सत्यमेव जयते

Report of the Comptroller and Auditor General of India on Compliance Audit of Third Party Administrators in Health Insurance business of Public Sector Insurance Companies

भारतीय लेखापरीक्षा और लेखा विभाग INDIAN AUDIT AND ACCOUNTS DEPARTMENT

लोकहितार्थ सत्यनिष्ठा
Dedicated to Truth in Public Interest

Union Government (Commercial)
Ministry of Finance
(Department of Financial Services)
No. 1 of 2022

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Comptroller and Auditor General of India
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Preface

The Compliance Audit Report on 'Third Party Administrators in Health Insurance Business of Public Sector Insurance Companies' has been prepared under the provisions of Section 19-A of the Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act, 1971 for submission to the Government. The Audit has been conducted in accordance with the Regulations on Audit and Accounts, 2007 (revised in August 2020) and Compliance Audit Guidelines of the Comptroller and Auditor General of India.

The Audit covered the period from 2016-17 to 2020-21. The Report is based on the scrutiny of documents pertaining to four PSU insurance companies viz., The New India Assurance Company Limited (NIACL), United India Insurance Company Limited (UIICL), The Oriental Insurance Company Limited (OICL) and National Insurance Company Limited (NICL). Claim processing activities in the health insurance business of PSU insurers is largely outsourced to Third Party Administrators, to have better expertise, specialization in provider interface, medical adjudication of claims and technology driven customer service. The Audit was taken up considering the significance of the health insurance portfolio, the need for having systems and procedures for empanelment, allocation of business and monitoring of services rendered by Third Party Administrators. The Report highlights areas such as persistent losses in health insurance business of PSU insurers due to deficiencies in underwriting of group health insurance policies, gaps in claim processing, validation checks and controls in the IT systems of PSU insurers, etc.

Audit wishes to acknowledge the cooperation extended by NIACL, UIICL, OICL, NICL, Third Party Administrators and Ministry of Finance in providing information, data and clarifications during the course of Audit and finalization of the Audit Report.

EXECUTIVE SUMMARY

There are 32 general insurance companies doing health insurance business in India. Out of these, four are public sector general insurance companies (PSU insurers) viz. The New India Assurance Company Limited (NIACL), United India Insurance Company Limited (UIICL), The Oriental Insurance Company Limited (OICL) and National Insurance Company Limited (NICL) offering various health insurance products. Health insurance business is the second largest line of business of the PSU insurers (the first being motor insurance) having gross direct premium of ₹1,16,551 crore during the five-year period from 2016-17 to 2020-21. The performance of PSU insurers in health insurance business is at present not profitable and they have suffered a revenue loss of ₹26,364 crore during five years ended 31 March 2021. In health insurance business, TPAs are engaged to have better expertise, specialization in provider interface, medical adjudication of claims and technologically driven customer services.

The Audit was taken up with objectives of ascertaining whether:

(i) the PSU insurers managed the health insurance portfolio in a sustainable manner and the performance parameters were optimal;

(ii) the PSU insurers have laid down a system for empanelment of Third Party Administrators (TPAs), enrolment of hospitals and monitoring of services rendered by TPAs;

(iii) there existed a suitable system for processing and settlement of claims in line with IRDAI regulations, guidelines, rules, circulars, policies, and agreements with various parties and;

(iv) risk underwriting of health insurance policies was done in a prudent manner and appropriate internal control mechanisms were in place to protect revenue.

A representative sample of 5,279 claim paid cases (for three years from 2016-17 to 2018-19) was selected for detailed scrutiny from the total population of 1.85 crore paid claims., out of which the four PSU insurers were able to provide records pertaining to only 2,934 claims paid, for Audit scrutiny. Audit also examined underwriting of group health insurance policies by PSU insurers. As against the audit sample of 222 group health insurance policies out of total population of 3,215 group policies, PSU insurers provided records of 188 group policies.

Results in brief

The losses of health insurance business of PSU insurers either wiped out/decreased the profits of other lines of business or increased the overall losses. The losses were on account of group health insurance policies where premium charged was less and claim outgo was more in comparison to retail policies. The Combined Ratio[1] for group health

[1] ***Combined Ratio-Incurred Claim Ratio plus Management Expenses plus Agents'/Brokers' Commission plus TPA fees and any other expenses.***

insurance segment of PSU insurers ranged from 125–165 *per cent*, which was much higher than the ceiling of 100 *per cent* prescribed by the Ministry of Finance.

The PSU insurers carried out empanelment of TPAs but allocated business to non-empanelled TPAs also. PSU insurers incorporated their own TPA (Health Insurance TPA-HITPA) but the allocation of business to HITPA by them was minimal. PSU insurers took the initiative to have their own network of hospitals by forming Preferred Provider Network (PPN) but even after 10 years, enrolment of hospitals under PPN coverage was inadequate. The IT systems in PSU insurers lacked appropriate validation checks and controls which has resulted in lapses such as multiple settlement of claims, excess payment over and above the sum insured, excess payments due to ignoring waiting period clause for specific diseases, non-application of co-payment clause, breaching of capping limit for specific diseases, incorrect assessment of admissible claim amount, irregular payments on implants, non-payment of interest on delayed settlement etc. Implementation of underwriting policy through test check of 188 group insurance policies revealed non-adherence to outgo calculator and non-loading for adverse claim experience resulting in undercharging of premium of ₹1,548.19 crore in 155 policies and excess discount of ₹9.28 crore in 3 policies. The systems and procedures for internal audit/ health audit were inadequate and number of audits carried out was insignificant in comparison to the targets fixed.

Audit Findings

Performance of PSU insurers in Health Insurance

- All the four PSU insurers incurred losses in the health insurance portfolio in all the five years from 2016-17 to 2020-21. Aggregate loss of the four PSU insurers was ₹26,364 crore during 2016-17 to 2020-21. The losses of health insurance business of PSU insurers either wiped out/decreased the profits of other lines of business or increased the overall losses. The losses were on account of group health insurance policies where premium charged was less and claim outgo was more in comparison to retail policies. PSU insurers' market share in health insurance business is also reducing continuously vis-à-vis the Stand-Alone Health Insurers and private insurers.

(Para 2.1 and 2.3)

- Ministry of Finance (MoF) laid down (September 2012/May 2013) guidelines for underwriting of Group policies as per which the Combined Ratio of Standalone Group policies shall not exceed 95 *per cent* and for group policies involving cross subsidy, the Combined Ratio shall not exceed 100 *per cent*. Audit noticed that MoF guidelines were not complied with by the PSU insurers and the combined ratio of group health insurance segment as reported by PSU insurers ranged from 125–165 *per cent*.

(Para 2.2)

With reference to Audit findings on performance of PSU insurers in health insurance, Audit recommends that:

1. PSU insurers need to comply with MoF guidelines regarding underwriting of group insurance to address the persistent revenue losses emanating from group

clients through focused action. A specific Report in this regard needs to be submitted annually to the Audit Committee, Board and the Ministry.

Empanelment of TPAs and enrolment of network providers

- TPA management policy was in place in NIACL and OICL and after Audit pointed out the lack of policy, UIICL framed a policy and NICL is in the process of framing a policy. The PSU insurers (except UIICL) carried out empanelment of TPAs, but NIACL and OICL allocated business to non-empanelled TPAs also. Review of performance of TPAs was not carried out regularly by the insurance companies.

(Para 3.1, 3.2 and 3.3)

- Audit analysed TPA-wise allocation of business (annual premium) and TPA-wise Incurred Claims Ratio (ICR)[2] and found that all the four PSU insurers allocated major share of business (15 to 44 *per cent*) to one TPA (Medi Assist India TPA Pvt. Ltd.) despite high ICR of above 100 *per cent* in the claims serviced by the TPA in some year(s). For other TPAs also allocation of business was either increased or maintained at same level despite high ICR in the claims serviced by the TPAs in previous years.

(Para 3.2)

- Safeguards such as timely signing of Service Level Agreements with TPAs, maintaining valid bank guarantees of TPAs and regular collection of claim records from TPAs were not prevalent. Resultantly, when fraudulent activities by a TPA came to light and their registration was cancelled by IRDAI, the PSU insurers could not carry out a proper investigation into claims settled by the TPA.

(Para 3.5 and 3.6)

- Health Insurance TPA (HITPA) is a joint venture of PSU insurers, formed with an objective to enhance customer experience and bring greater efficiency in health insurance claim processing. Despite, HITPA having comparable performance parameters and presence in major cities, allocation of business to HITPA by the PSU insurers was minimal.

(Para 3.4)

- PSU insurers took the initiative to have their own network of hospitals by forming Preferred Provider Network (PPN) but even after 10 years, enrolment of hospitals under PPN coverage was inadequate. The four PSU insurers together have PPN agreements with only 2,552 hospitals (as against 9,900 hospitals in the network of Star Health Insurance Co. Ltd. and 10,000 hospitals in the network of HDFC Ergo General Insurance Company Ltd.). This indicates inadequate efforts by PSU insurers in tying up with a greater number of hospitals for wider coverage and geographical spread.

(Para 3.7)

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[2] ***Incurred Claims Ratio = claims incurred/earned premium***

With reference to Audit Findings on Empanelment of TPAs and enrolment of network providers, Audit recommends that:

2. PSU insurers may frame appropriate TPA Management policy, ensure transparent allocation of business and carry out periodical evaluation and monitoring of performance of TPAs.

3. Current quantum of allocation of business to Health Insurance TPA (HITPA) needs to be revisited by all PSU insurers in view of comparable performance and adequate capacity of HITPA.

4. Failure to take action against M/s. E-Meditek Health Insurance TPA Limited should be investigated and responsibility be fixed against the concerned officials.

5. The PSU insurers must ensure that adequate safeguards such as valid bank guarantee and regular collection of records from TPAs are in place to ensure that its interests as well as the interests of policy holders are protected. A report in this regard should be submitted annually by the PSU insurers to the Audit Committee, Board and the Ministry.

6. PSU insurers need to ensure increase in the number of hospitals under Preferred Provider Network coverage system and should also strive for standardization of rates for common procedures. Necessary targets for increase in hospitals need to be fixed and monitored.

Claims Management

- The processing of claims is largely on digital platform both at PSU insurer level as well as TPA level. The IT systems in PSU insurers lacked appropriate validation checks and controls, undermining the smooth functioning and reporting system. This has resulted in lapses such as multiple settlement of claims, excess payment over and above the sum insured, excess payments due to ignoring waiting period clause for specific diseases, non-application of co-payment clause, breaching of capping limit for specific diseases, incorrect assessment of admissible claim amount, irregular payments on implants, non-payment of interest on delayed settlement etc.

(Para 4.2 and 4.3)

- Data analysis by Audit revealed that NIACL and UIICL have settled claims more than once on different dates although the policy number, insured name, beneficiary name, hospitalization dates, illness code, hospital name and disease were the same. Audit pointed out 792 cases (₹4.93 crore) of multiple settlements in NIACL and 12,532 cases (₹8.60 crore) of multiple settlements in UIICL, as seen from database. Further, Audit observed in NIACL that the claims settled to policyholder exceeded the sum insured plus cumulative bonus in 139 retail claims indicating excess payment of ₹33 lakh. In UIICL the claim paid exceeded sum insured in 2,223 claims involving ₹36.13 crore, which included group claims. For group policies, there is a provision in the policy for such excess payment over sum insured by way of 'Corporate buffer'.

However, the claim processing sheet/ note verified did not indicate use of buffer or available balance of buffer and utilization, etc.

(Para 4.2.1 and 4.2.2)

- TPAs need to carry out mandatory investigation of claims as per Service Level Agreement but in NIACL, UIICL and OICL, 562 claims (for ₹40.46 crore) out of 2,735 sample claims did not contain investigation reports.

(Para 4.4)

- As per Regulation 19(6) of IRDAI (TPA-Health Services) Regulations 2016, TPA should submit or handover all the files, data and other related information pertaining to the settlement of claims to the respective insurers on a quarterly basis within fifteen days after the close of each quarter and the insurer should accept the same under acknowledgement.-Audit noticed that as on 31 March 2020, 1.03 crore claim files have not been transferred to the four PSU Insurers by 16 to 19 TPAs.

(Para 4.7)

With reference to Audit findings on Claims Management, Audit recommends that:

7. Instances of multiple settlements of claims and claim payment in excess of sum insured signify major lapses. Since test check by Audit was limited to the Audit sample of 2,176 claim records, PSU insurers are advised to conduct their own review of the remaining cases. Recovery may be made in respect of excess payments and responsibility may be fixed on concerned officials.

8. IT systems of PSU insurers need to be made compliant with rules and all the required data to ensure accuracy and completeness need to be captured. Also, PSU insurers need to put in appropriate controls in the IT system to restrict claim payments within the scope of the policy such as waiting period for fresh policies, capping for specific diseases, payments on implants etc. to prevent revenue loss to the Company.

9. PSU insurers core application systems need to automatically capture the last date of receipt of 'necessary' documents and authorize payment of interest for delayed settlement of claims, along with the claim amount, wherever applicable, in line with IRDAI regulations.

10. PSU insurers need to ensure that the mandatory investigations as stipulated in SLA are carried out by the TPAs and such investigation reports need to be placed in claim files, in order to prevent risk of false payments/excess payments.

Underwriting of Group Health Insurance Policies

- Implementation of Underwriting policy of PSU insurers through test check of 188 group health insurance policies of PSU insurers revealed that non-adherence to outgo calculator and non-loading for adverse claim experience resulted in

undercharging of premium of ₹1548 crore in 155 policies and excess discount of ₹9.28 crore in 3 policies (out of 188 policies examined).

(Para 5.2)

- Incurred Claims Ratio (ICR)[3] of coinsurance business of PSU insurers during the three financial years from 2016-17 to 2018-19 ranged from 85.31 *per cent* to 196.54 *per cent.* In all the companies and all the years, this was higher than the ICR of total health insurance business (except during 2016-17 in OICL and NICL). Hence the incoming coinsurance business was not profitable for PSU insurers.

(Para 5.3)

With reference to the Audit Findings on Underwriting of Group Health Insurance Policies, Audit recommends that:

11. PSU insurers have to develop strategies for underwriting of group health insurance policies through objective loading of premium rates and rationalizing the risk coverage to stop huge losses. Also instructions of Ministry of Finance regarding cross subsidy needs to be scrupulously followed by insurance companies. A report in this regard needs to be submitted annually to the Audit Committee, Board and the Ministry.

12. PSU insurers need to formulate appropriate guidelines for accepting coinsurance business as a prudent approach and avoid loss making co-insurance business particularly from private insurers.

Internal Audit and Fraud Control

- Systems and procedures for Internal Audit / Health Audit were inadequate and number of audits carried out were insignificant as compared to the targets fixed/ total number of claims settled.

(Para 6.1)

- During the three financial years ended March 2019, 659 audits of claims processed by TPAs were conducted by Health Audit teams constituted by PSU insurers and a recovery of ₹14.30 crore was pointed out, however, PSU Insurers so far recovered only ₹6.06 crore.

(Para 6.2)

- Analysis of fraudulent cashless claims in NIACL indicated that in 122 claims (₹1.39 crore) management of PPN hospital or its employees were involved and in 105 claims (₹75 lakh) management of other than PPN hospitals or its employees were involved. NIACL failed to initiate action against such hospitals in line with de-empanelment clause and investigate all claims relating to such hospitals to safeguard its financial interest. Also, TPAs failed to report such fraudulent reimbursement claims to NIACL and continued to settle claims from the insured even after their earlier claims

[3] ***Incurred Claims Ratio (ICR) = claims incurred/earned premium***

were proved to be fraudulent, instead of taking up with NIACL to cancel the policy, by invoking the clause regarding cancellation in the policy.

(Para 6.3)

With reference to Audit Findings on Internal Audit and Fraud Control, Audit recommends that:

13. Responsibility needs to fixed for the significant shortfalls in internal audit. As health portfolio is a loss making portfolio, the internal audit mechanism should be strengthened so that the losses are reduced.

14. To prevent incorrect processing of claims and excess payments beyond the scope of cover, PSU insurers have to enforce deterrents through levy and timely recovery of penalties from TPAs, as agreed in SLA.

15. PSU insurers need to design and implement a robust fraud management policy to prevent fraud and should take appropriate action regarding cancellation of policy and de-empanelment of hospital in fraudulent cases.

CHAPTER 1: INTRODUCTION

1.1 Background

'Health Insurance Business' is defined under Section 2(6C) of the Insurance Laws (Amendment) Act, 2015 as effecting of contracts which provide for sickness benefits or medical, surgical or hospital expense benefits, whether in-patient or out-patient, travel cover and personal accident cover. Health insurance business is categorized under three categories viz., (i) Retail business i.e., policies are issued to retail or individual policyholders; (ii) Corporate or Group[1] business where policies are issued to corporate clients; and (iii) Government sponsored schemes where policies are issued to the beneficiaries of Union or State Governments under Government sponsored health insurance schemes. Insurance Regulatory and Development Authority of India (IRDAI) regulates health insurance business through its regulations, notifications, guidelines, circulars and orders.

There are 32 general insurance companies doing health insurance business in India. Out of these, four are public sector general insurance companies (PSU insurers) viz., The New India Assurance Company Limited[2] (NIACL), United India Insurance Company Limited (UIICL), The Oriental Insurance Company Limited (OICL) and National Insurance Company Limited (NICL) offering various health insurance products. There are seven Stand Alone Health Insurance (SAHI) companies (all in the private sector) and 21 private insurance companies in India.

1.2 Third Party Administrators

Regulation 2(p) of IRDAI (Health Insurance) Regulations, 2016 defines "Third Party Administrators or TPA" as any person who is registered under the IRDAI (TPA–Health Services) Regulations, 2016 and is engaged, for a fee or remuneration by an insurance company, for the purpose of providing health services as defined in those Regulations. IRDAI (TPA-Health Services) Regulations, 2016 effective from 14 March 2016 are applicable to TPAs offering health services. These regulations shall also be applicable to all insurers whether or not a TPA is engaged.

TPAs engaged by insurers render the following services to policyholders or beneficiaries:

- Issue photo identity card,
- Issue Guidebook with list of network hospitals,
- 24x7 customer service/call centre facility will toll free number/ SMS facility,
- Hospitalisation services including cashless access,

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1 ***A group consists of persons who assemble with a commonality of purpose or engaging in a common economic activity like employees of a company. Group shall have a size as determined by the insurer subject to a minimum of seven.***

2 ***Listed entity in NSE and BSE.***

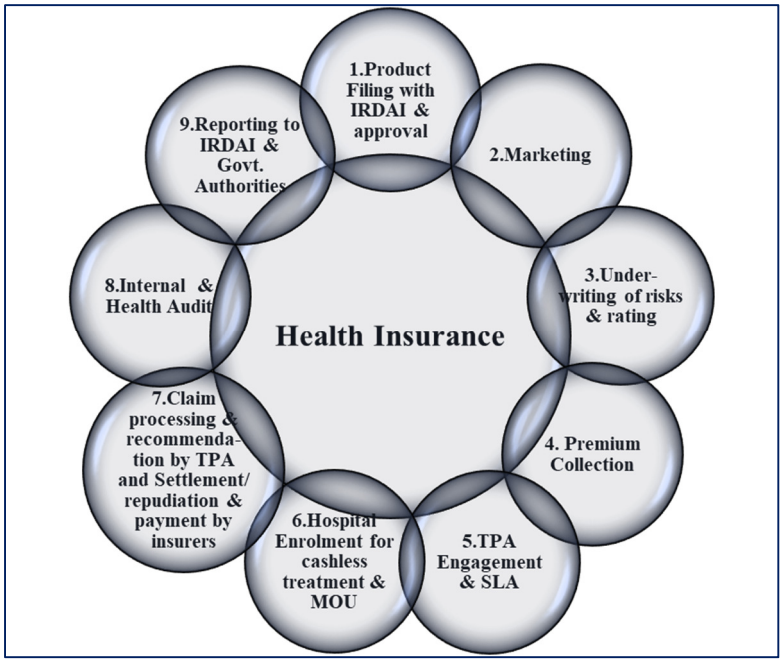
- Collection of documents from policyholders/ insured person/ hospitals,
- Customer grievance redressal, and
- Intimation regarding claim settlement to policyholders/ insured person.

The services rendered by TPAs to the insurance companies are as follows:

- Seamless flow of data transfer of all the claims,
- Claim processing services,
- Networking with hospitals and execution of agreements,
- Investigation services,
- Management Information Systems services, and
- Control fraud and abuse.

For providing health services, TPAs are paid fees or remuneration by the insurance companies. TPA cannot charge fees from beneficiaries or canvas for an insurer. TPA fees in respect of retail policies is based on per life while for Group Health Insurance policies, fees are a percentage of premium.

1.3 Health insurance activities and stakeholders in health insurance



Health insurance business comprises of various activities such as product filing with IRDAI and obtaining approval, marketing of approved products, risk assessment, underwriting and rate fixation, premium collection, TPA empanelment and entering into Service Level Agreement, allocation of service territory to TPAs, hospital enrolment and execution of agreement, processing and recommendation of claim by TPAs and settlement/ repudiation of claim by the insurers, internal and health Audit, reporting to IRDAI and Government authorities etc.

Stakeholders in health insurance business include insurance companies, policyholders/beneficiaries of a policy, network providers, non-network providers, TPAs, Government of India, shareholders etc.

1.4 Audit objectives

The Audit objectives were to assess whether:

i) the PSU insurers managed the health insurance portfolio in a sustainable manner and the performance parameters were optimal;

ii) the PSU insurers have laid down a system for empanelment of Third Party Administrators (TPAs), enrolment of hospitals and monitoring of services rendered by TPAs;

iii) there existed a suitable system for processing and settlement of claims in line with IRDAI regulations, guidelines, rules, circulars, policies, and agreements with various parties and;

iv) risk underwriting of health insurance policies was done in a prudent manner and appropriate internal control mechanisms were in place to protect revenue.

1.5 Audit scope

Audit examined performance of the health insurance portfolio of four PSU insurers for the last five years i.e., from 2016-17 to 2020-21. Also, underwriting and claim settlement records of PSU insurers for three years (i.e., from 2016-17 to 2018-19) were examined based on sample selection elucidated below in Para 1.8.1 and 1.8.2.

1.6 Audit criteria

The performance of PSU insurers was assessed on the following criteria:

- Insurance Act, 1938 read with Insurance Rules, 1939; IRDAI (Health Insurance) Regulations, 2016; IRDAI (TPA-Health Services) Regulations, 2016; and other regulations, directions, circulars, orders and communications of Regulator and Government authorities from time to time.

- PSU insurers' policies such as underwriting policy, TPA management policy, Manuals such as claim settlement manual, Preferred Provider Network (PPN) Operation Manual etc., financial standing orders, delegation of powers for underwriting and settlement of claims, Reports of committees and other reports, minutes, communications and correspondences with the Operating Offices, compliance reports and other reports submitted to IRDAI.

1.7 Audit methodology

Audit commenced with an Entry Conference with PSU insurers[3] wherein the Audit objectives, scope, criteria, and methodology were discussed. Audit was conducted by examining records relating to TPA empanelment and allocation of business, internal/ health Audits, PPN engagement and minutes, correspondences, etc. In respect of underwriting and claim settlement, records of selected sample provided in physical or electronic form were examined. In addition to the sample selected for detailed check in

[3] ***Entry Conference held on 23 September 2019 with NIACL, on 13 November 2019 with UIICL, on 19 August 2020 with OICL and on 17 August 2020 with NICL.***

Audit, data analysis through electronic tools was carried out in respect of claims paid data pertaining to three years (2016-17 to 2018-19).

Draft Audit Reports were issued to the Management of the PSU insurer concerned and the Audit observations were discussed in the Exit Meetings[4] held with the PSU insurer. The consolidated draft report prepared after considering the responses of the management of the insurance companies to the Audit observations was issued to the Administrative Ministry (Ministry of Finance – Department of Financial Services). The response of the Ministry, wherever received, is duly considered in this Report.

1.8 Audit sample

1.8.1 Claims paid to policyholders

Claims paid by insurance companies were selected through multistage sampling method. As a first step, for each PSU insurer, the data was classified financial year-wise and then zone-wise and further business-type-wise i.e., Retail and Group. The data under each of the business-type was then stratified into nine claim paid bands[5] based on the value of the paid claim. Keeping the quantum of audit work in view and available audit resources, a representative Audit sample of 5,279 claim[6] paid cases from the nine bands was selected from the total population of 1.85 crore paid claims which works out to 0.029 *per cent*, through computer software generated random selection.

