

Medicare Advantage + Hospital Indemnity:

The Ideal Solution for Bridging Coverage Gaps & Enhancing Client Retention

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**Your clients
may be
facing a big
problem...**

Picture this:

You're in the middle of AEP season and just closed your tenth Medicare Advantage enrollment of the day. You're incredibly knowledgeable about the industry and always do everything compliantly and by the book.

But then, you get a phone call. On the other end is one of your clients, and they're very upset, saying:

"I just got a \$700 bill for a two-night stay in the hospital! Why am I being charged for this? I thought I was covered by the plan you sold me."

Maybe you haven't gotten a call like this yet. But eventually, you will. You may have done everything right and told your clients everything they need to know about their network, copays, and maximum out-of-pocket costs.

However, enrollees typically only retain a small amount of the new information they take in during the enrollment process. Just because they say they understand that they'll be paying copays up to their maximum out-of-pocket amount, that concept won't sink in until they've used it.

When your clients face an unforeseen health event that leads to a hospital visit, they will turn to you for answers. If you're not prepared to explain why they're facing a \$700 bill for a two-day hospital stay, it could cost you more than just a client. It could impact your renewal income and even your professional reputation.

Remember, you completed the MA sale compliantly and informed the client of their coverage limits and out-of-pocket costs. But what if you had also mentioned three crucial words: hospital indemnity insurance?

For about a dollar a day, you could have offered your client a hospital indemnity plan (HIP) that pays \$350 per day for five days spent in the hospital, which would have covered their hospital bill entirely. If you had, you could've told that angry client:

"No problem! That's why I put you on the hospital indemnity plan."

Cross-selling hospital indemnity (HI) will not only make you knowledgeable and compliant, but you'll also be a hero to your client.

"I used to have clients calling me upset about receiving hefty hospital bills. Now that I'm cross-selling hospital indemnity with MA, they've been calling to thank me instead."

David Revello – Agent in Daytona, FL

**...And
Hospital
Indemnity
Can Make
You the Hero**

For many agents, a hospital indemnity plan may seem like another insurance policy you're told to offer your clients. You may have heard all about the great benefits of HI, but you can't get over one thing: the idea of another product getting between you and a Medicare Advantage sale.

Agents who sell multiple insurance product bundles have **11% higher client retention** than those who don't. And the rate of retention increases with each additional product offered. Increasing the average policies per customer to two or more can [increase client retention to 95%](#).

So, suppose you're wondering why you should sell HIP with MA. In that case, the answer is simple: Filling a client's MA coverage gaps with a hospital indemnity plan has been proven to increase customer confidence and loyalty and deepen the customer-agent relationship, which helps create lifetime value and retention.

Concerned about compliance?

We all know how important it is to comply with all CMS guidelines when presenting an MA plan. But did you know hospital indemnity is already included in the Scope of Appointment? This means you can talk about it within the same sales appointment.

If you're on an MA appointment and want to offer HI, ensure the applicant checks the corresponding box on the form when collecting the Scope. This will ensure your HIP cross-selling is compliant and transparent.

Also, don't forget that any appointment not made to discuss MA doesn't need a Scope of Appointment. CMS doesn't regulate appointments to discuss Medicare Supplement coverage or other health-related plans, such as hospital indemnity, long-term and short-term care, or cancer insurance.

And remember – **you already have existing clients with MA plans without HI coverage.** Take that opportunity to educate them about the benefits of hospital indemnity. You can contact them in person, by phone, or by mail to inform them about HI, and you don't have to have a Scope of Appointment signed. It's more important than ever to reach out to your book of business and provide them with the added protection that hospital indemnity plans can offer. If you don't put your clients on a HIP, another agent will!

“Cross-selling hospital indemnity has been key to building better, longer-lasting customer relationships.”

Andrea Coles – Agent in Austin, TX

**What's
stopping you
from selling
HIP?**

Steps to cross-selling success

Step 1: Getting informed

Before integrating hospital indemnity into your Medicare Advantage sales process, you must familiarize yourself with HI products and understand how they work with MA plans.

