

# Short-Term Limited Duration Insurance

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# NATIONAL HEALTH LAW PROGRAM

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# Overview

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## Short-Term Limited Duration Insurance (STLDI)

- Background
- Differences between ACA compliant plans and STLDI
- Consumer understanding
- State action
- NCOIL Model Rule
- Additional standards to protect consumers

# Background on STLDI

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- STLDI: originally intended to fill short gaps when people transitioned between coverage
- 2018 federal rule changed the definition of STLDI
  - As a result, plans may now be sold as a replacement for year round comprehensive coverage
- STLDI is not subject to ACA consumer protections, and plans can exclude people with pre-existing conditions
- States maintain primary authority for regulating short-term plans, with federal rules acting as a floor

# ACA Protections: Coverage

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## ACA Compliant Plans

Guaranteed  
issue

Community  
rating

# STLDI: Coverage

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Short-Term plans can:

- Deny coverage to an applicant for any reason, including current or past health status or risk of future health expenses
- Issue policies that exclude coverage for pre-existing conditions
- Rescind coverage through post-claim underwriting
- Charge a higher premium based on a person's health status or personal characteristics such as gender and age

# ACA Protections: Benefits

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## ACA Compliant Plans

Essential Health Benefit (EHBs)

Summary of  
Benefits &  
Coverage

Preventive  
Services  
Requirement

Non-  
discrimination

Medical Loss  
Ratio

# STLDI: Benefits

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## Short-term plans:

- Do not have to cover a core set of basic services
  - An April 2018 study found significant benefit gaps:
    - 43% of plans did not cover mental health services,
    - 62% did not cover substance use disorder treatment,
    - 71% did not cover outpatient prescription drugs, and
    - None covered maternity care.

*(Kaiser Family Foundation, Understanding Short-Term Limited Duration Health Insurance, April 2018)*

- Preventive service coverage not required
- Do not have to provide a standardized Summary of Benefits & Coverage



# STLDI: Medical Loss Ratio

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- Much of the money consumers pay for STLDI premiums goes towards plan administration, marketing, and profits
- An NAIC report released last year (based on 2017 data), showed the top three companies selling STLDI (based on premiums earned) paid 43.7%, 34.0%, and 52.1% of the premiums they collected for medical claims.
  - *(NAIC 2017 Accident & Health Policy Experience Report, [https://www.naic.org/prod\\_serv/AHP-LR-18.pdf](https://www.naic.org/prod_serv/AHP-LR-18.pdf))*
- By comparison the ACA requires individual market insurance plans to pay at least 80% of premiums on medical claims or health quality improvement

# ACA Protections: Cost

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## ACA Compliant Plans

Annual and  
Lifetime Limits

Cost-sharing  
Protections

# STLDI: Cost

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## Short-Term plans:

- Can include a dollar cap on covered services and stop paying medical bills once the cap is reached
- Do not have to cap enrollees' out-of-pocket expenses resulting in high out-of-pocket costs for people who need care

# STLDI: Consumer Understanding

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- Consumer Testing Findings
  - Consumers struggled to understand the STLDI plan's coverage of benefits and limitations in part because they have become accustomed to, and now expect, their health insurance to reflect the ACA's consumer protections
  - The federally mandated disclosure went largely unnoticed and was ineffective at reducing consumer confusion
- Research Findings
  - have shown a lack of availability and clarity of plan documents

# STLDI: State Action

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- States have taken action to protect consumers and the insurance market, for example:
  - 4 states ban the sale of all or most STLDI
  - 22 limit the initial plan duration of a STLDI to less than the federal limit of 12 months
  - 2 states require coverage of the EHBs
  - 5 states prohibit rescissions
  - 11 states have a minimum medical loss ratio requirement

*(Source: The Commonwealth Fund, States Step Up to Protect Insurance Markets and Consumers from Short-Term Health Plans)*

# STLDI: NCOIL Model Rule

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- States maintain primary authority for regulating STLDI
- Purpose of NCOIL Model Rule: to establish standards for the regulation of STLDI
- More robust standards to protect consumers are needed:
  - Limit contract length (several states have set a 3 to 6 month limit)
  - Prohibit pre-existing condition exclusions and rescissions
  - Require additional benefits, including prescription drugs
  - Require an adequate network for mental health and substance use treatment providers (carved out in draft model rule)
  - Stronger consumer disclosure: require that it be read to applicants or that consumers sign a statement that they have read it

# STLDI: Additional Standards

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- Limit stacking (the purchase of back to back policies)
- Adopt a minimum medical loss ratio
- Oversee STLDI product marketing and ensure that companies communicate with consumers accurately
  - Include additional marketing and disclosure standards (such as standardized marketing materials)

# Resources

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- American Cancer Society Cancer Action Network, Inadequate Coverage: An ACS CAN Examination of Short-Term Health Plans, <https://tinyurl.com/yxwfunc9>
- The Commonwealth Fund, States Step Up to Protect Insurance Markets and Consumers from Short-Term Health Plans, <https://tinyurl.com/y26sybub>
- Report on Testing Consumer Understanding of a Short-Term Health Insurance Plan, <https://tinyurl.com/y4nqzum>
- Urban Institute, The Marketing of Short-Term Health Plans: An Assessment of Industry Practices and State Regulatory Responses, <https://tinyurl.com/y5cksto3>
- Kaiser Family Foundation, Understanding Short-Term Limited Duration Health Insurance, <https://tinyurl.com/y3abfcsa>



# Thank you!



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