

Note: This session has live audience polling

# Review & Preview

AM Best's 31<sup>st</sup> Annual *Review & Preview* Conference  
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# Supplemental Health: Opportunities Across Demographics

Bridget Maehr – Associate Director, AM Best

Tom Dupuis – Vice President, Products, Unum

Matthew Johnson – Vice President & Chief Actuary, Wellabe



Please download the conference app for access to polling questions, Q&A and conference details



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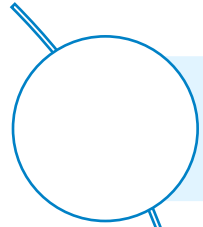


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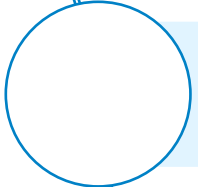
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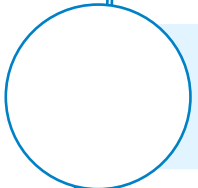
# Agenda



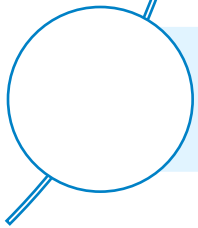
**Overview of Markets and Market Conditions – Bridget Maehr**



**Under-65 Market: Opportunities and Challenges – Tom Dupuis**



**Over-65 Market: Opportunities and Challenges – Matt Johnson**



**Q&A**

# **Supplemental Market Overview and Market Conditions**

**Bridget Maehr**  
AM Best



# Polling Question #1

What does your company focus on?

- a) Under-65 market
- b) Over-65 market
- c) Both



## Polling Question #2

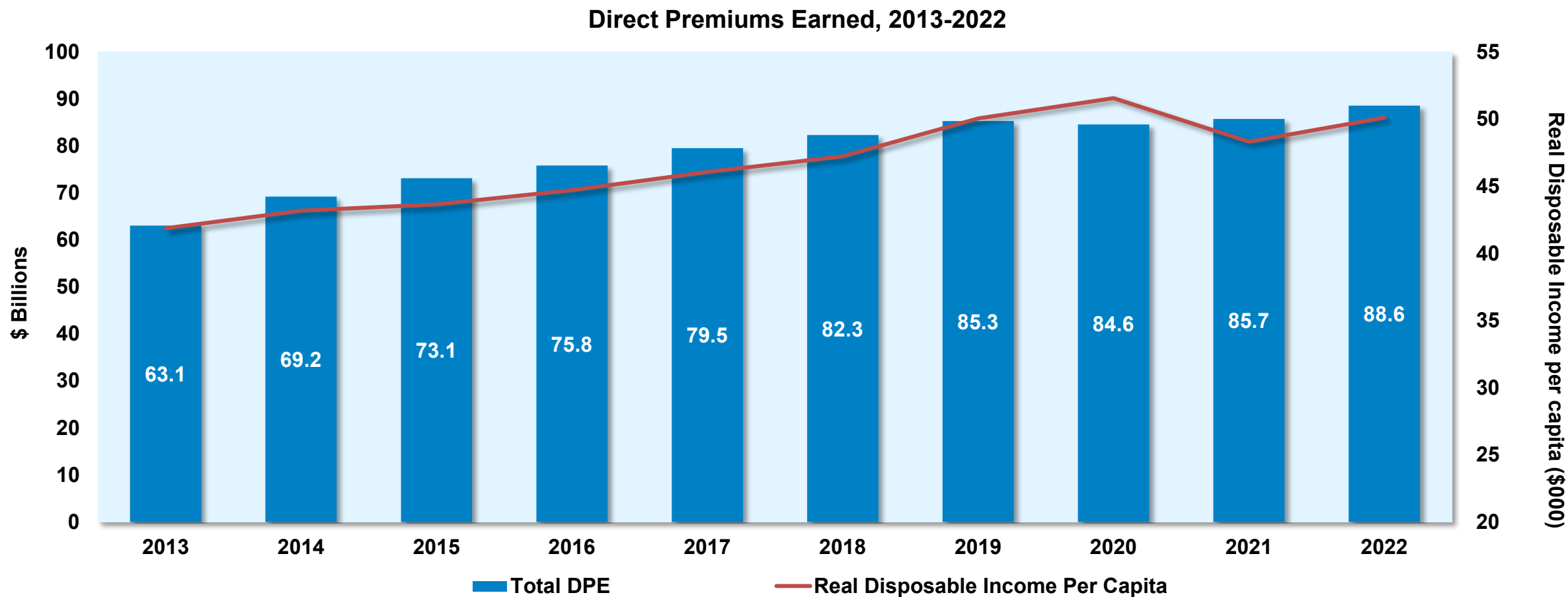
What is the primary supplemental health product that your company offers?

