GREAT MINDS AND ONE BALD GUY

FROM INSIGHTS TO IMPACT

Candid Conversations about Tough Topics Facing Independent Agents and Advisors

Season 1: Episode 8

Episode Title: A conversation about fraud, waste and the future of Medicare Supplement category with Sam Melamed

Thank you to our experts who contributed to this conversation:
Sam Melamed, Chief Executive Officer at NCD
Hosted by: **Todd Villeneuve,** Managing Partner, IFC National Marketing

Background

Sam Melamed is the Chief Executive Officer of NCD, a leading provider of supplemental health benefits. He's an infectiously positive leader with a relentless focus on personal growth and team development. Sam is an active early-stage investor, board member, and advisor across health tech and insurtech ecosystems.

As founder of Insurance Forums, the world's largest insurance community, Sam has worked with more than 120 insurance carriers, FMOs, distributors, and industry technology providers to grow their brands, expand market share, and develop product portfolios. He brings deep expertise in the Affordable Care Act, Medicare, and group benefits, and is active in the Young President's Organization (YPO), where he served as former Baltimore/DC Chapter Chair and network vice chair.

Becoming an Insurance Nerd

Todd: Sam, tell me what I missed in your bio, and then talk a little about NCD and how it's different in the marketplace.

Sam: The only thing you missed is my beautiful family–my lovely wife Pam and our four kids. That's my real passion, right alongside healthcare policy and being an insurance nerd.

I'm grateful to live at a time where being a student of the game is easier than it's ever been. When I joined the insurance industry, I was a struggling–really failing–agent trying to feed my young family. I wasn't good at selling, and I didn't have good coaches or mentors. On top of that, information was really hard to come by. People weren't freely sharing. You had to join NAHU or NAIFA, go meet people in person, and you'd never know who was serious.

Right now, there's never been a better time to learn everything you can. People are accessible. LinkedIn is my favorite platform, and through Insurance Forums I've read over a million posts over the last 18 years.
The fraud issue I stumbled on by accident. Someone from the HHS Office of the Inspector General reached out to me proactively based on some things I was writing on LinkedIn. We developed a relationship, and I began to understand what was happening in the market and how it was impacting things that CMS or HHS weren't fully focused on yet. I went down the rabbit hole, and as an insurance nerd, I like to go deep.

Todd: You became a subject matter expert by putting subject matter out. You made a daily commitment to talk about these issues. For anyone looking to become known in their field, that's a pretty compelling formula.

Sam: A couple of years ago, my mentor Sean Fenland and some people on my team pointed out that whenever new regulations hit, I'd spin out an internal analysis on what it meant for the company. They asked why I wasn't putting that out more publicly. I was hesitant at first, but they kept pushing me.

I tried it, and wasn't getting much engagement initially, but I made a commitment. We run EOS, the Entrepreneurial Operating System, at our company, and one of my quarterly rocks was to write 75 posts on LinkedIn. What I discovered was that it rapidly accelerated my learning, because having a commitment to say something forces you to go that extra layer deeper.

It forced me to ramp up my consumption — newsletters, news articles, books, anything I could find around healthcare policy. Every new thing you learn shows you how little you know and how much more there is to discover. That becomes its own energy.

Fraud, Waste & Abuse in the Medicare Supplement Market

Todd: Can you paint us a picture of what's going on with fraud, waste, and abuse in the market?

Sam: The fraud issue is much more relevant to MedSupp than to Medicare Advantage, because Medicare Advantage carriers have their financial risk at the table and control the entire claims flow. So, they've had far more tools to understand what's happening and deal with it effectively.

When the new administration came in, they did a deep dive. What they found was significant, and not just domestic. Foreign gangs and foreign adversaries had figured out that, given the complex way CMS and MedSupp carriers handle claims, there was a vector to generate substantial fraud. A typical scheme might involve a foreign gang buying a DME provider in the U.S., stealing Medicare beneficiary information, and passing through fraudulent claims. The MACs would just pay them–there's no prior authorization requirement, no built-in mechanism to catch it.

When CMS pays a claim, the MedSupp carrier has to pay it too. No one knows the true full scope, but we're talking billions of dollars in fraudulent claims that CMS and MedSupp carriers have been paying out.

Kim Brandt, the COO of CMS and leader of their fraud war room, has talked about using AI and data analysis to identify statistical impossibilities and geographic clusters that point clearly to organized fraud operations. This is something CMS is now actively addressing.

What's Being Done About It

Todd: What efforts from the government or insurance companies are starting to make an impact?

Sam: A few months ago, CMS and HHS started transmitting data directly to MedSupp carriers and flagging claims on hold, claims suspected of fraud, or claims they simply weren't paying. The response from carriers has been mixed. Some jumped on it immediately. Others moved more slowly, citing internal process concerns or reluctance to risk slow-paying clean providers. But over time, that train is moving. There have been hundreds of millions of dollars in claims that MedSupp carriers paid out that CMS already knew were fraudulent.

My longer-term vision is a bidirectional system where MedSupp carriers are contributing their own fraud intelligence back to CMS, creating a real feedback loop across the entire system.

