

HDI

Hospital Deductible Insurance (HDI)

Supplementary Group Coverage
Complementing
High Deductible Health Plans
("HDHPs")

HDI

Fills The Most Important “Gap”
Created By HDHPs:

Hospitalization

Simple And Affordable

- **First Hospital Confinement Coverage**
 - Benefits are payable when a covered person is confined as an inpatient in a hospital for at least one day.
 - Benefits are only payable once-per covered person-per Plan Year.
- **No Medical Questions Or Physical Exam**
- **Guaranteed Issue** For All Eligible Employees And Their Eligible Dependents
- **Benefits Paid Directly To The Insured**

HDI

Fixed Indemnity Benefits

Exempt From The Affordable Care Act

(Health Care Reform)

Benefit Amounts

- Employer can select any benefit amount up to \$5,000 in \$500 increments
- Standard benefit amounts:
 - \$1,000
 - \$2,000
 - \$3,000
 - \$5,000

Premium Basis

- “Blanket”
 - 100% of employee-only premium paid by employer
 - Employee pays the balance for dependent coverage
 - Pre-existing conditions exclusion waived
- Voluntary
 - Employee pays all or any part of the premium
 - Pre-existing conditions exclusion applies

HDI Monthly Premiums

Blanket				
	<u>\$1,000</u>	<u>\$2,000</u>	<u>\$3,000</u>	<u>\$5,000</u>
Employee Only	\$10	\$19	\$29	\$48
Employee & Spouse	\$21	\$42	\$63	\$105
Employee & Child(ren)	\$16	\$32	\$48	\$81
Family	\$28	\$56	\$84	\$140
Voluntary				
	<u>\$1,000</u>	<u>\$2,000</u>	<u>\$3,000</u>	<u>\$5,000</u>
Employee Only	\$13	\$25	\$38	\$63
Employee & Spouse	\$27	\$55	\$82	\$137
Employee & Child(ren)	\$21	\$42	\$63	\$105
Family	\$37	\$73	\$110	\$183

Pre-existing Conditions*

Definition: Any condition that a person incurred expenses, received medical treatment, care or services including diagnostic measures, took prescribed drugs or medicines, or would have consulted a doctor in the six months prior to becoming insured

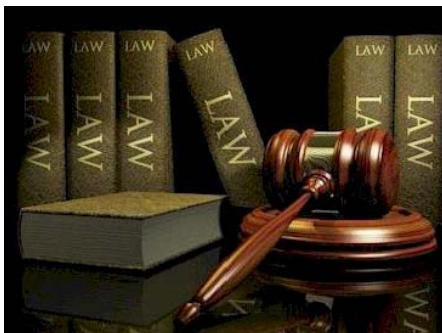
Duration: Pre-existing conditions exclusion applies only during the first six months of coverage

*Pre-existing Conditions Exclusion Is Not Applicable If The Employer Pays The Entire Premium

HDI

Compatible With:

- All HDHP Plans
- Health Reimbursement Accounts (HRAs)
and
- Health Savings Accounts (HSAs)



HDI

HSA Compliance

- HSA legislation¹ prohibits anyone covered under a qualifying high deductible health plan and also covered under “any health plan which is not a high deductible health plan” from taking a tax deduction for an HSA
- Title XII, Section 223 provides an exception for “other permitted insurance” which does not result in disqualification including (c)(3)(C) “insurance paying a fixed amount per day (or other period) of hospitalization”

¹ Public Law 108-173 Medicare Prescription Drug Improvement And Modernization Act of 2003 - Effective January 1, 2004

Exclusions

Hospitalization caused or contributed to by:

- Pre-existing conditions (*applies only if employee pays all or part of the premium*)
- Self-inflicted injury or attempted suicide
- War, military service or riot
- Alcohol or drug abuse
- Travel outside the USA or Canada
- Injury sustained when violating any law, during commission of a felony or engaging in an illegal occupation
- Confinement order by the employer or a family member
- Dental surgery

State Availability

HDI is available to employer groups of 2 or more in all states except:

- Kansas
- Massachusetts
- Minnesota
- New York
- Oregon
- Vermont
- Washington

HDI is restricted to groups with 25 or more employees* in these states:

- Arkansas

HDI is restricted to groups with 51 or more employees* in these states:

- California

*total number of full and part-time employees on the payroll, not the number insured or the number eligible

Outpatient Expense Gaps

HDI provides specific protection against hospitalization - the coverage “gap” created by HDHPs.

Outpatient expenses can be significant but most employees can find a way to pay for them because they usually do not occur all at once.

HDI does not attempt to cover the outpatient gaps because:

- the combined HDHP and in/outpatient gap plan premium will likely total as much or more than the cost of a single comprehensive policy;
- Providing outpatient gap benefits can lead to increased utilization which negates the lower health care consumption behavior expectation that is the basis for the lower rates offered through HDHPs;
- HSA legislation prohibits a gap policy that provides outpatient benefits from being paired with a high deductible policy.



Rate Comparison With A Major Competitor's
In & Outpatient Gap Plan¹
Monthly Premiums - Employee Through Age 54

Deductible / Inpatient Benefit Amount	In & Outpatient Gap Plan Employee Only	HDI ² Employee Only	In & Outpatient Gap Plan Family	HDI ² Family
\$3,000	\$46.36	\$29.00	\$151.59	\$84.00
\$5,000	\$69.98	\$48.00	\$218.75	\$140.00

¹outpatient gap benefits capped at 50% of inpatient amount

²HDI rates shown are blanket (i.e. 100% employer-paid)



Rate Comparison With A Major Competitor's
In & Outpatient Gap Plan¹
Monthly Premiums - Employee Age 55+

Deductible / Inpatient Benefit Amount	In & Outpatient Gap Plan Employee Only	HDI ² Employee Only	In & Outpatient Gap Plan Family	HDI ² Family
\$3,000	\$68.38	\$29.00	\$197.84	\$84.00
\$5,000	\$105.48	\$48.00	\$291.23	\$140.00

¹outpatient gap benefits capped at 50% of inpatient amount

²HDI rates shown are blanket (i.e. 100% employer-paid)



Competitor's In & Outpatient Gap Plan Design

- Benefits are based on the expense incurred (*HDI pays the full benefit upon admittance to the hospital*)
- Requires 50% minimum participation (*HDI has no participation requirement*)
- Outpatient benefits are capped at 50% of inpatient benefit maximum and are limited to expenses incurred for:
 - hospital outpatient facilities
 - hospital emergency rooms (for injury only)
 - outpatient surgery centers
 - outpatient diagnostic testing facilities
 - ambulance services

NOTE: GAPS IN THE GAP PLAN: The competitor's plan does not pay benefits for physician office visits or emergency room visits for sickness

HDI

Managing Underwriter:



Insured By:



ACE American Insurance Company



HDI

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