- a) Hospital indemnity
- b) Critical illness
- c) Accident
- d) Other





# Supplemental Health Products



Source: AM Best data and research, Bureau of Labor Statistics



# Individual ACA

## Cost-Sharing

- Premium Benchmark Silver Plan
  - \$5,472 annual (individual no CSR)
- Average annual deductible \$5,241
- One-third no subsidy

## Subsidy Cut-Off

- CSR: 2024
  - 250% FPL
  - \$37,700 per individual
- Tax Credit: 2024
  - 400% FPL
  - \$60,250 per individual

## Strong Growth

- 21.3 million for 2024
- Up 87% since 2020

Source: KFF analysis of Marketplace plans ins 2024 and Healthcare.gov.



# Small Group: Fewer than 200 Employees

## Cost-Sharing

- Average PPO family coverage \$8,334 annual or 35%
- Average deductible \$3,992
- Additional cost-sharing
  - Hospital admit
  - O/P surgery

## Voluntary Benefits

- Offered by 90% of small employers
- 51% of small employers also contribute toward premiums

## Wages

- Average salary \$44,600



# Large Group: More than 200 Employees

## Cost-Sharing

- Average PPO family coverage \$5,889 annual or 24%
- Average deductible \$2,524
- Additional cost-sharing
  - Hospital admit
  - O/P surgery

## Voluntary Benefits

- Offered by 94% of large employers
- 65% of large employers also contribute toward premiums

## Wages

- Average salary \$63,200

# Over-65 Market Segment

## Overview

- 55.8 million individuals or 16.8% of US population
- 10,000 people/day turned 65 from 2010 to 2020
- According to Fidelity Investments, an average retired couple can expect to spend \$315,000 on healthcare

## Medicare

- 50% traditional Medicare & 50% Medicare Advantage
- Part B premiums \$174.70/month
- Part A I/P deductible \$1,632; Part B \$240
- Average premium MA \$18.50/month
- MA deductibles vary

## Social Security Benefit

- Average monthly benefits \$1,771 or ~\$21,200 annually
- SSI makes up ~30% of income



# Challenges

**New regulations**

**Speed to market – product approval process**

**Competition**

**Commissions**

**Shelf life of products is much shorter**

**Retention**

**Technology/innovation**

# **Under-65 Market: Opportunities and Challenges**

**Tom Dupuis**  
Unum



# Supplemental Health Overview



**#4**

Supplemental Health  
worksite sales in the  
U.S.<sup>2</sup>



**#5**

Supplemental Health  
worksite sales in the  
U.S.<sup>1</sup>

**1 in 3**

Americans  
struggle with  
unpaid  
medical bills.<sup>3</sup>

**43%**

of people in  
employer medical  
plans still face  
difficulties paying  
for healthcare.<sup>4</sup>



1,2 Source of data is Eastbridge Market Share reports from 2022  
3,4 The Commonwealth Fund, 2023 Health Care Affordability Survey, 2023

## Broad Need for Supplemental Health

- The likelihood of having a major medical event is a serious consideration for most adult Americans.
  - Every **40 seconds**, someone in the United States has a stroke.<sup>2</sup>
  - About **1 in 20 adults** are diagnosed with coronary artery disease starting at age 20.<sup>3</sup>
- Coupled with the continued rise in healthcare costs, the American population is largely ill prepared to handle a major medical event.
  - **\$6,326 average cost** for non-fatal accidental injuries in the ER.<sup>4</sup>
  - **4 in 10 (42%)** workers feel unprepared to handle an emergency expense of \$5,000.<sup>5</sup>
  - When hit with a \$1,000 emergency expense, **43%** of U.S. adults said they would rely on savings with the other **57%** saying they'd use credit cards, borrow from family and friends or take out personal loans.<sup>6</sup>



U.S. health care spending grew

**4.1%**

in 2022, reaching \$4.5 trillion or

**\$13,493**

per person.<sup>1</sup>

<sup>1</sup> National Health Expenditure Accounts, 2023.

