भारतीय बीमा विनियामक और विकास प्राधिकरण
INSURANCE REGULATORY AND DEVELOPMENT AUTHORITY OF INDIA

Ref: IRDAI/TPA/ Misc./ORD/087/04/2015 April 28, 2015

ORDER

In the matter of Good Health Plan (TPA) Limited, Hyderabad

Based on the reply to Show Cause Notice dated 23.09.2014 and submissions made during Personal Hearing Chaired by Mr. M. Ramaprasad, Member (Non-Life), IRDA, on 17.11.2014 at 11.00 AM at the office of Insurance Regulatory and Development Authority, 3rd Floor, Parishrama Bhavan, Basheerbagh, Hyderabad, 500004.

The Insurance Regulatory and Development Authority of India (hereafter, referred to as 'the Authority') carried out an onsite inspection of M/s Good Health Plan (TPA) Limited having registered office at Plot number 49, Nagarjuna Hills, Punjagutta, Hyderabad- 500082, hereinafter, referred to as TPA, from 07.11.2012 to 09.11.2012.

The Authority forwarded the inspection report to the TPA vide letter dated 10.10.2012 seeking their comments on the same. The TPA responded to the observations as contained in the inspection report vide their communication dated 24.12.2012. On examining the submissions made by TPA it was observed that the TPA has not complied with the provisions of the IRDA regulations and the guidelines framed there under. On the observed deficiencies, in the functioning of the TPA a Show Cause Notice was issued on 23.09.2014 which was replied by the TPA vide their communication dated 13.10.2014 with a request for personal hearing.

Accordingly a personal hearing was held on 17.11.2014 under the Chairmanship of the Member (Non-Life), Sh. M. Ramaprasad. The personal hearing was attended by Sh. R.K.T. Krishnan, Director and CEO and Mr. P. S. Murthy, Director of Good Health TPA. On behalf of the Authority, Ms. Mamta Suri, the then Sr. Joint Director (I&C), Ms. Yegna Priya Bharath, Joint Director (Health), Mr. N.M. Behera, Deputy Director

परिश्रम भवन, तीसरा तल, बशीरबाग, हैदराबाद-500 004. भारत
✆ : 91-040-2338 1100, फैक्स: 91-040-6682 3334
ई-मेल: irda@irda.gov.in वेब: www.irda.gov.in

Parisharam Bhavan, 3rd Floor, Basheer Bagh, Hyderabad-500 004. India.
Ph.: 91-040-2338 1100, Fax: 91-040-6682 3334
E-mail : irda@irda.gov.in Web.: www.irda.gov.in

(Health) and Ms. Jyoti Vaidya, Deputy Director (I&C) were present in the personal hearing.

The submissions made by the TPA in their written replies to the Show Cause Notice and also those made during the course of personal hearing along with written submissions made thereafter (dated 19.11.2014) were taken into account. The explanation offered by the TPA to various charges as regards violations/non-compliance as indicated in the Show Cause Notice and the decisions thereon are as follows-

1. **Charge No. 1**:

Concern/ Violation: Ms. V Usha Rani, the main shareholder of the TPA, was singly allowed to operate all the 28 bank accounts maintained by TPA. Ms. V. Usha Rani was neither a director of TPA nor employed with the TPA.

It is a violation of Reg. 8 (1) of IRDA (TPA – Health Services) Regulations 2001 which stipulates that the TPA shall appoint with due intimation to the Authority, from among the directors or senior employees, a CAO or CEO who shall be responsible for the proper day to day administration of the activities of the TPA.

Submissions made by the TPA: Ms.V.Usha Rani was authorized by the board through a resolution for signing cheques to avoid delay in payments due to the absence of any of the signatories. She is the beneficial owner of the company and she signed only in one rare occasion. TPA further clarified that the cheque books used to be in the possession of accounts department and a cheque will be prepared against the approved claim and signed by the authorized signatories after the settlement department head authorizes the same. Cheque will be signed only after the voucher is prepared with due authorizations. Ms. V.Usha Rani was not a regular signatory and in emergency only after a request is made from the CEO or the director she will sign if she needs to sign.

TPA further submitted that with the changes in regulation and under the directive of Ministry of Finance, all payments happen through on-line transfer of funds utilizing

electronic authorization from the Director/Senior Employees. They have also submitted a letter from the banker HDFC Bank, giving list of authorized signatories which does not have Ms. V.Usha Rani's name. TPA contended that this was a contingency measure required to ensure timely claim payment to customers.

Decision

From the submissions made it is evident that Ms. V.Usha Rani was neither and employee nor a director of the company but was allowed to operate singly all bank accounts and also issue instructions to bank as per the board approved resolution. Thus she has assumed powers as being exercised by any executive of the company without being appointed as an employee or director. This is in violation of Regulation 8(1) of IRDA (TPA Health Services) Regulations, 2001. Therefore, the Authority in exercise of the powers vested under Section 102 (b) of the Insurance Act, 1938 imposes a penalty of Rs.5 lakh.

