

# Hospital Deductible Insurance (HDI)



Bridging the hospitalization gap in  
High Deductible Health Plans

Supplementary Group Coverage  
Complementing High Deductible  
Health Plans

Designed for employers  
transitioning to higher  
deductibles

Helping to fill the benefit  
gap when hospitalized

Simple and affordable

Compatible with HSAs

# HDI





## Hospital Deductible Insurance (HDI)

**If your group** like so many others these days is changing to a High Deductible Health Plan (HDHP) we can help make your employees more comfortable with the transition.

**Helps fill the benefit gap created by High Deductible Health Plans.**

Sure, your employees understand that the old plan has become unaffordable. But one of their major concerns when the new plan is rolled out is “How will I pay that big deductible all at once if I am hospitalized?” Even if you have coupled your HDHP with a Health Savings Account or a Health Reimbursement Arrangement, that’s still a legitimate worry.

“How will I pay that big deductible all at once if I am hospitalized?”

**Simple and Affordable**  
HDI is really simple - and surprisingly affordable. It’s a First Hospital Confinement Hospitalization policy. Choose the amount of coverage that will help fill the gap of the annual deductible under your HDHP. Then, the

first time each year that each covered person is hospitalized for one day or longer, HDI pays the selected amount in a lump-sum to offset the cost of the deductible. After that, for the rest of the year, that person’s deductible is satisfied under your HDHP.

## HDI Features

- Guaranteed Issue For Eligible Employees and Their Eligible Dependents
- No Participation Requirements
- Employer-Paid And Voluntary Rates Available
- No Pre-Existing Conditions Limitations When The Employer Pays 100% of Employee-Only Premium
- Compatible With HRAs & HSAs



Learn more at [www.AffinityBenefits.com/HDI](http://www.AffinityBenefits.com/HDI)



# Hospital Deductible Insurance (HDI)

Supplementary Group Coverage

The HDI plan provides a lump sum payment to help offset a High Deductible Health Plan deductible gap.

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.

## Standard Benefit Options Available:

\$1,000, \$2,000, \$3,000 and \$5,000.

*(Also available in \$500 increments up to \$5,000)*

## Plans can be offered two ways:

- **Blanket Basis** - employer pays 100% of the premium for employee coverage and employees pay for dependents.

- **Voluntary Basis** - employees pay some or all of the premium for themselves and their dependents.

**Blanket Basis:** Employer pays 100% of Employee-Only rate for all eligible employees. Employees pay the balance for family members through payroll deduction.

**Blanket**

### Monthly Rates

	<u>\$1,000</u>	<u>\$2,000</u>	<u>\$3,000</u>	<u>\$5,000</u>
Employee Only	\$10.00	\$19.00	\$29.00	\$48.00
Employee & Spouse	\$21.00	\$42.00	\$63.00	\$105.00
Employee & Children	\$16.00	\$32.00	\$48.00	\$81.00
Family	\$28.00	\$56.00	\$84.00	\$140.00

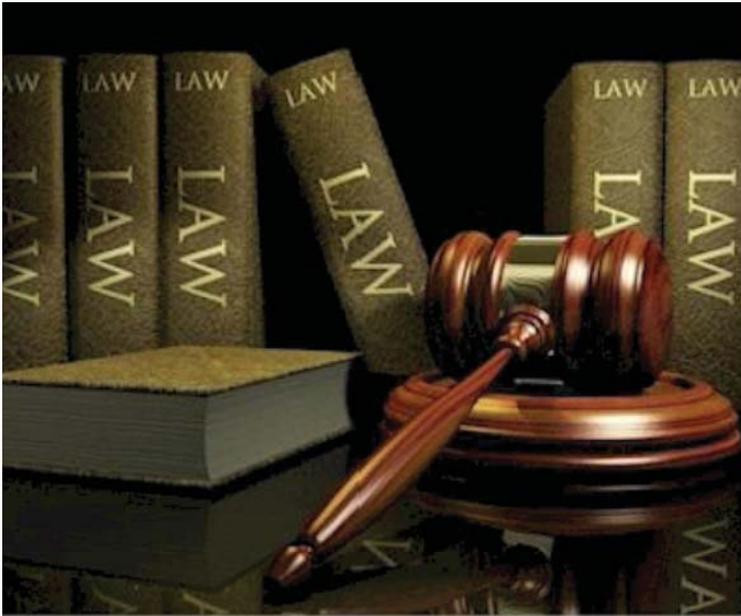
**Voluntary Basis:** Employees pay some or all of the premium for themselves and their dependents through payroll deduction.