<sup>2, 3</sup> American Heart Association, Heart Disease and Stroke Statistics 2023, 2023.

<sup>4</sup> CDC, Cost of Injury. [Wisqars.cdc.gov/cost](https://www.cdc.gov/cost/), Accessed September 2023

<sup>5</sup> EBRI, 2023 Workplace Wellness Survey, 2023

<sup>6</sup> Bankrate, 2023 Annual Emergency Saving Report, 2023



# Health Disparities in the U.S.

- Along with rising medical costs and financial strain on employees, we are also seeing health disparity in minority populations.

## Gender

Women are more likely to be hospitalized during working years than men.<sup>1</sup>

Cardiovascular disease (CVD) has historically been perceived as a male disease; however, it is the leading cause of mortality and morbidity worldwide for both men and women<sup>2</sup>. Despite this, CVD is understudied, underdiagnosed, and undertreated in women.<sup>3</sup>

## Race/Ethnicity

The percent of hospitalizations amongst the white population has decreased, while hospitalizations have remained the same for the black or African American population.<sup>4</sup>

In the first 6 months of 2023, Hispanic adults were most likely to lack health insurance coverage, followed by Black adults.<sup>5</sup>

## Generation/Age

The percent of working adults ages 65 years and over is more than double hospitalizations for employees ages 18-64.<sup>6</sup>

19.3% of GenZ and 11% of Millennials take hardship withdrawals from their 401k accounts to cover medical debts -- more than any other generation.<sup>7</sup>

1,4,6 National Center for Health Statistics, National Health Interview Survey. See Sources and Definitions, National Health Interview Survey (NHIS), 2021.

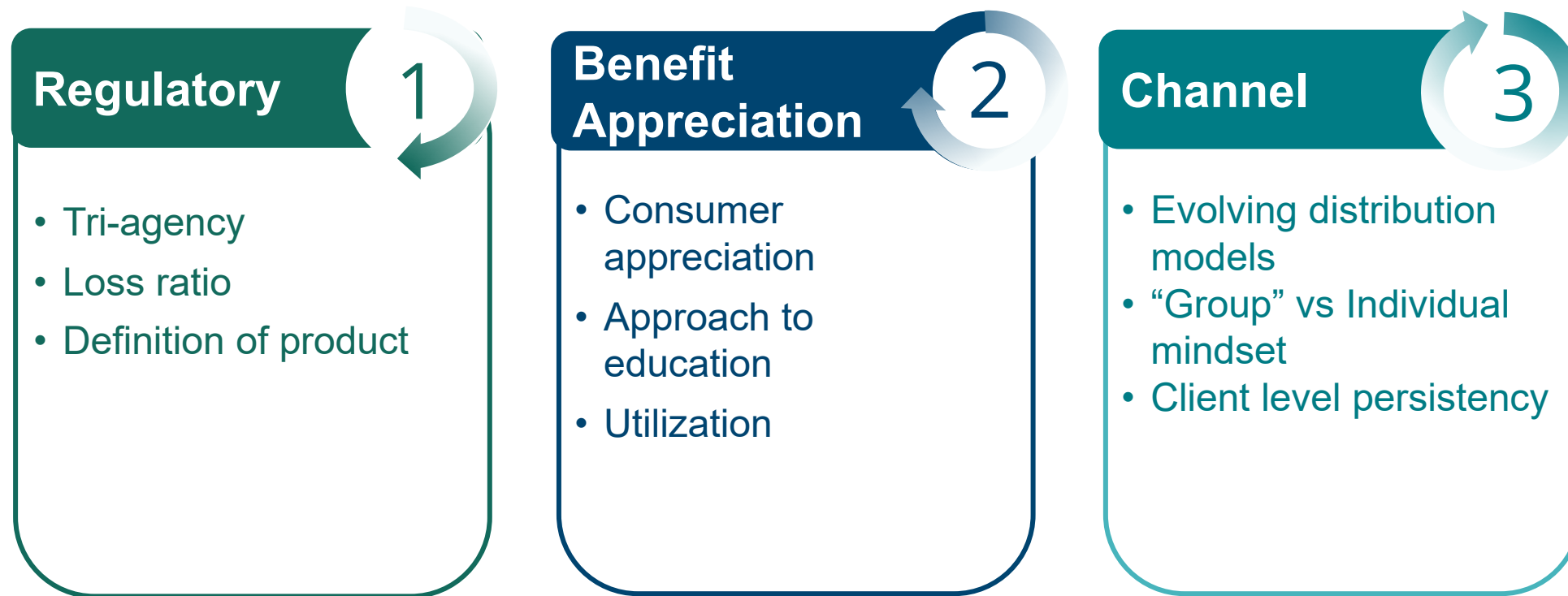
2. World Health Organization. (2021). Cardiovascular diseases (CVD). 2021.

