observed when policyholders claim is not properly settled especially during the time of covid. Even though there is a lack of study on this aspect of insurance operation. On the recent study by Nandapala and Jayasena (2020) highlighted the need for timely claim management by TPA and renewal process to ensure customer satisfaction in Sri Lankan context. The study highlighted the need for customer relationship management with health insurance policyholders to ensure effective and efficient settlement of claims. Islam et al. (2022) conducted a study of health insurance policyholders in Australia and showed that claim settlement is the main factor in the selection of products from agents and marketers. To ensure timely and effective settlement of claims and product and TPA knowledge management, Alrahbi et al. (2022) showed that information technology setup should be effective. For this purpose, the data has been collected from 148 different respondents which include patients, health care staff, and staff. Naibaho et al. (2020) evaluated the impact of TPA effectiveness on the effective settlement of claims. The study showed that internal processes and support, environmental factors, and supports ensure effective settlement claims. There are also few studies that explored the post covid behaviour of policyholder. Zwanka and Buff (2021) examined the changes in policyholders' behaviors post covid regarding their trust in health insurance providers, health care providers, and health insurance products. Dave, Patwa, and Pandit (2021) discussed the problems with enrollment and non-enrollment in government health programs and cashless health insurance services. The study looked at the interaction between a hospital's bed count and participation in government health programs. Moreover, the study found a statistical significance level of satisfaction with the existing framework. There were significant changes in the enrollment and financing decisions of people post-Covid-19. Dutta (2020) conducted research on the health insurance industry in the post-Covid-19 era and discovered a rise in the industry's contribution to national health financing while also advocating for strict measures to promise policyholders satisfaction with the purchase of health insurance. Dutta (2020) also highlighted that TPAs have a major role in policyholder satisfaction because of their role in claim settlement.

There are various figures published in newspapers and reports regarding increase in the health insurance claims due to covid-19, claim settlement practices of insurance

companies, problems faced by policyholder in getting claims at the network health care providers, guidelines issued by supervisory authorities on effective settlement of claims and introduction of various covid specific policies. According to one article in published in business standard by Panda (2021, August 31) the number of covid related health insurance claim received by general and health insurers in FY 2022 as of August 27 is more than 1.42 million claim, worth Rs. 15956 crore which is almost 1.4 times the number of covid related health claim so far in FY 22 than what they had received in entire FY 21. Health insurance claim in covid scenario is escalated due to large number of hospitalizations which on the one side put strain on finances of health and general insurers and on the other side partial or non-settlement of the claim bringing resentment in policyholders from their insurance providers. Dhawan (2022) wrote that Claims get rejected for hospitalization not being warranted i.e, the ailment could have been treated on an outpatient basis. In recent times especially after the outbreak of Coronavirus, the claim settlement experience for the policyholders does not look to be satisfactory. On the side PWC (2020) Due to the widespread COVID-19 pandemic, health insurance companies are facing various challenges due to high claim payout and liquidity, Reserve requirements, product development and digitalization.

3. Methodology

The universe of the study is the policyholders residing in Delhi region. Why Delhi? The choice of Delhi region made because number of covid cases are very high in this area**.** We used snowball sampling for the purpose of interview where one source will recommend others. Since it was not easy to get data of people who was hospitalized from covid or other reasons and also have insurance policy. We have asked the respondent to give the names and contact number of people who were hospitalized. Then we contacted them who belong to our area of study for further details. We conducted the interviews of 85 policyholders by contacted them personally visiting and making phone calls. While conducting interview due care was taken. The health insurance claimant has explained about the purpose of research**.** We have taken the consent from them while recording their audio and they are assured them about anonymity of their response.

Table 1 below provides the number of policyholders and the purpose of the interview:

Table 1: Number of policyholders and purpose of interview

4. Research Findings

Through the interviews we derived that policyholders experience is derived by many factors which requires further analysis and strategic approach. The results of this analysis give the insurance companies and regulators to know the areas where focused should be given. Once the data had been collected, transcripts of the interviews' audio recordings were created, after which text codes representing the claimants' perspectives were identified, developed, and cleaned using pattern coding. Consequently, a two-cycle coding technique was used in the study, where a holistic code was created first and subsequently grouped into themes or pattern codes.

The authors worked on developing the themes or pattern codes that emerged from the interview transcripts. They compared the holistic codes they had independently developed, and all except two were found to be in accord. To settle this disagreement, the authors looked over the transcripts collectively. After reaching a perfect agreement on the holistic codes, the authors worked together on the pattern codes to categorize the patterns the data showed.