It's common knowledge that Original Medicare and Medicare Supplement plans go together like peanut butter and jelly. Med Supp plans are made to fill gaps in Original Medicare, leading to them often being called "Medigap." That's how hospital indemnity plans work with Medicare Advantage — filling coverage gaps and covering copays.

In 2024, the maximum out-of-pocket cost for MA plans will be \$8,850. It's important to remember that with copays for a six-day hospital stay, most of those on MA will incur higher costs than they would with original Medicare, creating a pretty big coverage gap.

That's why it's so important to think of HI as the MA equivalent of Medigap. Both combinations have the potential to provide clients with the complete protection they demand from their coverage and a reminder that we're looking out for them.

There's also no coordination of benefits, so it doesn't matter what other insurance they have. A hospital indemnity plan will pay the full cash benefit even if another insurance plan pays the bill in full.

Hospital indemnity facts

- **Covered services:** Hospital indemnity plans cover hospital confinement, doctor's office visits, outpatient surgery, and more.
- **Direct payouts:** Unlike most insurance, where funds are paid to providers, hospital indemnity pays the beneficiary directly even if their other insurance covers the hospital bill. The benefit is exempt from state or federal income taxes and can be spent as the beneficiary prefers.
- **No restrictions:** HIP has no restrictions on provider networks, allowing clients to choose any hospital or healthcare provider. They're also portable plans that can be retained even if the beneficiary moves to a state where the plan isn't approved.
- **Guaranteed issue:** Many hospital indemnity plans offer guaranteed issues, meaning applicants aren't required to undergo a medical underwriting process and can't be denied coverage based on pre-existing conditions.

Step 2: Guiding the conversation

Medicare Advantage continues to become more prevalent in the marketplace and is predicted to represent [60% of the Medicare market](#) by the end of this decade. But there's a harsh truth about MA plans that many of us in the industry don't want to emphasize.

Every year, your client's plan coverage can change. They can raise premiums and copays or even remove their preferred provider and hospital from the network entirely. In September, MA plans send out an annual notice of change (ANOC), which summarizes any changes in the plan's cost and coverage that will take effect on January 1 of the following year. These annual plan changes can threaten the financial security of any clients dependent on MA for hospital coverage.

So, what can we do for our clients if all MA plans can change and potentially increase their out-of-pocket costs? As licensed agents, our responsibility is to protect our clients by educating them on what insurance is right for them.

But even if you've warned clients about these potential plan changes and coverage gaps, unexpected charges and costs can make clients upset with you or even distrustful of your business. Avoid these tough conversations by talking to them in-depth about their coverage gaps before they become an issue.

Try starting your conversation about hospital indemnity with something like:

- *"I've signed you up for a great Medicare Advantage plan. But like all plans, it has some coverage gaps and could change its provider network next year when you get your ANOC."*
- *"What product would you choose to cover the additional hospital costs not covered by your MA plan? I think hospital indemnity would be your safest option."*

You may get some pushback from clients on the added cost of the HIP premium, especially from clients who opted to enroll in \$0 premium plans. But remind them that if they can't afford a \$45 monthly premium, they won't be able to afford the expensive hospital bills they'll get without it.

Perform a needs analysis

Step 3: Demonstrating the value

Do you know a Medicare Advantage member's three most common out-of-pocket expenses?

1. Hospitalization

With over 13 million seniors being hospitalized every year, your clients will likely experience a hospital stay and, along with that, a copay. Don't assume that just because your client told you they understand their max out-of-pocket costs, they won't call you upset and ask why they owe the hospital money.

2. Recuperation

Where do seniors typically go right after hospitalization? They go to recuperation, better known as rehabilitation, at a skilled nursing facility. Medicare Advantage covers 20 days of care, but they'll still have to pay a copay of \$196 a day for days 21-100. Your clients will not enjoy writing that check, especially on a fixed income.