3. Burgess SN. Understudied, under-recognized, underdiagnosed, and undertreated: sex-based disparities in cardiovascular medicine. *Circ Cardiovasc Interv.* 2022.

5. National Center for Health Statistics, National Health Interview Survey, 2019–2023.

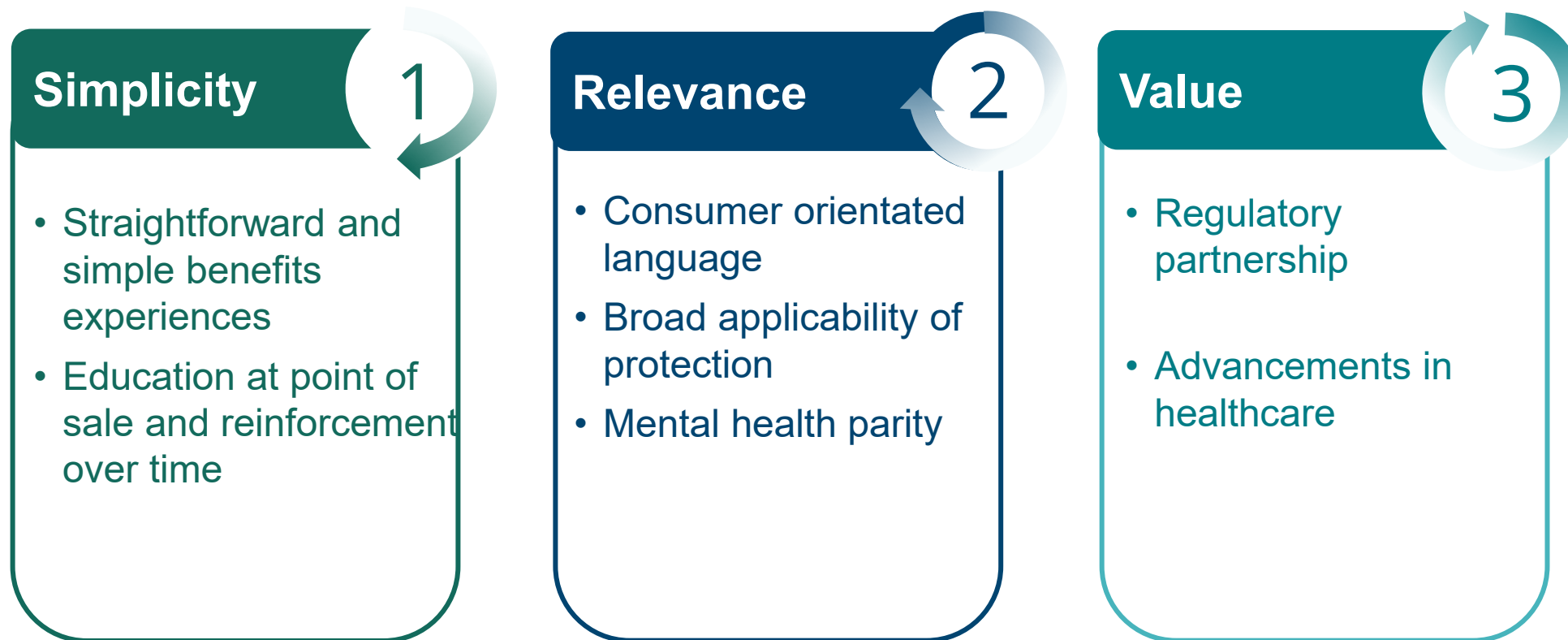
7. Bank of America, Participant Pulse Survey, 2023

