

Cashless Medical Treatment in India

August 10 2010

The denial of cashless treatment to medical insurance policyholders has been in the headlines recently. Mediclaim cashless settlement is a type of health insurance policy allowing an individual to receive treatment at a hospital without having to pay for it. The insurance company settles the bill directly and the individual doesn't have to worry about arranging funds when faced with a medical emergency requiring hospitalisation. Insurance companies in return have a network of hospitals, known as preferred provider network (PPN), offering health insurance services under the cashless facility.

On July 1 2010, state-owned health insurance companies¹, which have around 70 per cent market share, stopped cashless facilities at large hospitals blaming them for misusing this facility and overcharging customers. The state-owned insurance firms alleged that for the same treatment, the hospitals were charging more if the customer was paying through the cashless facility. At first the Insurance and Regulatory Development Authority (IRDA) refused to mediate between the major hospital chains and insurance companies on denying cashless treatment to policyholders. There was strong criticism against IRDA having done a disservice by not intervening in this issue, and IRDA remained on the sidelines claiming that it would come into the picture only if there was a breach of contract.

On August 10 2010, after hearing a petition by Vishal Ahuja, whose 53-year-old mother was refused cashless treatment by Dharamshila Cancer Hospital and other medical centres, the Delhi High Court asked the insurance regulator to intervene and resolve the issue of the cashless facility for policyholders in major hospitals across the country. IRDA was asked to see that policyholders do not suffer due to the ongoing disagreement between insurance companies and high-end hospitals over the cashless facility and ensure patients receive treatment. The Delhi High Court laid emphasis on IRDA as a regulator of the insurance industry to ensure it realised its duty to act timely and ensure existing policyholders receive treatment despite the dispute between insurance companies and hospitals.

As a result, for the first time since cashless facilities ceased on July 1 2010, IRDA issued a circular on August 24 2010². IRDA directed state-owned insurance companies that when a change in PPN is effected to inform policyholders at all times of the nearest possible alternative hospitals where the cashless facility is available. In addition, where a hospital is proposed to be removed from PPN list and a policyholder has

¹ National Insurance Company, New India Assurance, Oriental Insurance and United India Insurance Company

² IRDA/HLT/MISC/CIR/139/08/2010

been issued a pre-authorisation or is already undergoing treatment in a given hospital, the insurers are directed to continue to provide the benefits of the cashless facility as if the hospital continued to be on the PPN list.

The IRDA directions assumed great importance because many policyholders were left in a predicament following the impasse over the availability of cashless facilities. It also highlighted the crucial role IRDA occupies under Section 14(1) of the IRDA Act, 1999 to protect the interests of the policyholders and to regulate, promote and ensure the orderly growth of the insurance industry.

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