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Unpacking the Rise and Risks of Health Insurance in India Hospital Challenges and the Reality of Claim Denials

- Durvankur Manjrekar

The rise of health insurance in India has brought both opportunities and challenges, especially for middle-class families seeking financial protection against medical emergencies. However, with rising hospitalization rates, new risk factors such as air pollution, and reported cases of claim rejections by insurers like Star Health, the promise of security is more often than not compromised by practical setbacks.

Health Insurance- Boon or Burden -

Over the last couple of decades, almost 40% of Indian households have purchased some form of health insurance, reflecting greater awareness of the risks of catastrophic health expenditures. Health insurance has enabled more people to access inpatient hospitalization, surgeries, diagnostics, and ongoing treatments that are generally covered under best-selling plans. Hospitals, both public and private, have seen a rise in hospitalization rates partly due to insurance policies that favor secondary and tertiary healthcare.

But with this rise also come risks. Many insurance systems in India are oriented toward hospitalization and tend to neglect primary or preventive health. A single rejected claim for a middle-class family can tip it into financial distress, a vulnerability in the safety net that insurance is supposed to provide.

The Role of Hospitals in the Insurance Ecosystem-

Hospitals are the linchpin in the success or failure of health insurance. Most quality insurance plans promise cashless hospitalization, thereby allowing patients to get treated without immediate out-of-pocket expenses. However, the distribution of empanelled hospitals is skewed, mostly concentrated within urban areas, with few large private hospitals engaging in publicly funded health insurance schemes, especially within rural districts. This unequal access to care means that hospitalization rates and affordable hospital options remain lower in areas with fewer participating providers.

There are also issues at the hospital level, such as delays in reimbursement, complicated procedures for claims, and strict empanelment criteria. These bottlenecks undermine the confidence in the system, with some claims being rejected or delayed for various reasons.

Star Health Insurance and Issues of Claim Denial-

One glaring case that exposes the vulnerabilities of insurance policyholders involves Star Health Insurance, one of India's leading standalone health insurers. A consumer forum in Chandigarh recently ordered Star Health to pay Rs 25 lakh along with interest to the legal heirs of a policyholder for "deficiency in service" and unjust denial of the claim. The insurer repudiated a claim after years of uninterrupted policy coverage, citing "non-disclosure of material facts" a procedure in 2017 unrelated to the 2024 illness for which the claim was made. The consumer forum observed that insurance companies should not reject claims on grounds of non-disclosure, except in cases of fraud, after 60 months of continuous coverage, according to IRDAI. This case forms part of the wider pattern where arbitrary claim rejections lead to devastation in families, besides amounting to unfair trade practices. Besides these procedural issues, emerging health risks are reordering the insurance landscape. As hospitalisations for respiratory illnesses rise in New Delhi amid air pollution, insurers such as Star Health and ICICI Lombard are considering raising health insurance premiums by 10-15% for residents. The growing pollution-related claims sparked debate on incorporating air quality into premium pricing, probably setting the trend in other urban centres facing dangerous air. These changes would have direct implications for the cost of hospitalization and insurance affordability for consumers. Though their approval has to be given by regulatory authorities, if the relation between toxic air and a rise in healthcare costs continues, then pollution may soon become a key determinant in calculating insurance risk.

Lessons for Policy and Practice-

1. Health insurance coverage is rising, yet gaps remain in accessibility, affordability, and reliability, especially when claims are rejected.
2. Proper insurance delivery is facilitated by the hospitals, but unequal participation and administrative burden hinder their proper functioning, especially in rural parts of India.
3. Cases of the denial of the Star Health claim, among others, necessitate open policy enforcement and regulatory protection for consumers.

4. Some emerging environmental risks, such as pollution, may increase hospital visits and raise insurance premiums; therefore, public policy responses should be holistic.

Conclusion-

While health insurance promises protection, its risks are not small, especially when insurers deny claims on dubious grounds or when rising health threats like pollution force premium hikes and stretch hospital resources. Ensuring that claim settlements are fair, empanelment of more hospitals, and insurance is affordable are the key items on India's health policy agenda over the coming years.

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