Millions of Americans purchase supplemental health insurance. This important type of coverage offers value and security to individuals and families by ensuring they have the extra financial resources they need to address the many unexpected expenses associated with a serious illness or injury. Supplemental insurance benefits generally take the form of direct cash benefits, either as a one-time lump sum payment or specified periodic cash payments, to consumers that can be used for any purpose. For example, the benefits can be used to replace lost wages; pay for everyday or monthly expenses (e.g., groceries, medications, or utility bills); cover the cost of transportation to receive treatment; provide reimbursement for child care services; or help with other expenses (e.g., costs associated with home remodeling to accommodate mobility or for hotel accommodations for family members or other caregivers).

The term “supplemental health insurance” encompasses a variety of health insurance products that address major consumer needs. This statement focuses on the group of supplemental products that is not intended to replace or be issued in lieu of comprehensive, major medical insurance and instead is designed to provide benefits not covered by comprehensive coverage. It includes the following types of supplemental health insurance: hospital indemnity, specified disease, critical illness, accident-only, and other fixed indemnity insurance.

These supplemental products are separately offered and issued from – and do not coordinate benefits with – comprehensive, major medical insurance. In addition, while comprehensive, major medical insurance reimburses for actual medical expenses and is generally payable directly to health care providers, these types of supplemental insurance generally pay direct cash benefits to consumers.

Legislators and policymakers have a long history of treating these supplemental health insurance products differently from comprehensive, major medical insurance and generally exclude them from proposals focused on comprehensive coverage. Federal law considers these products as “excepted benefits” and distinguishes them from comprehensive, major medical
insurance. Similarly, state laws generally exclude supplemental health insurance from measures targeted at comprehensive coverage (e.g., benefit mandates).

**Value of Supplemental Health Insurance**

- **Provides a Financial Safety Net and Enhances Peace of Mind**

A serious illness or injury can place families in serious financial jeopardy. Such unexpected events are usually accompanied by extra expenses in addition to medical expenses covered under comprehensive, major medical insurance. These additional expenses can present a significant outlay for an individual or family and, as previously noted, can include costs related to everyday or monthly expenses, transportation to receive treatment, child care services, or other expenses.

The purchase of supplemental health products is one protection within a person’s control that reduces the financial burdens associated with a serious illness or injury. Consumers value the sense of security that these products provide, knowing that if they or a member of their family has such a major illness or injury, they would have access to additional financial resources to help cover these extra costs.

- **Pays Benefits Directly to Policyholders**

Benefits are paid directly to the insured, unless otherwise directed by the insured, and reimbursement is made without any coordination of benefits with other insurance coverage. This gives consumers the ability to direct cash where it is most needed when a life-interrupting medical event causes financial challenges. Supplemental products help ensure that individuals and families have the resources they need to address the many expenses associated with an unexpected serious illness or injury.

- **Is Affordable and Allows Consumers to Customize Benefits**

Individuals can choose from a variety of benefit levels, with corresponding differences in premiums. In this way, individuals can tailor the benefits and premiums according to their personal needs, financial situation, and how it supplements their comprehensive, major medical insurance.

- **Is Readily Available**

Supplemental coverage is offered to customers in both the individual and group markets. Coverage can be obtained in a variety of ways – face-to-face with agents and brokers, through an association, and/or directly with the insurance company through the mail or over the phone or internet. Policies may also be offered through the worksite, with the convenience of payroll deduction and the tax advantages of cafeteria plans.
• **Is Easy-to-Understand**

Supplemental health insurance contracts typically are straightforward and easy to understand. Benefit payments are triggered by a limited number of specified events and/or medical treatments clearly listed in the policy, along with the benefit amount for each covered event. For example, policies may pay a fixed lump sum amount if the consumer is hospitalized or a designated amount for each day spent in the hospital.

**Preserving the Important Role of Supplemental Health Insurance Products**

Supplemental health insurance provides important financial protection to consumers, and AHIP and its members are committed to maximizing the benefit of these products to individuals, families, and employers, by:

- Promoting access to affordable supplemental health insurance coverage through working with state and federal legislators, regulators, and other policymakers to preserve and promote an environment that recognizes and balances consumer needs and appropriate regulation.

- Reaching out to the media and policymakers to inform them about the value of supplemental health insurance products and the important role they play in providing consumers with financial security.