# Industry Headwinds





# Industry Opportunities



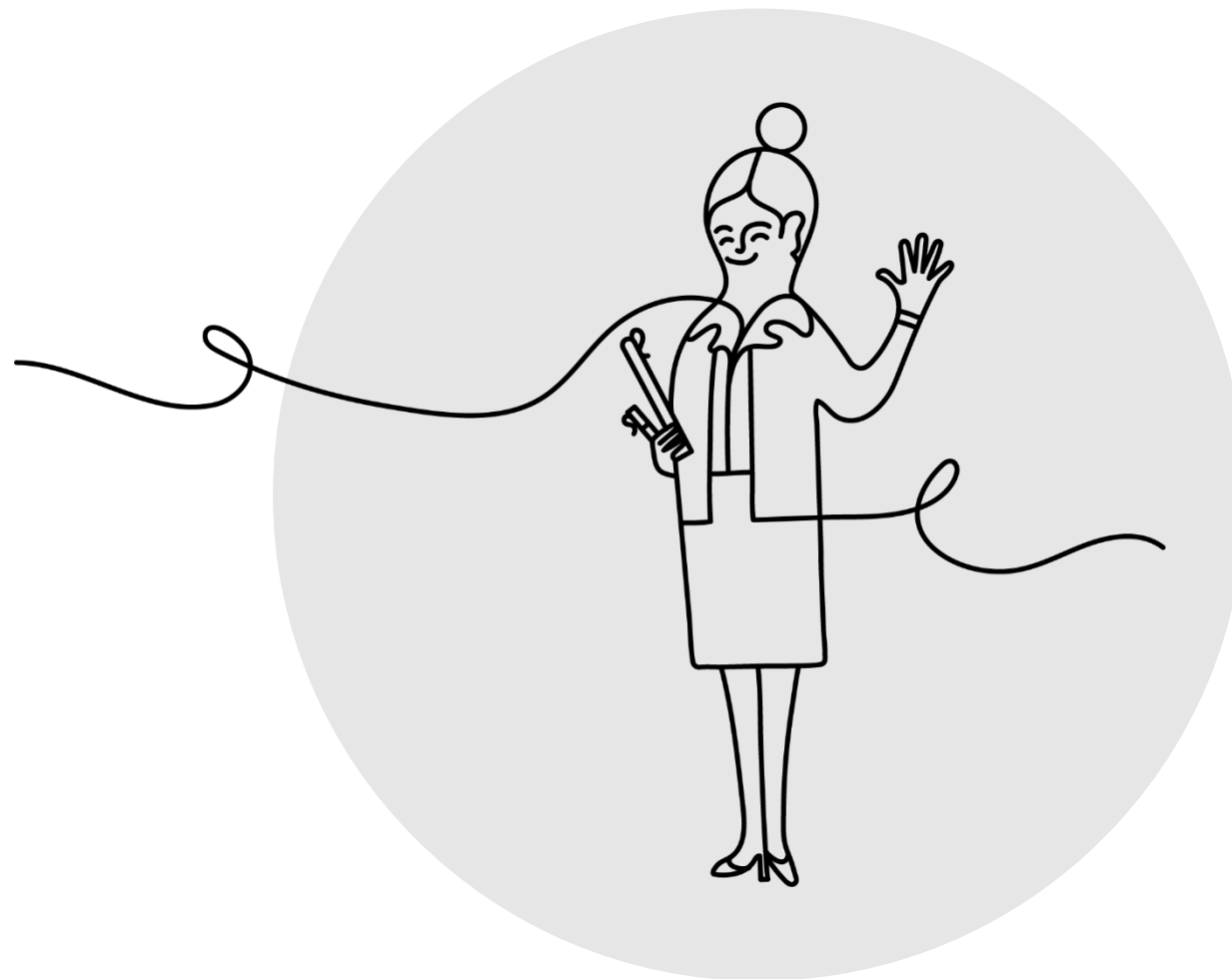
# **Over-65 Market: Opportunities and Challenges**

**Matt Johnson**  
Wellabe



## About Wellabe

- Founded in 1929
- Rebranded to Wellabe in June 2023
- Headquartered in Des Moines, Iowa
- Employ more than 400 people
- Offer health and life insurance solutions to the 65+ market
- Rated A (Excellent) by AM Best