**Voluntary**

### Monthly Rates

	<u>\$1,000</u>	<u>\$2,000</u>	<u>\$3,000</u>	<u>\$5,000</u>
Employee Only	\$13.00	\$25.00	\$38.00	\$63.00
Employee & Spouse	\$27.00	\$55.00	\$82.00	\$137.00
Employee & Children	\$21.00	\$42.00	\$63.00	\$105.00
Family	\$37.00	\$73.00	\$110.00	\$183.00

# Regulatory Compliance



## Hospital Deductible Insurance and Health Savings Accounts

### Compatible with:

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

### **This plan works with HSAs!**

Pairing other “gap” plans that cover both inpatient and outpatient expenses with a high deductible policy will result in loss of eligibility for HSA tax deductions.

Hospital Deductible Insurance, however, was specifically designed to comply with the HSA regulations. Here’s how it works:

► HSA legislation<sup>1</sup> 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”.

<sup>1</sup> Public Law 108-173 Medicare Prescription Drug Improvement And Modernization Act of 2003 – Effective January 1, 2004

# Frequently Asked Questions

## About Hospital Deductible Insurance

### **What need is there for this insurance?**

With the increasing prevalence of high deductible policies, many people are faced with paying for large medical expenses out of their own pockets. Hospital Deductible Insurance can help reduce or take away that risk in the event of hospitalization which helps make the transition to a high deductible policy easier for employees.

### **Why doesn't the plan cover outpatient expenses?**

Hospital Deductible Insurance was specifically created to provide affordable protection against hospitalization - the most important and expensive coverage "gap" created by high deductible policies. While outpatient expenses can be significant under a high deductible policy, most people can find a way to pay for them because they do not occur all at once. Hospitalization is a different matter because the entire deductible amount becomes due immediately.

There are two principal reasons why HDI does not cover outpatient expenses:

- 1) the premium for a high deductible policy plus a separate full gap coverage policy would be as much or more than the cost of a single comprehensive policy;
- 2) Federal Health Savings Account (HSA) legislation prohibits a full gap coverage policy from being paired with a high deductible policy. The penalty is loss of tax deductibility for contributions to the HSA. A limited plan which pays a fixed benefit for hospitalization (like HDI) is acceptable.

### **Will the plan pay benefits if an insured person is hospitalized more than once?**

No. Depending on the amount of HDI coverage selected, all or a significant portion of the deductible will be satisfied upon the first occurrence of hospitalization in the year leaving no need for additional coverage for the rest of the year because the high deductible health plan will take over once the deductible is satisfied.

### **Are pre-existing conditions excluded?**

Pre-existing conditions are not excluded when the employer pays the full premium for coverage for the employee. If, however, the employee pays any portion of the premium for his or her own coverage, a

6 month pre-existing conditions exclusion applies. When the employee's coverage is fully paid by the employer, employees may be required to pay for their families and no pre-existing conditions exclusion will apply to anyone in the family.

### **Is maternity covered?**

Yes, maternity is treated the same as any other illness.

### **What are the chances of being hospitalized?**

A recent US government survey<sup>1</sup> showed that, overall, 117 of every 1,000 people were hospitalized in the United States in 2005, the last year for which full data is available. That means nearly 12% of the population spent at least one night in a hospital. Gender and age are the important factors in hospitalization; specifically:

- 9.5 % of males are hospitalized vs. 13.8% of females

- the likelihood of hospitalization increases with age:

Age group	Percent hospitalized
< 15	4.0%
15-44	8.5%
45-64	11.5%
>65	35.9%

These aren't small odds and for those who are affected, the financial consequences could be severe.

<sup>1</sup> DeFrances CJ, Cullen KA, Kozak LJ. National Hospital Discharge Survey: 2005 annual summary with detailed diagnosis and procedure data. National Center for Health Statistics. Vital Health Stat 13(165). 2007, Centers for Disease Control and Prevention, US Department of Health and Human Services.

### **Does this insurance work with a Health Savings Account?**

Absolutely. HDI was designed with Health Savings Accounts in mind. It is not "other prohibited insurance" as defined in the federal HSA legislation and may, therefore, be used in conjunction with an HSA. Other gap plans which cover both inpatient and outpatient expenses do not qualify.

