



Hospital Indemnity Insurance: A Crucial Benefit for Employee Financial Security

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Hospital Indemnity Insurance has become a highly sought-after employee benefit, gaining significant traction in recent years. With the rising costs of healthcare and a growing focus on employee wellness, this supplementary insurance coverage addresses the financial gaps left by traditional health plans. In this article, we delve into the reasons behind the popularity of hospital indemnity insurance, explore different buying profiles, and discuss plan strategy options for employers.

The Increasing Demand:

The demand for hospital indemnity insurance is evident, with 45% of employees surveyed in MetLife's 21st Annual U.S. Employee Benefit Trends Study considering it a must-have benefit. This trend is particularly prominent in firms with 2,500 to 9,999 employees, where 52% of companies offer this coverage, as reported in Eastbridge Consulting Group's Large Case Market Report. Moreover, hospital indemnity insurance ranks in the top 5 products for employee interest, with an average of nearly 30% [1].

Hospital indemnity insurance plans offer a payment that can be used for anything you see fit, from expenses such as deductibles, co-pays, coinsurance, medications, and rehabilitation to everyday expenses, like childcare, gas, and groceries.



Factors Contributing to Its Popularity:

Several factors contribute to the growing popularity of hospital indemnity insurance:

Rising Healthcare Costs:

As traditional health insurance plans become more expensive, employees seek additional coverage options to fill the gaps in their primary coverage. According to the Kaiser Family Foundation, the average cost of a hospital stay in the United States is a staggering \$2,883 per day.

Focus on Employee Wellness:

Employers recognize the importance of supporting their employees' health and financial well-being. By offering hospital indemnity coverage, they can provide a comprehensive benefits package that addresses both healthcare needs and financial security concerns.

Advancements in Technology:

Technology and data analytics are streamlining the administration and delivery of hospital indemnity insurance. Employees now have increased customization and personalization options, allowing them to select coverage levels that align with their budgets, needs, and preferences.

Did You Know?

The average cost of a 3-day hospital stay is around \$30,000. Hospital Indemnity insurance pays regardless of what your medical insurance covers.*



Understanding Buying Profiles

When designing and recommending a plan, it is important to understand the buying patterns so the plan itself can be designed to meet a client's unique demographics.

Marital Status:

Married individuals often view hospital indemnity coverage as essential due to added financial responsibilities and concerns for their families. This insurance safeguards their shared assets, ensuring the financial well-being of both spouses during hospitalization.

Age:

Both younger individuals and those approaching retirement age find hospital indemnity insurance valuable. Younger individuals, in the early stages of their careers or starting families, may lack sufficient savings to cover high medical expenses and may have dependents relying on them financially. For them, voluntary hospital indemnity insurance acts as a safety net, safeguarding their financial plans and protecting their dependents. On the other hand, retirees transitioning to a fixed income face challenges in managing unexpected medical expenses, making this coverage an essential support system during their golden years.

Hospital Indemnity Insurance provides vital financial protection for individuals and their families, regardless of their marital status or age. By addressing the financial burden associated with hospital stays, this coverage offers peace of mind and income protection, making it a valuable addition to any benefits package.



Strategies for Optimal Participation

While hospital indemnity insurance is already popular, employers can further enhance participation through proper plan designs, pricing, and effective communication with employees. Three plan strategies to consider include:

Straight Voluntary Offering:

This approach serves as a tactical play and aids in the funding of communication and enrollment services, encouraging employees to opt for the coverage.

Auto Enrollment of Hospital Indemnity Insurance:

In this solution, every employee is automatically enrolled in the coverage, funded with employee dollars. The benefit is positioned as an enhancement to the current medical offerings, giving employees the option to opt out if they wish. This "bundled" strategy is both tactical and strategic, enabling adjustments to deductible, copays, and out-of-pocket limits in preparation for medical renewal increases.

Embedding Hospital Indemnity with a HDHP:

Integrating the hospital indemnity coverage with a High Deductible Health Plan (HDHP) allows for seamless addition to the employee's medical contribution or employer-sponsored coverage.

Employers who offer hospital indemnity coverage as part of their benefits package will undoubtedly attract and retain top talent in the highly competitive job market. As the need for financial security and comprehensive coverage grows, hospital indemnity insurance continues to prove its worth as a valuable voluntary benefit.

[1] Eastbridge Consulting Group's Large Case Market Report [pg. 8, 25]

* Protection from high medical costs. Accessed September 2021. <https://www.healthcare.gov/why-coverage-is-important/protection-from-high-medical-costs/>