2. Charge No. 2:

Concern/ Violation: The TPA had repudiated reimbursement claims where Preferred Provider Network (PPN) hospital had charged over and above the PPN package rate citing the reason 'the maximum amount payable according to PPN package is paid in earlier cashless claim'. As the policy conditions allowed policyholder to claim up to the sum insured limits through 'reimbursement' mode for such amounts, the procedure adopted by the TPA was not consistent with the policy conditions.

It is a violation of Reg. 21 (1), Reg. 21 (2) (d), and Reg. 21 (2) (n) of IRDA (TPA – Health Services) Regulation, 2001 which stipulates that the TPA should act in the best professional manner. Further, the TPA should bring to the notice of insurance company any adverse report or inconsistencies that is relevant for insurance company's business and follow the guidelines issued by the Authority from time to time.

Submissions made by the TPA: The TPA submitted that the PPN packages are negotiated with the hospitals and authorisation of TPA to the hospital very clearly

states that the approval is in line with the PPN agreement for treatment of the procedure. The hospitals may charge the patient for non-medical expenses only if the treatment is as per PPN package. The hospitals have agreed to charge only PPN rates and therefore TPAs have implicit authority to settle claims only up to this limit for the packages. In cases where the treatment requires procedures in addition to the one under PPN, the hospital is free to move to open billing and the same is processed. A handful of cases have come to their notice where the hospitals have charged the patient an additional amount for treatment under PPN and such issues were taken up with the insurer , nodal TPA and hospitals during review of agreements. The industry has already discussed this issue of hospitals charging beyond the agreed rates and it has been decided that the amount be recovered from the hospitals. On repudiation of claims the TPA submitted that the repudiations are referred to the insurers. TPA pleaded that they have handled these case professionally in line with the agreements and terms of business with insurers, hospitals and PPN initiative.

Decision

In the inspection observation it is evident that the insured was allowed full benefit under his / her insurance policy by citing that the claim based on the rates as applicable under PPN package already settled in the claim towards cashless treatment. The TPA argued that the repudiation was done by the insurer and they have no role to play. On the contrary the insurer has commented while repudiating the reimbursement claim, that the payment has been made in earlier cashless claim filed by insured and hence denied. The pertinent questions to be addressed under this charge are as under:

i. Who is responsible for entering into agreement with the hospitals to charge rates as per PPN?
ii. Who should monitor the compliance of the PPN agreement by the hospitals?
iii. Whether the PPN rates for different procedures are made available to the insured?

iv. In case the insured opts for non PPN hospital whether he would be reimbursed all admissible claims?

To answer the above questions, it is relevant to mention that in view of high claim ratio with respect to health insurance portfolio; the Public Sector General Insurance Companies have initiated rationalization of empanelment of hospitals and standardization of rates of specified medical procedures to be followed by their network hospitals. This system they have named as a Preferred Provider Network (PPN). Apart from the cashless facility under the PPN, the settlement of claims on reimbursement basis continues to be made available for all hospitals(including non-network). The cashless facility is provided through Third Party Administrators (TPAs) and each TPA has its own network of hospitals. The adoption of the aforesaid PPN system was to benefit the insured by lowering the cost of every hospitalization leaving a larger balance in the sum insured in the policy for future hospitalization.

It is clear from the above that the TPA is responsible for ensuring compliance of PPN rates by the hospitals. Further, in case the insured opts for some packages which re over and above the PPN rates or prefer hospital out of PPN, the insurer should honor all such reimbursement claims if otherwise admissible. However, from the submissions made by the TPA it is evident that the TPA failed to ensure compliance of the PPN rates by the network hospitals thereby denying the benefit of full cashless facility to the insured. This is in spite of the fact that the hospital has violated the terms of PPN by charging, in excess of the PPN rate, which was duly agreed between the respective TPAs and the hospital. Further, when the insured filed claim for excess rate charged by the hospital over and above the PPN rate the same was repudiated by the insurer on the premise that the PPN rate was exhausted under the earlier cashless claim. Thus the insurer also acted in a manner which was detrimental to the interest of the policyholder.

In view of the above the Authority is of the view that the TPA has not acted in a professional manner and decides that the TPA to ensure that the extra money charged by the hospitals be refunded back to the concerned policy holder if the claim was admissible, in consultation with the insurer. Further, the TPA is directed to submit a compliance report within three months of the issuance of this order.