# Administrative Details

## Eligibility.

An employer can designate any “class” of employees as eligible for coverage and may require completion of a waiting period prior to coverage becoming effective. All eligible employees must be actively at work performing all of the duties of their job for the employer.

Employees’ dependents (legal spouse and children under age 26) are also eligible provided that the employee is eligible and becomes insured under the plan. Eligible dependents must be actively at work for their employer or, if not employed, able to engage in substantially all of the usual activities of a person in good health who is the same age and sex and not confined in a hospital or other facility.

The plan is guaranteed issue for all eligible employees and their eligible dependents. There are no medical questions to answer and no physical examination is required.

## Enrollment Process.

Once the employee has met the eligibility requirements, the employee will be provided with information about the plan and allowed the opportunity to enroll by completing an enrollment form. Note: enrollment forms are not required if the employer is paying the entire premium.

## Coverage Effective Date.

Coverage will be effective the 1st of the month following receipt of the enrollment form provided that the full premium is also received.

## Coverage Termination Date.

Coverage will remain in effect until the first of the following occurs: the employee is no longer eligible; the end of the period for which premium has been paid; the date employment ends; the date the employer ceases to participate in the plan; the date the group policy terminates.

Dependent coverage terminates concurrently with that of the employee or earlier if they no longer qualify as a dependent.

## Premium Payment.

Premiums are collected through payroll deduction for any amounts payable by each participating employee and, for blanket plans, from the employer. The employer will receive a monthly billing statement and must pay as billed. Changes and adjustments should be noted on the remittance and will be reflected on the next billing statement. Each modal billing will include an administrative fee of up to \$9 depending on group size.

## Claim Process.

All claims are paid directly to the provider of service when benefits have been assigned by the employee. If benefits are not assigned, payment is made directly to the employee.

## Limitations / Exclusions.

For voluntary plans only, benefits are subject to a 6 month pre-existing conditions limitation. (See Exclusions & Limitations section for definition of a pre-existing condition.)

The pre-existing condition limitation is not applicable to blanket plans.



# Important

The Hospital Deductible Insurance Plan (**HDI**) is **not comprehensive major medical insurance**. It is a plan providing a lump sum payment, based on the benefit amount selected, for the first hospital confinement occurring during a Plan Year.

It is designed to help employees and their families take care of hospital confinement expenses that may fall under the deductible requirement of a high deductible health insurance plan. This plan pays in addition to any other insurance in force. Please note, also, that this plan is not a Medicare Supplement plan.

This information is a brief description of the important features of the insurance plan. It is not a contract of insurance. Terms and conditions of coverage will be set forth in the group policy underwritten by ACE American Insurance Company and issued to the employer or, in some states, to the ACE USA Accident & Health Insurance Trust on behalf of the employer. The group policy is subject to the laws of the employer's state or, if issued through the Trust, the District of Columbia. Please keep this material as a reference and review your group policy carefully once you receive it.

“Plan Year” as referenced in this material means the 12 consecutive month period beginning on the employer's group policy effective date and each anniversary thereafter.



## Exclusions & Limitations

The following is a brief list of the exclusions and limitations for the insurance plan. It is not a complete list. A complete list is available from the website and will be included in the Certificate of Insurance issued to each participating employee.

- War, military service, riot
- Alcohol or Drug Abuse
- Self-inflicted injury, suicide or suicide attempt
- Treatment rendered outside of the US or Canada
- Pre-existing conditions\* in the first 6 months of coverage (applicable on a voluntary basis only)

*\*A pre-existing condition is any condition for which 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 6 months prior to becoming insured under this plan.*

*The pre-existing condition limitation does not apply to plans sold on a blanket basis.*

This insurance does not apply to the extent that trade or economic sanctions or regulations prohibit ACE USA from providing insurance, including, but not limited to, the payment of claims.

## Marketed by:

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The hospital deductible insurance plan is underwritten by ACE American Insurance Company, part of the ACE Group of Companies, Rated A+ (Superior) by A.M. Best Company for financial strength and operative performance. These ratings are an indication of the company's financial strength and ability to meet obligations to its insureds.

HDI is available to employer groups of 2+ employees in all states except: KS, MA, MN, NY, OK, OR, VT, WA.

HDI is restricted to employer groups of 25+ in AR and 51+ in CA.



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High Deductible Health Plans

[www.AffinityBenefits.com/HDI](http://www.AffinityBenefits.com/HDI)



**Health Insurance  
Solutions**  
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