

Hospital Indemnity Insurance:

Protecting Your Clients Against Unforeseen Hospitalization Costs

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As a licensed agent, you're already well-versed in the intricacies of your products and policies and their critical role in safeguarding your clients' financial and physical well-being.

However, one overlooked area is the significant unexpected costs that can arise from hospitalization. You may be great at explaining coverage gaps and out-of-pocket costs to your clients. But when they receive an unexpected hospital bill, you will receive an upset phone call.

This is where hospital indemnity insurance (HI) comes into play. **HI can offer a crucial layer of protection that will make a difference for your clients and your retention rates.**

A Real-World Example:

Imagine you've just enrolled a client in a Medicare Advantage plan. A few months later, they call you, upset about a \$700 bill for a two-night hospital stay. If you had also offered them a hospital indemnity plan, you could have reassured them by saying, "No problem! That's why I put you on the hospital indemnity plan." For about a dollar a day, this plan could have covered their hospital bill entirely, turning a potentially negative experience into a positive one.

Hospital indemnity plans (HIP) are an invaluable addition to any insurance portfolio, offering critical financial protection for clients and enhancing the agent-client relationship. By educating your clients about the benefits of HI and integrating it into your sales process, you can provide them with the comprehensive coverage they need and deserve. **Don't wait for another agent to offer this essential protection—take the initiative and become the hero your clients need today with HIP.**

***Power Your
Portfolio
with HIP***

Enhancing Client Relationships and Retention

Did you know that licensed agents who sell multiple insurance products have higher client retention rates than those who don't? Cross-selling hospital indemnity insurance provides your clients comprehensive coverage and strengthens your relationship with them. By offering HI, you demonstrate a commitment to your client's financial security, which can lead to increased customer confidence and retention for your business.

Compliance and Ease of Integration

Worried about the compliance implications involved with HI plans? Hospital indemnity insurance is already included in the Scope of Appointment for Medicare Advantage plans, meaning you can discuss it within the same sales appointment. This makes integrating HI into your existing sales process easy without additional compliance concerns.

Examining the Impact of Hospitalization

Hospitalization can be a frightening prospect at any age, and no one wants or expects to be admitted to the hospital for a serious medical or life-threatening condition. **In the United States, the likelihood of hospital admission is much greater for older adults than for any other age group. Although individuals aged 65 only make up 13% of the population, they account for 36% of hospital admissions for acute care and nearly half of adult healthcare spending.**

This trend is expected to grow significantly as the population ages, and the needs of the elderly become more complex. Currently, there are 35 million people over 65, but by 2030, when Baby Boomers have retired, that number is estimated to reach 70 million.

Hospitalization is one of the most expensive types of healthcare service, resulting in an average adjusted cost of \$14,101 per inpatient stay at community hospitals. In 2022, the inpatient room rate averaged nearly \$4,500 per day for seniors, and ER visits averaged \$1,200.

Even if a Medicare Advantage plan covers them, your senior clients can face daily copays that quickly add up. For example, a six-day hospital stay could result in higher costs than they would incur with original Medicare. This creates a significant coverage gap that hospital indemnity insurance can fill.

The cost of hospitalizations for aging adults can vary greatly depending on the type of care needed, the location of the hospital, and the insurance coverage held by the patient. Generally, a hospital stay can range from a few hundred dollars to thousands of dollars per day. Additionally, costs for tests and treatments may not be covered by insurance and paid for out of pocket.

Without the right hospitalization insurance coverage, hospitalization can quickly deplete a retirement savings account by incurring unexpected out-of-pocket expenses such as co-pays, deductibles, coinsurance, and uncovered services. Additionally, prolonged hospital stays may lead to additional costs, such as home care or in a long-term care facility.

According to the Fidelity Retirement 2022 Survey, **a couple aged 65 will spend an average of \$315,000 during their retirement years on healthcare.** That estimate is up 5% from the previous year (\$300,000) and has nearly doubled from \$160,000 in 2002.

The Risk to Retirement Savings

Leading Causes of Hospitalization Among Seniors

- Falls
- Medication-related risks
- Sepsis/Urinary tract infections (UTI)
- Dehydration
- Frailty, social isolation, and cognitive decline

Understanding Hospital Indemnity Insurance

A Hospital Indemnity Plan (HIP) is advantageous and can provide peace of mind and protection from hospital-related costs. Without a HIP, aging adults risk paying out unforeseen costs that can severely deplete a person's monthly or annual retirement budget, especially if living on a fixed income.

Hospital indemnity insurance is designed to provide a cash benefit directly to the policyholder in the event of a hospital stay. Unlike traditional health insurance plans that pay the healthcare provider, HI pays the beneficiary directly, allowing them to use the funds as they see fit. This can cover various expenses, from hospital confinement to outpatient surgery, doctor's office visits, and more.

How HIP Works:

- **Covered services:** Hospital indemnity plans cover hospital confinement, doctor's office visits, outpatient surgery, and more.
- **Direct payouts:** One of the standout features of HI is that it pays the beneficiary directly, even if other insurance covers the hospital bill. This benefit is exempt from state or federal income taxes, providing additional financial relief.
- **No network restrictions:** Hospital indemnity plans do not have provider network restrictions, allowing clients to choose any hospital or healthcare provider. These plans are also portable, meaning they 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 issue, meaning applicants aren't required to undergo a medical underwriting process and can't be denied coverage based on pre-existing conditions.

Licensed agents often act as trusted sources of information and guidance for their clients. By having preemptive and meaningful conversations about the risk of high hospitalization costs, you can protect your clients from paying out-of-pocket and losing trust in your business.

Guiding Client Conversations About Hospital Indemnity

Here are ten questions that licensed agents should ask their clients to address the need for hospital indemnity insurance to cover high hospital costs:

1. How familiar are you with the out-of-pocket costs associated with your current coverage for hospitalization?
2. Have you considered how a hospital stay could impact your financial stability?
3. Do you know your current health insurance plan's daily copay amount for hospital stays?
4. Have you considered the potential financial benefits of additional coverage that complements your primary health insurance?
5. Would you prefer a health plan with more flexibility without network restrictions?
6. Are you interested in insurance options that provide guaranteed issue - meaning you won't be denied coverage for pre-existing conditions?
7. How important is it to have insurance coverage that remains with you even if you move to another state?
8. Do you know that hospital indemnity plans offer benefits regardless of other insurance coverage, and these benefits are tax-free?
9. Are you aware that hospital indemnity insurance can provide direct cash benefits to you during hospital stays, which you can use as you see fit?
10. Would you like to learn how hospital indemnity insurance can enhance your coverage and provide greater peace of mind?

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Resources

1. [Hospitalization - Health, United States \(cdc.gov\)](#)
2. [Fidelity Releases 2022 Retiree Health Care Cost Estimate: 65-Year-Old Couple Retiring Today Will Need an Average of \\$315,000 for Medical Expenses | Business Wire](#)
3. [Costs of Caring | AHA](#)
4. [Most Common Causes of Hospital Admissions for Older Adults - Diabetes,... \(aarp.org\)](#)
5. [Inpatient - Average Cost, Typical Prices, Ballpark - Consumer Health Ratings](#)
6. [Patient Safety in Frail Older Patients | PSNet \(ahrq.gov\)](#)



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