



Ref.No: IRDA/ENF/ORD/ONS/097/05 /2016

Final Order in the matter of M/s Vidal Health TPA Pvt. Limited

Based on reply to the Show Cause Notice dated 7<sup>th</sup> January, 2016 and submissions made during Personal Hearing on 3<sup>rd</sup> February, 2016 at 2.30 pm taken by Member (F&I) at the office of Insurance Regulatory and Development Authority of India, 3<sup>rd</sup> Floor, Parishrama Bhavan, Basheerbagh, Hyderabad.

The Insurance Regulatory and Development Authority of India (hereinafter referred to as "the Authority") carried out an onsite inspection of M/s Vidal Health TPA Pvt. Limited (hereinafter referred to as "the TPA") from 16.07.2014 to 17.07.2014. The Authority forwarded the copy of the Inspection Report to the TPA on 21.11.2014 and the TPA responded vide letter dated 27.11.2014. Upon examining the submissions made by the TPA vide letter dated 12.06.2015, the Authority issued Show Cause Notice on 07.01.2016 which was responded to by the TPA vide letter dated 22.01.2016. As requested therein, a personal hearing was given to the TPA on 03.02.2016. Ms. Sheela Anand, CEO, Ms Sudha Kulkarni, CAO, Sh. Raju M. V., VP (Technical) and Ms Chhavi Saraf, Assistant General Manager (Finance) were present in the hearing on behalf of the TPA. On behalf of the Authority, Ms. V. R. Iyer, Member (F&I), Sh. Lalit Kumar, FA & HOD (Enforcement), Sh. Prabhat Kumar Maiti, JD (Enforcement), Ms. Jyoti Vaidya, DD (Enforcement), Sh. D V S Ramesh, DD (Health) were present during the personal hearing.

The submissions made by the TPA in their written reply to the inspection observations, Show Cause Notice and also those made during the course of the personal hearing have been taken into account.

The findings on the explanations offered by the TPA to the Show Cause Notice and the decisions thereon are detailed below.

**1. Charge – 1**

- a. There was no valid and effective SLA between Vidal and NIA for the period from 01-11-2013 till 10-07-2014 (close to 8 months) for rendering of TPA / Health Services. In spite of the same the TPA had continued to render Health Services to the insurer.
- b. It was evident that Vidal TPA for the period from 01-01-2014 to 09-07-2014 i.e. for more than six months was rendering TPA / Health Services to the BAXA without effective and valid SLA.

**Violation of**

- This is in violation of Regulation 2 (e) to be read with Regulation 7 and Regulation 5 of IRDA (TPA - Health Services) Regulation, 2001. Regulation 2 ( e) states that TPA is licensed by the Authority and engaged for a fee or remuneration which is specified in the agreement with the

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insurance company. Regulation. 7 give scope of the contract and the facilities that have to be provided. Reg. 5 stipulates that a copy of the agreement entered between the TPA and the insurer shall be filed within 15 days of execution.

- It is also in violation of Reg. 13 (a) to be read with 13 (c) of IRDA (Health Insurance Regulation), 2013 which focuses on agreement between a TPA and insurance company.

**Submission of the TPA:**

The TPA submitted that although there was no written and signed SLA in place between Vidal Health TPA Pvt. Ltd. (Vidal Health TPA) and The New India Assurance Co. Ltd. (NIA) for the interim period from 01.01.2014 to 09.07.2014, the TPA was in agreement with NIA on the scope of services, the service level parameters and remuneration.

The TPA submitted that they had been servicing Bharati AXA Insurance Company (BAXA) for several years and although during the interim period referred above there was no written SLA in place, they continued to provide services to ensure that the services to the policy holders were not disrupted and their interests were not compromised.

**Decision:**

The Authority has noted the submissions of the TPA and directed the TPA to ensure compliance of regulation 2 (e) to be read with regulation 7 and regulation 5 of IRDA (TPA - Health Services) Regulation, 2001. The TPA is further directed to comply with regulation 20 of IRDAI (Third Party Administrators - Health Services) Regulations, 2016.

2. Charge – 2

It was noted that in following five claim cases out of nine sample repudiation claim cases selected i.e. Vidal TPA claim numbers: BLR-0214-CL-0005320, BLR-0314-CL-0007636, BLR-0414-CL-0001690, BLR-1213-CL-0002250, DEL-1013-CL-0000591, the TPA had not taken proper written approval of the insurer before denial / repudiation of the claim.

**Violation of**

This is in violation of Regulation 12 (d) (ii) and (iii) of IRDA (Health Insurance) Regulation 2013 mainly on the part of the insurer and TPA not following the clauses of the agreement in total spirit.

**Submission of the TPA:**

The TPA submitted that they followed the process of taking the approval of the insurer before the denial / repudiation of the claim. However this was a manual process and given the volume of cases, it had been difficult to keep track of the documentation in every case, therefore in the manual process the possibility of human error could not be ruled out.