Of the 5,279 claims paid sample selected in Audit, the four PSU insurers were able to provide records pertaining to 2,934 claims only for Audit scrutiny (56 *per cent* of claims selected). Managements of PSU insurers stated that due to COVID 19 pandemic situation they could not provide all the records and added that getting the required records from TPA/ operating offices became difficult for them. Company-wise sample selected and records produced is given in the following table:

Table 1.1: Sample selection of claims and production of records

Name of the PSU insurer	Total no. of claims paid in 3 years	No. of claims selected as sample	Sample selection as a percentage of total number of claims	Records of no. of claims provided by auditee organization and audited	No. of claims records provided as a percentage of selected sample
NIACL	6861312	1364	0.020	1154	85
UIICL	6546129	1577	0.024	1022	65
OICL	2638788	941	0.036	559	59
NICL	2422696	1397	0.058	199	14
Total	**18468925**	**5279**	**0.029**	**2934**	**56**

[4] ***Exit Meeting held on 10 February 2021 with NIACL, on 22 February 2021with UIICL, on 24 February 2021 with OICL and on 2 February 2021 with NICL.***

[5] ***9 Bands - (1) More than ₹1 crore, (2) More than ₹50 lakh up to ₹1 crore, (3) More than ₹25 lakh up to ₹50 lakh, (4) More than ₹10 lakh up to ₹25 lakh (5) More than ₹5 lakh up to ₹10 lakh, (6) More than ₹1 lakh up to ₹5 lakh (7) More than ₹50,000 up to ₹1 lakh (8) up to ₹50,000 (9) Negative amount.***

[6] ***After excluding 1,113 incoming co-insurance claims, for which the claims were handled by the lead insurer and the cost shared among the co-insurers. Records of coinsurance claims were not available with the individual insurers since these were handled by the lead insurer.***

The claims selected included claims processed by TPAs as well as claims processed directly by the PSU insurers. Non-production of records of directly processed claims was higher than that of TPA processed claims, as can be seen from the following Table:

Table 1.2: Summary of non-production of records of TPA/directly processed claims

Name of the PSU insurer	No. of sample claims selected			No. of claim records not produced to Audit		
	No. of claims processed directly by PSU insurers	No. of claims processed by TPAs (No. of TPAs involved)	Total	No. of claims processed directly by PSU insurers (*per cent* of non-production)	No. of claims processed by TPAs (*per cent* of non-production)	Total (*per cent* of non-production)
NIACL	57	1307 (16)	1364	52 (91)	158 (12)	210 (15)
UIICL	62	1515 (19)	1577	62 (100)	493 (33)	555 (35)
OICL	32	909 (23)	941	26 (81)	356 (39)	382 (41)
NICL	217	1180 (25)	1397	217 (100)	981 (83)	1198 (86)
Total	**368**	**4911 (83)**	**5279**	**357 (97)**	**1988 (40)**	**2345 (44)**

The quantum of non-production of records for Audit scrutiny was very high in NICL, which was 86 *per cent* overall and 100 *per cent* for PSU insurer processed cases as also for OICL which was 41 *per cent* overall and 81 *per cent* for PSU insurer processed cases. TPA-wise details of non-production of sample claim records is given at **Annexure 1**.

In this regard, NIACL stated (October 2021) that it has already taken initiative by instructing their TPAs to make files available on their portal in digital format so as to ensure availability of all records/ files as and when required. UIICL stated (October 2021) that it had realized the need for transparent and timely sharing of records with the auditors and assured compliance in future. OICL in response stated (October 2021) that it has instructed TPAs to ensure that all claim files are stored digitally and made available on their portal as and when needed. NICL stated (November 2021) that action has been initiated for end-to-end integration of the system of NICL with TPAs for smooth transition of claims data.

Ministry (October/ November 2021) agreed with the replies of the PSU insurers.

1.8.2 Underwriting of group health insurance policies:

Audit examined records in NIACL, UIICL and OICL to check compliance with their respective underwriting policy. In respect of NICL, underwriting of group policies was audited earlier and the findings incorporated in Para No. 5.4 of the Comptroller & Auditor General's Report No. 18 of 2020. There were 3,215 group health insurance policies issued to corporate clients where the premium collected was more than ₹1 crore. The selection of sample for detailed audit check was done applying two different parameters viz., premium and Incurred Claim Ratio (ICR)[7]. Under the first parameter, the policies were arranged in descending order based on premium collected for each PSU insurer, in each year and then the top 13 policies were selected for detailed check.

[7] ***Incurred Claims Ratio = claims incurred/earned premium***

Applying the second parameter, all the policies were again rearranged in descending order based on ICR and then top 13 policies having highest ICR were selected. After selection, if any policy got selected under both the parameters, it was not replaced. By this procedure, 222 policies out of 3,215 policies were selected as Audit sample, which works out to eight *per cent*. However, as against Audit sample of 222 policies selected for audit, insurers were able to provide records of 188 policies (85 *per cent* of Audit sample). This worked out to 5.85 *per cent* of total number of group health insurance policies. Company-wise sample selected and records produced is given in the following table:

Table 1.3: Sample selection of policies and production of records

Name of the PSU insurer	Total number of group health insurance policies	No. of policies selected as sample	Percentage of policies selected to total number of policies	Records of no. of policies provided by the auditee organization and audited	Records of no. of policies provided as a percentage of selected sample
NIACL	1346	78	5.79	48	61.54
UIICL	1448	76	5.25	72	94.74
OICL	421	68	16.15	68	100.00
Total	**3215**	**222**	**6.91**	**188**	**84.68**

The percentage of non-production of records was highest in NIACL (38.46 *per cent*).

NIACL stated (October 2021) that in respect of Group Policies, it has devised a mechanism whereby records will be available digitally in their system for inspection at any point of time.

Ministry agreed (October 2021) with the reply of NIACL.

1.9 Structure of the Report

The audit findings are discussed in **Chapter 2 to 6** and concluding remarks are given in **Chapter 7**.

- **Chapter 2** of this Report deals with the overall performance of PSU insurers in health insurance segment.
- **Chapter 3** contains observations relating to empanelment and management of TPAs and enrollment of Network Providers.
- **Chapter 4** examines the claim handling and management by TPAs and analyzes the claims data captured and processed in Information Technology (IT) systems of the PSU insurers.
- **Chapter 5** examines the process of underwriting risk in group health insurance policies by PSU insurers.
- **Chapter 6** provides observations on internal audit and fraud control in PSU insurers.
- **Chapter 7** provides conclusions.

It is pertinent to mention that the Audit coverage in the current Audit is limited to 2,934 claims paid out of 1.85 crore claims and 188 underwriting policies out of 3,215 policies. The magnitude of inconsistencies highlighted in the report needs to be viewed representatively *vis-à-vis* the overall population. The findings are reported to indicate the absence of validations and lapses in the systems. Management may consider the Audit findings to fine-tune the claim processing for better delivery of services to the policyholders.

1.10 Acknowledgement

We wish to acknowledge the cooperation by Ministry, PSU insurers and TPA Companies in providing information, records, clarifications and discussion with concerned officers, which facilitated completion of Audit.

CHAPTER 2: PERFORMANCE OF PSU INSURERS IN HEALTH INSURANCE

2.1 Persistent losses in health insurance line of business

The health insurance business is the second largest line of business of the PSU insurers (the first being motor insurance) having gross direct premium of ₹1,16,551 crore during the five-year period from 2016-17 to 2020-21. However, the performance of PSU insurers in health insurance business is at present not profitable and they are incurring continuous revenue losses. Comparative table showing premium and profit/ loss incurred on other line of business (fire, marine, motor and miscellaneous) vis-à-vis health insurance business by PSU insurers in the past five years from 2016-17 to 2020-21 is given in the table below:

Table 2.1: Premium and Profit/ Loss of PSU insurers from 2016-17 to 2020-21

(₹ in crore)

Insurer	Line of Business		2016-17	2017-18	2018-19	2019-20	2020-21	Total
NIACL	Fire, Marine, Motor & Misc. excluding Health	Gross Direct Premium	13155	15711	15656	17419	17764	79705
		Profit/Loss	598	2404	523	1852	2409	7786
	Health	Gross Direct Premium	5960	7008	8254	9394	10784	41400
		Loss	-1299	-1393	-1269	-1380	-1613	-6954
	Overall Profit/Loss		*-701*	*1011*	*-746*	*472*	*795*	831
UIICL	Fire, Marine, Motor & Misc. excluding Health	Gross Direct Premium	10822	11816	11055	12178	10463	56334
		Profit/Loss	284	1632	-715	-609	-259	334
	Health	Gross Direct Premium	5241	5614	5365	5337	6242	27797
		Loss	-2619	-1090	-1423	-994	-794	-6920
	Overall Profit/Loss		*-2335*	*543*	*-2137*	*-1603*	*-1053*	*-6586*
OICL	Fire, Marine, Motor & Misc. excluding Health	Gross Direct Premium	7794	8129	9397	9282	*7927*	42529
		Profit/Loss	-1103	2049	-332	-384	825	1054
	Health	Gross Direct Premium	3323	3608	4088	4714	4821	20554
		Loss	-1297	-901	-885	-999	-2058	-6139
	Overall Profit/Loss		*-2400*	*1148*	*-1217*	*-1383*	*-1233*	*-5085*
NICL	Fire, Marine, Motor & Misc. excluding Health	Gross Direct Premium	9499	10860	9235	9980	*8592*	48165
		Profit/Loss	1219	-1500	-974	-1621	1526	-1350
	Health	Gross Direct Premium	4739	5334	5894	5282	5549	26798
		Loss	-1636	-1347	-838	-1166	-1363	-6350
	Overall Profit/Loss		*-417*	*-2847*	*-1812*	*-2787*	*163*	*-7700*
All PSU insurers (Total)	**Fire, Marine, Motor & Misc. excluding Health**	**Gross Direct Premium**	**41269**	**46516**	**45343**	**48859**	**44746**	**226733**
		Profit/Loss	**998**	**4586**	**-1497**	**-763**	**4501**	**7825**
	Health	**Gross Direct Premium**	**19263**	**21564**	**23601**	**24727**	**27394**	**116551**
		Loss	**-6851**	**-4731**	**-4415**	**-4538**	**-5829**	**-26364**
	Overall Profit/Loss		***-5853***	***-145***	***-5912***	***-5301***	***-1328***	***-18539***

It can be seen from the above table that:

- All the four PSU insurers incurred losses in the health insurance portfolio in all the five years from 2016-17 to 2020-21.

- NIACL earned profits in other portfolios in all the five years during 2016-17 to 2020-21, but during 2016-17 and 2018-19, the huge losses sustained in health portfolio wiped out the profits resulting in overall loss. In the remaining three years i.e., 2017-18, 2019-20 and 2020-21, the losses in health portfolio reduced the profit earned in other portfolios, leading to reduction of overall profit.

- In UIICL, there were profits in other portfolios only in the years 2016-17 and 2017-18. In 2016-17, the huge losses sustained in health portfolio wiped out the profit of other portfolios resulting in overall loss. In 2017-18, the losses in health portfolio reduced the profit earned in other portfolios, leading to reduction of overall profit. In the remaining three years i.e., 2018-19, 2019-20 and 2020-21, the losses in health portfolio was more than the losses in other portfolios, leading to increase in overall loss.

- Similarly in OICL, there were profits in other portfolios only in the years 2017-18 and 2020-21. In 2017-18, the losses in health portfolio reduced the profit earned in other portfolios leading to reduction of overall profit. In 2020-21, the huge losses sustained in health portfolio wiped out the profit of other portfolios resulting in overall loss. In the remaining three years i.e., 2016-17, 2018-19 and 2019-20, the losses in health portfolio was more than the losses in other portfolios, leading to increase in overall loss.

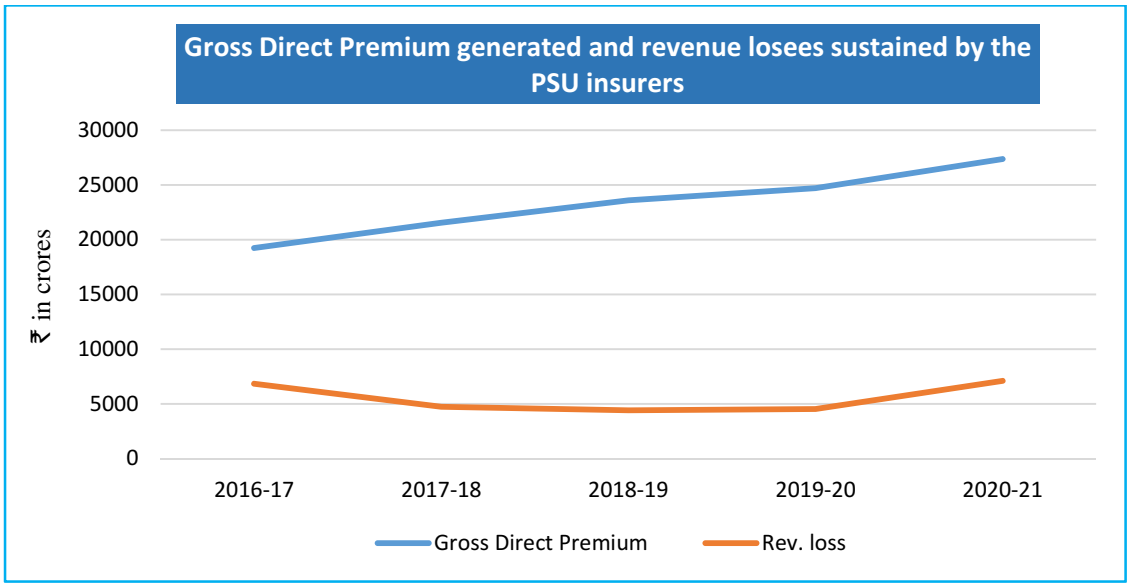
- In NICL also there were profits in other portfolios only in the years 2016-17 and 2020-21. In 2016-17, the huge losses sustained in health portfolio wiped out the profit of other portfolios resulting in overall loss. In 2020-21, the losses in health portfolio reduced the profit earned in other portfolios leading to reduction of overall profit. In the remaining three years i.e., 2017-18, 2018-19 and 2019-20, the losses in health portfolio got added up to the losses in other portfolios, leading to increase in overall loss.

Thus, the losses of health insurance business of PSU insurers either wiped out/decreased the profits of other lines of business or increased the overall losses.

NIACL replied (July 2021) that as health awareness is spreading all over the country, the health portfolio of insurance industry has been continuously on the rise and the business growth naturally affects the marketing strategy. NIACL added that health business is showing losses, but the losses have a fluctuating trend whereas premium is consistently growing up on account of their mission to develop general insurance business in the best interest of the community and to pay highest priority to customer needs. UIICL replied (July 2021) that they have been on a course of correction since 2017-18 and all bleeding accounts were shed one by one. OICL in their reply (July 2021) noted that the figures are from their Annual Report, hence needs no further comment. NICL has not offered any reply.

The replies of the PSU insurers are not tenable as growth in business of health portfolio and increase in premium collected are not justification for sustaining continuous losses.

As depicted below in the line graph, though the revenue losses in the health portfolio reduced during 2017-18 to 2019-20 taking the base year as 2016-17, revenue losses have increased again in 2020-21. The net effect is that the PSU insurers are continuously incurring higher losses in health portfolio, notwithstanding the growth in business.



NIACL and OICL further replied (October 2021) that their absolute and focused attention is on growth with profitability and through their continuous efforts they are sure to get the desired results/curtail losses. UIICL and NICL replied (October 2021/ November 2021) that steps/ corrective action are being taken to make the health portfolio sustainable.

Ministry agreed (October/ November 2021) with the replies of the PSU insurers.

2.2 Comparison between Retail and Group Health Insurance

Group health insurance policyholders were extended wider scope of cover than that of Retail policyholders, as may be seen from the table below.

Table 2.2: Difference in scope of cover between Retail and Group health insurance policies

Sl. No.	Scope of cover in Group health Insurance Policies	Scope of cover in Retail health Insurance Policies
1.	Pre-existing disease covered from day 1	Pre-existing disease covered after 2 or 4 years
2.	Maternity and infertility treatment covered	Restricted coverage of maternity and infertility treatment
3.	Ailment capping is modified/removed	Ailment capping is applicable
4.	Day care treatment covered	Day care treatment not covered
5.	Expenses towards unborn child covered	Unborn child excluded
6.	Domiciliary hospitalization covered	Domiciliary hospitalization excluded
7.	OPD and dental expenses covered under tailor made policies	OPD and dental expenses not covered
8.	Instalment premium facility available	Instalment premium facility not available
9.	No deduction of non-medical expenses	Non-medical expenses excluded
10.	Alternative therapy such as AYUSH covered	Restricted coverage of alternative therapy
11.	Trauma care, cyber knife surgery, oral chemotherapy covered	No such coverage available

Sl. No.	Scope of cover in Group health Insurance Policies	Scope of cover in Retail health Insurance Policies
12.	Congenital external anomaly, psychiatric and psychosomatic disorders, sexually transmitted diseases, genetic disorder, lasik surgery etc., covered under tailor-made policies	No such cover available

Audit compared the growth of premium, number of lives covered and claims paid to ascertain the performance of retail and group health insurance policies of the four PSU insurers (excluding Government schemes) during the years 2016-17 to 2020-21. Audit noticed that retail and group health insurance business in the four PSU insurers has shown a growth of 36.41 *per cent* and 34.29 *per cent* respectively, in terms of gross premium collected during the five-year period from 2016-17 to 2020-21. However, the average percentage of claims paid to premium collected was 107 *per cent* in group health insurance business whereas it was 86 *per cent* in retail health insurance during the five-year period.

Analysis of year-wise and PSU-wise position of the retail and group portfolio on two key parameters viz. premium per life and claim paid to premium is given in the following table:

Table 2.3: Performance of Retail and Group Health Insurance in 4 PSU insurers

PSU insurer	Year	Premium per life (₹)			Claim paid to premium (*per cent*)	
		Retail	Group	Difference between Retail and Group#	Retail	Group
NIACL	2016-17	3806	3804	2	77	95
	2017-18	4575	3404	1171	72	113
	2018-19	5309	3466	1844	72	99
	2019-20	5919	4031	1887	77	94
	2020-21	5656	4200	1456	76	88
UIICL	2016-17	2769	307*	2462	88	143
	2017-18	2938	1083	1855	83	122
	2018-19	4133	3243	889	99	112
	2019-20	5116	3589	1527	91	106
	2020-21	5449	2942	2507	90	125
OICL	2016-17	4768	3345	1423	85	113
	2017-18	4180	4013	168	85	108
	2018-19	4452	4012	441	88	117
	2019-20	4745	4475	270	92	98
	2020-21	3412	3942	-530	99	114
NICL	2016-17	3313	2927	387	85	123
	2017-18	4867	2474	2393	98	115
	2018-19	4255	2822	1433	101	131
	2019-20	4578	3696	882	102	112
	2020-21	5789	2958	2831	82	79

(# negative figure indicates premium per life of Group is more than Retail)
*(*Bifurcation of figures are not available for Group and Government Scheme)*

It can be seen from the above table that:

- All the four PSU insurance companies were able to keep the claim paid to premium of retail portfolio below 100 *per cent* during 2016-17 to 2020-21 (except NICL during 2018-19 and 2019-20).
- In NIACL, the claim paid to premium of group policies was above 100 *per cent* in 2017-18. The difference in premium per life between retail and group policies, which was ₹2 in 2016-17 rose to ₹1887 in 2019-20.
- In UIICL, claim paid to premium of group policies was above 100 *per cent* in all the five years from 2016-17 to 2020-21. The difference in premium per life between retail and group policies ranged from ₹889 to ₹2,507.
- In OICL, claim paid to premium of group policies was above 100 *per cent* in four out of five years from 2016-17 to 2020-21. The difference in premium per life between retail and group policies was the lowest in OICL among the four PSUs (ranged from -₹530 to ₹1,423) and has decreased from 2018-19 to 2020-21.
- In NICL, claim paid to premium of group policies was above 100 *per cent* in four out of five years from 2016-17 to 2020-21. The difference in premium per life between retail and group policies ranged from ₹387 to ₹2,831.

Hence it is evident that on the one hand, less premium per life was charged by the insurance companies from Group policy holders as compared to retail policy holders and on the other hand more payout towards claims had to be incurred on group policies, resulting in overall losses in the health insurance portfolio.

Ministry of Finance (MoF) laid down (September 2012 and May 2013) the strategy to be adopted in connection with underwriting of health insurance policies as per which the Combined Ratio[8] of standalone group policies shall not exceed 95 *per cent* and for group policies with other profitable segment of business, the Combined Ratio shall not exceed 100 *per cent*. The bifurcation of Group policies into Standalone Group Policy and Group policies involving cross subsidization was not made available by the PSU insurers. Year-wise particulars of Combined Ratio of group health insurance policies of PSU insurers are given in the following table:

Table 2.4: Combined ratio (percentage) of group health insurance policies of PSU insurers

PSU insurer	2016-17	2017-18	2018-19	2019-20
NIACL	133.03	131.29	131.84	128.72
UIICL	164.57	141.84	137.16	124.85
OICL	158.31	143.39	139.64	128.37
NICL	Not furnished	160.00	136.00	129.00

[8] ***Combined ratio – Incurred Claim Ratio plus management expenses plus agents'/brokers' commission plus TPA fees and any other expenses***

It may be noticed from the above table that the combined ratio of health insurance of all PSU insurers during the four years from 2016-17 to 2019-20 exceeded 100 *per cent* laid down by Ministry in 2013, indicating that adequate measures were not taken by the PSU insurers to make the group health insurance segment profitable.

NIACL and UIICL in reply (January/February 2021) stated that premium per life for retail policies was higher as the IRDAI permits higher rates of commission and the associated administrative cost is high. NIACL further stated that IRDAI allows rate revision after completion of three years for retail policies and hence the pricing criteria is different as compared to Group policies where the rates are worked out every year.

Regarding turning health insurance portfolio towards profitability, NIACL stated that they are operating in a fiercely competitive market where private insurers have always offered attractive rates to lure away the other profitable business. OICL management stated (January 2021) that they have duly noted all the concern and observations of Audit and assured that all necessary efforts shall be made to address the concerns of Audit. NICL stated (February 2021) that they are taking various measures such as shedding of loss-making group business, adequate pricing, restricting new business, revision of standard group Mediclaim ratings, monitoring of group business and like measures to contain the ICR in Group Health segment.

Further, all the four PSU insurers noted (October/November 2021) the Audit observations for future compliance.

Ministry concurred (October / November 2021) with the replies of the PSU insurers.

The reply is to be viewed against the fact that the underwriting decision remains with the Company and it has to carry out the underwriting with financial prudence. Had the PSU insurers charged premium as per their underwriting policies/ guidelines, their ICR would have been under control and health insurance segment would not have resulted in cumulative revenue loss of ₹26,364 crore in five financial years from 2016-17 to 2020-21. This aspect is elaborated further in subsequent chapter (Para 5.2).

Recommendation 1: PSU insurers need to comply with MoF guidelines regarding underwriting of group insurance policies to address the persistent revenue losses emanating from group clients through focused action. A specific report in this regard needs to be submitted annually to the Audit Committee, Board and the Ministry.

2.3 Comparative performance of PSU insurers with SAHI and private insurers

There are four PSU insurers, seven Stand-Alone Health Insurers (SAHI) and 21 private insurers in the health insurance segment. PSU insurers are the major players and the premium collected by them along with the market share during 2016-17 to 2019-20 is as shown below:

Table 2.5: Health Insurance premium and market share

Insurer	2016-17	2017-18	2018-19	2019-20
	₹ in crore (*per cent* share)			
PSU insurers	19,227 (63)	21,509 (58)	23,536 (52)	24,632 (49)
Private insurers	5,632 (19)	7,689 (21)	10,655 (24)	12,391 (24)
SAHI	5,532 (18)	7,831 (21)	10,681 (24)	13,735 (27)
Total	**30,391 (100)**	**37,029 (100)**	**44,872 (100)**	**50,758 (100)**
Source: IRDAI Annual Reports				

It can be seen from the above that while the PSU insurers' market share is reducing continuously from 63 *per cent* in 2016-17 to 49 *per cent* in 2019-20, market share of private and SAHI increased from 19 to 24 *per cent* and 18 to 27 *per cent*, respectively.

Further, the net incurred claims[9] ratio of PSU insurers exceeded 100 *per cent* in all four financial years, while that of private insurers and SAHI ranged between 56.47 *per* cent and 82.18 *per cent,* as depicted below, indicating deficient performance by PSU insurers.

