



Insurance coverage for Mental Illness – Part I

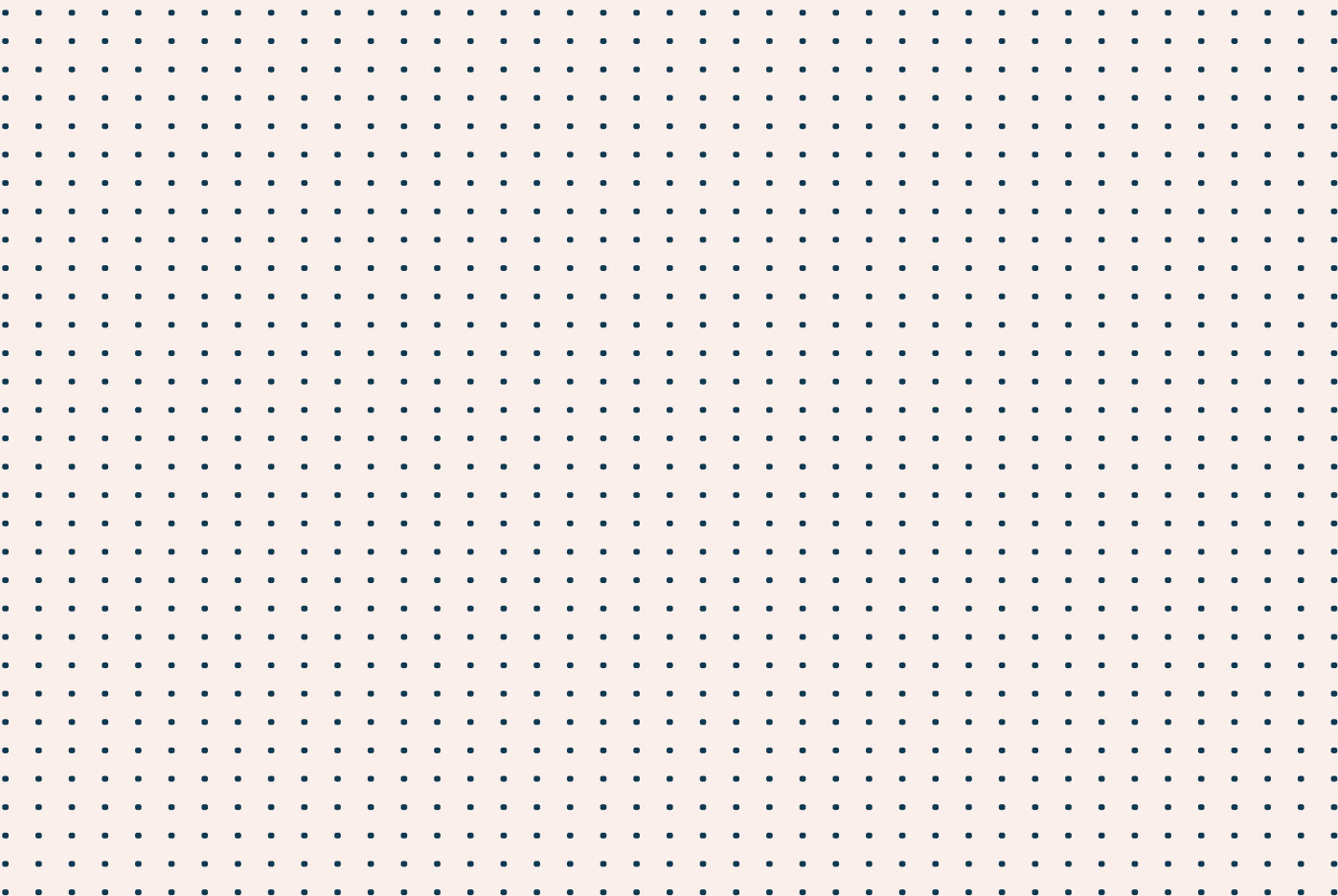
Understanding the underwriting
process for insurance coverage for
mental illness

