

LETTER TO EDITOR

A disappointing Budget -2022 so far as Health Insurance Protection is concerned especially during the critical period of covid influence

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Abstract

The expectations were soaring amongst the general public just before the 2022 budget with hopes in respect of reduced Income Tax rates or increased exemption limits etc. One of the biggest expectations was in respect of upward revision in Section 80 D limits which refers to health insurance premium paid and the same has not been revised for long time. Over the years, the health insurance premium has increased substantially and more so due to huge claims from Covid in last two years. But, much to shock of all Income Tax Payers, the Section 80 D limits remains untouched. There are also other policies which comes under the broad category of Health Insurance that does not qualify for Income Tax exemption but merits serious consideration. Health Insurance policies are subject to GST of 18% which is certainly too high especially when the Government should have looked at initiating major step to boost the health insurance penetration and make feel people more secured. For an individual to manage one's health risk properly, he/she need to have more than one type of health insurance policies for adequate amount with all applicable riders or add-on covers which matters and all dependents like spouse, children and parents being completely covered.

Keywords

Health Insurance Premium; Section 80 D; Health Insurance Policy; Budget 2022

Introduction

Budget 2022 read by Hon Finance Minister Nirmala Sitharaman is a big disappointment to individuals from the perspective of individual's health risk management and also from the perspective of health insurance industry. The current limits available under Sec 80 D of Insurance Act is quite less and it badly required an upward revision especially in the background of all insurance companies steeply increasing the premium compelled by enormous adverse influence of Covid Claims in last 2 years. (Table 1) For a small family of 4 members with spouse and 2 children, the current premium exemption limit of Rs.25,000 is too low. This segment i.e. Non Senior Citizens needs upper revision to minimum of Rs.40,000 or Rs. 50,000 certainly. Offcourse, the exemption limits for Senior Citizens is also very low given the current rates of the premium. Premium rates mainly depend upon the age and sum insured opted. In case of pre-existing diseases,

either these diseases are excluded for first 48 months or premium loading is done. Premium is also loaded based on many other parameters.

Problem Statement

Almost 30% of the population in India do not have any type of health insurance support (1) In the event of any requirement of hospitalization, these people need to pay for the expenses from their own pocket. May be, they will have to exhaust their life time savings or go for distress sale of assets or take private loan at high rate of interest to avail proper medical treatment. Covid has been a classic example fresh in our mind with thousands of families being very badly affected pushing them in to utter poverty. The penetration level of General Insurance (GI) Industry which includes Stand Alone Health Insurance (SAHI) Industry is as low as 1% as at the end of FY 20-21. The Health Indemnity Policies are sold by GI Companies and SAHI Companies. The Global Average of General

Insurance Industry penetration is 4.1%. (2) It is to be noted that, GI Industry contribution includes Motor insurance, Property insurance etc apart from Health insurance.

The Current Situation and the Opportunity

Currently, most of the Health Policies have many Add on covers like Consumables cover, Air Ambulance, Recharge Benefit, Bariatric Surgery, waiver of room rent limits or disease-wise limits, second opinion etc. One has to choose the plan and riders cautiously, otherwise, the person will be hugely out of pocket in case of hospitalization. There are also plans with lesser waiting period for pre-existing diseases which matters most for many mainly in view of increasing number of lifestyle diseases. Obviously, these come at cost in the form of higher insurance premium.