Table 2.6: Net incurred claims ratio of PSU insurers, private insurers and SAHI

Financial Year	Insurer	Net Earned Premium[10]	Net Incurred Claims	Net ICR (*per cent*)
		(₹ in crore)		
2016-17	PSU	17,836.19	21,430.17	120.15
	Private	5,762.14	4,304.40	74.70
	SAHI	4,236.30	2,392.04	56.47
	Total	**27,834.63**	**28,126.61**	**101.05**
2017-18	PSU	18,915.13	20,779.41	109.86
	Private	7,101.62	5,064.67	71.32
	SAHI	5,677.59	3,382.67	59.58
	Total	**31,694.34**	**29,226.75**	**92.21**
2018-19	PSU	20,053.58	21,481.80	107.12
	Private	9,812.99	7,443.82	75.86
	SAHI	7,828.06	4,750.43	60.68
	Total	**37,694.63**	**33,676.05**	**89.34**
2019-20	PSU	20,247.85	20,559.99	101.54
	Private	8,814.94	7,244.95	82.18
	SAHI	9,451.97	6,252.98	66.15
	Total	**38,514.76**	**34,057.92**	**88.43**
Source: IRDAI Annual Reports				

NIACL replied (January 2021) that their performance was better as compared to the other three PSU insurers in terms of growth and reduction of ICR. NIACL added that SAHI do not cater to social and Government schemes and their book has negligible percentage of senior citizens, whereas, PSU insurers have to include all the sectors and sections of society without any discrimination. UIICL replied (July 2021) that PSU insurers adopt de-centralised underwriting with manual control and review processes while the private sector adopts centralized underwriting and has also adopted complete control processes

[9] ***Net Incurred Claim= Gross claim less Net Reinsurance incurred claims***
[10] ***Net Earned Premium = Gross Premium less Net Reinsurance premium***

like Artificial Intelligence based underwriting tools, tele-calling, etc. UIICL added that PSU insurers used traditional methods of claims control and Audit whereas the private insurers/ SAHIs invest hugely in in-house claims processing teams and processes which provide better claims controls. OICL noted (October 2021) the Audit observations and stated that with stricter price control, regular review, necessary product revision and claims control, the overall performance of health insurance shall improve. NICL noted (November 2021) the Audit observations.

Ministry agreed (October/ November 2021) with the replies of the three PSU insurers.

Reply of NIACL is to be viewed against the fact that after excluding Government health insurance business, the ICR ranged from 99 *per cent* to 102 *per cent* while after including Government schemes the ICR ranged from 99 *per cent* to 105 *per cent,* during 2016-17 to 2019-20. Further, share of government health insurance schemes compared to total health insurance segment of NIACL was 14.87 *per cent* in 2016-17 which was however, on a continuous declining trend and stands at only 3.05 *per cent* in 2019-20. In absolute terms also, the premium from government health insurance schemes came down from ₹846.26 crore in 2016-17 to ₹243.51 crore during 2019-20. Hence, impact of Government business on the overall profitability of Health Insurance Segment was minimal. Regarding coverage given to senior citizens, it was seen that NIACL had only two specific individual products catering to senior citizens and the claims out go under these two policies in 2018-19 was only ₹26 crore out of the total claims outgo under health insurance of ₹6,663 crore. The reply of UIICL should be viewed against the fact that in a market driven economy, competitiveness is an essential factor and hence claim control measures and good underwriting practices need to be adopted by PSU companies also.

2.4 Summing up

The performance of the PSU insurers in health insurance segment was not profitable and they were sustaining persistent revenue losses year after year which adversely impacted their overall operating profits. The losses were on account of group health insurance policies where on the one hand, less premium per life was charged by the insurance companies as compared to retail policy holders and on the other hand more payout towards claims had to be incurred. The Combined Ratio of PSU insurers for group health insurance policies ranged from 124.85 *per cent* to 164.57 *per cent*, though strategy laid down by MoF for underwriting of health insurance policies prescribed that Combined Ratio shall not exceed 100 *per cent*. The comparative performance of PSU insurers in health segment was poor *vis-à-vis* private and SAHI insurers.

CHAPTER 3: EMPANELMENT OF TPAs AND ENROLMENT OF NETWORK PROVIDERS

In health insurance business, TPAs are engaged by insurance companies to have better expertise, specialization in provider interface, medical adjudication of claims and technologically driven customer services.

3.1 Formulation and implementation of TPA Management Policy

Considering that TPAs are external specialized entities who discharge the core functions, NIACL formulated TPA Management Policy and addressed matters such as empanelment of TPAs, allocation of service territory, rate of service charges, scope of service, monitoring performance and compliance with Service Level Agreement (SLA) terms, etc. OICL revised (May 2019) their Health Underwriting Policy of 2015 as Health Underwriting and TPA Management Policy.

Audit noticed that UIICL and NICL did not formulate and implement TPA Management Policy during 2016-17 to 2018-19.

UIICL replied (July/October 2021) that it has since formulated a TPA Management Policy which was approved (March 2021) by the Board of Directors. NICL replied (February 2021/ November 2021) that they are in the process of documenting a TPA Management policy and taking Board approval for the same. Ministry agreed with the replies of UIICL and NICL.

3.2 TPA empanelment and allocation of business

The number of TPAs registered with IRDAI, during the years 2016-17 to 2019-20 was 27, 27, 25 and 24 respectively. PSU insurers empaneled IRDAI registered TPAs for servicing the retail policyholders. For Group health insurance business, the IRDAI registered TPAs were selected by the PSU insurers based on the preference indicated by/ mutually agreed with corporate clients. While NIACL followed tendering procedure for empanelment of TPAs, OICL and NICL continued with the empanelment done earlier (prior to the Audit period). UIICL did not empanel TPAs and engaged TPAs registered with IRDAI.

The break-up of business allocation to empaneled and non-empaneled TPAs during 2016-17 to 2019-20 by the four PSU insurer is given in the following table:

Table 3.1: Business allocated to Empaneled and Non-Empaneled TPAs

(premium in ₹ crore)

PSU insurer	2016-17			2017-18			2018-19			2019-20		
	Empanelled (No. of TPAs)	Non-empanelled (No. of TPAs)	Total (No. of TPAs)	Empanelled (No. of TPAs)	Non-empanelled (No. of TPAs)	Total (No. of TPAs)	Empanelled (No. of TPAs)	Non-empanelled (No. of TPAs)	Total (No. of TPAs)	Empanelled (No. of TPAs)	Non-empanelled (No. of TPAs)	Total (No. of TPAs)
NIACL	4129 (11)	720 (6)	**4849 (17)**	5072 (11)	611 (6)	**5683 (17)**	5776 (10)	689 (5)	**6465 (15)**	8005 (13)	328 (3)	**8333 (16)**
UIICL*	3964 (23)	(0)	**3964 (23)**	4326 (23)	(0)	**4326 (23)**	4317 (21)	(0)	**4317 (21)**	5121 (20)	(0)	**5121 (20)**
OICL	2429	364	**2793**	2655	429	**3084**	3202	278	**3480**	3867	70	**3937**

PSU insurer	2016-17			2017-18			2018-19			2019-20		
	Empanelled (No. of TPAs)	Non-empanelled (No. of TPAs)	Total (No. of TPAs)	Empanelled (No. of TPAs)	Non-empanelled (No. of TPAs)	Total (No. of TPAs)	Empanelled (No. of TPAs)	Non-empanelled (No. of TPAs)	Total (No. of TPAs)	Empanelled (No. of TPAs)	Non-empanelled (No. of TPAs)	Total (No. of TPAs)
	(12)	(7)	**(19)**	(12)	(9)	**(21)**	(14)	(8)	**(22)**	(17)	(4)	**(21)**
NICL**	2882 (14)	(0)	**2882 (14)**	3254 (14)	(0)	**3254 (14)**	3724 (14)	NA (0)	**3724 (14)**	3911 (14)	(0)	**3911 (14)**

Source: Data provided by PSU Insurers

**** In respect of UIICL, empanelment of TPAs was not separately done and all IRDAI registered TPAs were considered as empanelled. Hence, the allocation has been shown under empanelled TPAs.***
***** In respect of NICL there are a total of 25 TPAs in 2016-17 & 2017-18, 23 TPAs in 2018-19 and 2019-20 however, the data on business allocated to TPA was furnished only for 14 TPAs and the same is incorporated in the above table.***

It can be seen from the above table that only NICL has not allocated business to non-empaneled TPAs. While UIICL has not carried out empanelment, NIACL and OICL, allocated nine *per cent* business to non-empaneled TPAs. In the case of NIACL, this was not in accordance with their TPA Management Policy as per which only in exceptional cases, business can be allocated to non-empaneled TPAs. Further, capacity utilization in terms of lives already committed by the TPA concerned to other insurers and unutilized capacity of TPA were not considered as a parameter by NIACL while allocating business. Also, as per TPA Management Policy of NIACL, the validity of empanelment was three years extendable up to two years by CMD. However, NIACL continued with the same panel for more than 10 years with yearly extensions from time to time (once by CMD and seven times by the Board).

Audit further analysed TPA-wise allocation of business (annual premium) by the PSU insurers and also TPA-wise ICR (Annexure 2) and found that:

(i) All the four PSU insurers have allocated major share of business (NIACL - 35 to 44 *per cent*; UIICL – 17 to 23 *per cent*; OICL – 15 to 21 *per cent* and NICL – 17 to 20 *per cent*) to one TPA viz. Medi Assist India TPA Pvt. Ltd. indicating that the allocation was not equitable. The Health Insurance Underwriting and TPA Management policy of OICL stated that the allocation of business is to be done in an equitable manner. Though the ICR of claims serviced by the TPA i.e. Medi Assist was above 100 *per cent* in some year (s), the PSU insurers either increased the volume of business or maintained it at the same level[11].

(ii) In NIACL, similar volume of business of around 2.5 *per cent* was allotted for three years from 2016-17 to 2018-19 to a TPA (Paramount Health Services & Insurance TPA Private Ltd), and ICR remained above 100 *per cent* in all the three years. UIICL allotted 5 to 9 *per cent* of business to the TPA and ICR remained above 100 *per cent* in three out of four years from 2016-17 to

[11] ***NIACL- ICR of the claims serviced by TPA was 112 per cent in 2016-17 and allocation was increased from 35 per cent to 39 per cent; UIICL – ICR of the claims serviced by TPA was 109 per cent in 2016-17 and allocation was maintained at similar level of 17 per cent; OICL- ICR of the claims serviced by TPA was 124 per cent in 2017-18 and business allocation was increased from 14 per cent to 19 per cent and ICR remained above 100 per cent in 2018-19 also; NICL – ICR of the TPA was 108 per cent in 2017-18 and 146 in 2018-19. Allocation was increased from 17 per cent to 20 percent and ICR continued to be high at 110 per cent during 2019-20 also.***

2019-20. OICL allotted 6 to 7 *per cent* of business to the TPA and ICR was above 100 *per cent* for two years i.e. 2017-18 and 2018-19. NICL allotted 5 to 7 *per cent* of business to the TPA during 2017-18 to 2019-20 and ICR was above 100 *per cent* in all the three years.

(iii) In UIICL, though the ICR of claims serviced by a TPA (Good Health Plan Limited) was 126 *per cent* in 2016-17, similar volume of business (around 3 to 4 *per cent*) was continued and ICR remained above 100 *per cent* in the subsequent three years also. Further, UIICL allotted around 4 *per cent* of business to another TPA (Medsave Health Insurance TPA Ltd.) during 2016-17 to 2019-20 and the ICR remained above 100 *per cent* in three out of four years (2016-17, 2018-19 and 2019-20).

(iv) NICL continued to allocate business to nine TPAs[12] during the period from 2017-18 to 2019-20 and the ICR of all the nine TPAs remained above 100 *per cent* in all the three years.

(v) Instances of volume of business either being increased or maintained at the same level despite high ICR of above 100 *per cent* was noticed in the case of other TPAs also in all the four PSU insurers (Annexure 2)

The above instances indicate that the PSU insurers were not giving due importance to past claim experience of the TPA, particularly the ICR, while allocating business to TPAs. In the case of NIACL, ICR was a factor in the evaluation of performance of TPAs, but the weightage was 6 to 8.5 per cent only[13]. OICL stipulated a weightage of 45 *per cent* for ICR as evaluation criteria for empanelment of TPAs, yet re-appointed TPAs with high ICR[14]. Audit noticed that TPA-wise high ICRs has driven up the overall ICR of the health portfolio of PSU insurers leading to high losses in the health insurance business.

NIACL stated (January 2021) that though they try to bring in a level playing field, the choice of TPA for the group/ corporate policies remains as a choice of the corporate in practice. NIACL, in Exit Conference (10 February 2021) agreed to incorporate the parameters of capacity utilization in terms of lives already committed by the TPA to other insurers and unutilized capacity of TPA, while allocating business to TPAs. NIACL further stated (October 2021) that in the Board approved revised TPA Management Policy 2021, the additional appropriate parameters have been incorporated. OICL noted

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[12] ***Alankit Health Care TPA Ltd. (0.1 to 0.7 per cent), Anmol Medicare Insurance TPA Limited (0.1 to 1 per cent), MD India Healthcare Servicwes (Pvt) Limited (8 to 12 per cent, Health India TPA Services Pvt. Ltd. (0.9 to 1.6 per cent), Med Save Health Care (2.4 to 4.1 per cent)), Park Mediclaim TPA Pvt. Ltd (3.7 to 5.1 per cent), Raksha TPA Pvt. Ltd (0.8 to 1.8 per cent), United Healthcare Parekh TPA Pvt. Ltd (2.4 to 2.8 per cent) and Vidal Health TPA Pvt. Ltd. (2.4 to 6.5 per cent)***

[13] ***The other factors and weightage are: (i) TAT for claims - 25 to 39 per cent, (ii) Grievance redressal - 10 to 16 per cent, (iii) infrastructure - 15 per cent, (iv) Cost per claim - 6 to 9 per cent, (v) Cost reduction - 6 to 9 per cent, (vi) Cashless - 6 to 9 per cent, (vii) Procedure cost – 6 to 9 per cent and (viii) TAT for ID Cards – 5 to 8 per cent.***

[14] ***Vidal Health TPA Pvt. Ltd, Raksha TPA Pvt. Ltd., MD India Health Insurance TPA Pvt Ltd., Paramount Health Services and Insurance TPA Pvt. Ltd and Good Health Insurance TPA Ltd.***

(October/ November 2021) the Audit observations and assured that appropriate steps would be taken to streamline the allocation of business to TPAs.

NIACL's stand regarding allocation of business to non-empaneled TPAs is to be viewed against the fact that this was not in consonance with the policy.

3.3 Review of performance of TPAs by insurance companies

3.3.1 TPA Management Policy laid down by NIACL contained the following provisions regarding review of performance of TPAs.

- Regional Manager/ Health Managers at Regional Offices (ROs) should monitor performance of TPAs and give feedback to Head Office every quarter.
- Receipt of MIS reports on regular basis from TPAs.
- Performance parameters such as Turn Around Time and customer grievance etc., to be monitored.

In this regard, Audit observed that above level of monitoring was not being carried out regularly in NIACL except on one occasion in July 2016 when TPA evaluation exercise was carried out at corporate level.

3.3.2 In the case of NICL, management noted that though huge amount of money outflow was handled by the TPAs, the review process of their performance was happening with irregular periodicity and issued directions (September 2016) to all regional in-charges to hold monthly structured meeting with each TPA within 10 days of close of each month without fail.

In this regard, Audit noticed during test check of eight ROs (out of 33 ROs) for the period from September 2016 to March 2019 that only two ROs carried out the required number of monthly structured meetings (30 monthly structured meetings) while five ROs carried out 1 to 17 monthly structured meetings. One RO (Mumbai RO-II) did not carry out any monthly structured meeting.

3.3.3 UIICL and OICL did not carry out review of performance of TPAs.

Thus, an efficient and effective system for evaluation and monitoring of TPAs was not in place in the four PSU insurers.

NIACL stated (January 2021) that details of performance of TPAs were collected during evaluation of TPAs and not on regular basis and agreed to put a systematic process in place to conduct monitoring properly in future. NIACL further replied (October 2021) that the Board has approved the revised TPA Management Policy, 2021 wherein they have incorporated additional appropriate ranking parameters for assessment of performance of TPAs. UIICL assured (October 2021) to adopt sound procedures and appropriate ranking parameters for assessment of TPAs in lines with the TPA Management Policy. OICL replied (October 2021) that it has noted the Audit observations. NICL stated (February/November 2021) that performance of TPAs was reviewed through monthly structured meetings held at regional office level. Ministry endorsed (October / November 2021) the replies of the PSU insurers.

The replies are to be viewed against the fact that the performance of TPAs may vary from year to year, which has implications in the allocation of business to them. In the absence of periodical evaluation of TPAs, the effectiveness of monitoring is diluted.

Recommendation 2: PSU insurers may frame appropriate TPA Management policy, ensure transparent allocation of business and carry out periodical evaluation and monitoring of performance of TPAs.

3.4 TPAs formed by PSU insurers

Health Insurance TPA of India Ltd (HITPA) is a joint venture of four PSU insurers and was incorporated on 14 August 2013 and registered with IRDAI (June 2014). The paid-up capital of HITPA as on 31 March 2021 was ₹120 crore, with the four PSU insurers contributing ₹28.50 crore each (balance shareholding of ₹6 crore was held by General Insurance Corporation of India Limited). HITPA provides TPA services only to the four promoter PSU insurers and hence is solely dependent on the PSU insurers for its growth. Performance parameters of HITPA was comparable to those of top ranking TPAs[15].

In this regard, Audit observed that:

- HITPA which is a public sector TPA, despite having adequate capacity and comparable performance indicators, was underutilized by the PSU insurers. The capacity of HITPA and capacity utilization in terms of servicing of lives is as under:

Table 3.2: HITPA's capacity and utilization

Year	HITPA's capacity in terms of servicing lives	Number of lives serviced by HITPA for 4 PSU insurers	Percentage utilization of capacity of HITPA
2016-17	6731000	309083	4.59
2017-18	21806000	1164274	5.34
2018-19	48968000	1916774	3.91
2019-20	69975000	2572647	3.68
Source: HITPA			

- Allocation of business to HITPA by the four promoter PSU insurers during the four financial years ended March 2020 was minimal, as can be seen from the following table:

[15] ***Average Turn Around Time (TAT) for cashless approvals in case of HITPA was 60 minutes while for other top ranking TPAs, average TAT ranged from 65 minutes to 197 minutes. Claims to Premium Ratio/ICR of claims serviced by HITPA ranged from 34 to 113 while ICR of other top ranking TPAs ranged from 95 to 114.***

Table 3.3: Business allocation to HITPA by PSU insurers

PSU insurer	2016-17		2017-18		2018-19		2019-20	
	Business allocated to TPAs	Allocation to HITPA (*per cent* share)	Business allocated to TPAs	Allocation to HITPA (*per cent* share)	Business allocated to TPAs	Allocation to HITPA (*per cent* share)	Business allocated to TPAs	Allocation to HITPA (*per cent* share)
	₹ in crore							
NIACL	4849.36	33.79 (0.70)	5682.96	107.73 (1.90)	6465.45	280.63 (4.34)	8332.51	521.04 (6.25)
UIICL	3964.46	43.92 (1.11)	4325.62	100.89 (2.33)	4317.17	200.93 (4.65)	5121.50	220.54 (4.31)
OICL	2793.55	45.93 (1.64)	3084.44	88.53 (2.87)	3480.54	297.41 (8.54)	3937.18	308.40 (7.83)
NICL	2882.47	9.00 (0.31)	3254.40	22.00 (0.68)	3724.84	134.00 (3.60)	3911.99	269.00 (6.88)
Total	**14489.84**	**132.64 (0.92)**	**16347.42**	**319.14 (1.95)**	**17988.00**	**912.97 (5.08)**	**21303.18**	**1318.98 (6.19)**

Source: Data provided by PSU insurers
Figures under the columns 'Business allocated to TPAs' and 'Allocation to HIPTA' refer to premium involved in the policies serviced.

It is also pertinent to mention that HITPA requested (March 2018) General Insurance Public Sector Association (GIPSA, an association of the four PSU insurers) to increase the business and transfer at least 10 *per cent* to 15 *per cent* of health insurance claims processing work to HITPA. Though the Governing Board of GIPSA decided (September 2018) to shift 10 *per cent* of Health Insurance claims processing work of the top five TPAs to HITPA based on the up-scaled and capabilities of HITPA, the same was not implemented.

Thus, though HITPA was incorporated by the PSU insurers with a view to bring in greater efficiency in health insurance claims management, sufficient opportunity was not given to HIPTA by the promoter insurance companies.

NIACL and UIICL replied (January/ February 2021) that as HITPA increases its presence across nation, more business will be allotted to them. NIACL added that other TPAs were working for more than 15 years and hence it was not practically possible to abruptly increase HIPTA's share. OICL stated (January 2021) that retail business was allotted to HITPA which rose within a short span of time and added that group clients were not opting for HITPA. NICL replied (February 2021) that after upgradation of their infrastructure by HITPA, substantial volume of retail business was allotted to them in 2018-19.

The reply of the PSU insurers is to be viewed against the fact that HITPA had already created adequate capacity to serve more lives since 2016 onwards as shown in Table 3.2 above. Regarding HITPA's presence across the nation, HITPA has presence in 10 major cities[16] including all four Metro cities. The argument that it is not practically possible to shift business from long standing TPAs is not acceptable since TPAs were in existence when HITPA was formed and yet the four PSU insurers took a conscious decision to have their own TPA.

[16] ***Mumbai, Chennai, Kolkata, Ahmedabad, Bengaluru, Hyderabad, Kochi, Pune and Guwahati and Corporate Office at New Delhi.***

The PSU insurers while agreeing with the Audit comments further assured/ confirmed (October/ November 2021) to review allocation of business to HITPA based on their performance and capacity in lines with the TPA Management Policy/ Performance Evaluation Parameters.

Ministry endorsed (October/ November 2021) the views of the PSU insurers.

Recommendation 3: Current quantum of allocation of business to HITPA needs to be revisited by all PSU insurers in view of comparable performance and adequate capacity of HITPA.

3.5 Cancellation of Certificate of Registration of a TPA

IRDAI vide its final order dated 10 January 2019 cancelled the certificate of registration of M/s. E-Meditek Health Insurance TPA Limited for various irregularities including empanelment of fake hospitals and settlement of claims for treatments taken in such hospitals. M/s. E-Meditek Health Insurance TPA Limited processed 3,89,396 claims amounting to ₹1,432 crore for the four PSU insurers. Company-wise and year-wise details in this regard are as follows:

Table 3.4: Claims processed by M/s. E-Meditek Health Insurance TPA Limited

Name of PSU insurer	2016-17		2017-18		2018-19		2019-20		Total	
	No. of claims	Claims paid (₹ in crore)	No. of claims	Claims paid (₹ in crore)	No. of claims	Claims paid (₹ in crore)	No. of claims	Claims paid (₹ in crore)	No. of claims	Claims paid (₹ in crore)
NIACL	36002	145	30498	114	8955	37	0	0	**75455**	**296**
UIICL	52721	175	40847	132	15001	56	175	1	**108744**	**364**
OICL	61097	195	53842	173	21035	75	2352	11	**138326**	**454**
NICL	5837	80	35758	145	23378	85	1898	9	**66871**	**319**
Total	**155657**	**595**	**160945**	**564**	**68369**	**253**	**4425**	**21**	**389396**	**1433**

Source: Data provided by PSU insurers

In this regard, Audit observed that -

- IRDAI advised (31 January 2019) all the insurers to investigate servicing of claims of policyholders made by M/s. E-Meditek Health Insurance TPA Limited since 2011-12 and initiate such measures that were required to protect the interest of policyholders. Action was mandated to be completed within 180 days from 31 January 2019 and a report was sought by IRDAI within 10 days after the expiry of 180 days i.e., by 9 August 2019.

Audit observed that none of the four PSU insurers completed the investigation and filed the report to IRDAI. NIACL filed only an interim report. IRDAI informed (July 2021) Audit that the matter with respect to M/s. E-Meditek Health Insurance TPA Limited is still being followed up with the insurers.

- M/s. E-Meditek Health Insurance TPA Limited did not extend cooperation and avoided submission of claims files and reports to the insurance companies. Audit observed that TPAs were required to submit a performance bank guarantee to PSU insurer and in case there were deficiencies in the performance of TPA, the bank guarantee

could be invoked. The PSU insurers neither invoked the bank guarantee of M/s. E-Meditek Health Insurance TPA Limited nor got the bank guarantees renewed till the investigation was completed.

- The PSU insurers did not have a system to obtain all electronic data containing information about the policyholder, claims, hospitals etc., from M/s. E-Meditek Health Insurance TPA Limited in line with clause 17(4) of SLA.

- In NIACL, status note[17] was not placed before the Risk or Audit Committee or in Board Meeting. Though the suspension order was placed before the Board, final order of IRDAI was not placed before the Board.

- In UIICL, Audit observed that the Company entrusted business (2,625 policies and premium amounting to ₹3.46 crore) even after suspension of certification of registration of M/s. E-Meditek Health Insurance TPA Limited in March 2018. Audit further observed that as on February 2020, 763 claims were outstanding amounting to ₹3.31 crore for the period 2016-19 and 178 claims were outstanding amounting to ₹1.04 crore, for the period 2010-15.

- In OICL, it was found that 227 claims (₹1.17 crore) processed by M/s. E-Meditek Health Insurance TPA Limited during the period 2013-14 to 2015-16 were fraudulent in nature. However, till date the Company has neither initiated legal proceedings nor recovered ₹1.17 crore.

- In NICL, there were irregularities in claims processed by M/s. E-Meditek Health Insurance TPA Limited, involving overpayment amounting to ₹1.45 crore. So far, recovery of ₹0.91 crore was made by the Management and ₹0.54 crore is yet to be recovered.

The insurers replied that despite repeated efforts by operating and Regional Offices, M/s. E-Meditek Health Insurance TPA Limited did not extend cooperation and avoided submission of claims files and reports.