# Supplemental Health Products for the Over 65 demographic

- Over 65 population expected to grow by over 13 million people over next 10 years
- Supplemental products fill the gaps for Original Medicare, Medicare Advantage and Medicare Supplement
  - Gaps include
    - Copays and deductibles for inpatient and outpatient care
    - Home health care and facility care not followed by inpatient care
    - Cancer diagnosis
    - Oral healthcare
- Must have product offerings
  - Hospital indemnity – pays cash benefits that covers gaps from Medicare Advantage copays
  - Critical illness – lump sum cash benefit that provides security after diagnosis
  - Extended care – daily benefits that cover care in a home or a facility
  - Dental – covers oral healthcare not covered under Original Medicare
- Medicare Supplement is a door opener for distribution



# Hospital Indemnity Market

Table 9 – Historical & Projected Senior HIP #'s

Year	Total Policies Inforce	Total Premium	Average Premium	% of Medicare Adv. Beneficiaries	New Annualized Premium
2011	61,000	\$ 26,422,000	\$ 433	0.48%	
2012	77,000	\$ 33,800,000	\$ 439	0.55%	\$ 15,000,000
2013	103,000	\$ 45,525,000	\$ 442	0.68%	\$ 22,000,000
2014	133,000	\$ 55,754,000	\$ 419	0.80%	\$ 24,000,000
2015	148,000	\$ 66,093,000	\$ 447	0.83%	\$ 27,000,000
2016	163,000	\$ 74,551,000	\$ 457	0.87%	\$ 28,000,000
2017	178,000	\$ 83,103,000	\$ 467	0.89%	\$ 31,000,000
2018	197,000	\$ 91,492,000	\$ 464	0.91%	\$ 33,000,000
2019	212,000	\$ 103,166,000	\$ 469	0.91%	\$ 36,000,000
2020	241,000	\$ 119,678,000	\$ 471	0.94%	\$ 44,000,000
2021	302,000	\$ 142,056,000	\$ 471	1.09%	\$ 62,000,000
2022	369,000	\$ 173,634,000	\$ 471	1.24%	\$ 74,000,000
2023	442,000	\$ 208,177,000	\$ 471	1.39%	\$ 87,000,000
2024	521,000	\$ 245,553,000	\$ 471	1.54%	\$ 100,000,000
2025	606,000	\$ 285,560,000	\$ 471	1.69%	\$ 114,000,000
2026	696,000	\$ 327,931,000	\$ 471	1.84%	\$ 128,000,000
2027	792,000	\$ 373,035,000	\$ 471	1.99%	\$ 143,000,000
2028	894,000	\$ 421,140,000	\$ 471	2.14%	\$ 160,000,000
2029	1,000,000	\$ 470,871,000	\$ 471	2.29%	\$ 176,000,000
2030	1,108,000	\$ 521,716,000	\$ 471	2.44%	\$ 192,000,000

Source: CSG Actuarial 2021 Hospital Indemnity Market Opportunity Report

- What is Hospital Indemnity
  - Base benefit consists of either daily or lump sum hospital confinement benefit
  - Optional benefit coverage for ambulance, skilled nursing, outpatient surgery, outpatient therapy and chiropractic care, doctor copays and diagnostic testing, etc.
  - Some products are guaranteed issue for certain ages and/or benefit levels
- Why buy Hospital Indemnity
  - Cash benefits paid directly to policyholder
  - Limits out of pocket expenses for most medical and some non-medical care
- Why offer Hospital Indemnity
  - Completes health product portfolio
  - Industry loss ratios better than priced for – 30% annually
  - Access to Medicare Advantage market if not a carrier
- How to win the Hospital Indemnity market
  - Priced competitively
  - Simple benefits
  - Maximum value

# Critical Illness Market

**Table 9 – Estimated Historical & Projected Individual Critical Illness Coverage**

Year	Inforce Certificates (1,000s)	Earned Premium (1,000s)	Annualized New Premium (1,000s)
2011	671	384,076	144,913
2012	830	459,076	209,427
2013	944	510,375	211,975
2014	981	549,731	217,987
2015	1,118	583,910	226,585
2016	1,275	641,968	262,426
2017	1,333	760,217	342,938
2018	1,416	918,045	423,904
2019	1,522	913,747	317,018
2020	1,586	958,563	364,627
2021	1,813	1,016,828	393,763
2022	1,855	1,026,264	365,325
2023	1,939	1,072,446	405,374
2024	2,020	1,117,488	420,399
2025	2,099	1,161,070	434,703
2026	2,174	1,202,869	448,173
2027	2,248	1,243,766	461,902
2028	2,320	1,283,567	475,119
2029	2,390	1,322,074	487,755
2030	2,457	1,359,092	499,744
2031	2,521	1,394,428	511,019
2032	2,581	1,427,895	521,516