Seven holistic codes are identified based on their highest frequency of occurrence in the coded segments. These codes then converge into three pattern codes for analysis and interpretation of the problems encountered by policyholders. Table 2 displays the coding sheet.

Table 2 shows the data coding for interview transcript on the basis of which 6 holistic code was developed which further grouped in 2 pattern code on challenges faced by policyholders.

Table 2: Data coding for interview transcripts

Service Level Agreement Violation:

Insurers sign Service Level Agreements (SLAs) with healthcare providers that are typically renewed annually. The SLAs provide information on the types of treatment that will be offered, pre-agreed rates and also cash less insurance. At the time of covid there are many incidences of violation of SLAs by health care providers which forced the insurers to redraft the SLAs with hospitals. Some cases of violation of SLAs are related to Denial of cash less treatment to insured, charging of differential rate from insured and uninsured, asking for advance deposit by hospital at the time of admission and overbilling by hospitals.

Cash less treatment

There were rising concern during covid 19 that hospitals are rejecting requests of policyholders to settle the claim on a cashless basis despite being part of the network. After seeing this the finance ministry has intervened on April 22, 2022 that covid-19 claims have to settled on priority. They also imposed those errant hospitals which refuse to accept cashless claim requests from patients' kin could be removed from the insurers' network. Multiple complaints and removal by insurers can result in hospitals being blacklisted. Despite all these moves, there were many cases. One of our claimants said that he had paid all the amount in cash because hospital was not ready to admit him on cashless bases then he has opted for reimbursement mode. While the patient who were hospitalized in case of any other illness were not facing any such problem of cashless treatment.

Differences in rates

There are many instances where different rate was charging from insured and uninsured for same treatment. Hospitals and insurers were in a constant battle over COVID-19 hospitalization rates. Hospitals had argued that all patients could not be subject to price caps, and insurers had accused them of not following the General Insurance Council's standard rate. The victims of this blame game between the two parties are the policyholders. But, when we interviewed the health insurance claimant due to some other reason other than covid-19, no case of differences in rate was observed.

Issues in billings

There were many cases where there are many reports of inflated billing for covid 19 patient but not any such case was observed for cases where patient was admitted for any other disease other than covid-19. The hospitals have created the entire packages of covid 19 treatment where the claimants were not aware of what are the medicine are charging from them. Because of overbilling the claims of claimants was partially settled and remaining amount they have paid in cash.

Procedural Issues

Delay in claim settlement

The insurance regulator has issued several press releases and circular on speedy settlement of covid related claim. Even though there are many cases where claims are delayed. During covid-19 and also in case of

hospitalization due to some other disease, claim of policyholders was delayed to long time especially in the cases reimbursement mode was adopted either because of partial settlement of claim or denial of cash less treatment. In cases of hospitalization other than covid, the claim was settled immediately on discharge.

Exclusion of several charges

In every health insurance policy, there are some exclusions. These are expenses that insurer has made it clear, will not be paid for. So, even if your hospital has levied such charges, your insurer will refuse to pay, forcing you to foot that part of the bills. The insurance regulator IRDAI has standardized a whole host of exclusions – a list that all health insurers have to follow. Despite this, the covid-19 crisis saw policyholder having to fork out a substantial amount from their own pockets, as hospital and insurers locked horns over 'unreasonable' and 'excessive' charges levied by the hospitals which has not been observed in case of hospitalization due to some other disease. In cases, other than Covid-19, we have observed that exclusions are acceptable by policyholders because they are as per their policy documents.

Hospital and insurers differences

In June 2020, the General council came up with indicative rate chart specifying the tariff to be used to make claim payments. It advised that insurers to pay claims as per rate prescribed by state government or in cases where this was not applicable, follow the indicative rate chart. But lack of regulation and more importantly lack of enforcement by government agencies left the policyholders in lurch. But there are many cases where neither the reason of rejection was told nor the claimant has pursued for remaining amount. There were lot of ambiguity over reserved beds for insured patients because of which insured policyholder faced problems on the side of hospital as well as insurers. On the one hand some hospitals neither allotted reserve beds nor charged rates fixed by state governments to insured policyholders on the grounds that those did not apply to insured patients. And on the other, insurers refused to pay these charges in full, citing state government capping. If insurer feels that the hospital has overcharged, then it should hold the hospital responsible. They should force the hospital that bill should not exceed the tariff.