Regarding bank guarantee, NIACL replied (January 2021) that formal advice to TPA was made but there was no response and added that even in the absence of bank guarantee, the Company did not run into any consequential liability. Regarding reporting to Board, NIACL stated that due to paucity of time, necessity of reporting to Audit Committee and Risk Management Committee was not considered. NIACL further added (October 2021) that a clause pertaining to Cancellation of Certificate of any TPA and necessary steps to be taken has been included in the NIACL's Board approved TPA Management Policy 2021.

[17] ***Status Note contains status of number of claims intimated and outstanding, claims under processing, complaints received and outstanding, claims investigated, claims pending in various legal forums along with status, etc., as on date of suspension i.e., 20 March 2018.***

UIICL stated (February 2021) that allotment was erroneously made after the date of suspension, but no TPA fees was paid and added that the pending claims were assigned to other TPAs.

OICL agreed with the Audit observation and assured (October 2021) to amend the Health Underwriting Policy to handle any such contingency in future so that appropriate action would be taken.

NICL stated (November 2021) that it has instructed its Regional/ Operating Offices to submit the remaining recoveries which were due and inform the status if further recoveries have been made at their end.

Ministry agreed (October/ November 2021) with the replies of the PSU insurers.

From the replies, it is evident that PSU insurers failed to carry out proper and timely investigation into the claims settled by M/s. E-Meditek Health Insurance TPA Limited. Safeguards such as ensuring validity of bank guarantees and collection of claim records on regular basis from TPAs were lacking. Regarding NIACL's argument that no liability accrued despite lack of bank guarantee, conclusion regarding lack of liability can be drawn only after the investigation is completed and overpayments recovered.

Thus, even after fraud was detected, the PSU insurers could not take affirmative action against the TPA.

Recommendation 4: Failure to take action against M/s. E-Meditek Health Insurance TPA Limited should be investigated and responsibility be fixed against the concerned officials.

Recommendation 5: The PSU insurers must ensure that adequate safeguards such as valid bank guarantee and regular collection of records from TPAs are in place to ensure that its interests as well as the interests of policy holders are protected. A report in this regard should be submitted annually by the PSU insurers to the Audit Committee, Board and the Ministry.

3.6 Service Level Agreement (SLA) with TPAs

Regulation 20(1) of IRDAI (TPA – Health Services) Regulations, 2016 states that a TPA shall enter into an agreement for providing defined health services with an insurer and network provider, in respect of Health Insurance Policies covering hospitalization benefits within India issued by the Indian insurer. Further, it states that a TPA shall ensure that agreement is enforceable at all times. Regulations 20(2) stipulates that the insurer and TPA shall define the scope of agreement, the health and related services that may be provided by the TPA and the remuneration therefor, subject to such stipulations as may be laid down by the Authority, wherever applicable. Accordingly, PSU insurers entered into SLA with registered TPAs for servicing their policyholders.

There were delays in signing of SLA with TPAs and claim processing was being entrusted to TPAs before signing of SLA. Details in this regard are mentioned below:

Table 3.5: Delays in signing of SLAs

Name of PSU insurer	No. of TPAs where signing of SLA was delayed	Delay in no. of days	
		Minimum	Max
NIACL	10	7	296
NICL	09	23	099
OICL	11	1	205
UIICL	06	46	500
Source: SLAs			

In this regard, Audit observed in NIACL that 59 (₹1.85 crore) out of 1,154 claims in the Audit sample were settled during the period when there was no valid SLA between NIACL and the respective TPAs. In OICL, Audit noticed that 1,57,336 claims (settled amount ₹492.30 crore) were processed and paid during the period SLA were not renewed in respect of 11 TPAs. Similarly, in NICL, Audit noticed that in 36,706 claims (settled ₹113.21 crore) were processed and paid when there was no valid SLA with two TPAs out of nine TPAs.

The insurance companies replied that (November 2020 – July 2021) that there were delays in signing SLAs but stated that SLA was retrospectively given effect with the concurrence of TPAs. Further, as continuity of SLA validity was maintained and there was no break period, they had not violated regulatory provisions.

NIACL and OICL further stated (October 2021) that they will ensure timely signing of all the SLAs. UIICL stated (October 2021) that it would take utmost care to ensure that Health Service Agreements are always enforceable. NICL noted (November 2021) the Audit observation and stated that action has been initiated for timely signing of SLA/ Health Service Agreements with TPAs.

Ministry agreed (October / November 2021) with the replies of the PSU insurers.

The replies are to be viewed against the fact that SLAs were signed retrospectively, which is not a valid practice. In one such case (M/s. Vidal Health TPA Pvt. Ltd.), IRDAI pointed out that rendering TPA Health Services without agreement during the period 1 November 2013 to 10 July 2014, was in violation of regulatory norms.

Absence of timely agreement reflected inadequate functional control of Health Services Management of insurer.

3.7 Enrolment of Network Providers

Regulation 2(1)(k) of Insurance Regulatory and Development Authority of India (TPA – Health Services) Regulation, 2016 specifies that 'Network Provider' means hospital enlisted by an insurer or TPA or jointly by an insurer and TPA to provide medical services to a policyholder by a cashless facility. 'PPN' i.e., Preferred Provider Network is a joint initiative launched (July 2010) by the four PSU insurers to create a network of hospitals by enrolling suitable hospitals where their health insurance policy holders can

take treatment utilizing the cashless facility. As on 31 March 2020, 12 cities[18] and 135 surgical procedures were covered under PPN agreements.

In this regard, Audit observed that:

- While the private insurance companies offering health insurance products and TPAs offering health insurance services have entered into network arrangements with large number of hospitals[19], the four PSU Insurers together have PPN agreements with only 2,552 hospitals[20] (out of 1,72,955 hospitals enrolled by IRDAI registered TPAs) and the coverage is limited to only 12 cities (as on February 2020). This indicates inadequate efforts by PSU insurers in tying up with more number of hospitals under PPN arrangements for wider coverage and geographical spread.

- The applications received from hospitals for empanelment in PPN are not serially numbered, stamped indicating date of receipt of such request and entered into a register in line with clause 3.4.1 of PPN Operation Manual[21]. As a test case, in UIICL, Audit observed that applications/ representations were received from 293 hospitals for empanelment, but these applications were kept pending (March 2019) without assigning any serial numbers. Hence, accuracy in respect of the number of applications received, put up to committees and tracking their status as per timelines set-forth in the PPN Operation Manual could not be ascertained in Audit.

- Central Committee[22] in NICL negotiated a price of ₹40,000 or more for 36 medical/ surgical procedures. Audit observed that in 20 out of 36 medical/ surgical procedures the rate negotiated for a particular hospital was found to be on the higher side *vis-à-vis* similar hospitals in the city (**Annexure - 3**).

- Audit scrutiny of PSU insurers revealed that periodical meetings as specified in PPN Manual were not conducted. Review of Regional Committee minutes in NIACL indicated that it did not conduct review of performance of PPN operation in each city, at least once in six months as stipulated in Para 2.4.2 of the PPN Operation Manual. Though 61 out of 400 proven frauds involved 38 PPN hospitals, the Regional Committee failed to proceed with de-empanelment against these PPN hospitals as per clause 3.8 of PPN Operation Manual.

NIACL replied (January 2021) that PPN arrangements were initiated in the year 2010 which originally was their brainchild and during subsequent years the concept was accepted and operationalized by other PSU insurance companies. NIACL added that

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[18] ***Mumbai, Delhi, Bengaluru, Chennai, Kolkata, Ahmedabad, Hyderabad, Chandigarh, Indore, Coimbatore, Pune and Jaipur.***

[19] ***For instance, the major SAHI insurer namely M/s Star Health Insurance Co. Ltd. has a network of 9,900 hospitals, the private insurer namely HDFC Ergo General Insurance Co. Ltd. has a network of 10,000 hospitals.***

[20] ***Of the total 2,552 hospitals, the PSU insurer wise break up: NIACL – 864 hospitals; UIICL – 930 hospitals; OICL – 617 hospitals; and NICL – 141 hospitals.***

[21] ***PSU insurers have adopted a PPN Operation manual which is effective from September 2014.***

[22] ***PPN Operation Manual envisaged four committees viz. Apex Committee, Central Committee, Regional Committees and City Committees defining clearly functions and powers of each of the committee.***

PPN still remains an emerging institution and continues to be under process of getting stabilized as of date. On the issue of not conducting periodical meetings, NIACL stated that committee members are highly placed executives of respective companies who have time constraint to attend the formalities in greater details. Further, on the issue of de-empanelment of hospitals involved in fraudulent claims, NIACL further stated (October 2021) that it has noted the Audit observations and would initiate suitable action as per procedure. Similarly, in respect of applications from hospitals, NIACL replied that all the applications received by City Committee are audited in due course subject to availability of time and scope.

UIICL replied (February 2021) that it shall ensure that the prescribed procedures as per PPN manual would be implemented without exception and added (July 2021 and October 2021) that it has restarted the work to streamline the pending requests (new and renewal).

OICL replied (January 2021 and October 2021) that they have noted all the observations of Audit and would ensure compliance.

NICL replied (February 2021) that hospitals were not under purview of any regulatory body and so each hospital has their own specialty and requirements. Regarding the difference in rates for procedures negotiated with the hospitals, NICL stated that it was a subjective negotiation and hence specific procedure rates are not uniform. NICL further stated (November 2021) that it has noted the Audit observation and that efforts would be made to get the best rates from each of the hospitals during renewals.

Ministry agreed (October/November 2021) with the replies of the PSU insurers.

The replies regarding PPN being in the stabilization phase is to be viewed against the fact that even after completion of 10 years of formation of PPN, PSU insurers have not made adequate efforts to spread the network of hospitals at mutually agreeable rates. NICL's reply regarding subjective negotiation is to be viewed against the fact that such difference in rates for common procedures among similarly placed hospitals are not justifiable.

Recommendation 6: PSU insurers need to ensure increase in the number of hospitals* under *Preferred Provider Network coverage system and should also strive for standardization of rates for common procedures. Necessary targets for increase in hospitals need to be fixed and monitored.

3.8 Summing Up

TPA management policy was in place in NIACL and OICL and after Audit pointed out the lack of policy, UIICL framed a policy and NICL is in the process of framing a policy. The PSU insurers carried out empanelment of TPAs (except UIICL) but allocated business to non-empanelled TPAs also. Review of performance of TPAs was not carried out regularly by the PSU insurers. Safeguards such as maintaining valid bank guarantees of TPAs and regular collection of claim records from TPAs was not prevalent. Resultantly, when fraudulent activities by a TPA came to light and their registration was cancelled by IRDAI, the PSU insurers could not carry out a proper investigation into

claims settled by the TPA. PSU insurers incorporated HITPA with an objective to enhance customer experience and bring greater efficiency in health insurance claim processing. Despite, HITPA having comparable performance parameters and presence in eight out of 12 PPN cities, the allocation of business to HITPA by PSU insurers was minimal. PSU insurers took the initiative to have their own network of hospitals by forming PPN but even after 10 years, enrolment of hospitals under PPN coverage was inadequate.

CHAPTER 4: CLAIMS MANAGEMENT

4.1 Health insurance claims

Claims of health insurance policyholders are of two types viz. cashless and reimbursement. In a cashless claim, policyholder avails hospitalization treatment, either for planned surgeries/ procedures or unplanned/ emergency treatment from network provider or non-network provider. In cashless claims, the network providers claim payment from the insurers and the policyholder need not make payment. In reimbursement claims, the policyholders make payment to the hospitals/ nursing homes and claim reimbursement from insurance companies. Intimation to insurer or TPA is mandatory for registration of a claim. Claim administration includes claim intimation, registration of claim, allotment of unique claim control number by insurer and TPA, verification of credentials of patients hospitalized and policyholders' identity, providing cashless and reimbursement services, scrutinizing of claim documents submitted by the policyholder or hospitals/ nursing homes, deciding on the admissibility of the claim under the terms and conditions of the policy, and recommendation by the TPA for settlement or repudiation of claim. Claims recommended are uploaded by TPAs along with the claim details for insurer to verify and sanction payment as well as effect payment to the policyholder or network provider, as the case may be. A communication is then sent by TPA to the policyholder/ network provider giving details of claim amount admitted, amount deducted along with reasons and details of electronic transfer. Figures 4.1 and 4.2 below depict the various activities involved in claim processing by TPAs under cashless and reimbursement types.

Figure 4.1

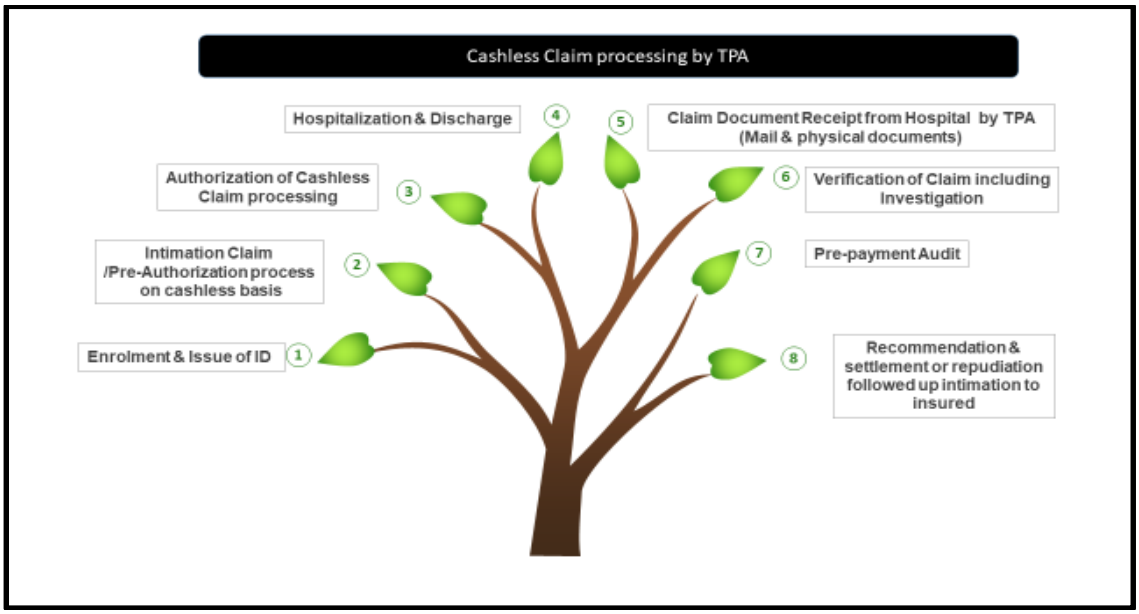
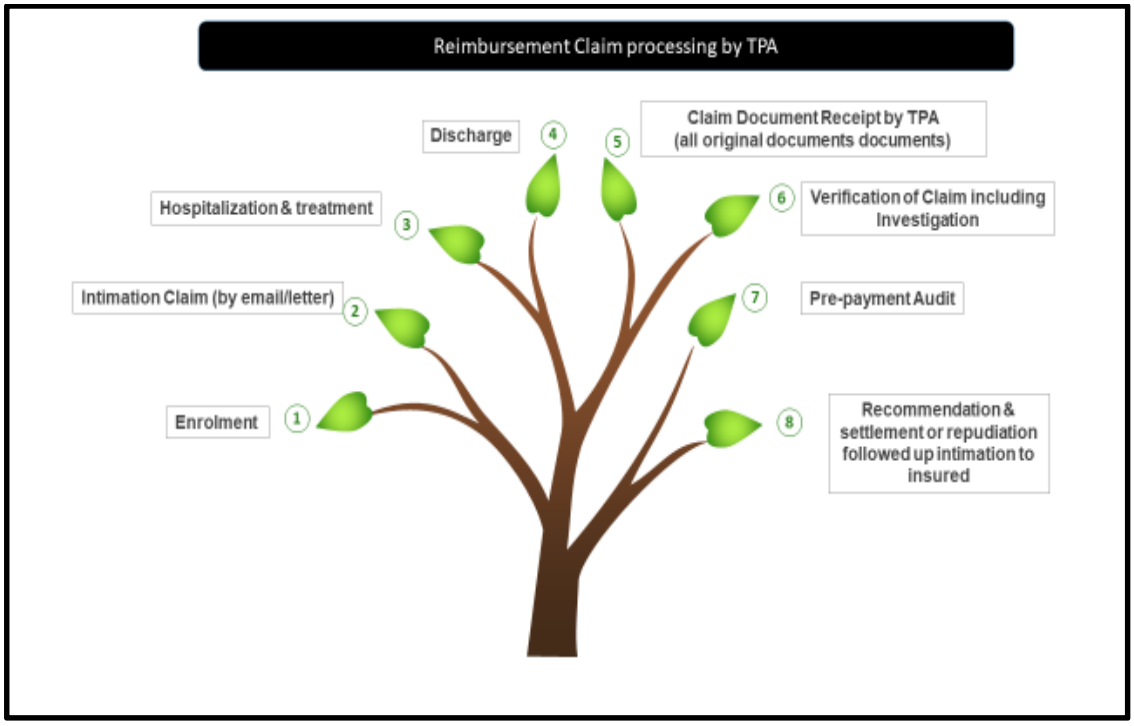


Figure 4.2



The insurance industry has adopted digital technology in a big way and the four PSU insurers also utilized various software[23] to develop products, underwrite risk, process claims and monitor claim settlement. The TPAs also have their own IT systems for claim processing and management.

4.2 Data analysis and test check of sample claims

Audit of claims settled by the four insurance companies was carried out by adopting two methods viz.,

- Data analysis of claims for three years from 2016-17 to 2018-19.
- Test check of 2,934 claim records, which were provided by the four insurance companies (out of representative audit sample of 5,279 claim paid cases), for the period from 2016-17 to 2018-19.

Year-wise claims processed and settled by the four PSU insurers during 2016-17 to 2018-19 is given below:

[23] ***NIACL utilized Centralized –Web-based Insurance Software System (CWISS) since 2016, UIICL utilized Genisys Configurator – Comprehensive Real-time Environment (GC CORE) since 2012, OICL utilized Integrated Non-Life Insurance Application Software (INLIAS) since 2009 and NICL utilized Centralized Web-based Core Insurance Solution EASI (Enterprise Architecture Solution for Insurance).***

Table 4.1: Statement of Yearly Claims Settled

PSU	2016-17		2017-18		2018-19	
	No. of claims paid	Claim paid amount (₹ in crore)	No. of claims paid	Claim paid amount (₹ in crore)	No. of claims paid	Claim paid amount (₹ in crore)
NIACL	1957620	5282.60	2382202	5712.56	2521490	6379.70
UIICL	1590525	4044.39	2294442	4430.89	2661162	4451.73
OICL	878955	3341.66	833419	3414.54	926414	3980.81
NICL	547116	5042.14	882215	5126.32	993365	5042.46
Total	**4974216**	**17710.79**	**6392278**	**18684.31**	**7102431**	**19854.70**

(Source: Data provided by PSU insurers)

Note: Around 70 to 74 per cent of the above claims were reimbursement claims while the remaining 26 to 30 per cent claims were for cashless treatment.

The following Audit observations are from the data analysis/ test check of claim records:

4.2.1 Multiple settlements for single claim

Data analysis by Audit revealed that NIACL and UIICL have settled claims more than once on different dates though the policy number, insured name, beneficiary name, hospitalization dates, illness code, hospital name and disease were the same.

i) Audit pointed out 792 cases (₹4.93 crore) of multiple settlements in NIACL as seen from the database. On verification, NIACL confirmed multiple payments in 139 claims.

NIACL stated that due to technical issues at TPA end, such duplicate payments were made and that they have recovered ₹0.74 crore (including penalty, in line with SLA). NIACL further stated (October 2021) that it is in the process of devising a mechanism in their computerized system namely CWISS to prevent the occurrence of multiple payments.

ii) In UIICL, Audit pointed out 12,532 cases of multiple settlements (₹8.60 crore) for the same person, same disease and for the same period of treatment, as seen from database.

UIICL replied (July 2021) that certain claims were registered twice due to some technical problem. UIICL added that they have sought the explanation of concerned TPAs and have started recovery proceedings from the TPAs concerned in cases of duplicate payments. UIICL further replied (October 2021) that they are in advanced stage of reviewing the TPAs' response to the queries.

Ministry agreed with the replies of both the companies.

The above instances of multiple payments in 13,324 cases involving ₹13.53 crore in two companies demonstrate absence of systems and procedures at TPA's end to ensure that the claim is recommended for payment only after due verification with original documents submitted by the insured/ hospital. It also indicates lack of inbuilt validation checks in Company's database to prevent multiple payments.

4.2.2 Claims paid in excess of Sum Insured

The Health Insurance policy provides for payment of claim to the extent of sum insured[24] and cumulative bonus[25] (Retail Policies) or corporate buffer[26] (Group Policies) amount (to extent as described in the group health insurance policy) as applicable.

In this regard, Audit observed that in NIACL the claims settled exceeded the sum insured plus cumulative bonus in 139 retail claims indicating excess payment of ₹33 lakh. In UIICL the claim paid exceeded the sum insured in 2,223 claims involving ₹36.13 crore, which included group claims. For group policies, there is a provision in the policy for such excess payment over sum insured by way of 'Corporate buffer'. However, the claim processing sheet/ note verified did not indicate use of buffer or available balance of buffer etc.

This was corroborated during test check of 2,176 claim records (NIACL: 1,154 and UIICL 1,022) in the Audit sample, wherein claim payment exceeding maximum amount of liability of insurer was observed in seven claims (NIACL – five claims involving ₹28.05 lakh and UIICL – two claims involving ₹2.33 lakh).

NIACL stated (January 2021) that currently their underwriting modules are not having inbuilt controls and hence the details were being checked manually and added that TPAs were asked to check these details while processing the claims. NIACL further stated (October 2021) that they are trying to devise a system to capture the data in the system itself, so that they may be in a position to find out the cases of excess payment. UIICL stated (July 2021), that they are checking individual claims with respective policy. UIICL further stated (October 2021) that they are in advanced stage of reviewing the TPAs' response to the queries.

Ministry agreed (October 2021) with the replies of these two companies.

The above instances indicate the absence of systems and procedures at TPA's end and lack of inbuilt validation checks in Company's database to prevent excess payments.

Recommendation 7: Instances of multiple settlements of claims and claim payment in excess of sum insured signify major lapses. Since test check by Audit was limited to the Audit sample of 2,176 claim records, PSU insurers are advised to conduct their own review of the remaining cases. Recovery may be made in respect of excess payments and responsibility may be fixed on concerned officials.

4.2.3 Claims paid in fresh policies ignoring waiting period

Health insurance policy terms and conditions specify that the policy will not cover certain diseases like hydrocele, fistula, cataract, hernia, hypertension, etc., for the duration of two/ four years. The waiting period clause is deleted after the duration of two/ four years,

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[24] ***Sum insured means the maximum amount of coverage opted for each insured person.***

[25] ***Cumulative bonus means any increase or addition in sum insured granted by the insurers without an associated increase in premium.***

[26] ***Corporate Buffer means additional sum insured available for the whole group, in case of group insurance policies.***

provided, the policy has been continuously renewed with the Company without any break.

Data analysis of NIACL claim data revealed that the waiting period clause was not invoked and avoidable payment of ₹3.31 crore was made in 1,395 claims relating to fresh policies. This was corroborated during test check of 41 out of 1,395 claims wherein it was seen that in all 41 cases, the claims were on fresh policies and waiting period clause was ignored by NIACL while processing the claims.

Further, in respect of one of the claims out of the sample selected, an amount of ₹8 lakh was paid within 30 days from the date of the commencement of the policy[27], though terms and conditions of the policy (New India Floater Mediclaim Policy) stated that no claim will be payable for any illness contracted during the first 30 days of the commencement date of the policy. Also, in this case the TPA recommended settlement of ₹5 lakh, which was reconsidered by NIACL, and entire sum insured of ₹8 lakh was paid.

NIACL replied (January 2021) that currently their underwriting modules are not having inbuilt control, however, they are verifying the cases. NIACL further stated (October 2021) that it has since incorporated the necessary controls in their IT system.

Ministry agreed (October 2021) with the reply of NIACL.

4.2.4 Excess payment due to non-recovery of Co-payment

Co-payment is a cost sharing requirement under a health insurance policy which provides that the policyholder/ insured will bear a specified percentage of the admissible claims amount. Audit noticed that in NIACL the terms and conditions of group policy of one major group client (M/s. Cognizant Technology Services Limited) contained the 'Co-payment' clause as per which the amount to be deducted from the admissible claim amount was 10 *per cent* in excess of ₹1 lakh for self or employee and 20 *per cent* for dependents on the entire admissible amount. Data analysis revealed that in 275 claims co-payment was not deducted and excess payment of ₹84.36 lakh was made. This was confirmed during test check of 5 sample cases out of 275 such claims.

In respect of retail claims, Audit carried out data analysis of claims settled in respect of Senior Citizen Mediclaim Policy and New India Sixty Plus Mediclaim Policy and also test checked 700 claims out of 12,621 claims from the website of 10 TPAs[28] and claim links provided to Audit. Out of 700 claims, in 117 claims (53 Senior Citizen Mediclaim Policy claims and 64 New India Sixty Plus Mediclaim Policy claims) TPAs did not deduct the applicable co-payment amount leading to excess payment of ₹7.71 lakh.

