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AMERICAN COUNCIL OF LIFE INSURERS



How Supplemental Benefits Provide Financial Protection to American Families

Medical debt is taking a growing toll on American families, including those with major medical coverage. A serious illness or injury can bring unexpected costs that put financial security at risk. Supplemental benefits from life insurers can help protect against those financial shocks and give families greater certainty when they need it most.

What Are Supplemental Benefits

Supplemental benefits are insurance policies that provide financial protection against expenses associated with accidents or illnesses not covered by major medical insurance. The benefits are usually paid directly to the policyholder and can be used for any purpose, usually to pay for unexpected household and out-of-pocket expenses.

Supplemental benefits are not a form of major medical coverage. They cannot pay benefits on an expense-incurred basis or vary benefits based on other insurance coverage that the person might have.

Types of Suplemental Benefits

Accident-only: Provides financial protection in the event of an accident that results in injuries requiring hospitalization or treatment. These benefits supplement major medical coverage to help pay for unexpected out-of-pocket costs, such as high deductibles for an emergency room visit or ongoing hospital care.

Critical Illness: Pays in a lump sum when one is diagnosed with a major illness, such as cancer, stroke, MS, ALS, and more.

Specified Disease: Supplements an existing medical insurance plan to help cover costs if an individual is diagnosed with a disease or medical condition. For example, individuals can take out a policy if they have a family history of breast cancer or heart disease to help pay for costs in the unfortunate event of diagnosis.

Hospital Indemnity or Other Fixed Indemnity: Supplements existing primary medical coverage by protecting a policyholder in the event of hospital admission or need for outpatient or provider office-visit care.

Protection from Unexpected Medical Costs

Supplemental benefits can help cover unexpected costs in the event of an illness or injury. They can help pay for deductibles and coinsurance, which are growing larger each year. They can also help cover travel and lodging costs for those supporting a family member who may be staying in a hospital far from home. Families may overlook these costs during a medical crisis, but they can threaten financial security — especially as household budgets grow increasingly fragile.

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56% of American adults with insurance owe medical debt, and 43% say they cannot save for retirement while trying to pay off medical bills.

Affordable Health Foundation

95% of Americans feel supplemental health insurance helps protect their financial security.

Aflac WorkForces Report® 2026

Nearly 1 in 4 (24%) of Americans have no emergency savings at all.

Bankrate's 2026 Annual Emergency Savings Report

Making It Clear

Supplemental benefits *are:*

- Financial protection products that help people manage household budgets in case of unexpected costs related to illness or injury.
- A form of insurance — that supplements major medical insurance — to help people weather unpredictable costs they may face when sick or injured.
- HIPAA-excepted benefits, meaning they are excepted from many of the Affordable Care Act requirements imposed on major medical insurers because they do not directly pay for medical expense claims and are not a form of major medical insurance.
- An important tool that employers can offer to help prevent heavy debt or bankruptcy that often results from a health crisis.

Supplemental benefits *are not:*

- Meant to be marketed or sold as a form of major medical coverage or primary medical insurance.
- Short-term limited duration insurance (STLDI) or Health Care Sharing Ministries (HCSM) — both of which are forms of medical expense insurance but are not HIPAA-excepted benefits.
- "Mini-meds" or other types of medical expense insurance that were outlawed under the Affordable Care Act.
- "Junk insurance" which leaves people vulnerable to uncovered medical costs.

Striking the Balance

Supplemental insurance carriers and state regulators work together to ensure that consumers have access to these financial protection products and that they understand what they are buying. Effective regulation and oversight includes:

- Clear disclosures that explain the difference between supplemental insurance and major medical insurance.
- Mechanisms to ensure that consumers understand product benefits and limitations across all sales channels.
- Collaboration between regulators and insurers to create educational materials for various types of supplemental coverage.
- Effective standards that protect consumers while supporting product innovation as needs and costs evolve.