5. Conclusion

Covid-19 is new to everyone and is with full of uncertainty. There were lots of doubts on the documentation, inclusions/exclusions which need to be clarified by the insurers and supervisory/regulatory authorities. During the pandemic, policyholder faced several problems in getting their claim settled which is a lesson for all of us on in understanding that when any type of health crisis occur how the regulator, insurer and policyholders should be prepared. Before covid 19, we never expected any of this kind situation but in Covid-19, when people faced the problem which tumbled the insurance providers and supervisors with increases amount of claims, changing in the claim pattern, remote working, malpractices and many more. To overcome the problem, IRDAI come with several number of guidelines and circulars and insurance sector and policyholders faced a lot of problems during this time. This research will guide us to determine what could be done and what will the strategy for facing any such kind of crisis in future.

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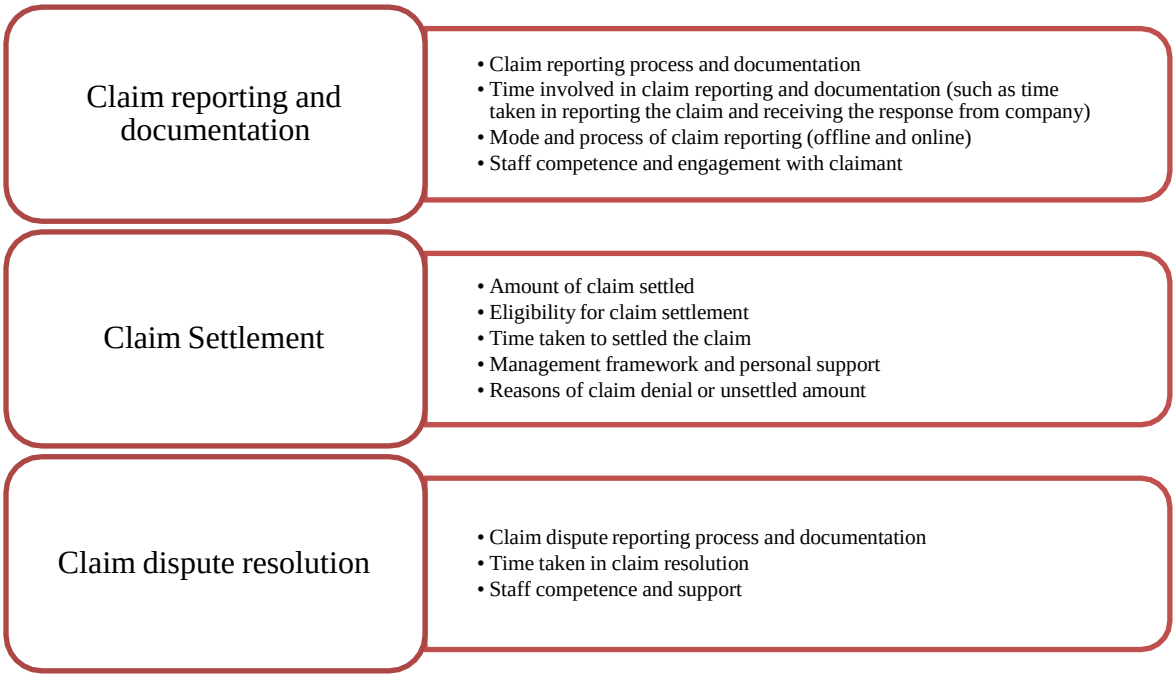
FIGURES

Figure 1: Steps Involved in Insurance Claim Handing



TABLES

Table 1: Number of policyholders and purpose of interview

Interviewees	**Reason of Hospitalization**	**Number of In Dept Interviews (IDIs)**	**Objectives**	**Discussion Outcome**
Health insurance claimants	Due to covid	40	Policyholders' perspectives - To get view point on claim settlement experience of health insurance during covid-19. -To get an idea about their expectation from insurers	Individual experiences from claim settlement arising because of covid and their expectation from their insurance providers
	Other	45	- To get view point on claim settlement experience during	Individual experiences from claim settlement

			hospitalization due to any reason. -To get an idea about their expectation from insurers	arising due to hospitalization and their expectation from their insurance providers

Table 2: Data coding for interview transcripts

Holistic Code	**Pattern Code**
Cash less treatment Differences in the rates Issues in billings	Service level agreement violation
Delay in claim settlement Exclusion of several charges Hospital and insurers differences	Procedural Issues