This indicated that IT system validation to verify application of co-payment clause was not prevalent in the TPA's end as well as NIACL's end.

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[27] ***Policy commenced on 04 February 2016 and spinal surgery was performed on 24 February 2016.***

[28] ***1. Good Health Insurance TPA, 2. Health India Insurance TPA, 3. HITPA, 4, Heritage TPA, 5. Vidal TPA, 6, Medicare TPA, 7. MediAssist TPA, 8. MDIndia TPA, 9. Vipul TPA and 10. Raksha TPA***

NIACL stated (January/October 2021) that currently their underwriting modules are not having inbuilt controls and added that TPAs were asked to check these aspects while processing the claims. Ministry agreed (October 2021) with the replies of NIACL.

The reply indicates that NIACL needs to improve their system controls.

4.2.5 Breach of capping on specific diseases

As per terms and conditions of policy, claim amount for specific diseases/ procedures would be capped at rates mentioned in the policy.

Data analysis was carried out to verify application of the capping for a common disease viz. cataract, for which the capping amount ranging from ₹10,000 to ₹50,000 was fixed in 13 out of 19 individual products of NIACL. It was found that the capping of claim amount for cataract was not applied in 1,389 retail claims (pertaining to 12 individual products) and there was excess payment of ₹2.33 crore due to breach of the ceiling amount. This was confirmed during test check of 43 claim records.

Data analysis of group health insurance policies of two major group policy clients of NIACL viz. M/s Tata Consultancy Services Limited and M/s Cognizant Technology Services Ltd. with specific reference to capping for certain diseases such as maternity and infertility treatment, cataract expenses, joint replacements, hysterectomy expenses, cancer benefit, etc., as per the terms and conditions of the respective policies was carried out. It was found that there was excess settlement of ₹1.65 crore (729 claims for ₹1.24 crore - M/s Tata Consultancy Services Limited and 275 claims for ₹40.98 lakh- M/s Cognizant Technology Services Ltd.) by NIACL to the beneficiaries under the two group health insurance policies.

In OICL, Audit noticed that in 86 out of 378 claims settled in two policies towards treatment for cataract, the capping limit was not applied which resulted in excess settlement of ₹5.04 lakh.

With regard to capping for specific diseases, NIACL confirmed (October 2021) recovery of ₹4.73 lakh in 13 claims along with penalty and assured to implement the internal control for the capping limits. NIACL further stated (October 2021) that currently underwriting and claim modules are not having inbuilt controls for capping and validation of coverages. To incorporate the controls, the Underwriting and Claim Modules need to be redesigned and deployed which is a very complex and time taking project. The TPAs were to ensure while processing the claims as per SLA and if any excess claim was paid, the same will be recovered from the concerned TPAs.

OICL replied (January / October 2021) that it has noted the observation and initiated recovery proceedings.

Ministry agreed (October 2021) with NIACL and OICL's reply.

NIACL and OICL need to put in place necessary inbuilt controls for capping and validation so as to avoid making excess payments.

4.2.6 Claim settlement under domiciliary hospitalization

IRDAI *vide* its circular No. IRDA/HLT/REG/CIR/146/07/2016 dated 29 July 2016 regarding guidelines on standardization of Health Insurance defines domiciliary hospitalization as medical treatment for an illness/ injury in the normal course which would require care and treatment at a hospital but is actually taken while confined at home, provided where the condition of the patient is such that he/ she is not in a condition to be moved to a hospital, or the patient takes treatment at home on account of non-availability of room in a hospital. The said circular defines OPD treatment as the one in which the insured visit a clinic/ hospital or associated facility like a consultation room for diagnosis and treatment is taken based on the advice of medical practitioner. The insured is not admitted as a day care or in-patient.

Test check of domiciliary claims in NIACL revealed that 242 claims[29] out of 1,154 claims were for OPD treatment but these were settled by showing them as domiciliary claims. The claims were of group policy issued to M/s TATA Consultancy Services Ltd. (TCS) and M/s. HPCL Mittal Energy Ltd (HMEL) under which OPD treatment was not covered. Admitting these claims was irregular and resulted in avoidable payment of ₹3.12 crore in 242 claims.

NIACL stated (September/ October2021) that they examined the claims of TCS and confirmed that these were for OPD treatment only. NIACL added that domiciliary cover is outlined in the MoU with TCS and contended that it was a misnomer to show them as domiciliary and they would set it right in the current year. Regarding HMEL, NIACL stated that the policy covers domiciliary treatment which is actually OPD cover/ claims.

Ministry endorsed (October 2021) the reply of NIACL.

The reply is to be viewed against the fact that the policy document is to be adhered to for claim settlement. It is evident that since the policy did not cover OPD treatment, these were shown as 'domiciliary' claims and payment made, indicating undue favour to the clients.

4.2.7 Non-adherence to network agreed rates

Regulatory clause 20(1) to (5) of IRDAI (TPA – Health Services) Regulations, 2016 provide for agreements between a TPA, an insurer and a Network Provider. Accordingly, PSU insurers/ TPA have negotiated and entered into agreements with certain network hospitals for various medical/surgical procedures at agreed rates.

In this regard, Audit observed that in respect of 19 claims out of 2,176 claims, there were variation between the rate allowed by the TPAs and agreed rate. Further, it was observed that certain items which were part of the package rate such as doctor's fee, room charges and investigation charges, etc., were charged additionally thereby resulting in excess payment. Charging higher rates and additional charges resulted in excess settlement of claims amounting to ₹12.60 lakh (NIACL: 17 claims involving ₹12.13 lakh and UIICL:

[29] ***238 claims of M/s. TCS and 4 claims of M/s. HPCL Mittal Energy Ltd.***

2 claims involving ₹0.47 lakh.)

NIACL replied (January/ October 2021) that it would examine each claim and would take appropriate action. UIICL replied (July/ October 2021) that they have already initiated the exercise to recover the excess amount paid in all these cases.

Ministry endorsed (October 2021) NIACL and UIICL's reply.

The above instances indicate that NIACL and UIICL need to have appropriate controls in their systems to prevent such excess payments.

4.2.8 Incorrect assessment of admissible claim amount by TPAs

On receipt of the duly completed documents either from the policyholder or hospital the claim is processed by the TPA as per the conditions and special conditions, if any, of the policy. In this regard, Audit observed that the TPAs have failed to exercise appropriate checks which were required to be carried out while processing the claims and assessing the admissible amount, which resulted in excess settlement in the following cases:

i) Excess room rent/boarding charges allowed in claim assessment

Terms and conditions of policies of PSU insurers stipulated that the room rent/ boarding charges per day should be restricted to one *per cent* of the sum insured per day and two *per cent* of sum insured per day for admission in ICU/ ICCU rooms.

Audit observed that in 13 claims (Normal room rent/ boarding: 12 claims[30] and room rent/ boarding for ICU: 1 claim[31]) the settlement was not restricted invoking the terms and conditions of the policies resulting in excess settlement of ₹1.14 lakh (NIACL: 7 claims involving ₹0.24 lakh and UIICL: 6 claims involving ₹0.90 lakh)

ii) Proportionate deduction not applied

Sub-limit clause in terms and conditions of policies specified that in case of admission to a room/ ICU/ ICCU at rates exceeding the limits[32], the reimbursement/ payment of all other expenses incurred at the hospital, with the exception of cost of medicines, shall be effected in the same proportion as the admissible rate per day bears to the actual rate per day of room rent/ ICU/ ICCU charges.

Audit observed in NIACL that in five claims out of 1,154 claims, though policyholder availed room rent higher than the entitlement, TPA failed to restrict the claim by applying sub limit clause regarding proportional deduction as per terms and condition of policy. This resulted in excess payment of ₹1.15lakh.

iii) Claim payment not deducted for deficiencies

Audit observed that TPAs failed to deduct claim amount towards non-medical expenses (16 claims) although policy excluded the same. Also, TPAs failed to restrict claim payment for various deficiencies (want of bills, prescriptions, calculation errors etc.) in

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[30] ***NIACL-7 claims (Excess paid ₹23,588) and UIICL 5 claims (Excess paid ₹56650)***

[31] ***UIICL1 claims (Excess paid ₹33500)***

[32] ***1 or 2 per cent of sum insured***

51 claims (NIACL: 39 claims, UIICL: 2 claims and OICL: 10 claims) which resulted in excess payment of ₹6.36 lakh.

NIACL replied (January/ October 2021) that they have taken up the matter with TPAs and would initiate appropriate actions as required. UIICL replied (July/ October 2021) that they have initiated the exercise to seek the explanation from TPAs in the above cases and are in advanced stage of reviewing the TPAs' response to the queries. OICL replied (January/ October 2021) that the Audit point is noted for process improvements and taking appropriate action. Ministry (October 2021) endorsed the replies of NIACL, UIICL and OICL.

4.2.9 Discount on other than PPN agreed procedures

PPN provides for cashless access to the policyholders. As on 31 March 2020, PPN cover was available in 12 cities[33] through a network of 2,552 hospitals[34]. PPN agreement provides that PPN agreed rates are 'walk-in walk-out' package for policyholders, unless specified otherwise. PPN agreements provide that for other than agreed packages, the network provider would provide a discount from the Schedule of Charges (SOCs) in line with package rate which varied from 8 to 18 *per cent* on the hospitals bills (excluding medicines, pharmacy, and implants). Further, SLA also provides that TPA needs to disclose and pass on to the insurer, benefit of any discount or rebates provided by the network provider or by any other entity to the TPA as a part of their duties and responsibilities.

Audit observed in 29 claims out of 69 claims of NIACL and OICL that hospitals have depicted incorrect/ lesser discount and TPAs failed to take notice of this while processing and recommending the claim settlement. This has resulted in excess settlement of ₹22.71 lakh, as per details given below:

Table 4.2: Discounts not given/less than agreed rates given by network provider

Insurer	No. of claims provided by auditee organization & audited	No. of claims where agreed discount was not given by hospital and TPA failed to deduct agreed discount	No. of claims where hospital gave lesser/ incorrect agreed discount and TPA failed to deduct correct agreed discount	Excess amount paid (₹ in lakh)
NIACL	1,154	29	26	10.14
OICL	559	11	3	12.57
Total	**1,713**	**40**	**29**	**22.71**

NIACL replied (January/ October 2021) that they shall examine the claims while undertaking TPA review and will initiate appropriate action if deemed necessary. OICL replied (January/ October 2021) that they have noted the Audit point for future compliance.

Ministry endorsed (October 2021) the replies of NIACL and OICL.

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[33] ***Mumbai, Chennai, Bengaluru, New Delhi, Kolkata, Ahmedabad, Hyderabad, Chandigarh, Indore, Coimbatore, Pune and Jaipur***

[34] ***2,552 hospitals as on 26 February 2020***

4.2.10 Irregular payments on implants

Implants are medical devices such as cardiac stents, heart valves, orthopedic implants, dental implants, etc. Cost of such implants are fixed by National Pharmaceutical Pricing Authority (NPPA)[35] and hospitals. List of documents to be submitted at the time of claim includes invoice for implant and sticker details for implants as a proof.

Test check of 1,912 claims revealed that in 26 claims amounting to ₹34.98 lakh, implants cost allowed by TPA was not supported by separate bills/ invoices and stickers, as per details mentioned below:

Table 4.3: Claims where sticker/bills for implants were not available

Insurer	No. of claims provided by auditee organization and audited	No. of claims where bills were not available for payment towards implant cost	Claim amount paid on such implants without bills (₹ in lakh)
NIACL	1,154	11	17.19
OICL	559	10	11.87
NICL	199	5	5.92
Total	**1,912**	**26**	**34.98**

NIACL replied (January/ October2021) that, they have taken up the matter with the respective TPAs and are in the process of finalizing the report. OICL accepted (January/ October 2021) the Audit observation and stated that they have initiated recovery process in three cases. NICL replied (February 2021) that medical implants are many times purchased in bulk by the hospital and hence they are not in a position to give individual implant invoice for the same. However, the matter is being taken up with TPAs.

Ministry endorsed (October / November 2021) the replies of NIACL, OICL and NICL.

NICL's reply is to be viewed against the fact that in the absence of proper mechanism for identification of items out of items purchased in bulk and its implantation in individual patients, there is a risk of excess settlement.

4.2.11 Non-deduction of TDS on claim payments made to hospitals

The insurance companies while releasing/ making payment to hospitals for settlement of medical/ insurance claims are liable to deduct tax at source under section 194J[36] of Income Tax Act. During data analysis in UIICL, Audit observed that in 42,847 claims out of 65,46,129 claims, TDS amounting to ₹14.01 crore was not deducted from payments made to hospitals.

UIICL replied (July/ October 2021) that they had identified the problem and corrected the system and correct TDS is being deducted now. Moreover, the Company started filing revised TDS returns with Tax Authorities for previous years also, wherever anomaly was noticed.

Ministry agreed (October 2021) with the reply of UIICL.

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[35] ***NPPA circular F.No.8(41)/2017/DP/NPPA/Div.-II dated 13 February 2017.***

[36] ***Section 194J of Income Tax stipulated that every person making payment of the notified professional and technical services is required to deduct TDS. The term professional services include medical services.***

4.2.12 Non-reflection of discount in hospital bills

Regulation 20(9) of the IRDAI TPA – Health Services Regulations 2016 and IRDAI circular dated 23 June 2015 provided that final bills of the network provider need to reflect discount amount. The format of provider bill as prescribed in Schedule D of circular no. IRDA/TPA/REG/CIR/059/03/2016 dated 28 March 2016 has a mandatory column for depicting the discount. However, test check of 2,934 claims by Audit revealed that in 774 claims out of 2,934 claims paid by the four PSU insurers (NIACL: 55, UIICL: 287, OICL: 404 and NICL: 28) discount percentage and amount was not mentioned in the hospital bills

NIACL replied (January 2021) that since the change is required at the hospital end, they are verifying the relevant cases and stated that they cannot insist, since hospitals have their own practice. NIACL further stated (October 2021) that the TPAs have been advised to work out the issue with hospital to mandatorily reflect the discount amount agreed and TPAs need to state discount rate agreed *vis-à-vis* actual discount given by the hospital in the claim settlement letter. UIICL replied (July/ October 2021) that the agreement with hospital is made on the discounted rates and hence network hospitals do not show the discount amount separately in the bills. OICL replied (January/ October 2021) that all the observations of Audit have been noted and they have issued necessary instruction to TPAs, to ensure that they have the system in place to check that discounts are duly mentioned in hospital bills and the discounts are duly passed on to customers. NICL replied (February/ October 2021) that the matter has been taken up with TPAs and Audit observations are noted for future compliance.

Ministry agreed (October/ November 2021) with the replies of PSU insurers.

Non-reflection of discount in the detailed bills of the hospitals is not only against the IRDAI Circular dated 28 March 2016 but also the policy holders will not be in a position to know the actual discount provided by the hospitals. Insurers/ TPAs, therefore, need to take up with the hospitals to mandatorily reflect the discount amount agreed and TPA needs to state discount rate agreed *vis-à-vis* actual discount given by the hospital in the claim settlement letter.

4.2.13 Non-verification of KYC

As per SLA all claim files should, inter alia include Know Your Customer (KYC) documents as a part of each claim file. Further, as per IRDAI circular (February 2013) on Anti-Money Laundering/ Counter Financing of Terrorism, General insurance companies were required to carry out KYC norms at the settlement stage where claim payout/ premium refund crosses a threshold of ₹1 lakh per claim/ premium refund.

Audit observed that in 907 claims settled (₹6.06 crore) out of 2,934 claims test checked, KYC documents were not available in the claim files, as per summary given below in the table:

Table 4.4: Non-verification of KYC documents

Insurer	No. of claims provided by auditee organization and audited	No. of claims where KYC not verified or not on record, as per SLA	No. of claims above 1 lakh where KYC not verified/not on record	Claim amount paid where KYC not verified or not on record (₹ in crore)
NIACL	1,154	473	57	3.11
UIICL	1,022	309	22	1.48
OICL	559	74	17	0.93
NICL	199	51	10	0.54
Total	**2,934**	**907**	**106**	**6.06**

Audit also observed that in 65 claims (for ₹66 lakh) of OICL (out of 559 claims), the ID cards issued by TPA did not have photos of policyholder/ beneficiary, which was one of the KYC documents.

NIACL replied (October 2021) that it has instructed all their TPAs to verify the KYC norms at the time of claims and keep the relevant papers in the claim file. UIICL replied (July/ October 2021) that they have initiated the exercise to obtain KYC details in all the above cases and put in place systems to ensure that no claim, where KYC is compulsory, is paid unless KYC documents are obtained and uploaded. OICL in its reply (January/ October 2021) accepted Audit observation on non-availability of photos in TPA ID and added that necessary instructions are issued to TPAs to verify KYC and ensure that KYC verification document is also digitally stored in soft claim files for future compliance. NICL replied (February/ November 2021) that the matter has been taken up with TPAs and Audit observations are noted for future compliance.

Ministry endorsed (October/ November 2021) replies of the PSU insurers.

Non-collection of KYC documents before processing of claims and settlement of claims without verification of KYC details are prone to risk of fraudulent settlements.

4.2.14 Absence of Authorization Letter for cashless facility

Authorization letters are issued upon receipt of Request for Pre-Authorization and TPA examines the same and accords approval in accordance with the Pre-Authorization procedure mentioned in the SLA. The definition for cashless facility as provided in para 2(f) of IRDAI (Health Insurance) Regulations, 2016 stipulates that cashless claim can be settled directly by the insurer to the network provider to the extent pre-authorization is approved.

In 81 claims (39 claims of NIACL for ₹1.26 crore and 42 claims of UIICL for ₹0.26 crore) out of 737 selected cashless claims test checked in NIACL and UIICL, Authorization Letter was not available in the claim files. However, cashless claim payments were recommended and settlement done.

NIACL replied (January/October 2021) that they will take up with the TPA during review and shall initiate appropriate action, if found deficient and added that it advised TPAs to strictly follow the provisions of SLA and ensure that all authorization letters are put in the claim file.

UIICL replied (October 2021) that it is in advanced stage of reviewing the TPAs' response to the queries.

Ministry endorsed (October 2021) the replies of NIACL and UIICL.

4.2.15 Non-indication of time taken by TPA in Authorization letters

Audit observed in NIACL and UIICL, that in 656 cashless cases (NIACL: 333 claims settled for ₹15.09 crore and UIICL: 323 claims settled for ₹5.65 crore), Authorization Letters did not specify time taken by TPA for granting approval although response to Pre-Authorization Request needs to be given within two hours in case of emergency hospitalization and four hours in case of planned hospitalizations. In the absence of this vital information, Turn-Around-Time for having rendered customer service by TPA in cashless cases cannot be ascertained.

NIACL replied (January/ October 2021) that currently they are not capturing the response time data for pre-authorisation and added that they are exploring ways to incorporate it in their IT system to create scope for monitoring on live basis. UIICL replied (October 2021) that they are in the advance stage of revamping the process of claims data collection wherein it has included the relevant information.

Ministry endorsed (October 2021) the replies of NIACL and UIICL.

Recommendation 8: IT systems of PSU insurers need to be made compliant with rules and all the required data to ensure accuracy and completeness need to be captured. Also, PSU insurers need to put in appropriate controls in the IT system to restrict claim payments within the scope of the policy such as waiting period for fresh policies, capping for specific diseases, payments on implants etc. to prevent revenue loss to the Company

4.3 Delayed claim settlement

Regulation-27 of Chapter-IV of Insurance Regulatory and Development Authority of India (Health Insurance) Regulations, 2016 stipulates that an insurer shall settle or reject a claim, as may be the case, within 30 days of the receipt of the last necessary document. Further, as per clause 16.1 of IRDAI (Protection of policyholder's interests) Regulation 2017, an insurer shall settle the claims within 30 days from the date of receipt of last necessary document and in case of delay in the payment of claim, the insurer shall be liable to pay interest at the rate of two *per cent* above the bank rate from the date of receipt of last necessary document to the date of payment of claim. Further, as per the SLA with the TPAs, the turnaround time for processing the claims is seven days from the date of receipt of all documents.

Data analysis in NIACL and UIICL revealed that there was delay in settlement of 18.63 lakh reimbursement claims out of 134.07 lakh claims (13.89 *per cent*) during 2016-17 to 2018-19, as per particulars given below:

Table 4.5: Delay in claim settlement (Reimbursement cases)

Delayed Period	NIACL			UIICL		
	No. of claims delayed	Amount paid on delayed claims (₹ in crore)	Interest payable for delayed period (₹ in crore)	No. of claims delayed	Amount paid on delayed claims (₹ in crore)	Interest payable for delayed period (₹ in crore)
1 to 90 days	12,61,507	1,987.22	18.67	3,43,752	856.72	4.75
91 to 180 days	1,07,179	267.47	8.44	59,320	129.51	3.02
More than 180 days	50,904	120.63	8.41	40,797	36.02	2.17
Total	**14,19,590**	**2,375.32**	**35.52**	**4,43,869**	**1,022.25**	**9.94**

The interest payable for delayed period works out to ₹45.46 crore in NIACL and UIICL. Similar delays have been observed in NICL as well during data analysis and the delays ranged from 1 to 90 days in 1,853 claims and beyond 90 days in 260 claims.

Audit observed that in NIACL, UIICL and NICL there was no mechanism to automatically capture the number of delayed claims beyond IRDAI stipulated 30 days' norm as well as failure to capture the date of receipt of last 'necessary' documents. In OICL, though there was a mechanism in place to capture the receipt of the last 'necessary' document in the system but there is no mechanism to make interest payment.

Audit test checked 1599 reimbursement claims in the audit sample (NIACL, UIICL and OICL) and observed that interest payable to policy holders on such delayed settlement of claims works out to ₹6.50 lakh in 86 claims.

NIACL replied (January 2021) that in case of Court Awards where delay on the part of the Company is established, it honours the respective Award, but in other cases, delay is generally caused due to certain practical reasons like delay in submission of documents of the claimant, delay in compliance on the part of the claimant etc. However, NIACL further stated (October 2021) that they are trying to evolve a system as suggested by Audit.

UIICL replied (July 2021) that it was monitoring manually and is revamping the process of data collection from TPA which also includes accurate capture of the date of collection of the final claim document. UIICL added (October 2021) that it would enable it to have a system to monitor, report on delays, automatic calculation of interest to policyholders and its remittance along with claims through NEFT.

OICL stated (July 2021) stated that the claimants have not claimed the interest amount. OICL further replied (October 2021) that they have noted the Audit observation for compliance.

NICL stated (November 2021) that the issue did not relate to NICL.

NIACL stand that they were making interest payment only when there was a court award is not in consonance with the Regulation. OICL's reply is to be viewed against the fact that the Regulation does not stipulate that the insured needs to make a claim for interest.

The reply of NICL to be viewed against the fact that it did not have a mechanism to automatically capture the number of delayed claims beyond IRDAI stipulated 30 day norm as well as the last date of receipt of 'necessary documents'.

Recommendation 9: PSU insurers' core application systems need to automatically capture the last date of receipt of 'necessary' documents and authorize payment of interest for delayed settlement of claims, along with the claim amount, wherever applicable, in line with IRDAI regulations.

4.4 Non-investigation of claims as per SLA

TPAs need to carry out mandatory investigation above a particular limit agreed in SLA and such investigation reports need to be included in the claim files.

In this regard, Audit observed that:

4.4.1 In 562 claims (amounting to ₹40.46 crore) out of 2,735 claims in the Audit sample in NIACL, UIICL and OICL that, the claim files did not contain investigation reports duly authenticated, although, investigations were mandated by the insurer, as per details given below:

Table 4.6: Summary of non-investigation of claims

Insurer	Investigation required for claims exceeding	No. of claims provided & audited	Number of claims where investigation by TPA is required but not done	Claim amount paid without investigation report (₹ in crore)
NIACL	₹1.50 lakh	1,154	352	28.05
UIICL	₹1.00 lakh	1,022	126	8.62
OICL	₹1.00 lakh	559	84	3.79
Total		**2,735**	**562**	**40.46**

4.4.2 In NICL, as per clause 3.1.2 (c) of SLAs, TPAs should carry out Compulsory Investigation and Reporting (CIR) and satisfy through verification and investigation that the claim in process is genuine and payable. TPA shall carry out CIR of not less than 20 *per cent* claims where the reported claim amount is more than ₹10,000 during a year. Out of the total claims investigated, 10 *per cent* would be of Level 1 (on spot patient/ hospital verification) and 10 *per cent* of Level 2 (Level 1 + verification of treatment documents). The Investigation Reports shall be submitted to RO on monthly basis.