AUTHORS

Tanya Nicole Fernandes & Amiti Varma

ACKNOWLEDGMENTS

Prepared in consultation with Nikhil Jain
& Sayali Mahashur





Insurance for mental illness in India

The Global Burden of Disease (GBD) study estimated that 197.3 million people were living with a mental disorder in India in 2017¹. A year previously, in 2016, the National Mental Health Survey (NMHS) examined the treatment gap – the gaps in psychosocial services and care required by those living with mental illness – and found it was staggering, ranging between 28% to 83% for all mental illnesses. Focus groups revealed this disparity could be attributed to the economic cost of accessing services. A deeply concerning finding from the survey was the greater susceptibility of households characterized by lower income, unstable employment, and minimal education to poor mental health². These socio-economic disadvantages pose multi-layered challenges that include increased spending of household income on treatment, inability of a family member living with mental illness to economically contribute to household income and intangible financial losses incurred such as the cost borne to care of ailing members.

Government spending on health is minimal & government spending on mental health is even less³. While government services that offer free or subsidized mental health outpatient and in-patient services do exist, such as the District Mental Health Programme, in reality, they are understaffed and overburdened to meet the demand for services. In the absence of quality public health services, several households resort to more expensive private mental healthcare⁴. 80% of health financing is private, a sizeable portion of which is funded by out-of-pocket expenditures⁵. The NMHS estimated the average monthly out-of-pocket expenditure towards mental health services ranges from INR 1,000-1,500, a large recurring sum that many households may choose to forgo in order to meet other necessary expenses². In the absence of robust protective health care systems, medical insurance can offer financial protection from staggering health costs.

Recognizing the importance of coverage for mental illness, the Mental Healthcare Act (2017) mandates in section 21 (4) that “every insurer shall make provision for medical insurance for treatment of mental illness on the same basis as available for treatment of physical illness.” Until this landmark provision, private health insurers did not provide financial cover for mental illnesses or disabilities, a general exclusion clause in several policies published before 2018 by the Insurance Regulatory and Development Authority of India (IRDAI), the apex insurance statutory body. Furthermore, in several instances, a pre-existing mental disorder could be used as grounds for disqualifying an individual from receiving health insurance in general. The Insurance Information Bureau of India (IIB) collects data on disease-specific insurance claims. In their 2018-19 report, 21,300 claims were paid to cover mental disorders, a negligible share at less than 1% of all claims registered⁶.

In 2018, IRDAI issued a circular, instructing health insurance providers to comply with the provisions of the MHCA⁷. However, the directive did not contain specific instructions on the process of implementing this provision nor did it specify a period by when this had to be completed⁸. Three years after the notification of the MHCA, this legislative mandate has not yet been upheld by insurance companies who state the lack of mortality and morbidity data on mental illness as the reason for the delay⁹. In June 2020, the Supreme Court issued a notice to the IRDAI to extend health insurance for the treatment of mental illness¹⁰. Subsequently, the IRDAI released a circular requiring all health insurance companies to disclose their underwriting philosophy of offering insurance coverage to persons with disability, people affected by HIV/ AIDS and mental illness by October 2020¹¹.



Since then, a landmark judgement by the Delhi High Court in *Shikha Nischal v. National Insurance Company Limited*, has reaffirmed the right of persons to access insurance for the treatment of their mental illness on equal grounds as physical illness^{12,13}.

Underwriting process for mental illness coverage

As a precursor to including mental illness in their health insurance policies, an underwriting philosophy outlines the approach followed by an insurance provider. Underwriting refers to the consideration given to an application that enables insurance companies to decide the amount of cover they can provide under a policy at a rate, also known as a premium, that is marketable for them¹⁴. Through the underwriting process, an insurance provider can pool together actuarial, epidemiological and claim data that can inform in a manner that is comprehensive, its approach to assessing a variety of pre-existing conditions and its risk impact on future issues¹⁵.