Further, currently, only Health Insurance Indemnity Policies qualify for Tax Benefits. But, there are many other good Health Insurance Policies which are equally important. These are Benefit Policies such as Critical Illness Policy, Personal Accident Policy, etc which offers lump-sum compensation. These policies are also very important for individuals to take care of themselves and their family. Critical Illness Policy offers lumpsum compensation in the event of policy holder contracting any specified critical illness. This will be a huge support to family in case of loss of job which is quite likely in case of one contracting critical illness to maintain livelihood, to take care of children education, for meeting higher medical maintenance expenses due to illness etc. So also, the Personal Accident Policy which offers lump sum compensation in case of Accidental Death or Permanent Disability (total or partial) is also extremely important to ensure that, the affected families are not displaced. The problem will be more complicated if the accident victims leave behind them huge balance of housing and vehicle loans. These policies do not have any tax benefit under Section 80 D. Some people who have group health cover provided by their employer do take health insurance policies to have adequate healthcare protection through what is called as Super Top Up Policy and to avail maximum benefits under Sec 80 D, also. These are the specific products being sold by General Insurance Companies and Stand-Alone Health Insurance Companies. The premium especially for Personal Accident Cover is very less thus one can go for maximum protection in the interest of themselves and their families. The increase in Traffic Accidents across all cities in India is a point to note here with many other types of accidents possible like falling, drowning, fire, etc. Likewise, incidences of critical illness like Cancer, first time Heart Attack are also steeply increasing mainly due to worsening lifestyles.

Government has been turning deaf ear for this genuine demand from the industry. Middle class people are always

most affected. Poor people are covered through Government Health Schemes like Ayushman Bharat etc. Ayushman Bharat Scheme is expected to cover approximately 50 crore people. Rich people in any case are not much affected. They are neither bothered about increase in health insurance premium nor the income tax exemption limits.

The Health Insurance Awareness has steeply increased following Covid 19. People who had not purchased insurance earlier are now going for health insurance. People who have health insurance are now reviewing the suitability and adequacy of the coverage. At this point of time, support from Government in the form of increase in Income Tax exemption would have done loads of good to people. That would have at-least helped the Government with huge increase in GST. Current level of 18% GST is highest and this also is a big disincentive for the people to purchase Health Insurance Policies. (3) The relevant research in this field related to mass schemes have revealed that, health insurance schemes have positive effect on overall health of people. This correlates to Supply-Demand Theory findings which suggests that, due to increase in demand, the price or premium for healthcare policies are expected to come down. (4) It is expected that, same will operate in respect of other than mass health insurance schemes also thus benefiting the overall community. Health Policies offer convenience of going to best hospitals and helps in getting quality care but in empaneled hospitals. It does reduce the financial burden on individuals substantially. (5)

Conclusion

The Government can still look at it with available provisions to revisit during this financial year, as it is extremely critical for people to have all types of health insurance both against hospitalization expenses and also sort of lump sum compensation cover in case of one contracting any critical illness or suffering major casualty following an accident. Primarily, the requirement is to increase the exemption limit under 80D of I.T.Act and also to consider the other health policies referred above for the income tax exemption. The overall limit under Section 80 C for Rs. 1,50,000 including premium paid for Life Insurance also does not help much for various reasons. This Section 80 C limits includes Housing Loan Principal, PF contribution etc and this limit also is too meagre. This limit is also not revised for long time now. Therefore, the Government certainly need to enhance the specific limit under Section 80 D for health insurance premium and also allow other types of policies such as Critical Illness Policy, Personal Accident Policy etc. The least the Government can now do at this juncture is to make downward revision in GST to 5% preferably or 12% from the current 18%. More the financial security the individuals have against the health exigencies, the less the burden on Government.

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Tables

TABLE 1 THE CURRENT LIMITS OF EXEMPTION UNDER SECTION 80 D

Individuals who are covered (Payment of premium for parent’s health insurance also separately qualifies for Income Tax Benefit)	Premium Paid (Rs)		Tax Exemption u/s 80D (Rs)
	For Self, Family, & Children (1)	For Parents (2)	
1) Individual & Family less than 60 years-Non Senior Citizens 2) Parents less than 60 years -Non Senior Citizens	25,000	25,000	50,000
1) Individual & family less than 60 years -Non Senior Citizens 2) Parents aged 60 years and above -Senior Citizens	25,000	50,000	75,000
Both 1) Individual & family aged 60 years and above -Senior Citizen 2) Parents aged 60 years and above obviously- Senior Citizens,	50,000	50,000	1,00,000