Scrutiny of information pertaining to the period from 2016-17 to 2018-19 furnished by 12 ROs revealed that most of the TPAs were not conducting the investigations as per the SLAs and the same was also not strictly monitored by the Company. The performance of TPAs with regard to CIR as observed in Audit is detailed below:

Table 4.7: CIR performance

Year	Level 1 Investigation				Level 2 Investigation			
	TPAs conducted 'nil' Level 1 investigation		TPAs conducted less than 10 *per cent* Level 1 investigation		TPAs conducted 'nil' Level 2 investigation		TPAs conducted less than 10 *per cent* Level 2 investigation	
	No. of ROs involved	No. of TPAs	No. of ROs involved	No. of TPAs	No. of ROs involved	No. of TPAs	No. of ROs involved	No. of TPAs
2016-17	6	4	7	6	5	8	4	2
2017-18	6	5	6	6	5	8	2	3
2018-19	6	4	5	6	7	9	2	2

NIACL replied (January 2021) that they shall examine each of the claim file for the mentioned cases and shall initiate actions as per the provision of the SLA, if there is any proven deficiency. NIACL further stated (October 2021) that it has advised TPAs to keep the investigation report in the claim file mandatorily and this point would be discussed with TPA during TPA review and TPA Audit meeting. UIICL replied (July/ October 2021) that they have initiated the exercise to seek explanation/ recovery from TPAs in all the above cases and have modified the health service agreement suitably to impose penalty for non-conducting the investigation by TPAs. OICL replied (January / October 2021) that they have noted the Audit observation for improvements and issued necessary instructions to TPAs. NICL replied (February/ November 2021) that they have noted the Audit observation and steps are being taken to ensure that all TPAs conduct the mandatory investigations as per SLA.

Ministry agreed with the replies of the PSU insurers.

The CIR activity of TPA is very important as it is a means to detect and control fraud cases and consequential reduction in fake claims. In the absence of investigation, the details of patient's admission, disease/ procedure and treatment and the veracity of claims are not verifiable and prone to risk of false payments.

Recommendation 10: PSU insurers need to ensure that the mandatory investigations as stipulated in SLA are carried by the TPAs and such investigation reports need to be placed in claim files, in order to prevent risk of false payments/ excess payments.

4.5 Overseas Mediclaim Policies

Overseas Mediclaim Policies (OMP) issued by NIACL covered medical expenses incurred by the insured person, outside India as a direct result of bodily injuries caused or sickness or disease contracted.

NIACL could provide only 38 claims (₹14.66 crore) out of 41 sample selected claims where the following observations were noticed:

- Deductible[37] was not applied in 20 claims resulting in excess payment of claim to the extent of ₹1.33 lakh.

[37] ***The policy provided that a certain specified sum (USD 100) would be deductible on each claim towards illness and treatment for accident.***

- Bills and vouchers towards partial claim payments to the extent of ₹1.31 crore, were not available on record, in 10 claims.

- ₹0.87 crore on account of hike in exchange rate had to be incurred on account of delayed settlement (35 days to 359 days) in 17 claims after obtaining sanction from competent authority.

- There is no system of obtaining document/ acknowledgment from the overseas insured/ hospital/ Overseas Service Provider (OSP) for the claims settled and payments made. Therefore, ₹14.66 crore payments in 38 claims could not be verified.

- Validity of Service Provider Agreement was not renewed after 1 November 2016.

- Bank guarantee from OSP for ₹0.40 crore was not available. Therefore, financial interest of NIACL was not protected in line with the Service Provider Agreement.

NIACL stated (October 2021) that the matter is under review with TPA and they shall do the needful.

Ministry endorsed (October 2021) NIACL's reply.

In so far as three other PSU insurers are concerned, there were 24 claims in the Audit sample (UIICL: 3 claims, OICL: 13 claims and NICL: 8 claims) but these were not provided to Audit and hence could not be examined.

4.6 Deficiencies in IT systems of PSU insurers

Regulation 19(5) of IRDAI TPA (Health Services) Regulations, 2016 states that the TPA and insurer shall establish electronic systems for seamless flow of data for all the claims and shall follow standards and protocols for capture of data as may be specified by the Authority from time to time. Audit observed the following inadequacies in the IT systems of PSU insurers:

- Standard claim form (Claim form A and B) and cashless hospitalization request form are provided in Annexure-30 to IRDAI circular dated 28 March 2016. The columns stipulated therein are not completely captured by PSU insurers in their IT system. Some of the information which are not captured include details of room category, diagnosis, ICD code and description of disease, PPN code, type of admission, pre-authorization request date, date of granting authorization, authorized amount, name of the treating doctor, doctor registration number, etc.

- For the purpose of determination of claim eligibility, the system should be comprehensive and necessary data fields need to be provided to capture all required details. However, key data such as corporate buffer allowed as per policy, buffer utilization details, buffer balance available after each claim of the client, cumulative bonus details, co-pay details, implant particulars (cost, invoice number and sticker number), date of receipt of last necessary documents, calculation of interest payable on delayed settlement of claims, discount allowable and discount allowed by hospitals under network and non-network, surgical procedure under network provider agreements, GST charges applicable on pharmacy products and implants, mapping of terms and condition

and maximum permissible amount, etc., were not fully captured by the PSU insurers. As result, the PSU insurers were not in a position to exercise appropriate validation checks and control for processing of claim payments leading to excess payments.

- Due to lack of validation control, deficiencies such as multiple claims for the same person for hospitalization on the same day for the same illness, data fields such as "age" accepting "zero" or "negative figures", the field "claim type" accepting any input instead of limiting to either "cashless" or "reimbursement", the gender code accepting "0" instead of male/ female, etc. were noticed in UIICL GC Core package. In NICL, the field for capturing policy numbers accepted inaccurate data such as '99999999999999999999'. In NIACL, test check revealed that same hospital code was assigned to two different hospitals, date of discharge is before date of admission, columns of Disease Code and patient name are blank, etc.

NIACL and OICL replied (January/ October 2021) that they have noted the Audit observations and assured to revamp claim module in a phased manner since it is a major task. UIICL replied (February/ October 2021) that they were already on the job and have been gradually progressing to bring technological advancement in their system over the years to make necessary improvements in software and systems to address the gaps observed. NICL replied (February/ November 2021) that it would ensure strict compliance with quality data requirements and action has been initiated for end-to-end integration of the system of NICL with TPAs for smooth transition. Further, NICL stated that they have noted the discrepancies pointed out by Audit and would strive to avoid such error in future.

Ministry agreed (October/ November 2021) with the replies of the PSU insurers.

4.7 Collection of claim records from TPAs

As per Regulation 19(6) of IRDAI (TPA-Health Services) Regulations 2016, TPA should submit or handover all the files, data and other related information pertaining to the settlement of claims to the respective insurers on a quarterly basis within fifteen days after the close of each quarter and the insurer should accept the same under acknowledgement.

Audit noticed that as on 31 March 2020, 1.03 crore claim files have not been transferred to the four PSU Insurers from 16 to 19 TPAs, as per details given below.

Table 4.8: Claim files not transferred by TPAs to PSU insurers as on 31 March 2020

Age	NIACL (16)*	UIICL (18)*	OICL (19)*	NICL (19)*
Less than 3 months	1,49,133	2,20,991	65,772	96,141
3 to 6 months	1,70,837	2,73,756	62,943	1,61,607
6 months to 1 year	3,51,152	4,48,660	1,24,870	3,15,698
1 Year to 3 years	9,02,092	15,02,796	3,66,624	10,92,384
More than 3 years	7,65,877	12,03,968	2,60,076	17,52,697
Total	**23,39,091**	**36,50,171**	**8,80,285**	**34,18,527**
** Figures in bracket indicate the number of TPAs involved*				

Also, PSU insurers[38] provided 2,891 claim files in softcopy and 43 claim files in hard copies, out of 5,279 claims selected[39] as sample. Thus, 2,345 claim files were not provided to Audit, which indicated that PSU insures do not ensure that claims files are collected every quarter and preserved.

NIACL replied (June 2021) that they had sent circular to its offices to collect the claim files from TPAs but same is not strictly adhered to. NIACL further added (October 2021) that all offices are now collecting claim files from TPAs regularly and it is also being monitored. UIICL have noted (October 2021) the observations and stated that they are constantly improving their systems and processes to ensure a fool-proof performance by TPAs. OICL and NICL noted (October/ November 2021) the Audit observation for necessary compliance.

Ministry endorsed (October 2021) the replies of the PSU insurers.

4.8 Summing Up

Processing of health insurance claims is largely on digital platform both at PSU insurer level as well as TPA level warranting sound IT systems with built in validation controls, data integration and seamless flow of data. The IT systems in PSU insurers lacked appropriate validation checks and controls, undermining the smooth functioning and reporting system. It is observed that the IT systems are not designed to capture all required fields, data captured is not complete, systems are accepting multiple entries and had issues regarding data integrity. This has resulted in lapses such as multiple settlement of claims, excess payment over and above the sum insured plus bonus, excess payments due to ignoring waiting period clause for specific diseases, non-application of co-payment clause, breaching of capping limit for specific diseases, incorrect assessment of admissible claim amount, irregular payments on implants, non-payment of interest on delayed settlement etc.

[38] ***NIACL-1154, UIICL-1022, OICL-559 and NICL-199 provided and audited***
[39] ***NIACL-1364, UIICL-1577, OICL-941 and NICL-1397 sample selected claims***

CHAPTER 5: RISK UNDERWRITING OF GROUP HEALTH INSURANCE POLICIES

5.1 Health Insurance Underwriting Policy

Regulation 8(a) of Health Insurance Regulations notified (July 2016) by IRDAI prescribed that insurance companies shall evolve Health Insurance Underwriting Policy, which shall be approved by the Board of the insurance company and file such approved underwriting policy with the Regulator. Further, it provided that every insurer also needs to put in place measures for periodical review of the underwriting policy in tune with the changes affecting the medical field and health insurance business.

Audit scrutiny revealed that all the four PSU insurers have formulated and implemented Underwriting policy and reviewed[40] the same subsequently. However, there were inadequacies in implementation of the policy, which are discussed below:

5.2 Non-adherence to underwriting policy resulting in loss of revenue

IRDAI provided in Regulation 8(c) of Health Insurance Regulations, 2016 that any proposal for health insurance may be accepted as proposed or on modified terms or denied wholly based on Board approved underwriting policy. Further, Regulation 10 provided that insurers shall ensure that the premium for health insurance policy shall be based on age for individual policies and group policies and other relevant risk factors as applicable.

Audit examined compliance of NIACL, UIICL and OICL with reference to their respective underwriting policy by examining 222 group health insurance policies (NIACL: 78; UIICL:76 and OICL:68). In respect of NICL, underwriting of group policies was audited earlier and the findings incorporated in Para No. 5.4 of the Comptroller & Auditor General's Report No. 18 of 2020.

Out of the Audit sample of 222 group health insurance policies, the three PSU insurers have provided records of only 188 policies for Audit scrutiny. Audit scrutiny of these 188 group health insurance policies[41], revealed that:

- In 30 policies (15.96 *per cent*), the premium was charged as per Board approved underwriting policy.

- In 155 policies (82.45 *per cent*), non-adherence to outgo calculator and non-loading for adverse claim experience, resulted in undercharging of premium of ₹1,548.19 crore.

- In 3 policies, NIACL allowed excess discount of ₹9.28 crore.

[40] ***NIACL (Sept 2013 and May 2016), UIICL (July 2013 and February 2018), OICL (Feb 2015 and May 2019) and NICL (March 2016 and December 2017)***

[41] ***NIACL: 48, UIICL: 72 and OICL:68***

The table below indicates PSU insurer wise premium undercharged and excess discounts allowed.

Table 5.1: Particulars regarding premium undercharged and excess discount allowed

Name of PSU insurer	No. of sample selected policies	Policy copy & UW records provided completely	Non-adherence to outgo calculator/ Non-loading		Allowing excess discount		Correctly charged premium in no. of policies examined
			No. of policies	Short charged premium amount (₹ in crore)	No. of policies	Excess discount allowed (₹ in crore)	
NIACL	78	48	41	866.25	3	9.28	4
UIICL	76	72	50	269.14	0	0	22
OICL	68	68	64	412.80	0	0	4
Total	**222**	**188**	**155**	**1,548.19**	**3**	**9.28**	**30**

The Company-wise Audit findings are discussed below:

5.2.1 The New India Assurance Company Limited (NIACL)

Health insurance segment in NIACL with premium of ₹19,991 crore collected during 2016-17 to 2018-19 accounts for 34 *per cent* of overall insurance business. The major chunk of health insurance business is from group health insurance clients amounting to ₹11,544 crore out of ₹19,991 crore (58 *per cent*). The average ICR of Group health insurance clients during the above three financial years was 111.43 *per cent*, impacting adversely, the overall profitability of the health insurance segment as well as overall business.

A total of 78 group health insurance policies (33 corporate clients) were selected for Audit examination. However, NIACL could provide only 48 policies containing various related documents.

In this regard, Audit observed that only in 4 out of 48 policies test checked, the premium was charged on outgo basis in line with the guidelines (July 2012) issued by NIACL. In the remaining 44 policies (91.67 *per cent*), the following deficiencies were noticed -

i) In 9 policies, NIACL has not applied outgo calculator for calculation of premium which resulted in undercharging of premium to the tune of ₹128.80 crore.

ii) Of the remaining 35 policies, claims costs, acquisition costs and claims administration costs were not correctly adopted in line with Para 5.4 of the underwriting policy/ outgo calculator guidelines issued by NIACL (July 2012) which resulted in undercharging of premium to the tune of ₹737.45 crore and the details of deviations are stated below:

a. Loading of premium towards Incurred But Not Reported (IBNR) claims:

- In 1 policy, IBNR claims was applied as stipulated.
- In 14 policies, IBNR claims required to be charged @ 8 *per cent* were not charged.

- In 20 policies, reduced IBNR rate (1 to 6 *per cent*) was charged[42] though the guidelines stipulate that IBNR rates cannot be negotiated.

b. Loading of premium towards Management Expenses:

- NIACL did not charge Management Expenses @ 5 *per cent* as stipulated in 34 out of 35 policies.
- In one policy, reduced Management Expenses of 1 *per cent* was charged.

c. Loading of premium towards Market Inflation:

- Market inflation was charged as stipulated only in eight policies.
- In 24 out of 35 policies, the applicable market inflation @ 5 *per cent* was not charged by NIACL.
- In one policy market inflation @ 1 *per cent* and in two policies market inflation @ 0.2 *per cent* was charged, as against market inflation of 5 *per cent*.

iii) For following three group clients, 'Special discount' in premium amount was allowed, though there was no such provision in the underwriting policy.

- Maratha Vidya Prasarak Samaj –75 *per cent* discount amounting to ₹5.30 crore.
- Dr.C.J. Desai – 25 *per cent* discount amounting to ₹15 lakh.
- Nashik Municipal Corporation – 75.8 *per cent* discount amounting to ₹3.83 crore.

Out of the above three clients, for two clients (Nashik Municipal Corporation and Dr C J Desai), the policy was underwritten and issued for the first time by NIACL. Therefore, previous ICR data was not available. In the case of third client i.e., Maratha Vidya Prasarak Samaj, ICR was 384 *per cent* during the year 2015-16. Instead of loading the premium amount for high claim outgo in previous year, heavy discount of 75 *per cent* was allowed in violation of policy, indicating undue favour to the client.

i) Para 6.2.3 of NIACL's Health Insurance Underwriting Policy, 2016 provided that periodic evaluation of Corporates and Group business should be carried out to identify chronically loss-making account, if any, and necessary remedial action should be expeditiously taken. However, NIACL did not carry out such evaluation periodically and not placed the report before the Board in order to ensure effective management of health insurance portfolio.

ii) Group clients of health insurance policies tend to bargain for reduction of premium on the ground that they also bring in business in other portfolios such as fire, marine etc. Ministry of Finance guidelines (24 September 2012) allowed 'other portfolio segments' to be considered in such cases, provided Combined Ratio is less than 100 *per cent.* NIACL had clients offering business under multiple portfolios and were issued

[42] ***1 per cent charged in one policy, 3 per cent charged in one policy, 4 per cent charged in 3 policies, 5 per cent charged in 14 policies and 6 per cent charged in one policy.***

group policies but calculations regarding cross-subsidy were not considered while approving the premium amount.

Audit analyzed the aspect regarding cross subsidy in case of the top two clients of NIACL, viz. M/s Tata Consultancy Services Limited/ TATA Group Companies (M/s TCS/ TATA) and M/s Life Insurance Corporation Group (M/s LIC)[43]. The premium collected and incurred amount in respect of M/s TCS/ TATA Group of Companies and LIC for both health segment and other than health segment *vis-à-vis* the key indicators is given below:

Table 5.2: Premium and outgo of top two clients (Health and other portfolio)

Financial Year	Premium collected under Health segment (₹ in crore)	Premium collected under other than Health segment (₹ in crore)	Total premium collected from the Group (₹ in crore)	Incurred amount for Group in health portfolio (₹ in crore)	Incurred amount for Group in other than health portfolio (₹ in crore)	Total claim outgo under all portfolios (₹ in crore)
TCS Group						
2016-17	758.04	89.88	847.91	867.15	26.43	893.58
2017-18	817.60	89.87	907.47	892.71	53.41	946.12
2018-19	904.18	106.42	1,010.60	976.12	57.13	1,033.25
2019-20	973.56	79.09	1,052.65	1059.12	107.96	1,167.08
2020-21	1,107.08	124.48	1,231.56	1087.25	32.87	1,120.12
Total	**4,560.45**	**489.74**	**5,050.19**	**4882.35**	**277.80**	**5,160.15**
LIC Group						
2016-17	286.75	0.09	286.84	313.79	0.74	314.53
2017-18	289.06	0.35	289.41	323.20	0.52	323.72
2018-19	330.61	0.75	331.36	374.55	0.21	374.76
2019-20	388.40	1.03	389.43	402.23	0.04	402.27
2020-21	441.21	0.8	442.01	445.39	0.57	445.96
Total	**1,736.03**	**3.02**	**1,739.05**	**1,859.16**	**2.08**	**1,861.24**

It can be seen from the above table that in respect of M/s. TCS, against the premium collected of ₹4,560.45 crore under health, the claim out go was ₹4,882.35 crore. Against overall premium collected of ₹5,050.19 crore under all lines of business, the claim out go was ₹5,160.15 crore (excess over premium collected was ₹109.96 crore). The average ICR of health segment of M/s TCS/ TATA Group stood at 107 *per cent* and even if other portfolios are considered, still the ICR stood at 102 *per cent*. Further considering management expenses plus brokerage plus TPA fees, the combined Ratio of TCS/TATA Group would increase to 127 per cent under health insurance and 122 per cent for TATA Group as a whole.

In respect of M/s LIC Group of Companies, against the premium collected of ₹1,736.03 crore under health, the claim out go was ₹1,859.16 crore. Against overall

[43] ***Together, M/s TCS/TATA Group and M/s LIC Group account for 15.21 per cent of the entire health business i.e., Retail, Group, and Government Schemes on an average during the past five years. If the Group category alone is considered, the two clients account for 23.44 per cent i.e., nearly 1/4th of the NIACL's group health insurance business, on an average during the last five years.***

premium collected of ₹1,739.05 crore under all lines of business the claim out go was ₹1,861.24 crore (excess over premium collected was ₹122.19 crore). The average ICR of health segment of M/s LIC Group stood at 107 *per cent* and even if all lines of business are considered, still the ICR stood at 107 *per cent*. Further considering management expenses plus brokerage plus TPA fees, the combined Ratio of LIC Group would increase to 127 per cent for health insurance as well as for the group as a whole.

Hence, the reduced premium of health insurance was not offset by profits earned from other portfolios of the two clients. Net loss due to undercharging of premium works out to ₹ 1120 crore[44] in respect of TCS and ₹ 470 crore in respect of LIC[45].

NIACL replied (January 2021) that the private and standalone health insurers adopt tactics to divert large and overall profitable and prestigious accounts. To arrest such an exodus and also to meet the market demand, NIACL priced the policies by striking a balance between all the factors in order to have a sustainable and long-standing portfolio. Cross subsidy is considered for big clients keeping in view the fact that bulk premiums of Health Insurance facilitate funds for investments and highest interest. NIACL added that all the accounts are periodically reviewed and system of verifying that the approved premium is charged, has been introduced in the year 2020. NIACL further replied (October 2021) that it has initiated required steps and raised alerts for prudent underwriting of Group Health Insurance business so as to make it a viable business proposition.

Ministry endorsed (October 2021) the reply of NIACL.

The reply of NIACL is to be viewed against the fact that sustaining continuous losses in any business is not a prudent approach, notwithstanding the contention that bulk premiums facilitate funds for investments and highest interest. Regarding cross-subsidy, Audit noticed that NIACL did not lay down a mechanism to ensure that MoF guidelines regarding cross subsidy are followed. Further, analysis by Audit in respect of M/S. TCS and LIC, discussed above, revealed that profits from other lines of business could not fully absorb the loss in health insurance business.

5.2.2 United India Insurance Company Limited (UIICL)

UIICL earned premium amounting to ₹14,682 crore in health insurance segment for three years 2016-17, 2017-18 and 2018-19 (39 *per cent* of overall business). Claims incurred in health insurance segment was ₹16,393 crore that formed 111.65 *per cent* ICR in health insurance segment impacting the overall profitability during the said three years.

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[44] ***Difference between loss under health segment ₹1233.99 crore ([₹4560.45 crore - ₹4882.35 crore = ₹321.90 crore] - [20% Management Expenses of ₹321.90 crore i.e ₹912.09 crore]) and profit under other than health segment ₹113.99 crore ([₹489.74 crore - ₹277 crore = ₹211.94 crore] - [20% Management Expenses of ₹211.94 crore i.e ₹97.95 crore])***

[45] ***Difference between loss under health segment ₹470.34 crore ([₹1736.03 crore - ₹1859.16 crore = ₹123.13 crore] - [20% Management Expenses of ₹123.13 crore i.e ₹470.34 crore]) and profit under other than health segment ₹0.34 crore ([₹3.02 crore - ₹2.08 crore = ₹0.94 crore]- [20% Management Expenses of ₹0.94 crore i.e ₹0.60 crore])***

76 group health insurance policies were selected as sample and 72 group health insurance policies were provided and examined in Audit. Scrutiny of these policies indicated that:

- In 50 out of 72 policies, UIICL did not adhere to outgo calculator and failed to load the premium appropriately, resulting in undercharging of premium to the tune of ₹269.14 crore. These 50 policies include 40 policies issued to Indian Bank Association (IBA) and 10 policies issued to other group clients.

- In 22 policies, records did not indicate that UIICL had considered factors such as IBNR, medical inflation, management expenses, separately.

UIICL (February 2021) replied that they have considered overall claim experience and followed uniform practice for all the group policies. UIICL added that the underwriting policy provided that they may have to resort to less than break-even in pricing to retain a particular client in books, prevent diversion of our accounts to other insurers and also to divert an account on the book of other insurers. UIICL further stated (October 2021) that they have made necessary course-correction and have drastically reduced their exposure to loss making accounts.

Ministry endorsed (October 2021) the reply of UIICL.

The reply that underwriting at a loss was for strategic reasons is to be viewed against the fact that the approvals did not indicate any cost benefit analysis in this regard.

5.2.3 The Oriental Insurance Company Limited (OICL)

OICL earned premium amounting to ₹9,766 crore in health insurance segment during the three years 2016-17, 2017-18 and 2018-19 (34 *per cent* of total premium). Claims incurred in health insurance segment was ₹11,022 crore that formed 112.86 *per cent* ICR in health insurance segment impacting the overall profitability during the said three years.

- OICL provided all 68 sample selected policies. In 4 out of 68 policies, premium was correctly charged and necessary sanction documents were on record.

- In 64 policies, Audit observed short collection of premium to the extent of ₹412.80 crore on account of deficiencies such as adopting historical experience, not considering burning cost, acquisition cost, promotional cost and management expenses.

OICL accepted (January/ October 2021) the Audit observation and assured that it is constantly monitoring the competitive behavior of complex health insurance market and taking adequate steps to instill discipline of rates in this line of business.

Ministry endorsed (October 2021) the reply of OICL.

Recommendation 11: PSU insurers have to develop strategies for underwriting of group health insurance policies through objective loading of premium rates and rationalizing the risk coverage to stop huge losses. Also instructions of Ministry of Finance regarding cross subsidy needs to be scrupulously followed by insurance companies. A report in this regard needs to be submitted annually to the Audit Committee, Board and the Ministry.

5.3 Coinsurance business

Coinsurance is sharing of risk between multiple insurers. In coinsurance, Lead Insurer underwrites the risk with major share and balance is shared amongst the other insurers. Lead Insurer procures business and carries out all administrative tasks for which a small percentage of management fee (1 *per cent* of premium) is levied by the Lead Insurer and collected from coinsurers. The four PSU insurers have not laid down guidelines for acceptance of coinsurance business. With a view to analyse the profitability of coinsurance business, Audit compared the quantum of incoming health coinsurance business and the ICR figures *vis-à-vis* the figures for total health insurance business. Details in this regard in NIACL, UIICL, OICL and NICL are given in the following table.

