

Voluntary Benefits Insights

Why Hospital Indemnity Insurance is So Desirable

By Dan Gechter

They say the devil is in the details, and this is certainly true when it comes to what is and is not covered in an individual's health plan. Too often people don't realize that there are major - and often rather common - medical expenses that their health insurance won't cover. Perhaps the biggest financial danger many individuals and families aren't prepared to deal with is a hospital stay.

Most people know that staying in a hospital is pricey, but what they may not know is that their insurance will probably not cover all the expenses that are incurred by just a few nights at a hospital.

To understand why a hospital stay is so worrisome, let's start by looking at some numbers:

- According to the [Kaiser Family Foundation](#), the average cost for a hospital stay is between \$1,831 and \$2,413 per day.
- The average hospital stay is 4.5 days, at an average cost of \$10,400 per stay, according to the [Agency for Healthcare Research and Quality](#).
- Only 37 percent of Americans say they have enough to pay for a \$500 or \$1,000 emergency, [according to a recent survey](#).

Numbers like the above show how a hospital stay can result in financial hardship for many families, and in turn how hospital indemnity insurance is a beneficial addition to a voluntary benefits package.

How to explain hospital indemnity insurance

Many people try to save money upfront by opting for a high-deductible health insurance plan. While this may be financially beneficial in the short term, potential healthcare costs end up casting a long shadow. A trip to the emergency room, a case of pneumonia, a broken ankle and numerous other scenarios may have to be fully or partially paid out of pocket. Health insurance does not cover all healthcare expenses. This is where hospital indemnity insurance can make an impact.

What does hospital indemnity insurance do?

Most voluntary hospital indemnity plans will have the following features:

- Benefits pay out regardless of health insurance plan.
- No deductibles or co-pays.
- No networks, which allows policyholders to choose which hospital to use.
- Covered hospital admission, along with daily room and board expenses.
- Guaranteed coverage, with no medical underwriting.
- No exclusions, as these plans are available regardless of a pre-existing condition.

Whereas health insurance plans often dictate where to go for coverage and who qualifies, many people are surprised - pleasantly so - to learn about the lack of restrictions with these plans.

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Additional information

In the event someone is hospitalized, they or a loved one will have to notify their insurance provider immediately. Once a claim is submitted and approved, the policyholder will begin to receive benefits, which will be paid out depending on the plan.

It's important to know that hospital indemnity insurance is paid out on a per diem basis. What this means is that rather than getting reimbursed for the cost of a hospital stay, regardless of what the cost was per night, policyholders get a per-day reimbursement. This could be anywhere from \$500 per day to \$3,000 per day, depending on the policy.

Policyholders can then use this money to pay for any expense, not just the time spent in the hospital. This flexibility is important to highlight, as it means that hospital indemnity insurance can help with loss of income, travel expenses or just paying off the deductible.

Like other forms of insurance, how much a person pays each pay period depends on how much coverage the person wants. Whatever level of coverage they decide on, hospital indemnity insurance serves to fill in a major gap in most people's healthcare.

With the majority of Americans unprepared for the expenses that would follow a stay in the hospital, the relatively small amount an individual or family pays to be covered by hospital indemnity insurance has made it one of today's most sought-after insurance products.



About the author

Dan Gechter, Regional Practice Leader, brings over 30 years of sales and sales management success - as well as products and process expertise - in the Voluntary/Worksite benefits marketplace. Prior to joining Reliance Standard in 2017, he spent time as Vice President of Sales for AmWINS Group Benefits and as a Worksite Director at Lincoln Financial Group.

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