



**Maryland**  
INSURANCE ADMINISTRATION

# UNDERSTANDING HEALTH INSURANCE COVERAGE

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## HOSPITAL INDEMNITY/FIXED INDEMNITY

### What are Indemnity policies?

Indemnity policies are health insurance policies that pay the enrollee a fixed dollar amount, regardless of the cost of an appointment, treatment, or day of hospitalization.

**Indemnity plans are not designed to pay the full cost of medical expenses. You are responsible for paying the amount in full to the doctors or hospital.**

Hospital Indemnity and Fixed Indemnity policies are designed as income replacement, more similar to disability insurance than to a health insurance. They are also used as a supplement to Major Medical plans, to offset the out-of-pocket expenses.

### How does a Hospital Indemnity policy work?

A Hospital Indemnity policy will pay you a fixed dollar amount for each day you are hospitalized, regardless of the actual cost of your hospitalization. For example: **a hospital indemnity policy may pay \$100 a day for each day you are hospitalized.** The amount paid to you varies from plan to plan, but is almost never enough to pay the entire cost of a day of hospitalization.

### How do Fixed Indemnity policies work?

Fixed Indemnity plans provide a fixed dollar amount for various medical services or diagnoses. For example, the policy may pay \$50 for a doctor's office visit, \$75 for mammography, \$100 for lab work.

## Hospital Indemnity/Fixed Indemnity Pros & Cons

PROS	CONS
<ul style="list-style-type: none"> <li>• Not limited to a provider (doctor, hospital) network</li> <li>• Financial assistance with cost of medical appointments, services, and/or hospitalizations.</li> <li>• Lower premiums than Major Medical plans, as a direct result of offering less coverage.</li> </ul>	<ul style="list-style-type: none"> <li>• Product designed as income replacement, not as a replacement to health insurance.</li> <li>• Policies do not need to meet “minimum essential coverage” requirements for health insurance under federal law.</li> <li>• Benefits are paid regardless of amount of expenses, rarely enough to cover the cost of the hospital stay or medical service. Actual cost of services can be hundreds or thousands of dollars more than the benefit paid under an indemnity plan.</li> <li>• May not include coverage for your pre-existing conditions</li> </ul>



The [National Association of Insurance Commissioners \(NAIC\)](#) and the Maryland Insurance Administration (MIA) are greatly concerned about misleading marketing by non-licensed entities that sell the products described in this document.

If you are looking for MAJOR MEDICAL HEALTH INSURANCE, please contact the Maryland Health Connection or one of the health insurance carriers directly. You can find the most up-to-date contact information for these entities by following this link: <https://insurance.maryland.gov/Consumer/Documents/publications/MD-ACA-Compliant-Individual-and-Family-Health-Insurance-Plans.pdf>

If you receive an unsolicited call regarding health insurance plans, consider ending the phone call immediately. If you must engage with the caller: get a name, phone number to call them back and **contact the Maryland Insurance Administration immediately** at 800-492-6116 to confirm that that caller has a license to sell health insurance in Maryland.

Before you contact an agent or broker selling STDI or Excepted Benefit policies, contact the Maryland Insurance Administration at 800-492-6116 to confirm the agent or broker is licensed to sell health insurance in Maryland.

**Under no circumstances should you skip this step in your search for an STDI or Excepted Benefit product in Maryland.** This one step can save you from hundreds or thousands of dollars by avoiding potential fraud, and save you time spent dealing with the consequences of interacting with a scammer.