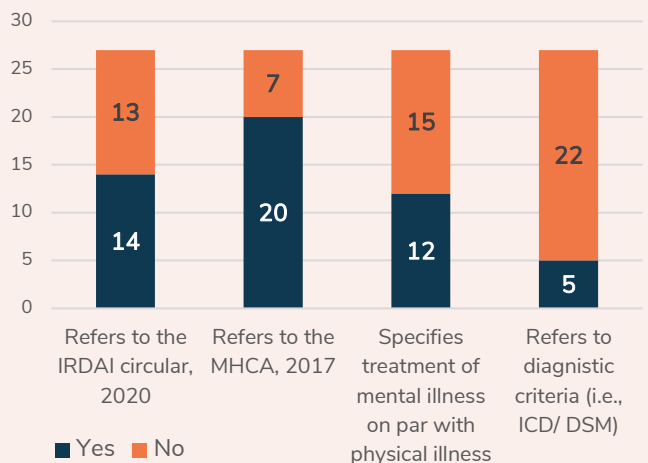
The introduction of new service offerings within insurance products is a complex process as it requires the insurer to take on considerable risk¹⁶. In this brief, we aim to shed light on the underwriting process for obtaining medical insurance for persons with mental illness among different health insurance companies.

Review of underwriting philosophies of insurance companies

We reviewed the underwriting philosophies published by insurance companies to understand the variances in their presentation of their process and conditions.

In compliance with the circular issued by the IRDAI in 2020, 27 providers have complied with the IRDAI mandate and have published their underwriting philosophy on their website. We were unable to locate the underwriting philosophies of three providers. While we were unable to locate them, it could be possible their underwriting philosophy on mental illness exists but is not published on a public platform*. On a similar tangent, companies may have a far more detailed underwriting approach philosophy, or their policies may in fact be favourable toward mental illness, however, the information they choose to disclose publicly may be minimal. For the 27 underwriting philosophy documents we sourced, we undertook the exercise of describing the variances among the documents. A major difference lay in the length and comprehensiveness of the documents, where certain providers had separate documents easily accessible on their webpage, with the most detailed document being 11 pages long, others had included minimal information within 0.5 to 1 page. The variances within the specificity of underwriting philosophy documents for a few parameters are shown in **Figure 1**.

Figure 1: Description of parameters of underwriting philosophy analysed (Image credit: IMHO)



* We were unable to locate the underwriting philosophies for Cholamandalam MS General Insurance Company Limited, Max Bupa Health Insurance Co.Ltd & Religare Health Insurance. We are aware that recent policies released by these three providers have removed mental illness as a standard exclusion clause.



International guidelines and standards recommend the communication for the underwriting process be clear, transparent and made publicly available as highlighted in **Box 1**^{14,17}. Anecdotal evidence suggests this process in India is opaque: applicants living with disabilities maybe confronted with hurdles that include inaccessibility to insurer evaluations and miscommunication regarding decisions from different stakeholders involved in the underwriting process¹⁸.

In our review, we noted the presence of the description of the underwriting process in the published documents. This could include a mention of the general underwriting philosophy of the company, an underwriter, a board or regulatory authority of the company, reference to other standardized underwriting guidelines and the use of evidence-based decision making in the underwriting process.

Box 1: Standards for the underwriting process for mental illness

(Data Source: Adapted from Mental Health and Insurance Standards, Association of British Insurers)

Accessibility

- Offer options for modes of communication.
- Provide support to clients who need assistance with the application.
- Sensitize insurance representatives on mental health conditions and appropriate language to be used with clients.

Application Process

- Introduce the application process by being transparent about the process, stress the importance of answering questions accurately and provide the reason for certain questions.
- Ensure questions asked are *only* relevant to the mental health condition and treatment.

Communication

- Be open about any exclusions or restrictions applicable to mental illness coverage.
- Clearly communicate the decision for a higher premium or exclusions.
- Signpost clients to relevant support services.
- Regularly review communications both verbal and written with a mental health professional, service user association and/ or NGO.

Transparency

- Regularly update the underwriting philosophy with relevant statistical evidence.
- Provide clients on their request the evidence used to inform the underwriting decision for their condition.