The TPA further submitted that they were working towards a computerised process which would ensure that in every case the insurer concurrence would be part of the workflow and tracked. In all cases, the relevant policy wordings including the policy clause / term / condition number would be captured via the computerised process and only after receipt of insurer concurrence would letters be generated, always through the system. This will ensure that human errors were obviated.

**Decision:**

**The TPA is warned for not taking proper written approval of the insurer before denial / repudiation of the claim and directed to comply with the Regulation 3 (2) (b) of IRDAI (Third Party Administrators - Health Services) Regulations, 2016.**

**3. Charge 3**

- i. The issues noted in settlement of Vidal TPA claim no. PUN-0414-CL-0000109 under **BAXA** policy no. GHS/Q0056847/82 is as under; The claim was lodged for Rs. 50000/- for cataract surgery. The said claim was settled for Rs.19200/- and amount of Rs. 30800/- was deducted as per policy condition that; *"Cataract surgery is covered. In case of multifocal lens, implants will be paid up to 20% of lens cost only within the cataract limit."*

It was noted from the treating hospital quotation that the actual cost of cataract surgery with multifocal lens is Rs.61050/- which includes Medical profession fee, Hospital Stoppages and multifocal lens cost (14400+8250+38400=61050) but the hospital has offered Rs.50000/- package to Vidal TPA. Thus hospital has given 18% discount on the cataract surgery in this case.

The TPA vide e-mail dated 16-07-2014 had given claim assessment as follows: 50000-38400=11600 (20% of 38400) = 19280/-. However, the TPA should have applied 18% discount on all the three charges of package and then should have arrived on 20% of multifocal lens cost. Thus, the TPA had wrongly deducted Rs.5591/- from the liable claim amount.

**Violation of**

This is in violation of Regulation 21(2) (g) of IRDA (Health Services) Regulations, 2001 which stipulates that TPA should conduct itself / himself in a courteous and professional manner.

**Submission of the TPA:**

The TPA replied that the Hospital, Vasan Eye Care, Pune was a part of our Network and their Tariff was Rs.50, 000/- for cataract surgery with multifocal lens. The cost of multifocal lens



varied with the type of lens used and the discount allowed by the hospital was only for the hospital services in the package excluding the cost of consumables, which was multifocal lens in this case. Therefore, the TPA had taken the package amount of Rs.50,000/-, reduced the cost of the multifocal lens i.e. Rs.38,400/- which was a consumable cost, as confirmed by the hospital. They had allowed 20% on the cost of the lens as per the policy terms. Hence, in their view there was no short payment of the claim. Based on the observations in this report, the TPA had referred this case to the insurer for a review.

- ii. Vidal TPA claim no. COM-0414-CL-0000202 under UIIC Policy No. 170203/48/13/97/00000303: The claim lodged for Rs. 2.5 Lakhs and Sum Insured under the policy was Rs. 1.5 Lakhs.

It was informed by the TPA that in this policy there was restriction of expenses for major surgeries i.e. 70% of Sum Insured. Thus 70% of Rs.1.50 Lakhs is Rs. 1.05 Lakhs. Further, the TPA had deducted amount of Rs.21000/- towards 20% co-pay as the patient is above age of 60 years and issued pre-authorization of Rs. 84000/- to the hospital (Rs. 105000 – Rs. 21000 = Rs.84000/-).

However, it was noted from policy terms / condition / wordings that there is no such condition for deduction of co-pay from admissible claim amount. Thus, the TPA wrongly deducted Rs. 21000/- towards co-pay from liable claim amount.

#### **Violation of**

This is in violation of Regulation 21(2) (g) of IRDA (Health Services) Regulations, 2001 which stipulates that TPA should conduct itself / himself in a courteous and professional manner.

#### **Submission of the TPA:**

The TPA submitted that they regret for the unintentional error. They had rectified the error and paid the balance amount of Rs. 21,000/- to the claimant on 05.12.2014 vide NEFT 14C503811CKROR82.

#### **Decision:**

**The Authority has noted the submission of the TPA. The Authority is not pressing any charges but directs the TPA to reopen all such cases of major surgery where the age of the policyholder is 60 years and the TPA has applied co-pay for the claim amount. The TPA is also directed to submit the Authority, an action taken report on the corrective action within 45 days from the date of issue of this order.**

Further,

- a) The TPA shall confirm compliance in respect of all the directions referred to in this Order, within 15 days from the date of issuance of this order. Timelines, if any as applicable shall also be communicated to the Authority.



- b) The Order shall be placed before the Audit committee of the TPA and also in the next immediate Board meeting and to provide a copy of the minutes of the discussion.
- c) If the TPA feels aggrieved by any of the decisions in this order, an appeal may be preferred to Securities Appellate Tribunal as per Section.110 of the Insurance Act, 1938.

Place: Hyderabad  
Date: 16.05.2016



(V R IYER)  
Member (F&I)

