

# Employee Benefits

# Critical Illness Insurance in the Evolving Workplace



**MetLife**<sup>®</sup>

The world of employee benefits continues to change. Employers are searching for solutions to address the rising health care costs that sometimes may cause employers to consider cutting back on their benefits or increasing employee contributions. In addition, more companies are seeking to provide a wider array of voluntary products to their workforce in an effort to help their employees balance their personal and professional lives. At the same time certain critical illnesses are becoming more prevalent, but so are survival rates, thanks to recent medical breakthroughs and early prevention. Finally, a large number of employees are reporting that they are living paycheck to paycheck.<sup>1</sup> This confluence of factors has created a new financial protection need in the market... one that companies have the opportunity to help their employees meet.

## The Need for Critical Illness Insurance in the United States:

- **Increasing Incidence of Certain Illnesses**
- **Impact of Consumer-Driven Medical**
- **Improving Survival Rates**
- **Lack of Financial Preparedness**

Consider these statistics. Five-year cancer survival rates have risen to 64% from 50% in the mid-1970s according to the American Cancer Society.<sup>2</sup> Eighty-eight percent of heart attack patients under the age of 65 are able to return to their usual work, according to the American Heart Association.<sup>3</sup> Unfortunately, for many people survival comes at a price. In fact, in a study of 1,020 cancer survivors by the Lance Armstrong Foundation, 43% of cancer survivors polled said that they experienced a decrease in income, and 25% went into debt as a result of their illnesses.<sup>4</sup>

## How Critical Illness Insurance Can Complement Existing Benefit Programs

Even in a tough economy, companies are putting more emphasis on offering comprehensive benefit programs that help attract and retain a diverse workforce. More and more, the shift to “consumer-driven” plans for health care are changing the benefits landscape. Today, we are typically asking employees to take more responsibility for their own financial and medical well being. How then can employers address their own challenges while still offering employee benefits that can help attract and retain top talent?

One way is to offer innovative products that complement traditional medical coverage and help address the financial consequences of certain critical illnesses. One such emerging product that helps fill this financial gap is Critical Illness Insurance. Typically, it pays a lump sum benefit when a policyholder experiences one of the covered medical conditions. Covered conditions often include cancer, heart attack, stroke, kidney failure, and major organ transplants. Most importantly, this lump sum benefit payment can be used in any way the employee sees fit – from co-pays and deductibles to mortgage payments and childcare.

The issues surrounding the survivors of a critical illness go beyond their health. In addition to medical concerns, patients are often faced with emotional, psychological and financial issues. Critical Illness Insurance can provide additional financial help in the form of a lump sum benefit payment. This lump sum payment goes directly to the insured and can be used in any way he or she sees fit. By giving this additional financial control and flexibility to the insured, he or she is better able to focus on recovery. And, in a competitive market for talented workers, Critical Illness Insurance can give employers a cost-effective benefit solution to help their employees manage what could be one of the most difficult times in their lives.

### Did You Know?

- One out of every three Americans will be diagnosed with cancer in their lifetime.\*
- One out of every four people in the United States will suffer a heart attack in their lifetime.\*
- 39% of all cancer survivors in the United States are under the age of 65.\*
- 750,000 Americans will suffer a stroke annually.\*

### Typical Uses for the Lump Sum Payment

Many people believe their medical coverage will fully cover all of the costs associated with a critical illness. However, while some medical plans often provide coverage for hospital and medical expenses arising from a critical illness, there are still many expenses associated with such an illness that even the most comprehensive medical plans were not designed to pay. Also, consider the day-to-day living expenses that will continue. And, many individuals have not considered the financial impact their family might incur if both a patient and a spouse take unpaid time off of work. Critical Illness Insurance was designed to help bridge these types of financial gaps.

An important component of the lump sum payment is that there is no need to submit expense receipts or medical bills. The policyholder can use this payment for any purpose. For example, the insured may decide to pay for medical expenses not covered by any other insurance, such as:

- **Deductibles**
- **Co-pays**
- **Travel to treatment centers**
- **Out-of-network treatments**
- **Experimental treatments**
- **Rehabilitation**
- **Prescription drug co-pays**

In addition, experiencing a critical illness could also mean reduced income for employees and their families – but their day-to-day living expenses will continue. Employees can also use their lump sum payment to help pay for traditional expenses, such as:

- **Mortgage or rent payments**
- **Credit card bills**
- **Gas/Transportation**
- **Utility bills**
- **Car payments**
- **Insurance payments**
- **Childcare**

<sup>1</sup>MetLife Study of Employee Benefits Trends, 2005

<sup>2</sup>American Cancer Society, 2005 Facts and Figures

<sup>3</sup>American Heart Association, Heart Disease and Stroke Statistics 2004 Update

<sup>4</sup>Lance Armstrong Foundation 2004 Livestrong Study

### History of Critical Illness Insurance

Critical Illness Insurance was conceived in 1983 by a South African physician, Dr. Marius Barnard. Dr. Barnard, who assisted his brother Dr. Christian Barnard on the first successful human heart transplant, saw many of his patients survive the medical crisis only to struggle with financial challenges. His success in extending patient's lives through new treatments showed him the financial hardship and resulting decline in quality of life that his patients sometimes endured. It became Dr. Barnard's mission to convince a South African insurer to develop the first Critical Illness Insurance product. Since that time, it has become a mainstream product in South Africa, the United Kingdom, Australia, Asia and Canada.

### Critical Illness Insurance in the United States

The Critical Illness Insurance product is relatively new to the United States market, so many people are unaware of it. Critical Illness Insurance is designed to complement existing medical coverage and is not intended as a replacement for medical insurance, or any other, type of coverage. Typically, Critical Illness Insurance products are funded by the employee, but this product can be funded in full or in part by the employer. In either case, the employee is able to use this coverage to help bridge the financial gap between what their existing medical insurance may cover and additional expenses associated with the covered medical conditions. By helping to provide employees with added financial security, this new product can also be a complement to consumer-driven health plans.

### MetLife Critical Illness Insurance

MetLife Critical Illness Insurance covers the first occurrence of certain medical conditions. These medical conditions typically include the following (as defined by MetLife in the applicable insurance policy):

- Heart Attack
- Cancer
- Stroke\*
- Kidney Failure
- Major Organ Transplant
- Coronary Artery Bypass Graft

If an employee experiences one of the covered conditions and meets all the policy requirements for coverage, that employee will receive a lump sum benefit payment to use as he or she sees fit. Employees can apply for benefit amounts between \$10,000 and \$50,000. The benefit amount an employee receives will depend on how much coverage he or she qualifies for and the covered condition experienced.

\* In certain states, the covered condition is severe stroke.

\* American Heart Association, 2004 Heart Disease and Stroke Statistics Update; American Cancer Society, 2003 Cancer Facts and Figures.

MetLife's Critical Illness Insurance (CI) policies are limited policies. Like most accident and health policies, MetLife CI policies contain exclusions, limitations and terms for keeping them in force. MetLife CI policies are not available in all states and coverage features vary by state. Please contact us for more information.