Todd: Are regional carriers more or less agile than nationals when it comes to building these data pipelines?

Sam: There are a lot of factors at play. I've definitely observed that carrier size matters. The more people who are involved in a decision, the slower it tends to move. I've talked to some very large carriers who acknowledged the fraud, but said they'd pay the claims anyway, rather than risk slow-paying legitimate providers and damaging those relationships.

Another factor is whether the carrier has a Medicare Advantage arm. MA-experienced carriers often have better data and provider intelligence. On the other hand, MedSupp sometimes doesn't get the same level of strategic attention because the product is more constrained. For example, the benefits are prescribed, the plans are standardized, and there's no network to manage.

What Agents Can Do

Todd: How does understanding this issue change the initial conversation with a client?

Sam: A fair amount of fraud actually gets reported by members who receive an EOB showing a claim was paid for something they never received. Many of them see it, shrug, and move on because no one's asking them for money directly. That's a missed opportunity.

Agents can take a few meaningful actions:

- **Educate clients.** Encourage members to report suspicious EOBs to CMS or the HHS Office of the Inspector General. Tips like these can make a real difference.
- **Ask carriers the right questions.** When choosing which carriers to represent, don't just look at who has the lowest rate. Ask how seriously they're taking fraud prevention — carriers who are proactive will have more stable rates over time.
- **Tell the story when explaining rate increases.** Fraud, waste, and rising underlying costs are real contributors. Being able to reference something like Operation Gold Rush–a major DOJ fraud enforcement action–gives agents credibility and context.

Broader Challenges in the MedSupp Market

Todd: What does fraud do to the overall MedSupp risk pool dynamic?

Sam: Fraud and waste don't create new problems so much as they amplify existing ones. Costs will keep rising as people live longer and medical innovation continues. PDPs are their own affordability issue. Birthday rules and SEPs are well-intentioned but do impact the broader risk pool.

We're not going to change the fact that medical costs keep going up. But paying out billions in pure fraud? That's your customer's money, and we have to do a better job protecting it.

NCD's Philosophy and the Level for Life Commission Model

Todd: Can you talk about how commission models are changing, and NCD's philosophy?

Sam: NCD provides dental, vision, and accident coverage for National Wellness and Fitness Association members. We pride ourselves on being the highest-rated insurance plan administrator in the country, and we manage our team with love and kindness to treat customers in a way that sets the standard for the industry.

One of our core beliefs is in the Level for Life commission model, because it truly aligns the interests of the carrier, the agent, and the member. When an agent earns a large first-year commission that drops off significantly afterward, their incentives aren't fully aligned with long-term client outcomes. Our goal is for the agent to trust us with their customer, and for that to become a shared customer. And if we deliver world-class service, everyone wins.

The traditional MedSupp commission model was built around the financial reality that MedSupp carriers tend to make their profit in the out-years. But it doesn't fundamentally align all parties. Every year for the past five years, MedSupp loss ratios have increased. None of the carriers in the MedSupp space are doing great financially on that.

We think the move toward more level-for-life commission structures is not only more sustainable, it's better for everyone. The carrier gets more stability and keeps healthier people in the risk pool. The agent builds a more predictable book of business. And the member gets a more consistent experience.

Todd: NCD has never gone non-commission on any product, correct?

Sam: Never. And we never will. If you look at the P&C industry over the last 70 years, the companies that consistently win are the ones that make long-term decisions to value distribution. High-quality agents and brokers who genuinely want to serve their clients are the lifeblood of growth in this complex market. I don't think AI is going to eat that lunch anytime soon. I'm a humanist; I believe the human connection around the most sensitive parts of people's lives is critical, and no machine builds trust the way a person does.

The Opportunity Ahead

Todd: What are you excited about on the horizon?

Sam: The fundamental truth is we're selling into a growing market, and that makes everything easier. The silver tsunami has been flowing through Medicare for the last ten years, and it's a big reason so many companies have been able to grow–not just by competing for existing customers, but because there are net new people entering the market every day.

For standalone supplemental products, the timing is particularly good. Last year saw a significant pullback in embedded dental and vision benefits inside Medicare Advantage plans, and that's expected to continue. At the same time, the percentage of MedSupp members who have ever been presented with a standalone dental option is still very small–my estimate is under 20%.

That means there's potential to grow the addressable market fivefold just by having more agents understand where these products genuinely fit. We have the first $10,000 annual maximum dental product on the market. Ten years ago that number might have seemed excessive. Today, most people know someone who's had a $10,000 or $20,000 dental expense.

Closing

Todd: Sam, I'm always humbled by how much I learn talking with you. Thank you for your time and for sharing all of this with our agents.

Sam: I feel the same way, Todd. You're a legendary agent trainer and you bring real energy to this industry. Your humility belies what we all know — you're a deep expert who loves helping agents build businesses by helping them serve seniors. Keep it up.

Connect with Sam Melamed on **LinkedIn** for regular analysis on healthcare policy, Medicare market trends, and regulatory developments.

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