Table 5.3: Profitability of coinsurance business vis-a-vis total health insurance business

(Premium amount ₹in crore)

PSU insurer	2016-17		2017-18		2018-19		2016-17 to 2018-19	
	Premium amount and ICR *per cent* (in bracket) for the total business	Premium amount and ICR *per cent* (in bracket) for incoming coinsurance	Premium amount and ICR *per cent* (in bracket) for the total business	Premium amount and ICR *per cent* (in bracket) for incoming coinsurance	Premium amount and ICR *per cent* (in bracket) for the total business	Premium amount and ICR *per cent* (in bracket) for incoming coinsurance	Total premium amount and average ICR *per cent* (in bracket) for the total business	Total premium amount and average ICR *per cent* (in bracket) for incoming coinsurance
NIACL	5959.61 (104.74)	598.25 (112.01)	7008.37 (103.83)	658.92 (117.79)	8253.67 (99.02)	664.83 (117.04)	**21221.65 (102.33)**	**1922 (115.61)**
UIICL	5241.38 (140.96)	107.38 (146.78)	5614.03 (111.20)	91.49 (133.88)	5365.25 (112.22)	108.69 (134.05)	**16220.66 (121.28)**	**307.56 (138.24)**
OICL	3323.39 (121.77)	686.08 (85.31)	3608.44 (110.39)	667.22 (114.50)	4088.09 (108.21)	576.95 (142.76)	**11019.92 (112.86)**	**1930.25 (114.19)**
NICL	4739.22 (127.50)	656.25 (103.35)	5333.91 (116.47)	619.37 (143.41)	5894.34 (104.10)	543.65 (196.54)	**15967.47 (116.42)**	**1819.27 (144.91)**
Total	19263.60 (122.27)	2047.96 (111.86)	21564.75 (109.67)	2037.00 (127.40)	23601.35 (105.04)	1894.12 (147.60)	**64429.70 (112.05)**	**5979.08 (128.24)**

Source: Data provided by PSU insurers

Audit observed that ICR of coinsurance business of PSU insurers during the three financial years from 2016-17 to 2018-19 ranged from 85.31 *per cent* to 196.54 *per cent.* In all the companies and all the years, this was higher than the ICR of total health insurance business (except during 2016-17 in OICL and NICL). Hence the incoming coinsurance business was not profitable for PSU insurers.

NIACL replied (January 2021) that the decision of the Lead Insurer is honoured by all coinsurers in respect of claims and further stated that as the coinsurance agreement is common across all the lines of business, they follow the same in toto. UIICL stated (February 2021) that since ICR of incoming coinsurance policies was higher than overall health ICR, the acceptance was limited to good proposals in the recent years which had helped to reduce the ICR of coinsurance policies to 73.37 *per cent* in 2019-20. OICL replied (January 2021) that co-insurance balances are settled amongst the Companies and all terms of agreements are duly taken care of. However, they have duly noted the

observations of Audit. NICL replied (February 2021) that it is a common practice to book claims as provided by the lead insurer in case of co-insurance claims.

The reply of the PSU insurers is to be viewed against the fact that systems and procedures to ensure acceptance of only good quality incoming coinsurance by PSU insurers from its peers, were lacking in the PSU insurers.

NIACL and OICL noted (October 2021) the Audit observation for future compliance. OICL further added that they would exercise more care while accepting co-insurance business and implement underwriting checks. UIICL stated (October 2021) that it shall do prudent underwriting while accepting any coinsurance business.

Ministry endorsed (October 2021) the replies of the three PSU insurers.

Recommendation 12: PSU insurers need to formulate appropriate guidelines for accepting coinsurance business as a prudent approach and avoid loss making co-insurance business particularly from private insurers.

5.4 Summing Up

Group health insurance segment of PSU insurers is a loss making segment and requires objective risk assessment and loading of premium rates. PSU insurers have suffered a revenue loss of ₹26,364 crore during the five years ended March 2021. Test check of 188 group health insurance policies in Audit revealed non-adherence to outgo calculator and non-loading for adverse claim experience resulting in undercharging of premium to the tune of ₹1,548.19 crore in 155 policies and excess discount of ₹9.28 crore in 3 policies. Appropriate system and procedure to ensure acceptance of only good quality incoming coinsurance business was absent in PSU insurers resulting in higher losses in health co-insurance business *vis-à-vis* overall health insurance business.

CHAPTER 6: INTERNAL AUDIT AND FRAUD CONTROL

6.1 Audit of Health Insurance by Internal Audit Department

Internal Audit functions comprise of examining, evaluating and reporting to the Management on adequacy of internal control and effective and efficient use of resources in the best possible manner to guard against the leakage of revenue. The PSU insurers have laid down Internal Audit Manual/circular and routinely conduct internal audit of their offices/ departments and also audit claims settled by TPAs.

In this regard, Audit observed that:

- In NIACL the targets fixed for internal audit are 20 *per cent* for claims paid over ₹10,000 and 10 *per cent* for claims below ₹10,000. During 2016-19, there were 26,95,412 claims where the amount was more than ₹10,000 and 37,82,445 claims where the amount was less than ₹10,000. NIACL is supposed to audit 5,39,083 claims @ 20 *per cen*t and 3,78,245 claims @10 *per cent*. However, NIACL audited only 10,031 and 467 claims settled by TPAs, respectively under 20 *per cent* and 10 *per cent* category. Thus, the short fall in audit was 98.14 *per cent* under 20 *per cent* category and 99.88 *per cent* under 10 *percent* category.

- In UIICL, the percentage prescribed was 30 *per cent* for audit of claims. However, only 10.54 *per cen*t of claims settled were audited during the three years 2016-19 and the shortfall was 89.46 *per cent*.

- In OICL, ROs were not informing HO regarding review/ audit program despite stipulation to do so in OICL's circular dated 15 October 2015.

- In NICL, a Health Audit Team was constituted for audit of TPAs which would be an additional audit apart from internal audit. However, in 5 out of 8 ROs test checked, TPA Audit by internal audit was not conducted. Further, during the period 2016-19, only 367 out of 1364 TPA Units were audited by Health Audit Teams.

- In all PSU insurers, audit outcomes were not reported to Audit Committee during the years from 2016-17 to 2018-19.

PSU insurers replied (January/ February/ October/ November 2021) that they have noted the shortfall/ inadequacy pointed out by Audit and assured that suitable measures would be implemented. They also assured that Audit Reports would be placed before Audit Committee meeting in future for necessary directions.

Ministry agreed (October/November 2021) with the replies of the PSU insurers.

Reply may be viewed against the fact that inadequate systems and procedures in internal/ health audit and non-commensurate number of audits leave scope for leakage of revenue on account of excess settlement or incorrect settlement of claims.

Recommendation 13: Responsibility needs to fixed for the significant shortfalls in internal audit. As health portfolio is a loss-making portfolio, the internal audit mechanism should be strengthened so that the losses are reduced.

6.2 Audit recoveries from TPAs

Health audit teams conduct audit of claims processed by TPAs. During the three financial years ended March 2019, 659 audits were conducted in four PSU insurers and a recovery of ₹14.30 crore was pointed out, however, PSU insurers have so far recovered only ₹6.06 crore and ₹8.24 crore (58 *per cent*) remained unrecovered as detailed below:

Table 6.1: PSU insurer-wise pending audit recovery

Particulars	NIACL	UIICL	OICL	NICL	Total
No. of Audits conducted	72	55	93	439	659
Recovery pointed out by Audit (₹ in crore)	2.03	4.15	2.82	5.30	14.30
Actual recovery done by Insurers (₹ in crore)	0.09	3.00	0.53	2.44	6.06
Recovery amount pending (₹ in crore)	1.94	1.15	2.29	2.86	8.24
Source : Data provided by PSU insurers					

Audit also noticed that SLA signed with TPAs in NIACL and OICL contained a clause that any audit recovery due to wrong processing of the claim or excess payment or the claim payment beyond the scope of cover, etc., would be recovered in full along with the recovery of an additional amount as penalty equivalent/ maximum to the amount of recovery. However, implementation of this clause in the above recovery was not ascertainable.

Further, it was noticed that the PSU insurers (excluding NIACL) did not follow the practice of circulating agreed internal/ health audit queries amongst other ROs to check for similar lapses and arrest of leakage of revenue.

NIACL noted (October 2021) the Audit observation and stated that they have devised a practice of timely recovery of excess payment and applicable penalties from TPAs. UIICL also noted (October 2021) the Audit observation and stated that it has modified the Health Service Agreement suitably to incorporate the timelines to deposit recovery amount and in case of default provision of penalty has also been incorporated. OICL noted (January/ October 2021) the Audit observations for further compliance and assured to strengthen the existing system for timely recovery of excess payments and applicable penalties from TPAs. NICL replied (February/ November 2021) that they have taken necessary measures to strengthen the Health Audit Teams and gave suitable instructions for timely completion of this activity. NICL added that they are constantly following up with the concerned TPAs for depositing the amounts pointed out by the Audit team for recovery.

Ministry endorsed (October/ November 2021) the replies of the PSU insurers.

Recommendation 14: To prevent incorrect processing of claims and excess payments beyond the scope of cover, PSU insurers have to enforce deterrents through levy and timely recovery of penalties, as agreed in SLA.

6.3 Fraud Management and control in Health Insurance

Regulation-36 of IRDAI (Health Insurance) Regulations 2016 stipulates that insurers and TPAs should put in place systems and procedures to identify, monitor and mitigate frauds.

i) NIACL established (2013 and revised in 2019) Corporate Anti-Fraud Policy as a part of Fraud Monitoring Framework. The sole purpose of the policy was to provide directions for prevention, detection, mitigation, reporting and rigorous follow up of the frauds. This policy was also an enabling document for effective investigation in fraud cases and for prompt as well as accurate reporting of fraud cases to the regulatory and appropriate law enforcement authorities.

In this regard, Audit observed that as per return submitted by NIACL to IRDAI, 301 newly detected fraudulent claims were reported, during the period from 2016-17 to 2018-19. However, as per information furnished to Audit by TPAs, there were 4,869 fraudulent claims, of which, 2,524 cases (₹12.27 crore) were proven fraudulent claims. Of this, 244 fraudulent claims (₹2.27 crore) were cashless claims and 2,280 fraudulent claims (₹10 crore) were reimbursement claims.

Analysis of fraudulent cashless claims in NIACL indicated that

- In 122 claims (₹1.39 crore) management of PPN hospital or its employees were involved; in 105 claims (₹0.75 crore) management of other than PPN hospitals or its employees were involved and 17 claims (₹0.13 crore) related to claims from non-network hospitals. NIACL failed to initiate action against such hospitals in line with de-empanelment clause, investigate all claims relating to such hospitals, initiate legal action and safeguard its financial interest.

- Out of 2,280 fraudulent reimbursement claims, 343 claims (₹18.88 lakh) pertained to one insured viz., M/s. Tata Consultancy Services Limited. TPA failed to report such fraudulent reimbursement claims to NIACL. Also, the TPAs continued to settle claims from the insured even after their earlier claims were proved to be fraudulent, instead of taking up with NIACL to cancel the policy, by invoking the clause regarding cancellation in the policy.

ii) In UIICL, Audit observed that the Company has settled 598 claims (₹2.50 crore) of 6 hospitals who were found to be indulging in fraudulent activities which could have been avoided had the system of investigation was efficient and effective. UIICL has not initiated action on the TPAs for their failure to identify these hospitals which committed frauds and failed to recover the fraudulent payments to the tune of ₹ 2.10 crore[46].

[46] ***After deducting ₹0.40 crore collected from one hospital out of ₹2.50 crore.***

NIACL replied (January2021) that keeping Audit observations in view they have now designed a Standard Operating Procedure (SOP) to handle fraud and abuse management, which is comprehensive and the SOP is under deployment. NIACL further stated (October 2021) that it is in the process of finding better Fraud Management and Control Solutions through their IT Service Provider by generation of triggers. UIICL replied (October 2021) that it has Board approved fraud management policy and is taking requisite action against the perpetrators of fraud.

Ministry endorsed (October 2021) the replies of NIACL and UIICL.

The replies need to be viewed in the light of the fact that the insurers did not monitor receipt of reports from TPAs about proven fraudulent claims, initiate timely action against network providers as required under IRDAI Health Insurance Regulations 2016.

Recommendation 15: PSU insurers need to design and implement a robust fraud management policy to prevent fraud and should take appropriate action regarding cancellation of policy and de-empanelment of hospital in fraudulent cases.

6.4 Summing Up

Sound internal audit set up in organisation guards not only leakage of revenue but also facilitates improvement of existing system and controls. Audit observed that the systems and procedures for internal audit/ health audit were inadequate and number of audits carried out was insignificant as compared to the targets fixed/ total number of claims settled thus leaving scope for loss of revenue due to excess settlement of claims.

CHAPTER 7: CONCLUSION

Health insurance business is the second largest line of business of the PSU insurers (the first being motor insurance) having gross direct premium of ₹1,16,551 crore during the five-year period from 2016-17 to 2020-21. However, the performance of PSU insurers in health insurance business is at present not profitable and they are incurring continuous revenue losses, which amounted to ₹26,364 crore during five years ended March 2021.

In health insurance business, TPAs are engaged to have better expertise, specialization in provider interface, medical adjudication of claims and technologically driven customer services. The Compliance Audit was intended to ascertain whether the PSU insurers managed the health insurance portfolio in a sustainable manner and the performance parameters were optimal; the PSU insurers have laid down a system for empanelment of TPAs, enrolment of hospitals and monitoring of services rendered by TPAs; there existed a suitable system for processing and settlement of claims in line with IRDAI regulations, guidelines, rules, circulars, policies, and agreements with various parties and risk underwriting of health insurance policies was done in a prudent manner and appropriate internal control mechanisms were in place to protect revenue. Audit examined performance of health insurance portfolio of PSU insurers for the last five years i.e., from 2016-17 to 2020-21. Also, underwriting and claim settlement records of PSU insurers for three-years (i.e., from 2016-17 to 2018-19) were examined based on sample selection.

Audit observed that the losses of health insurance business of PSU insurers either wiped out/ decreased the profits of other lines of business or increased the overall losses. The cumulative loss of ₹26,364 crore for last five years was on account of the following factors:

- Efficiency was lacking in underwriting of group policies due to non-loading of premium for adverse claim experience and non-adherence to outgo calculator. Out of 3215 group health policies, test check of 188 group health insurance policies in Audit revealed undercharging of premium to the tune of ₹1,548.19 crore in 155 policies and excess discount of ₹9.28 crore in three policies.
- PSU insurers were not giving due importance to past claim experience of the TPA, particularly the ICR, while allocating business to TPAs. TPAs continued to get same level or even higher level of business despite high ICR of above 100 *per cent* in the previous years. TPA-wise high ICR has driven up the overall ICR of the health portfolio leading to high losses.
- IT systems of PSU insurers lacked appropriate validation checks and controls resulting in excess and inadmissible payment for claims.

Ministry of Finance has laid down (September 2012/May 2013) guidelines for underwriting of Group policies as per which the Combined Ratio of Standalone Group policies shall not exceed 95 *per cent* and for group policies involving cross subsidy, the Combined Ratio shall not exceed 100 per cent. Audit noticed that the guidelines were not complied with by the PSU insurers and the combined ratio for group health insurance segment as reported by the PSU insurance companies ranged from 125-165 *per cent*. The comparative performance of PSU insurers in health segment was poor *vis-à-vis* private and SAHI insurers.

The PSU insurers carried out empanelment of TPAs (except UIICL) but allocated business to non-empanelled TPAs also. Safeguards such as maintaining valid bank guarantees of TPAs and regular collection of claim records from TPAs was not prevalent. Resultantly, when fraudulent activities by a TPA came to light and their registration was cancelled by IRDAI, the PSU insurers could not carry out a proper investigation into claims settled by the TPA. PSU insurers incorporated HITPA as their joint venture with an objective to enhance customer experience and bring greater efficiency in health insurance claim processing. Despite, HITPA having comparable performance parameters and presence in major cities, the allocation of business to HITPA by the PSU insurers was minimal. PSU insurers took the initiative to have their own network of hospitals by forming PPN but even after 10 years, enrolment of hospitals under PPN coverage was inadequate.

Data analysis by Audit revealed that NIACL and UIICL have settled claims more than once on different dates although the policy number, insured name, beneficiary name, hospitalization dates, illness code, hospital name and disease were the same. Audit pointed out 792 cases (₹4.93 crore) of multiple settlements in NIACL and 12,532 cases of multiple settlements (₹8.60 crore) in UIICL, as seen from the database.

Audit observed that the systems and procedures for internal audit/ health audit were inadequate and number of audits carried out was insignificant to the targets fixed/the total number of claims settled, thus leaving scope for loss of revenue due to excess settlement of claims.

(Raj Ganesh Viswanathan)
Deputy Comptroller and Auditor General
(Commercial) and Chairperson, Audit Board

New Delhi
Dated: 24 February 2022

Countersigned

(Girish Chandra Murmu)
Comptroller and Auditor General of India

New Delhi
Dated: 24 February 2022

ANNEXURES

Annexure 1

(As referred to in Para 1.8.1)

TPA-wise details of non-production of sample claim records

Sl. No.	Name of the TPA	PSU Insurers wise non-production of records				Total
		NIACL	UIICL	OICL	NICL	
1	APRIL USA ASSISTANCE INC (Heritage TPA)	3	0	0	0	3
2	DHS Medi Assist Insurance TPA Private Limited	6	49	0	0	55
3	E-Meditek Insurance TPA Limited	13	26	49	66	154
4	Ericson Insurance TPA Private Limited	0	0	0	2	2
5	Family Health Plan Insurance TPA Limited	4	12	37	135	188
6	Good Health Insurance TPA Limited	1	8	1	16	26
7	Health India Insurance TPA Services Private Limited	3	10	8	5	26
8	Health Insurance TPA of India Limited	0	3	1	25	29
9	Heritage Health Insurance TPA Private Limited	2	64	18	16	100
10	MDIndia Health Insurance TPA Private Limited	3	56	64	78	201
11	Medi Assist Insurance TPA Private Limited	50	106	11	188	355
12	Medicare Insurance TPA Services(India) Pvt Ltd	19	8	2	10	39
13	Medsave Health Insurance TPA Limited	0	9	1	26	36
14	Paramount Health Services & Insurance TPA Private Limited	5	28	44	80	157
15	Raksha Health Insurance TPA Private Limited	18	22	17	21	78
16	United Health Care Parekh Insurance TPA Private Limited	8	45	0	37	90
17	Vidal Health Insurance TPA Private Limited	22	18	50	63	153
18	VipulMedcorp Insurance TPA Private Limited	1	9	44	61	115
19	East West Assist TPA	0	16	0	17	33
20	Genins India TPA	0	1	0	28	29

Sl. No.	Name of the TPA	PSU Insurers wise non-production of records				Total
		NIACL	UIICL	OICL	NICL	
21	Safeway TPA Services	0	3	0	12	15
22	Alankit Insurance TPA Ltd.	0	0	0	20	20
23	Park Mediclaim Insurance TPA Pvt. Ltd.	0	0	5	26	31
24	Anmol Medicare Insurance TPA Pvt. Ltd.	0	0	0	7	7
25	Grand Insurance TPA Pvt. Ltd.	0	0	0	1	1
26	Focus Healthcare TPA Pvt. Ltd.	0	0	0	2	2
27	Dedicated Health Services TPA (India) Pvt. Ltd.	0	0	0	39	39
28	In House Bajaj	0	0	4	0	4

Annexure 2

(As referred to in Para 3.2)

TPA-wise ICR and business allocation (premium) among the TPAs by the PSU Insurers

Sl. No.	Name of TPA	2016-17		2017-18		2018-19		2019-20		Remarks
		Premium (₹ in lakh & ICR in *per cent*)	*per cent* to total gross premium	Premium (₹ in lakh & ICR in *per cent*)	*per cent* to total gross premium	Premium (₹ in lakh & ICR in *per cent*)	*per cent* to total gross premium	Premium (₹ in lakh & ICR in *per cent*)	*per cent* to total gross premium	
NIACL										
1	M/s Medi Assist Insurance TPA Private Ltd.	172036 (111.66)	35.48	219663 (92.98)	38.65	265704 (95.45)	41.10	363502 (87.50)	43.62	• The TPA has been allotted 35 to 44 *per cent* of business during 2016-17 to 2019-20. • Though the ICR was 111.7 *per cent* in 2016-17, business was increased from 36 to 39 *per cent* in 2017-18.
2	Dedicated Health Care Services (India) Pvt. Ltd.	12259 (174.15)	2.53	11337 (152.20)	1.99	0	0.00	0	0.00	• Though the ICR was 174 *per cent* in 2016-17, volume of business was only slightly reduced and ICR reached 152 *per cent* in 2017-18 also.
3	M/s Vidal Health Insurance TPA Private Limited	33581 (141.70)	6.92	39724 (96.18)	6.99	41185 (96.17)	6.37	40706 (102.49)	4.89	• Though ICR was 142 *per cent* in 2016-17, volume of business was maintained at similar level (around 6.5 per cent). • Though the ICR dropped below 100 *per cent* during 2017-18 and 2018-19, ICR went up again to 103 *per cent* in 2019-20.
4	Medicare TPA Services (I) Pvt. Ltd.	11152 (232.47)	2.30	8600 (133.31)	1.51	7320 (118.26)	1.13	0	0.00	• Though ICR was 233 *per cent* in 2016-17, allocation of business was continued for two more years (though at a reduced level) and ICR remained above 100 *per cent* during these two years, before allocation was stopped in 2019-20.
5	M/s Good Health Insurance TPA Ltd.	7254 (119.52)	1.50	9998 (81.72)	1.76	9848 (85.97)	1.52	11386 (77.63)	1.37	• ICR was 120 *per cent* in 2016-17, yet business allocation was increased from 1.5 *per cent* to 1.8 *per cent* in 2017-18.

Sl. No.	Name of TPA	2016-17		2017-18		2018-19		2019-20		Remarks
		Premium (₹ in lakh & ICR in *per cent*)	***per cent* to total gross premium**	**Premium (₹ in lakh & ICR in *per cent*)**	***per cent* to total gross premium**	**Premium (₹ in lakh & ICR in *per cent*)**	***per cent* to total gross premium**	**Premium (₹ in lakh & ICR in *per cent*)**	***per cent* to total gross premium**	
6	E Meditek TPA Services Ltd	15802 (109.59)	3.26	18805 (113.86)	3.31	33 (7616.29)	0.01	0	0.00	• Though ICR was 110 *per cent* in 2016-17, similar level of business (around 3 *per cent*) was allotted in 2017-18 and ICR increased to 114 *per cent*.. • Certificate of registration of the TPA was cancelled in January 2019 by IRDAI.
7	Vipul Med Corp TPA Pvt Ltd	7397 (135.37)	1.53	6979 (210.48)	1.23	8002 (81.33)	1.24	16436 (68.03)	1.97	• ICR was 136 *per cent* in 2016-17, yet volume of business was only slightly reduced and ICR increased further to 210 *per cent* in 2017-18.
8	Family Health Plan TPA Ltd	13626 (131.08)	2.81	17559 (107.72)	3.09	26819 (85.58)	4.15	46365 (77.12)	5.56	• ICR was 131 *per cent* in 2016-17, yet volume of business was increased and ICR remained above 100 *per cent* in 2017-18 also.
9	M/s Paramount Health Services & Insurance TPA Private Limited	12635 (100.00)	2.61	15279 (117.29)	2.69	16047 (100.32)	2.48	28528 (86.60)	3.42	• Similar volume of business was allotted for three years from 2016-17 to 2018-19 and ICR remined above 100 *per cent* in all the three years.
10	United Healthcare Parekh TPA Pvt Ltd	30823 (94.25)	6.36	12818 (191.82)	2.26	21739 (95.19)	3.36	31309 (87.94)	3.76	• Though ICR was 192 *per cent* in 2017-18, volume of business was increased from 2.3 *per cent* to 3.4 *per cent* in 2018-19.

Sl. No.	Name of TPA	2016-17		2017-18		2018-19		2019-20		Remarks
		Premium (₹ in lakh & ICR in *per cent*)	***per cent* to total gross premium**	**Premium (₹ in lakh & ICR in *per cent*)**	***per cent* to total gross premium**	**Premium (₹ in lakh & ICR in *per cent*)**	***per cent* to total gross premium**	**Premium (₹ in lakh & ICR in *per cent*)**	***per cent* to total gross premium**	
					UIICL					
1.	East West Assist Insurance TPA Pvt Ltd	1987 (100.87)	0.50	2175 (118.53)	0.50	1720 (110.24)	0.40	2075 (95.30)	0.41	• Similar volume of business (around 0.5 *per cent*) was allotted during 2016-17 to 2018-19 and ICR remained above 100 *per cent* in all the three years.
2.	E Meditek TPA Services Ltd	15467 (121)	3.90	11973 (115.57)	2.77	630 (744.20)	0.15	0 (-21739.09)	0.00	• Though ICR was 121 *per cent* in 2016-17, business was continued to be allotted (though at a reduced level) and ICR remained above 100 *per cent* in 2017-18 also. • Certificate of registration of the TPA was cancelled in January 2019 by IRDAI.
3.	Family Health Plan TPA Ltd	36765 (97.96)	9.27	33888 (130.88)	7.83	36390 (97.94)	8.43	38918 (99.10)	7.60	• Though ICR was 131 *per cent* in 2017-18, volume of business was increased from 7.8 *per cent* to 8.4 *per cent* in 2018-19.
4.	M/s Good Health Insurance TPA Ltd.	12784 (126.20)	3.22	15429 (115.83)	3.57	17730 (111.42)	4.11	13810 (122.36)	2.70	• Though ICR was 126 *per cent* in 2016-17, similar volume of business (around 3 to 4 *per cent*) was continued to the TPA and ICR remained above 100 *per cent* in the subsequent three years also.
5.	Health India TPA Services Pvt Ltd	11247 (110.21)	2.84	14143 (98.30)	3.27	14153 (120.71)	3.28	16978 (96.95)	3.32	• Though ICR was 110 per cent in 2016-17, volume of business was increased from 2.8 per cent to 3.3 per cent in 2017-18.

