

TAX SPECIAL

Let your health insurance battle rising costs of medical treatment

Health insurance is a must-have cover and the earlier you buy, the better. Go for a regular plan and top it up with a family floater, then look at a benefit plan. Tax benefits will, of course, come along

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A cardiac treatment could cost anywhere between Rs2 lakh and Rs4 lakh. For a cancer treatment, you may end up paying Rs10,000 per week. Treatment for a gastric problem could cost up to Rs50,000 or even Rs1 lakh if the situation warrants a surgery. Though mere estimations, these numbers would not be comforting at all if you were to foot the bills.

A more discomfoting fact is that the cost of medical treatments is steadily going up. Says Deepak Mendiratta, managing director, Health and Insurance Integrated, a health insurance consultancy: "New technologies, drug discoveries and limited supply of medical infrastructure are pushing up medical costs by about 18-22% every year." A 22% hike is more than the average salary hike or the return on investment you may get.

But there is a way to battle such costs. Buy health insurance. By paying around Rs3,000 per year, you would get a cover of roughly Rs5 lakh. In other words, your insurer will pay up to Rs5 lakh for your medical expenses.

You will also get a tax benefit on the premiums you pay. Under section 80D of the Income-tax Act, your premiums qualify for tax deduction up to Rs15,000. If you are a senior citizen, you can claim up to Rs20,000.

But tax benefit is not the reason why you should buy health insurance. Says Sumeet Vaid, managing director and founder, Ffreedom Financial Planner Pvt. Ltd: "Health insurance should be seen as a risk management strategy and not as a tax planning strategy."

Plans on offer

Regular indemnity plans:

Your basic health insurance policy is an indemnity cover that reimburses expenses incurred during, before and after hospitalization. Nowadays, policies offer the cashless facility for claims. To avail it, you just need to inform the hospital, which will take it up with your third-party administrator, who will settle your claim.

The minimum age requirement for this policy is about three months. Insurers, typically, insure a child as a dependant of his parents. This can be done either through an add-on to the parent's individual policy by paying an extra premium, or by adding the child under a family floater plan.

Family floater plans: Here, the sum insured is the same for all the members of a family. If one member makes a claim, the sum insured is reduced for the entire family, to that extent.

Defined benefit plans: There are many hybrid plans on offer. Critical illness plans are the most popular among these. These give you a one-time benefit if you suffer from any specified critical illness such as a heart attack, cancer, diabetes, kidney failure, major organ transplant or paralysis.

Hospital cash policies work as a buffer and provide you a pre-defined daily cash benefit, irrespective of hospital costs.

Health-cum-savings plans

invest a part of your premium or return the premium at the end of the policy tenure.

Most defined benefit policies are long-term, have a standard premium for a certain number of years and are offered mostly by life insurers. A typical health insurance policy offered by a life company is a bundled policy that combines the benefit of critical illness plan, hospital cash plans and surgical benefits. In some plans, a death cover is also available. These policies qualify for tax deduction both under section 80D (up to Rs20,000) and under section 80C (up to Rs1 lakh).

What to consider?

You are spoilt for choice with different policies offering different benefits. But buying a health insurance policy is not simple. Here, there are caveats, which could result in serious financial loss.

For instance, a critical illness plan would give you a hefty lump sum, but only for pre-defined critical illnesses and that too after a waiting period. After buying the policy, you need to wait for about six months before you can make a

claim. In some policies, if you are diagnosed with an illness, you need to have survived the illness for a month before getting the benefit.

Says Antony Jacob, CEO, Apollo Munich Health Insurance Co. Ltd: "Before buying a policy, one must read the exclusions. Go through the waiting period, sub-limits, and excluded ailments. Understand how the benefits are paid out."

Your strategy

Keep it simple: Just like life covers, keep these policies simple and cheap. Typically, health insurance is meant to take care of expenses in case of hospitalization. Buy a basic health insurance and top it up with a floater for your family.

Do not rely entirely on the group cover offered by your employer as a job change or retirement could leave you uninsured. And with portability still some time away, you may not be able to carry over the benefits to any new policy you may buy.

Buy early: When you are young, the premiums would be cheaper, you are unlikely to have any pre-existing diseases and your cover would keep increasing on its own. Buy the

policy late and your pre-existing ailments are not covered, premiums are very high or you may have to settle for a lower insurance cover. In some cases, the cover may be denied altogether.

Rahul Aggarwal, CEO, Optima Risk Brokers, says: "A basic health insurance should be bought as early as possible. You can then top it up with benefit policies."

Take benefit policies last: Most benefit policies can easily be given a miss if you are sufficiently insured.

If your family has a history of serious ailments or your lifestyle is stressful, you can take a critical illness plan. But it is no substitute for health insurance or life insurance as it is meant to support your loss of income if you are diagnosed with a serious ailment. Says Vaid: "Insurance is meant to cover you for three losses: income, health and assets. We recommend our clients to avoid bundling products."


You can avoid the hospital cash plan if you have emergency funds for six to eight months of expenses.

This tax season, take a step-by-step approach towards health insurance.




THINGS TO KNOW


Employer gives you mediclaim and you neglect buying a personal policy. Five years later, you change jobs or retire and are left without medical cover

 **Buy your own personal plan even if employer gives you a cover**


You have a policy. Now you are buying for your family

 **Buy from the same insurer and get up to 10% discount on the premium**

You have a basic family cover, but want to top it up

 **Buy a family floater that extends the overall cover for the family**

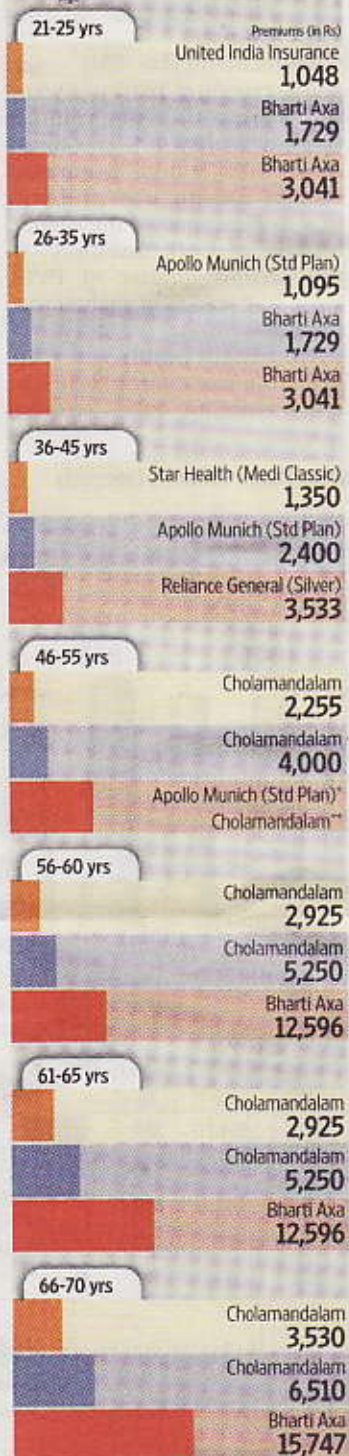
You have not made a claim on your policy for the past year

 **Check if you can get a 5% increase in your sum insured at the time of renewal**

CHEAPEST HEALTH COVERS

Premiums in Rs for the cheapest health insurance covers over different sums insured

Sum Insured  Rs1 lakh  Rs2 lakh  Rs5 lakh



* Premium: 8,900
** Premium: 9,340

Source: Optima Risk Brokers

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