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Beyond Hospital Confinement: How Today's Hospital Indemnity Insurance Pays Benefits for Non- Hospital Services

Many American adults are hospitalized for sickness or injury more than once during their lifetimes. Fortunately, this occurrence is becoming less common. Between 2005 and 2014, the number of annual inpatient hospital stays in the United States decreased from 37.8 million to 35.4 million. But the flip side is the average cost of a hospital stay increased substantially during this time period. In 2005, the mean cost per inpatient stay for an individual aged 65 to 74 was \$12,800. By

2014, the mean cost per inpatient stay had increased by 10.5 percent, to \$14,300.¹

An expensive hospital stay can result in out-of-pocket costs not covered by major medical insurance, threatening the security of people who are not financially prepared. If you have clients who struggle to keep up with rising health care costs or who are concerned about how they would financially deal with a serious medical event, you may want to show them hospital indemnity

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insurance. This coverage has become increasingly popular as hospitalization costs have increased. It can provide peace of mind and help protect a consumer's finances in case of an unplanned hospitalization.

You may already be familiar with hospital indemnity insurance, a supplemental coverage which provides a specified, fixed-amount benefit for each day the policyholder is confined to a hospital as a result of a covered sickness or injury. The policyholder typically chooses a per-day cash benefit amount as well as a benefit period (the maximum numbers of days the policy will pay). There's generally no deductible or network, and benefits can be spent in whatever way the policyholder chooses—from medical bills to household expenses. In short, hospital indemnity insurance offers solid protection to help the insured when he or she is facing an unexpected hospital expense.

But here's something you may not know: Many carriers are expanding hospital indemnity plan benefits and riders to pay for services that are not directly related to hospitalization. This creates even greater value for the policyholder. Often, these benefits are available at no additional charge. They can present a good opportunity for you to talk with new prospects or touch base with your existing clients, especially those with high-deductible plans (including Medicare Advantage plans) or concerns about how a major hospital bill would affect their livelihood. When you're showing a hospital indemnity plan to your customers, be sure to look for one that meets their individual needs by offering a wide range of benefits **beyond** hospital confinement.

The benefits that are sometimes added to a hospital indemnity plan typically cover one of four service categories: Services provided before, during, and after inpatient hospitalization, or services provided during outpatient hospitalization.

- **Services provided before hospitalization**—Before the patient is admitted to the hospital, he or she may use ambulance, urgent care center, or emergency room services. Some hospital indemnity plans provide a lump-sum cash benefit for each.
- **Services provided during hospitaliza-**

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tion—A hospital confinement benefit pays when the insured is confined to a hospital. But one popular hospital indemnity plan also pays a daily cash benefit for transportation and lodging while the patient is receiving inpatient or outpatient treatment at a hospital that is not near the patient's home. This benefit can reduce the stress of an already stressful situation by allowing family members to be near the patient during treatment. Some plans also offer additional benefits for diagnosis of specific diseases, such as cancer.

- **Services provided during outpatient hospitalization**—In recent years, CMS rules and financial incentives have made it increasingly common for hospitals to place patients under observation when they're expected to need less than two midnights of medically necessary care. This can become complicated financially, as Medicare recognizes observation care as an outpatient service and pays benefits differently than for inpatient services. Look for a hospital indemnity plan that provides benefits for observation care. Ideally, it will pay the same per-day benefit for observation and inpatient services. And since patients under observation care are sometimes released from the hospital without ever being admitted as an inpatient, the plan should also pay benefits in that situation. In other words, a patient who obtains observation care, then leaves the hospital without inpatient admission, should receive full observation care benefits from the hospital indemnity plan.
- **Services provided after hospitalization**—After hospitalization, it's not uncommon for additional services to

be necessary before the patient can safely return home. One good example is skilled nursing care. The charges for these services can add up fast—according to one source, care in a nursing home averages \$227 daily for a shared room.² Another example of post-hospital services is outpatient therapy (physical, speech, or occupational therapy). Some hospital indemnity plans offer optional riders that pay cash benefits for these services.

There are many benefits to selling ancillary products like hospital indemnity insurance. Certainly one of the biggest is that you can sell this coverage to clients at any time. However, to best meet the needs of your clients, consider their other insurance needs and explore whether a hospital indemnity plan will fill existing gaps in their coverage. As Medicare cost plan customers start shopping and moving to other plans, such as Medicare Advantage, there's a key opportunity to promote and sell this product.

As you meet with your clients—especially those in high-deductible plans—explain to them that a hospital indemnity plan can help with high hospital costs. Good starter questions can be “Can you afford to be hospitalized?” or “How would you handle a large medical bill?” All it takes is one hospital stay and they'll be thankful you cared enough to share with them the value of having hospital indemnity protection. 🌍

References:

1. *Adjusted for inflation. Source: Agency for Healthcare Research and Quality (AHRQ), Healthcare Cost and Utilization Project (HCUP), National (Nationwide) Inpatient Sample (NIS) 1996-2015 (all data available as of 11/10/2017).* <https://www.hcup-us.ahrq.gov/faststats/NationalTrendsSerolet>
2. *Seniorliving.com. 2017.* <https://www.payingforsenior-care.com/longtermcare/costs.html>.