

Benefits BULLETIN



New Indemnity Plan Notice Requirement

● November 20, 2024 ●

Earlier this year, the U.S. Departments of Labor, Treasury, and Health and Human Services issued final rules on certain types of health coverage not subject to the Affordable Care Act's (ACA's) consumer protections. The final rules include a new notice requirement for hospital and fixed indemnity plans offered in the group market. Effective for plan or policy years beginning January 1, 2025, employer-sponsors and carriers are subject to a new employee notice requirement for these hospital or fixed indemnity plans.

What Policies are Subject to the New Requirement?

Hospital or fixed indemnity insurance provides a fixed benefit amount following a specific health-related event (e.g., a fixed dollar amount per day/week during a hospital stay) to the policy holder. Benefits are paid at pre-determined levels and may not cover the total cost of medical expenses owed by the policyholder.

The notice requirement applies to policies that include coverage for a specified disease or illness (e.g., cancer-only policies) and hospital indemnity or fixed indemnity insurance. The new notice requirement does not apply to other types of excepted benefits, including supplemental benefit policies and limited benefit plans.

Why is Notice Required?

Hospital and fixed indemnity insurance policies are not subject to the ACA's consumer protections. Additionally, these policies do not provide comprehensive medical coverage. The notice is designed to better educate consumers on the differences between these policies and comprehensive medical coverage subject to various ACA protections.

Next Steps for Employers

The final regulations include model language and pertinent instructions regarding the timing and content of the notice. At present, there are no specific penalties for failure to

provide the required notice.

Timing and Delivery of Notice:

- ✓ The notice must be displayed prominently on the first page of all marketing, application, and enrollment materials. Plan sponsors must ensure that participants receive the notice before being given the opportunity to enroll in coverage.
- ✓ Plan sponsors should consider incorporating a copy of the notice with other pertinent enrollment materials, which should include paper or electronic enrollment forms and systems, as well as benefit guides that describe the hospital or fixed indemnity plan. A standalone notice or inclusion of the notice in a larger packet of other plan notices and disclosures is likely insufficient.

Notice Content:

- ✓ The language in the notice is required to be written in at least 14-point font. The notice may be provided in paper or electronic format (including on a website). The notice includes the following required language:

**IMPORTANT: This is a fixed indemnity policy,
NOT health insurance**

This fixed indemnity policy may pay you a limited dollar amount if you're sick or hospitalized. You're still responsible for paying the cost of your care.

- The payment you get isn't based on the size of your medical bill.
- There might be a limit on how much this policy will pay each year.
- This policy isn't a substitute for comprehensive health insurance.
- Since the policy isn't health insurance, it doesn't have to include most Federal consumer protections that apply to health insurance.

Looking for comprehensive health insurance?

- Visit HealthCare.gov or call 1-800-318-2596 (TTY: 1-855-899-4325) to find health coverage options.
- To find out if you can get health insurance through your job, or a family member's job, contact the employer.

Questions about this policy?

- For questions or complaints about this policy, contact your State Department of Insurance. Find their number on the National Association of Insurance Commissioners' website (naic.org) under "Insurance Departments."
- If you have this policy through your job, or a family member's job, contact the employer.

ADDITIONAL RESOURCES

Final Rules