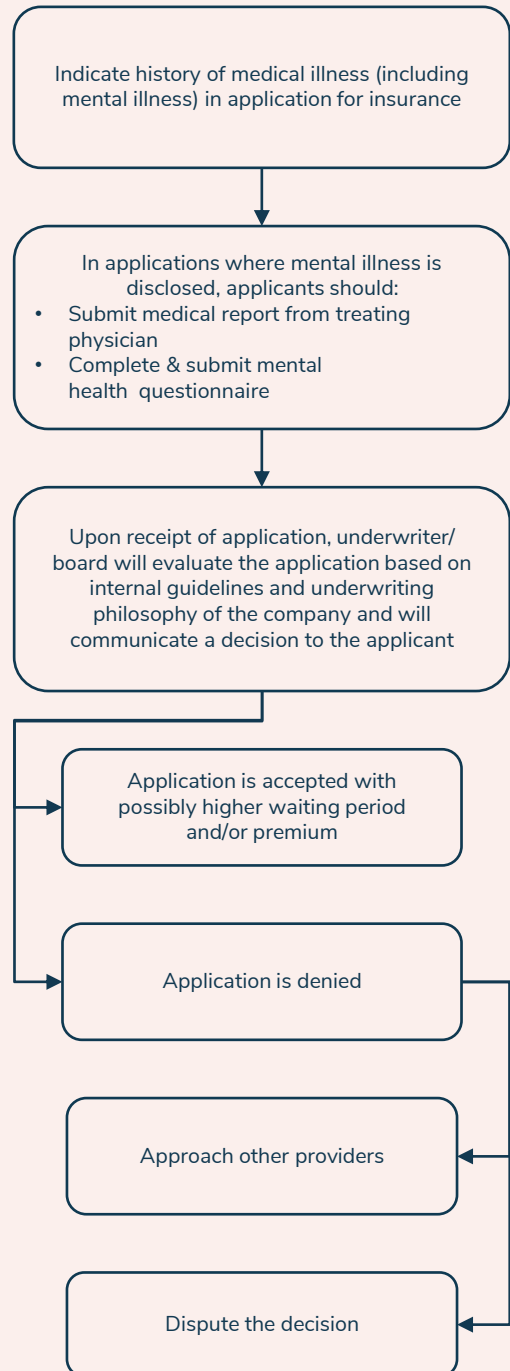
Of these documents, 14 described the underwriting process, 5 partially described it, whereas 8 of these documents did not describe or mention the process at all. An illustration of the process documented in the underwriting philosophies is depicted in **Figure 2**. A certain provider also mentioned they have separately defined an “underwriting grid” for persons with pre-existing mental illness however further details on what this entails were unavailable.

Medical and other information required for underwriting

To make an underwriting decision, medical information on the person being insured is required. Among the documents we analysed, all but six of the 27 documents mentioned the various kinds of medical information required for underwriting decisions. Along with a proposal form, the range of requirements listed included ‘pre-policy medical tests,’ details of the nature and extent of the illness through medical diagnosis, medical records, medical evaluation, mental health questionnaire and attending physician reports. Further, some documents considered severity, chronicity, probability of recurrence, repetitive nature of illness & co-morbid health conditions. And finally, a certain company highlighted their ‘risk assessment is based on scientific parameters’ and cited medical tests ‘such as HbA1C, Hypertension, ECG.

Further to this, there are other non-medical conditions that may influence the underwriting decision. Similar to physical illnesses, insurance providers also take into consideration demographic characteristics of the individual, such as their age or gender to assess risk. Other socio-economic factors such as education status and/or occupation may be elicited as a part of the process.

Figure 6: Illustrated process for grievance redressal in cases where insurance claims for mental illness are denied (Image Credit: IMHO)





In one instance, it was noted the provider specified evidence of “gainful employment” as a key consideration where a questionnaire is sent to the applicant to ascertain this criterion. The mention of daily habits and lifestyle was also observed in the underwriting philosophies of certain companies. It should be highlighted only three of the underwriting philosophy documents listed non-medical information that may be considered in the underwriting decision.

Types of Decision Outcomes

Finally, an integral part of the underwriting process is conveying the decision to the applicant. Among the 27 insurance companies, 14 presented in varying detail the likely decisions that may be communicated to an applicant. The decision outcomes range from a standard acceptance of the application with the charging of an extra premium, rejection of the application and/or the initiation of a waiting period post which services could be availed under the policy. There were a few documents that referred to a 36-48 month waiting period if this was a pre-existing illness. Another document indicated a waiting period of 2-4 years would be initiated if the illness developed while the policy was already active. In some cases, there was also the mention of a permanent exclusion from insurance coverage.