3. Cancer costs

A cancer diagnosis is one of the most severe health events a person can have. But adding insult to injury, MA plans have a 20% copay for cancer treatment. Unfortunately, they will most likely reach their maximum out-of-pocket amount within a few months.

Discussing these expensive copays upfront is always a good idea so your client isn't caught off-guard financially. Presenting a hospital indemnity plan that can cover all three of these events can give your clients the peace of mind they need.

One of the best ways to clearly illustrate the value of HIP to your MA clients is to do the math with them. Use their current MA plan's copays to show them the hypothetical bill they may face without added hospital indemnity protection.

According to research from Definitive Healthcare, the average hospital stay is 4.5 days. By using the following formula, we can illustrate the average cost our customer may face from an average hospital stay:

Daily Hospital Copay of MA plan x Average Length of Hospital Stay = Average Cost of Stay

Using this formula, you can show your clients the direct monetary value of hospital indemnity. They may think they can't afford HI, but this technique will show them why they can't afford not to have it.

Print out our "Hospital Indemnity Needs Estimator" worksheet on the next page for a convenient way to present this calculation. Please bring it to your next MA client meeting to demonstrate the actual value of hospital indemnity protection!



BENEFITS NEEDS ESTIMATOR

HOSPITAL INDEMNITY

Hospital indemnity plans provide financial security by offering fixed daily benefits for hospital stays, helping cover out-of-pocket expenses and complementing primary health insurance coverage.

YOUR HEALTH PLAN OUT-OF-POCKET COSTS

BENEFIT

PREMIUM

Hospital Confinement Daily Co-Pay _____ x _____ days =

Ambulance Service Co-Pay

Radiation/Chemotherapy Max. Out-of-pocket

Skilled Nursing Facility Daily Co-Pay _____ x _____ days =

Outpatient Surgical Co-Pay

Outpatient Therapy Co-Pay

Dental / Vision Average Monthly Costs

Potential Out-of-pocket Costs

\$ _____

Premium





BENEFITS OF A HOSPITAL INDEMNITY PLAN

Hospital indemnity plans offer several compelling benefits, particularly for individuals looking for extra protection to manage the financial impact of hospital stays. Here are some of the key advantages:

- **Fixed Benefits:** These plans pay out a predetermined amount for each day you're hospitalized, regardless of your actual hospital bills. This can help cover gaps not paid by your primary health insurance, such as deductibles and copayments.
- **Flexibility in Use:** The cash benefits from a hospital indemnity plan can be used for any expense you choose, not just medical bills. This includes everyday expenses like mortgage payments, groceries, or utility bills, providing financial flexibility during difficult times.
- **No Network Restrictions:** Unlike some health insurance plans that require you to use certain hospitals or doctors to receive full benefits, hospital indemnity plans typically allow you to receive care from any hospital or healthcare provider.
- **Supplemental Coverage:** These plans are designed to complement your existing health insurance by providing additional coverage specifically for hospital stays, making it a strategic option for those with high-deductible plans or gaps in their primary health coverage.
- **Affordability:** Hospital indemnity plans often have lower premiums compared to other types of health insurance, making them an affordable option for adding extra protection.
- **Peace of Mind:** Knowing you have a financial safety net in place can provide significant peace of mind, especially for those with health conditions that may result in frequent hospitalizations.
- **Simple Claims Process:** Many hospital indemnity plans boast a straightforward and quick claims process, allowing you to focus on recovery rather than worrying about financial paperwork.

By providing fixed benefits for hospital stays and medical services, hospital indemnity plans offer a layer of financial protection that helps individuals and families manage unexpected healthcare costs more effectively.



Cross-selling occurs when an opportunity to sell a Medicare plan is also utilized to sell a non-health related product (such as life or home insurance or financial planning services). This activity is prohibited during individual appointments, marketing/sales events or when providing Medicare plan enrollment materials (such as the "Enrollment Guide") to consumers.

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