3. Charge No. 3:

Concern/ Violation: In respect of 'Arogyadaan' policy issued (050400/48/1/41/00000225) by United India Insurance, it was observed that a 20% deductible was applied in case of all claims where the person hospitalized attained 60 years as on date of admission.

It is a violation of Reg. 21 (1), Reg. 21 (2) (d), and Reg. 21 (2) (n) of IRDA (TPA – Health Services) Regulation, 2001 which stipulates that the TPA should act in the best professional manner. Further, the TPA should bring to the notice of insurance company any adverse report or inconsistencies that is relevant for insurance company's business and follow the guidelines issued by the Authority from time to time.

Submissions made by the TPA: The TPA had submitted that the Arogyadaan Policy was issued by the United India Insurance Co. Ltd which specifically mentioned 20% deductible for the year 2011-12 and they have acted upon the terms of the policy. In their written submission dated 13-10-2014 the TPA has accepted that they had followed the practice of 20% co-pay for people above 60 years as on the date of admission since the policy said "greater than 60"and did not specify "as on date of commencement". However, submissions made post hearing, the TPA confirmed that they had applied co-pay on the members who had crossed 60 years as on date of commencement of the policy and they did not interpret the co-pay applicability from the date of commencement of age 61 years.

Decision

Keeping in view the inspection observation the issue to be addressed is the applicable date on which the co-pay be insisted upon from the policyholder. The plain reading of the policy terms and conditions makes it clear that the co-pay is applicable on admissible claims above sixty years of age. Since this policy is a family/group floater policy there may be instances where one particular member may attain the

age of 60 years in between the policy period of one year. However, the TPA confirmed that he had applied co-pay on members who attained the age of 60 on the date of commencement of the policy. The Authority observed that there is inconsistency in furnishing written submissions by TPA during hearing and also pre/post hearing submissions. However, keeping in view the approach followed by TPA which although not in line with the policy condition, is not detrimental to the policyholder and hence the charge is not pressed further.

4. Charge No. 4:

Concern/ Violation The TPA had signed agreements with Oriental Insurance dated 30.07.2008 and New India Assurance dated 01.07.2010 were for the period of 1 year only and the TPA had not signed any agreements with the said insurers. However, the TPA continued to service the policyholders of these insurers.
It is a violation of Reg. 24 (3) of IRDA (TPA – Health Services) Regulation, 2001 which stipulates that TPA to make available to the Authority for inspection, copies of all contracts with insurance company.

Submissions made by the TPA: The TPA submitted that they had signed service level agreements with all insurance companies except Oriental Insurance Company Limited. The TPA submitted copies of invoices towards service charges for providing TPA services to all insurers to prove that insurer, TPA contract existed.

Decision

In view of submissions made by the TPA to support their reply, the Authority is not pressing the charges. However, TPA is directed to initiate steps to formalise agreements with the said insurers under intimation to the Authority.

5. **Charge No. 5:**

Concern/ Violation The TPA had not filed the agreement signed by it the TPA with United India Insurance, for servicing the business of 'AB Arogyadaan' scheme of the insurer on 09-06-2011, was not yet filed with the Authority.

It is a violation of Reg. 5 of IRDA (TPA – Health Services) Regulation, 2001 which stipulates that a copy of the agreement entered into between the TPA and the insurance company shall be filed within 15 days of its execution with the Authority.

Submissions made by the TPA: The TPA had submitted that the agreement was submitted on 24.12.2012. It was an unintentional omission on the part of the company.

Decision

In view of the submission made by the TPA, the Authority is not pressing any penalty. The Authority warns TPA to comply with Reg. 5 of IRDA (TPA – Health Services) Regulation, 2001 in future.

6. **Charge No. 6:**

Concern/ Violation: The agreements signed by the TPA with the public sector general insurers contained "an incentive clause", based on the reduction in Incurred Claim Ratio.

It is a violation of Reg. 21(2) (c) and 21(2) (d) of IRDA (TPA – Health Services) Regulation, 2001 which stipulates that the TPA should disclose the details of the services it is authorized to render under an agreement with an insurance company and should bring to the notice of insurance company any adverse report or inconsistencies that is relevant for insurance company's business

Submissions made by the TPA: The TPA submitted that they had not claimed any incentive under those clauses and their income was as per the standard agreements of insurance companies.

Decision

In view of submissions made by the TPA to support their reply, the Authority is not pressing the charges.

The penalty amount of Rs.5 lakh shall be paid through Demand Draft drawn in favour of Insurance Regulatory and Development Authority payable at Hyderabad within 15 days from the receipt of this letter. The Demand Draft is required to be forwarded to Mr. Lalit Kumar, Financial Advisor and HoD (Enforcement).

The TPA is required to ensure compliance with the above directions under intimation to the Authority.

Place: Hyderabad
Date: 28.04.2015

M. Ramaprasad
Member (Non-Life)