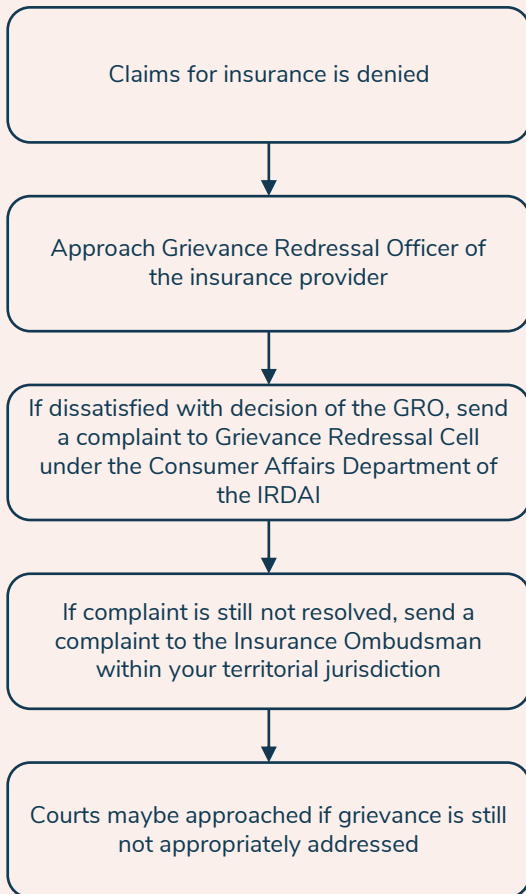
Most companies varied in the level of detail provided for these decision outcomes, however, most included a disclaimer that each case decision was subject to the “variability in the presentation of the case” which is indication of the discretion accorded to the underwriting authority in determining the outcome.

While, the underwriting philosophy document is a legal requirement, how this assurance of non-discrimination translates into insurance policies and ultimately into practice, is crucial to understand and monitor. The IRDAI lists how many insurance policies have been issued for a certain year though there is no information on how many applications were received and how many of these were rejected¹⁹. Research and anecdotal evidence show that rejections for insurance coverage for people with mental illness and pre-existing disease is high^{18,20}.

Alongside the mandate to publish underwriting philosophies, publishing data on rejection rates publicly would be a welcome step. The presence of this data in the public domain, in itself will demand accountability and transparency which could lead to insurance providers issuing more insurance policies to those with mental illnesses¹⁸. While most insurance companies have obliged with the directive to publish their underwriting, this has not translated into change in the experience of individuals seeking coverage for mental illness. In the recent past, individuals have had to approach Courts for their rightful insurance claims for mental illness, as witnessed in two separate cases in the Delhi High Court (2021) and the Bombay High Court (sub-judice)^{12,21}. The process of seeking recourse for claims that have been rejected is highlighted in **Figure 3**.



Figure 3: Illustrated process for grievance redressal in cases where insurance claims for mental illness are denied
(Image Credit: IMHO)



This brief is the first in a two-part series that attempts to unpack the extent to which insurance providers and policies cover mental illnesses. At present, from the lack of consolidated data in this domain, mapping the underwriting philosophies published by insurance companies for mental illness is a first step to systematically understand a complex process. In our subsequent brief in this series, we describe the findings of a systematic review of health insurance policies to determine the extent to which they comply with the provision of the MHCA.

References (1/2)

1. Sagar R, Dandona R, Gururaj G, et al. The burden of mental disorders across the states of India: the Global Burden of Disease Study 1990–2017. *The Lancet Psychiatry*. 2020;7(2):148-161. doi:10.1016/S2215-0366(19)30475-4
2. Gururaj G, Varghese M, Benegal V, Rao GN, Pathak K, Singh LK et al. National Mental Health Survey of India, 2015-16: Summary. NIMHANS Publ. Published online 2016:1-62. <http://www.indianmhs.nimhans.ac.in/Docs/Summary.pdf>
3. India Mental Health Observatory. Budget for Mental Health: Analysis of Union Budget 2021-22.; 2021.
4. Mirza A, Singh N. Mental Health Policy in India: Seven Sets of Questions and Some Answers * Mental Health Policy in India: Seven Sets of Questions and Some Answers.; 2017.
5. Bijal AS, Kumar CN, Manjunatha N, Gowda M, Basavaraju V, Math SB. Health insurance and mental illness. *Indian J Psychiatry*. 2019;61(Suppl 4):S791. doi:10.4103/PSYCHIATRY.INDIANJPSYCHIATRY_158_19



