

Proposed Federal Regulations Could Eliminate Supplemental Benefits



Efforts by the Federal Government Would Diminish State's Role in Oversight, Harm Consumers

Supplemental benefits help consumers pay expenses that are not covered by primary medical coverage provided by a health plan when they are sick or injured. This includes helping pay deductibles and co-pays as well as the costs incurred for treating certain diseases, including when a family travels to get specialized treatment for cancer or other illnesses.

Supplemental insurance coverage can be disease-specific, with some benefits referred to as “fixed indemnity” products since they typically pay a predetermined amount on a per-period or per-incident basis (e.g., \$100 per day while a person is hospitalized).



New survey research finds more than 80% of adults with annual incomes between \$50,000 and \$100,000 view supplemental benefits as valuable for financial protection. The same research revealed that nearly 40% of Americans in this income bracket have faced financial hardships resulting from expenses not covered by their primary health insurance coverage.



57% of Americans cannot afford a \$1,000 emergency expense

Bankrate's 2023 "Annual Emergency Savings Report"



41% of Americans have debt created by medical or dental expenses

"Health Care Debt in US" – Kaiser Family Foundation (June 2022)

Proposed Federal Regulations on Supplemental Benefits Miss Their Mark

In response to concerns that consumers could mistakenly buy limited insurance policies such as supplemental benefits for their primary coverage, the federal government is proposing new rules that could potentially eliminate many valuable benefits offered by supplemental products.

The rules would require supplemental products to be regulated under federal requirements intended for comprehensive coverage under the Affordable Care Act. **Unfortunately, the proposed rules will actually harm the very consumers they are intended to protect.**

Consumers Show High Satisfaction With Supplemental Benefit Products

A 2022 survey of customers who have fixed indemnity, specified disease, and/or accident benefits found that beneficiaries consider their supplemental benefits to be highly valuable in shielding them from financial worries and protecting their household budgets when they are sick or injured.

Consumer satisfaction with the supplemental benefits they purchased shows:

92% - 99% overall satisfaction rate, depending on the product type

91% felt their supplemental plan gave them peace of mind

91% felt the plan was there when they needed it

89% agreed that purchase of the plan was a valuable investment in protecting them financially

The high satisfaction with these benefits is due to the trained brokers and agents offering the coverage, clear and accurate explanations of coverage being provided, and excellent customer service to employees and employers who utilize the coverage.



Measuring Satisfaction With Supplemental Insurance (Global Strategy Group, February 2023),

Federal Regulations Are Unnecessarily Destructive to Supplemental Benefits Design

The proposed federal rules could:

Greatly diminish the financial protection value of the benefits for consumers.

Leave policyholders who have purchased these benefits in good faith without the coverage on which they rely.

Prohibit certain benefits from being paid on services or items received, the severity of illness or injury, and not on any other basis (e.g., per item or per service).

Reduce the length of time coverage could be provided by a supplemental policy.

Adversely alter the tax treatment of all types of supplemental benefits, resulting in a tax increase on consumers and small businesses.

Protect Supplemental Benefits – Let States Continue to Regulate

Too many Americans are familiar with the financial hardships and economic backsliding that can result from uncovered healthcare expenses. Supplemental benefits provide a way for people to address these risks to their families, and life insurers hope the federal government will leave their oversight to the states and not regulate them into extinction.



Life insurers strongly support disclosures for Health Insurance Portability and Accountability Act (HIPAA) “Excepted Benefits” such as supplemental products to explain the limited nature of their coverage and to distinguish these products from comprehensive medical insurance, **but the proposed rules will not address the improper marketing of supplement benefits as comprehensive coverage.**

Life insurers encourage state leaders to tell federal officials to leave the enactment and enforcement of laws related to these “Excepted Benefits” to state legislatures and regulators, as established with the passage of HIPAA in 1996 and the existing federal framework.

Americans value and need the financial protections afforded by these products.

Removing their access to them will be an unpopular move and create negative outcomes for the people the federal government is wanting to protect.