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Short-Term Limited Duration Insurance: DC Market and Options

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What Are Short-Term Plans

- Short-Term Limited-Duration Insurance supposed to be for people with brief gaps in coverage:
 - Waiting period for benefits to start in new job
 - Break between job and starting school
- Pre-ACA helped fill a gap in coverage that could have triggered a pre-existing condition exclusion in a group health plan
- Generally have limited benefits
 - Exclude preexisting conditions
 - Exclude numerous services and coverage of certain conditions
 - Include dollar limits on coverage

Short-Term Plans in DC

- National General
 - Maximum benefits of \$250,000 or \$1 million
 - Excludes
 - pre-existing conditions
 - maternity, prescription drugs, mental health, substance use
 - Chronic fatigue and pain disorders
 - Treatment or diagnosis of allergies, except for emergency
 - Kidney disease
- IHC Group
 - Maximum benefit \$2 million
 - \$10,000 limit on AIDS treatment
 - \$500 limit on ambulance
 - \$150,000 limit on organ transplant
 - Excludes
 - pre-existing conditions
 - maternity, prescription drugs, mental health, substance use

History of Regulation of Short-Term Plans

- Federal regulation of short-term plans limited to defining duration
 - Historically limited to <12 months by federal regulations
- Obama Administration issued regulations limiting short-term limited-duration insurance to <3 months
 - Conform to post-ACA framework where individuals have access to guaranteed individual market insurance
 - Reduce syphoning of healthy individuals from individual market
 - Effective for plans starting April 2017
- New proposed regulations would return to prior federal regulation
- State regulation is limited, mostly defines duration and applies some state benefit mandates

Comparison of Existing & Proposed Regulations

	Existing Law	Proposed Regulations
Duration Limits	<ul style="list-style-type: none">• Less than 3 months	<ul style="list-style-type: none">• Less than 12 months
Extension of Contracts	<ul style="list-style-type: none">• No extensions	<ul style="list-style-type: none">• Extensions allowed with issuer's consent
Notice	<ul style="list-style-type: none">• Does not satisfy health coverage requirements of ACA• May owe mandate penalty	<ul style="list-style-type: none">• Not required to comply with ACA requirements• Check policy carefully to make sure what is/is not covered• No eligibility for SEP• Not MEC, may owe mandate penalty for 2018

ACA Protections Don't Apply to Short-Term Plans

	ACA Plans	Short-Term Plans
Guaranteed Issue	✓	✗
No Preexisting Condition Exclusions	✓	✗
No Retroactive Rescission of Coverage	✓	✗
Cannot Charge Higher Rates Based on Health Status	✓	✗
Essential Health Benefits	✓	✗
Preventive Services without Cost Sharing	✓	✗
No Dollar Caps on Services	✓	✗
Limits on Out of Pocket Maximums	✓	✗

Problems with 12 Month Limit

- The proposed rule is expected to be finalized similar to how written
- Administration sending signals to insurers that short-term plans can become a less expensive long-term coverage option
- Create a second individual insurance market without ACA protections
- Increase costs on DC Health Link plans because healthy risk leaves market – particularly those with low or no subsidy
- Why are short-term plans less expensive?
 - Deny coverage to people with health conditions
 - Exclude preexisting conditions from coverage
 - Exclude many essential health benefits: maternity, mental health, substance use, prescription drugs

What Can DC Do?

- States are primary regulators of insurance
- States can require:
 - Company licensing and minimum reserves
 - DOI review and approval of plans and rates
 - Compliance with marketing restrictions and consumer education requirements
 - Compliance with limits on premium rating and other underwriting practices
 - Compliance with benefit & cost-sharing standards
 - Minimum loss ratios
- Broad enforcement tools, including exams, fines, injunctions, license revocation



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Protecting Market Stability

- Ban outright
 - CA legislation being considered
- Require compliance with all individual market rules
 - NY, NJ, MA
- Require compliance with selected individual market rules, i.e., benefit mandates, pre-existing condition protections
 - FL, RI
- Limit contract duration, renewability
 - CO, MI, MN, NV, NH, OR
- Minimum Medical Loss Ratio
 - RI



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Considerations for Limiting Duration

- Duration limit without limitation on purchasing multiple plans is less effective
 - People purchase consecutive plans to remain enrolled for a year
 - Some brokers market sale of four staggered plans at once
- Different ways to limit purchase of multiple plans
 - Limit renewals, but does not prevent purchase of a new plan
 - Limit purchase of a short-term plan if covered within a period of time



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State Examples: Colorado

- Colo. Rev. Stat. § 10-16-102(60)
- Defines short-term limited duration insurance to be:
 - Nonrenewable
 - Duration limited to 6 months
 - Only issued to individuals that had not been enrolled in short-term or similar coverage within past 12 months
 - Requires notice in application and marketing material about limit on purchase of coverage and question about past enrollment
- Prevents individuals getting coverage through same or multiple insurers

State Examples: Oregon

- Or. Rev. Stat. § 743B.005
- Limits to 3 months or less, including term of a renewal of policy
- Renewal defined to include issuance of new short term policy within 60 days of expiration of policy previously issued by insurer
- Does not prevent enrollment in consecutive policies with different insurers

Strengthen Notice

- Proposed rule does maintain notice with some changes
- DC can require stronger notice
 - Some comments to federal rule recommend listing specific types of benefits that are excluded, such as pre-existing conditions, mental health, and maternity
 - If limit purchase of multiple plans, require notice in material and question in application