Sl. No.	Name of TPA	2016-17		2017-18		2018-19		2019-20		Remarks
		Premium (₹ in lakh & ICR in *per cent*)	***per cent* to total gross premium**	**Premium (₹ in lakh & ICR in *per cent*)**	***per cent* to total gross premium**	**Premium (₹ in lakh & ICR in *per cent*)**	***per cent* to total gross premium**	**Premium (₹ in lakh & ICR in *per cent*)**	***per cent* to total gross premium**	
										• Similarly, though ICR was 121 *per cent* in 2018-19, similar volume of business (around 3.3) was allotted to the TPA in 2019-20.
6.	MD India Health Insurance TPA Pvt Ltd	34181 (81.88)	8.62	62018 (148.48)	14.34	79464 (95.91)	18.41	84947 (104.85)	16.59	• 9 to 18 *per cent* of business was allotted to the TPA and ICR was above 100 *per cent* in two out of four years. • Though ICR was 149 *per cent* in 2017-18, business was increased from 14 *per cent* to 18 *per cent* in 2018-19.
7.	M/s Medi Assist Insurance TPA Private Ltd.	68964 (108.57)	17.40	73379 (95.50)	16.96	85734 (98.49)	19.86	118579 (83.07)	23.15	• 17 to 23 *per cent* of business was allotted to the TPA. • Though ICR was 109 *per cent* in 2016-17, similar volume of business was allotted in 2017-18
8.	Med Save Health Care	16506 (112.20)	4.16	16520 (72.40)	3.82	19769 (127.18)	4.58	19296 (118.13)	3.77	• Around 4 *per cent* business was allotted to the TPA every year and ICR remained above 100 *per cent* in three out of four years.
9.	M/s Paramount Health Services & Insurance TPA Private Limited	34878 (96.02)	8.80	39293 (112.70)	9.08	28064 (115.85)	6.50	23603 (111.15)	4.61	• Though ICR was 113 *per cent* in 2017-18, business was continued to be allotted to the TPA (though at a reduced level) and the ICR continued to remain above 100 *per cent* during 2018-19 and 2019-20 also.
10.	Raksha TPA Pvt Ltd	25993 (78.75)	6.56	21049 (98.79)	4.87	21860 (104.56)	5.06	28504 (85.42)	5.57	• Though ICR was 105 *per cent* in 2018-19, volume of business was increased from 5 *per cent* to 5.6 *per cent* in 2019-20.

Sl. No.	Name of TPA	2016-17		2017-18		2018-19		2019-20		Remarks
		Premium (₹ in lakh & ICR in *per cent*)	***per cent* to total gross premium**	**Premium (₹ in lakh & ICR in *per cent*)**	***per cent* to total gross premium**	**Premium (₹ in lakh & ICR in *per cent*)**	***per cent* to total gross premium**	**Premium (₹ in lakh & ICR in *per cent*)**	***per cent* to total gross premium**	
11.	Safeway Insurance TPA Pvt Ltd	680 (27.33)	0.17	1502 (23.20)	0.35	3264 (248.98)	0.76	4760 (82.45)	0.93	• Though ICR was 249 *per cent* in 2018-19, volume of business was increased from 0.76 *per cent* to 0.93 *per cent* in 2019-20.
12.	Vipul Med Corp TPA Pvt Ltd	22396 (123.64)	5.65	25053 (104.77)	5.79	20862 (99.76)	4.83	23694 (84.27)	4.63	• ICR was 124 *per cent* in 2016-17, yet similar volume of business was allotted and ICR remained above 100 *per cent* in 2017-18 also.
				OICL						
1.	M/s Medi Assist Insurance TPA Private Ltd.	45201	16.18	44605 (124.41)	14.46	65631 (102.57)	18.86	83419 (94.16)	21.19	• 15 to 21 *per cent* of business was allotted to the TPA. • Though ICR was 124 per *cent* in 2017-18, volume of business increased from 14.5 *per cent* to 19 *per cent* and ICR remained above 100 *per cent* in 2018-19 also.
2.	M/s Vidal Health Insurance TPA Private Limited	28527	10.21	38938 (108.16)	12.62	47458 (99.67)	13.64	53978 (105.73)	13.71	• Even though ICR was 108 *per cent* in 2017-18, volume of business increased from 12.6 *per cent* to 13.6 *per cent* in 2018-19 and 13.7 *per cent* in 2019-20. ICR went beyond 100 *per cent* in 2019-20.
3.	M/s MD India Health Insurance TPA Pvt. Ltd.	42405	15.18	39887 (100.93)	12.93	36595 (99.43)	10.51	37427 (92.05)	9.51	• Although the ICR was 101 per cent in 2017-18, allocation was continued (at a reduced level) in 2018-19.

Sl. No.	Name of TPA	2016-17		2017-18		2018-19		2019-20		Remarks
		Premium (₹ in lakh & ICR in *per cent*)	***per cent* to total gross premium**	**Premium (₹ in lakh & ICR in *per cent*)**	***per cent* to total gross premium**	**Premium (₹ in lakh & ICR in *per cent*)**	***per cent* to total gross premium**	**Premium (₹ in lakh & ICR in *per cent*)**	***per cent* to total gross premium**	
4.	M/s Paramount Health Services & Insurance TPA Private Limited	20551	7.36	21447 (122.92)	6.95	20569 (119.33)	5.91	28224 (88.71)	7.17	• Although the ICR was 123 *per cent* in 2017-18, business was continued though at a reduced volume, but the ICR remained above 100 *per cent* in 2018-19 also.
5.	M/s Heritage Health Insurance TPA Private Limited	7853	2.81	10150 (78.50)	3.29	11393 (117.09)	3.27	11618 (98.44)	2.95	• Although the ICR was 117 *per cent* in 2018-19, business was continued though at a reduced volume.
6.	M/s Good Health Insurance TPA Ltd.	5365	1.92	5986 (94.41)	1.94	4762 (120.78)	1.37	5733 (94.86)	1.46	• ICR was 121 *per cent* in 2018-19, yet volume of business increased from 1.4 *per cent* to 1.5 *per cent*.
7.	M/s Genins India Insurance TPA Limited	124	0.04	287 (115.89)	0.09	225 (103.46)	0.06	164 (93.30)	0.04	• Volume of business ranged from 0.04 *per cent* to 0.9 *per cent* and ICR was above 100 *per cent* during 2017-18 and 2018-19.
NICL										
1.	MD India Health Insurance TPA Pvt Ltd			18611.30 (122)	7.95	36852.32 (147)	11.73	38265.42 (114)	11.54	• ICR was 122 *per cent* in 2017-18, yet business allocation was increased from 7.95 *per cent* to 11.73 *per cent* in 2018-19. • Though ICR was 147 *per cent* in 2018-19, similar level of business (around 11 *per cent*) was allotted in 2019-20 and ICR continued to remain above 100 *per cent* in 2019-20 also.
2.	Medi Assist Insurance TPA Private Ltd.			38869.87 (108)	16.61	52103.58 (146)	16.58	66056.35 (110)	19.92	• Though ICR was 108 *per cent* in 2017-18, similar level of business around 16.6 *per cent* was allotted in

Sl. No.	Name of TPA	2016-17		2017-18		2018-19		2019-20		Remarks
		Premium (₹ in lakh & ICR in *per cent*)	***per cent* to total gross premium**	**Premium (₹ in lakh & ICR in *per cent*)**	***per cent* to total gross premium**	**Premium (₹ in lakh & ICR in *per cent*)**	***per cent* to total gross premium**	**Premium (₹ in lakh & ICR in *per cent*)**	***per cent* to total gross premium**	
										2018-19 and ICR went up to 146 *per cent* in 2018-19. • Though ICR was 146 *per cent* in 2018-19, volume of business was increased from 16.58 *per cent* to 19.92 *per cent* in 2019-20 and ICR was above 100 *per cent* in 2019-20 also.
3.	Alankit Health Care TPA Ltd			1589.93 (114)	0.68	2072.58 (111)	0.66	156.66 (311)	0.05	• Though ICR was 114 *per cent* in 2017-18, similar level of business (around 0.7 *per cent*) was allotted in 2018-19 and ICR continued to remain above 100 *per cent* in 2018-19 also. • Though allocation of business was reduced in 2019-20 to 0.05 per cent, ICR climbed up to 311 per cent.
4.	Anmol Medicare Insurance TPA Limited			1891.68 (100)	0.81	3603.64 (117)	1.15	280.54 (926)	0.08	• ICR was 100 *per cent* in 2017-18, yet business allocation was increased from 0.81 *per cent* to 1.15 *per cent* in 2018-19. • ICR continued to remain above 100 *per cent* in all three years and reached 926 per cent in 2019-20.
5.	Ericson Insurance TPA Pvt Ltd			502.52 (137)	0.21	2554.58 (67)	0.81	2478.47 (141)	0.75	• Though ICR was 137 *per cent* in 2017-18, volume of business was increased from 0.21 to 0.81 *per cent* in 2018-19. • Though ICR dropped below 100 *per cent* during the year 2018-19, ICR

Sl. No.	Name of TPA	2016-17		2017-18		2018-19		2019-20		Remarks
		Premium (₹ in lakh & ICR in *per cent*)	***per cent* to total gross premium**	**Premium (₹ in lakh & ICR in *per cent*)**	***per cent* to total gross premium**	**Premium (₹ in lakh & ICR in *per cent*)**	***per cent* to total gross premium**	**Premium (₹ in lakh & ICR in *per cent*)**	***per cent* to total gross premium**	
										went up again to 141 *per cent* in the year 2019-20.
6.	Health India TPA Services Pvt Ltd			3751.95 (113)	1.60	4507.52 (128)	1.43	2828.62 (145)	0.85	• Though there was reduction of volume of business allocation in three years, ICR remained above 100 *per cent* in all three years.
7.	Med Save Health Care			9688.33 (114)	4.14	12095.88 (110)	3.85	7818.74 (123)	2.36	• Though allocation of business was reduced, ICR remained above 100 *per cent* in all three years.
8.	Paramount Health Services TPA Pvt Ltd			16041.56 (148)	6.85	22592.56 (139)	7.19	16709.93 (113)	5.04	• ICR was 148 *per cent* in 2017-18, yet business allocation was increased from 6.85 *per cent* to 7.19 *per cent* in 2018-19. • ICR continued to remain above 100 *per cent* in all three years.
9.	Park Mediclaim TPA Pvt Ltd			10873.19 (129)	4.65	16036.84 (116)	5.10	12092.72 (126)	3.65	• ICR was 129 *per cent* in 2017-18, yet business allocation was increased from 4.65 *per cent* to 5.10 per cent in 2018-19. • ICR continued to remain above 100 *per cent* in all three years.
10.	Raksha TPA Pvt Ltd			4004.75 (120)	1.71	5604.22 (122)	1.78	2714.62 (152)	0.82	• Though ICR was 120 *per cent* in 2017-18, similar level of business (around 1.70 *per cent*) was allotted in 2018-19 and ICR continued to remain above 100 *per cent* in 2018-19 also. • ICR was above 100 per cent in all the three years.

Sl. No.	Name of TPA	2016-17		2017-18		2018-19		2019-20		Remarks
		Premium (₹ in lakh & ICR in *per cent*)	*per cent* to total gross premium	Premium (₹ in lakh & ICR in *per cent*)	*per cent* to total gross premium	Premium (₹ in lakh & ICR in *per cent*)	*per cent* to total gross premium	Premium (₹ in lakh & ICR in *per cent*)	*per cent* to total gross premium	
11.	United Healthcare Parekh TPA Pvt Ltd			5852.65 (107)	2.50	7675.07 (112)	2.44	9222.76 (103)	2.78	• Though ICR was above 100 *per cent* in 2017-18, similar level of business (2.4 *per cent*) was allotted in 2018-19 and ICR continued to remain above 100 *per cent* in 2018-19 also. • ICR was 112 *per cent* in 2018-19, yet business allocation was increased from 2.44 *per cent* to 2.78 *per cent* in 2018-19 and ICR continued to remain above 100 *per cent* in 2019-20 also.
12.	Vidal Health TPA Pvt Ltd			15280.94 (126)	6.53	15041.34 (121)	4.79	7943.52 (153)	2.40	• Though allocation of business was reduced, ICR not only remained above 100 *per cent* in all three years but it was also at increasing trend.
13.	Vipul Med Corp TPA Pvt Ltd			19315.35 (92)	8.25	27873.15 (111)	8.87	33352.59 (92)	10.06	• Though the ICR was 111 *per cent* in 2018-19, business allocation increased from 8.87 from 10.06 *per cent* in 2019-20.
14.	Good Health TPA Ltd			4313.37 (91)	1.84	4220.71 (112)	1.34	1738.35 (195)	0.52	• Though the ICR was 112 *per cent* in 2018-19, business allocation was continued (at a reduced level) and ICR climbed up to 195 *per cent* in 2019-20.
15.	East West Assist Insurance TPA Pvt Ltd			2056.79 (120)	0.88	4324.42 (118)	1.38	4529.93 (98)	1.37	• Though ICR was 120 *per cent* in 2017-18, volume of business was increased from 0.88 to 1.38 *per cent* in 2018-19 and ICR remained above 100 *per cent* in 2018-19.

Sl. No.	Name of TPA	2016-17		2017-18		2018-19		2019-20		Remarks
		Premium (₹ in lakh & ICR in *per cent*)	***per cent* to total gross premium**	**Premium (₹ in lakh & ICR in *per cent*)**	***per cent* to total gross premium**	**Premium (₹ in lakh & ICR in *per cent*)**	***per cent* to total gross premium**	**Premium (₹ in lakh & ICR in *per cent*)**	***per cent* to total gross premium**	
16.	Family Health Plan TPA Ltd			21282.31 (111)	9.09	33104.49 (115)	10.54	43195.31 (86)	13.03	• Though the ICR was 111 *per cent* in 2017-18 volume of business was increased from 9.09 to 10.54 *per cent* in 2018-19 and ICR increased to 115 *per cent*.
17.	Genins India TPA Ltd			11986.81 (113)	5.12	15782.81 (82)	5.02	15618.20 (82)	4.71	• Though ICR was 113 *per cent* in 2017-18, volume of business was maintained at similar level (around 5 *per cent*) in 2018-19.
18.	Heritage Health TPA Pvt Ltd			16945.91 (95)	7.24	21081.04 (101)	6.71	25470.80 (88)	7.68	• ICR was 101 *per cent* in 2018-19, yet business allocation was increased from 6.71 *per cent* to 7.68 *per cent* in 2019-20.

Annexure 3

(As referred to in Para No. 3.7)

Statement showing the list of Surgical/Medical Procedures where the rates negotiated by Central committee of NICL were higher than the rates in other similar hospital

Sl. No.	Sl. No. of Procedure	PPN Code	Name of the Procedure/ Treatment	General Ward	Semi Private	Private	General Ward	Semi Private	Private
				Peerless Hospital (NICL)			RN Tagore IICS (Similar Hospital)		
1	7	GI 10	RADICAL MASTECTOMY MODIFIED	**62000**	**69000**	**74000**	58000	65000	71000
2	10	GI 12 A	INGUINAL/ FEMORAL-Open (excluding Mesh)	**44000**	**48000**	**53000**	39000	44000	49000
3	11	GI 12 B	INGUINAL/ FEMORAL-Lap (excluding Mesh)	**44000**	**49000**	**53000**	42000	47000	52000
4	12	GI 15 A	INCISIONAL/ UMBILICAL/ VENTRAL-Open (excluding Mesh)	**49000**	**53000**	**58000**	44000	50000	53000
5	13	GI 15 B	INCISIONAL/ UMBILICAL/ VENTRAL-Lap (excluding Mesh)	**51500**	**55000**	**61500**	47000	53000	56000
6	14	GI 21	Right or Left Hemi Colectomy	**128500**	**140000**	**158500**	120000	135000	150000
7	15	GI 23	Exploratory Laparotomy with or without ADHEIOLYSIS	**49000**	**54000**	**62500**	45000	50000	58000
8	16	OBG 02	CAESAREAN SECTION (including Well baby care)	**50000**	**53000**	**63000**	47000	50000	51000
9	18	OBG 04	TAH+BSO+ADHESIOLYSIS (Open or Lap)	**50000**	**57000**	**62000**	48000	55000	61000
10	21	ORTH 01	TOTAL KNEE REPLACEMENT (excluding implant)	**103000**	**110000**	**125000**	98000	105000	120000
11	22	ORTH 03	TOTAL HIP REPLACEMENT (excluding implants)	**94000**	102000	117000	93000	102000	117000
12	23	ORTH 05 A	FACTURE NECK FEMUR (excluding implants)	**65000**	**69000**	**76000**	64000	68000	75000
13	24	ORTH 05 B	FACTURE NECK FEMUR - requiring DHS (excluding implants)	**72000**	**77000**	**84000**	67000	72000	79000
14	28	ORTH 19	ARTHROSCOPIC SURGERY	**45000**	**50000**	**55000**	42000	47000	52000
15	32	URO 01	PCNL (Percutaneous Nephrolithotripsy)	**43000**	**48300**	**51000**	40000	45000	50000

Sl. No.	Sl. No. of Procedure	PPN Code	Name of the Procedure/ Treatment	General Ward	Semi Private	Private	General Ward	Semi Private	Private
				Peerless Hospital (NICL)			RN Tagore IICS (Similar Hospital)		
16	33	URO 03 A	TURP	**51000**	**57000**	**63000**	39000	46000	56500
17	35	URO 15	TURBT (TRANSURETHRAL RESSECTION BLADDER TUMOR)	**49500**	**54500**	**60000**	40000	45000	55000
18	6	GI 07	CHOLECYSTECTOMY (Lap)	**41000**	**46000**	**52000**	40000	45000	50000
19	19	OBG 10	HYSTERECTOMY with Pelvic floor repair	**55000**	60000	**70000**	54000	60000	65000
20	34	URO 10	Nephrectomy/ Nephrolithomy/ Pyelolitthotomy	**65000**	**72000**	**85000**	60000	68000	79000

Note: Figures in bold denote higher charges agreed

GLOSSARY OF TERMS

Terms	Description
Benefit	Benefit shall mean the extent or degree of service the Insured Persons are entitled to receive based on their contract with the Insurer.
Congenital External Anomaly	Congenital External Anomaly means a condition which is present since birth, and which is abnormal with reference to form, structure or position.
Co-payment	Co-payment means a cost-sharing requirement under a health insurance policy that provides that policyholder/insured will bear a specified percentage of the claims amount. A co-payment does not reduce the Sum Insured.
Coverage	Coverage shall mean the entitlement by the Insured Person to Health Services provided under the Policy, subject to the terms, conditions, limitations and exclusions of the Policy.
Cumulative Bonus	Cumulative Bonus means any increase or addition in the Sum Insured granted by insurer without an associated increase in premium.
Corporate Buffer	Corporate Buffer means additional sum insured available for the whole group, in case of group insurance policies.
Day care treatment	Day care treatment means medical treatment, and/or surgical procedure which is (i) undertaken under General or Local Anesthesia in a hospital/day care centre in less than 24 hours because of technological advancement, and (ii) which would have otherwise required hospitalization of more than 24 hours. Treatment normally taken on an outpatient basis is not included in the scope of definition.
Deductible	Deductible means a cost sharing requirement under health insurance policy that provides that the insurer will not be liable for a specified rupee amount in case of indemnity policies and for specified number of days/hours in case of hospital cash policies which will apply before any benefits are payable by the insurer. The deductible does not reduce the Sum Insured.
Domiciliary hospitalization	Domiciliary hospitalization means medical treatment for an illness/disease/injury which in the normal course would require care and treatment at a hospital but is actually taken while confined at home under any of the following conditions:

Terms	Description
	1. The condition of the patient is such that he/she is not in a position to be removed to a hospital or 2. The patient takes treatment at home on account of non-availability of room in a hospital.
Emergency	Emergency means management of an illness or injury, which results in symptoms, which occur suddenly and unexpectedly, and requires immediate care by a medical practitioner to prevent death or serious long-term impairment of the insured person's health.
Hospitalization	Hospitalization means admission in a Hospital for a minimum period of 24 consecutive 'In-patient Care' hours except for specified procedures/treatments where such admission could be for a period of less than 24 consecutive hours.
ICU charges	ICU charges means the amount charged by a Hospital towards ICU expenses which shall include the expenses for ICU bed, general and medical support services provided to any ICU patient including monitoring devices, critical care nursing and intensivist charges.
Incurred Claims	Claims Paid plus claims outstanding at the end of the year minus claims outstanding at the beginning of the year.
Intensive Care Unit or ICU	Intensive Care Unit or ICU means an identified section, ward or wing of a Hospital which is under the constant supervision of a dedicated Medical Practitioner, and which is specially equipped for the continuous monitoring and treatment of patients who are in a critical condition, or require life support facilities and where the level of care and supervision is considerably more sophisticated and intensive than in the ordinary and other wards.
Medical expenses	Medical expenses means those expenses that an Insured Person has necessarily and actually incurred for medical treatment on account of Illness or Injury on the advice of a Medical Practitioner, as long as these are no more than would have been payable if the Insured Person had not been insured and no more than other Hospitals or doctors in the same locality would have charged for the same medical treatment
Network provider	Network Provider means hospitals or health care providers enlisted by an insurer, TPA or jointly by an Insurer and TPA to provide medical services to an insured by a cashless facility.

Terms	Description
Non-Network Provider	Non-Network provider means any hospital, day care centre or other provider that is not part of network.
Outpatient Department or OPD treatment	OPD treatment means the one in which the Insured visits a clinic/hospital or associated facility like a consultation room for diagnosis and treatment based on the advice of Medical Practitioner. The Insured is not admitted as a day care or in-patient.
Pre-Existing Diseases	Pre-Existing Diseases means any condition, ailment, injury, or related conditions (s) for which there was signs or symptoms and/or diagnosed, and/or for which medical advice/treatment was received within 48 hours prior to the first policy issued by the insurer and renewed continuously thereafter.
Pre Hospitalisation Expenses	Medical Expenses incurred during pre-defined number of days preceding the hospitalization of the insured person.
Preferred Provider Network (PPN)	Preferred Provider Network is a joint initiative launched by the four PSU insurers in July 2010. PPN is a mechanism to achieve objective of rationalizing cost, health insurance growth, cashless hospitalization and cost reduction. Preferred Provider Network shall mean a network of hospitals, day care centres, nursing homes, as the case may be in select cities which have agreed to cashless packaged rates for defined procedures for insured person/s. The list of such hospitals and procedures may be provided in the website of the Insurer and the TPA for the information of the insured/s and updated from time to time.
Post Hospitalisation Expenses	Medical Expenses incurred immediately after the Insured Person is discharged from the Hospital
Revenue loss	Net earned premium plus total investment income minus net incurred claims minus net incurred commission minus operating expenses related to insurance (including foreign taxes) minus premium deficiency.
Room rent	Room rent means the amount charged by a Hospital towards Room and Boarding expenses and shall include the associated medical expenses.
Services	Services shall mean all medical health care and ancillary services agreed to be made available by the TPA to the Insurer and/or the Policyholders and/or the Insured Persons including the following: i. Hospitalization Service as defined in clause Cashless Access Service.

Terms	Description
	ii. Call Centre & SMS Service iii. Enrolment and ID Card Service iv. Customer Relations and Contact Management v. Investigation Service vi. Cashless Service vii. Claims Processing Service viii. Management Information System (MIS) Service ix. Legal Assistance and others
Sum Insured	Maximum amount of coverage under the Policy opted cumulatively by the insured/Insureds shown/listed in the Policy Schedule
Surgery or Surgical Procedure	Surgery or Surgical Procedure means manual and/or operative procedure(s) required for treatment of an illness or injury, correction of deformities and defects, diagnosis and cure of disease, relief from suffering and prolongation of life, performed in a hospital or day care center by medical practitioner.
Third Party Administrators	Any person who is registered under the IRDAI (Third Party Administrators – Health Services) Regulation, 2016 notified by the Authority, and is engaged, for a fee or remuneration by the insurance company doing Heath Insurance Business, for the purposes of providing Health Services defined in those Regulations