Source: CSG Actuarial 2023 Critical Illness Market Opportunity Report

- What is Critical Illness
  - Base benefit is often a lump sum paid at diagnosis of specified disease
  - Optional benefit options include recurrence riders, benefit builders, inflation protection and return of premium, etc.
  - High first year lapse rates are a concern
- Why buy Critical Illness
  - Pays lump sum at diagnosis
  - Benefits can be used for both medical and non-medical care
- Why offer Critical Illness
  - Complimentary to major health products
  - Industry loss ratios better than priced for – 40% annually
  - Need for supplementary products is becoming apparent to consumers
- How to win the Critical Illness market
  - Competitive pricing
  - Simple benefits
  - Various qualifying diagnoses
- Carriers are adding innovative benefits like access to genetic testing or priority access to top specialists



# Short Term Care Market

Table 2 – Short Term Care Market Snapshot						
Year	Target Market (Ages 50-79)	In Force Policies	Penetration Rate	Sales (000's)	Earned Premium (000's)	Loss Ratio
2016	100,300,000	134,500	0.134%	\$17,000	\$127,000	35.8%
2017	101,800,000	145,000	0.142%	\$20,000	\$134,000	38.1%
2018	103,200,000	161,000	0.156%	\$30,000	\$153,000	39.2%
2019	104,600,000	176,000	0.168%	\$36,000	\$180,000	34.9%
2020	106,100,000	202,500	0.191%	\$41,500	\$195,000	34.2%
2021	107,600,000	228,500	0.212%	\$48,000	\$215,000	31.9%

- What is Short Term Care
  - Base benefit can be facility or home health care base
  - Optional benefit options include inflation protection, RX, return of premium, facility or home health care benefits and caregiver support, etc.
- Why buy Short Term Care
  - Most extended care situations last less than 360 days
  - Long Term Care may be too expensive or hard to qualify for
  - Benefits can be used for both medical and non-medical care
- Why offer Short Term Care
  - Major health products do not cover extended care
  - Long Term Care market instability
- How to win the Short Term Care market
  - Competitive pricing
  - Simple benefits
  - Maximum value
- Product innovation can include to at home patient monitoring, home modifications, care planning and caregiver support, etc.

Source: CSG Actuarial 2022 Short Term Care Market Opportunity Report

# Regulatory Concerns

- Tri-agency Proposed Rule
- Amends definition of short-term, limited duration insurance
- Proposes per-period basis fixed payment standard; regardless of severity
- Proposes limitations to payments to Health Care Providers directly
- Modifies notice requirements and disclaimers on these products (e.g. limited coverage, indemnity only, not major med)
- Clarifies tax treatment of employment-based A&H plans
- If passed, could impact current products in the market requiring product refiling and/or market exits from existing carriers within a reasonably short timeframe
- Minimum Loss Ratios – vary by product and state, typically in the 50-65% range
- Favorable experience - may need to consider benefit increases or rate decreases if MLR not met
- Confusion between short and long-term care
- Confusion between ACA and excepted benefits
- Confusion between short-term care and short-term medical
- Requests to hit minimum loss ratio by a certain duration
- Variations at the state level (coverage definitions, exclusions, pre-ex, application questions, etc.)



# Distribution & Competition

- Distribution

- Typically sold to 65+ demographic by agents familiar with Medicare options
- Sold in addition to Medicare Advantage or Medicare Supplement

- Customer Profile

- Annual household income between \$50,000 and \$60,000
- Retired
- Reside in Urban or Suburban areas
- Higher education level
- Concerned with rising health care costs

- Competition

- Very few large supplemental carriers targeting 65+ demographic
  - Either regional carriers or very large carriers with both Under 65 and 65+ options
  - Difficult to be successful. Historically, first to market has retained distribution making it hard for others to enter.
- Compete for customers based on benefits, rates and reputation
- Compete for agents based on commissions and ease of doing business
- Limited rate sensitivity, unlike commoditized products like Medicare Supplement

# Q&A





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