References (2/2)

6. Insurance Information Bureau of India. Health Insurance (Non-Life Commercial) Data Analysis Report 2018-19.; 2019.
7. IRDAI. Circular IRDA/HLT/MISC/CIR/128/08/2018 on the Mental Healthcare Act, 2017.; 2018. https://www.irdai.gov.in/ADMINCMS/cms/Circulars_Layout.aspx?page=PageNo3555&flag=1
8. Surbhit Ahuja, Kapoor H. How Would Mental Health Insurance in India Work? The Wire. Published 2019. Accessed July 26, 2021. <https://thewire.in/health/how-would-mental-health-insurance-in-india-work>
9. Singh OP. Insurance for mental illness: Government schemes must show the way. Indian J Psychiatry. 2019;61(2):113. doi:10.4103/PSYCHIATRY.INDIANJPSYCHIATRY_127_19
10. Roy D. Supreme Court issues notice in plea alleging bias by IRDA in directing Insurance coverage for persons with mental illness. Bar Bench. Published online 2020. Accessed July 26, 2021. <https://www.barandbench.com/news/supreme-court-issues-notice-in-plea-alleging-bias-by-irda-in-directing-insurance-coverage-for-persons-with-mental-illness>
11. IRDAI. Circular on Disclosure of underwriting philosophy of offering Insurance coverage to Persons with Disability (PWD) and people affected with HIV/AIDS and Mental Illness diseases. Published 2020. Accessed July 26, 2021. https://www.irdai.gov.in/ADMINCMS/cms/whatsNew_Layout.aspx?page=PageNo4140&flag=1
12. Legitquest. SHIKHA NISCHAL Vs. NATIONAL INSURANCE COMPANY LIMITED & ANR On 19 April, 2021.(2021). Accessed July 8, 2021. <https://www.legitquest.com/case/shikha-nischal-v-national-insurance-company-limited-anr/1E717A>
13. Kapoor A, Mahasur S. Right to Health Insurance: Ensuring Parity for Mental Illness in India. JURIST - Leg News Comment. Published online 2021. Accessed July 8, 2021. <https://www.jurist.org/commentary/2021/06/kapoor-mahashur-health-insurance-india/>
14. Financial Service Council. Underwriting Guidelines for Mental Health Conditions.; 2003. <https://fsc.org.au/resources/fsc-standards-and-guidance-notes/guidance-notes>
15. Actuaries Institute. Mental Health and Insurance - Green Paper.; 2017. Accessed July 26, 2021. <http://actuaries.asn.au/public-policy-andmedia/public-policy/policy-principles>.
16. Hansika Kapoor, Ahuja S. Mental Health Insurance: Products introduced; Here's how they can be made better and widely accessible. The Financial Express. Published 2019. Accessed July 26, 2021. <https://www.financialexpress.com/money/insurance/mental-health-insurance-products-introduced-heres-how-they-can-be-made-better-and-widely-accessible/1555765/>
17. Mental Health & Insurance Standards ABI. Accessed July 31, 2021. <https://www.abi.org.uk/products-and-issues/choosing-the-right-insurance/health-insurance/mental-health-standards/>
18. Bhuyan A. COVID-19 : Insurers Are Denying Policies To Disabled Despite Govt Strictures. IndiaSpend. Published online 2020. <https://www.indiaspend.com/covid-19-insurers-are-denying-policies-to-disabled-despite-govt-strictures/>
19. IRDAI. Annual Report 2019-20.; 2020. https://www.irdai.gov.in/ADMINCMS/cms/frmGeneral_NoYearList.aspx?DF=AR&mid=11.1
20. Muthian A. Insurers are putting the lives of sick and disabled at risk during COVID-19 pandemic. The Tallest Dwarf. Published 2020. Accessed July 26, 2021. <https://rb.gy/6y1xgf>
21. Jain Q. Bombay High Court stays Insurer's Rejection of Bipolar Person Policy Proposal. Law Insider. <https://www.lawinsider.in/bombay-high-court-stays-insurers-rejection-of-bipolar-person-policy-proposal/>. Published 2021. Accessed July 8, 2021.