



Short Term Limited Duration Insurance Model Act

NCOIL Health Insurance & Long-Term Care Issues
Committee

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Representative Martin Carbaugh,

We believe that we share a common goal for our health care system: to give Americans more options to purchase good, affordable coverage that's right for them. At FGA, we care about this goal a lot. That is why we write today to share some best practices that we hope will help improve the *Short Term Limited Duration Insurance Model Act*.

Short-term plans are an affordable form of coverage for many Americans that have been priced out of the market, or for those in transition.ⁱ The vast majority of those that have signed up for short-term plans were previously uninsured.

We believe there are two particularly problematic areas of the model that should be removed or changed:

- 1) It prohibits health status underwriting, which means that more people will simply be denied coverage and that plans have less flexibility to meet the unique needs of enrollees.
- 2) It imposes coverage mandates that will increase the cost of the plans, including the ACA network adequacy requirements, and a mandatory minimum annual limit.

We are hoping you will consider changing the legislation so that consumers are not harmed with additional barriers to short-term plans.

Suggested Change:

Strike Section 4(d)(3), Sections 7, and 9 in their entirety. (Draft as of Aug 25, 2020)

Background:

People with pre-existing health conditions and lower-income individuals can enroll in the heavily subsidized exchanges during the annual open enrollment period. Coverage cannot exclude treatments or services for any pre-existing conditions.

At the same time, millions of middle-income Americans have been priced out of the individual market and are going uninsured. Between 2015 and 2019, there has been a decline of 4.3 million individuals enrolled in the off-exchange individual market. And average exchange enrollment has totaled about 10 million people since 2015—60 percent below expectations for where exchange enrollment would be now.ⁱⁱ

The short-term market permits innovative coverage structures that can best meet the needs of middle-income families who do not have access to employer-sponsored insurance, who are looking at retirement but are not yet eligible for Medicare, the self-employed, and those in the gig economy who need flexible arrangements.

The model bill requires insurers to price products identically, regardless of health status. This will lead to a significant increase in the number of enrollees that will be denied coverage. As a result, they will remain uninsured. This will harm both the healthy who won't be able to get

discounts for their health status and may decide to not buy any insurance anymore, as well as the relatively sick who won't receive an offer of coverage.

Ultimately, this will increase the number of people without health insurance. It will likely worsen adverse selection in the individual market by reducing alternatives available to people with pre-existing conditions. As a result, individuals are exposed to far more financial exposure if they get sick. Opponents of short-term plans ignore the fact that the choice for many Americans is now between no coverage vs. coverage they design through the short-term market. Instead, opponents like to pretend that the choice is between subsidized coverage vs. a short-term plan, which is not true for anyone making over 400 percent of the federal poverty level. With additional restrictions on the short-term market, more Americans will be forced to go without coverage.

More technical detail:

In effect, Section 9 of the mode bill mandates community rating but not guarantee issue. If both were required, the short-term market would collapse. By requiring just community rating, insurers will rate for relatively healthy people and will deny coverage for those with pre-existing conditions, even if they are well managed. So, effectively, this provision would harm people who have pre-existing conditions, even if a short-term product might be able to cover them with an exclusion for a pre-existing condition. It also harms individuals who are very healthy by preventing insurers from offering them discounts. There aren't any winners.

Coverage mandates:

Requiring the ACA network adequacy rules, and the annual limit of \$2 million in Section 4, will only increase the cost of plans in the market. A beneficial feature of short-term plans is that the consumer can pick the plan design that is best for them. By adding these mandates, consumers will be forced to buy more expensive insurance, and some may decide to go uninsured due to the higher expense.

Conclusion

FGA believes it is important that consumers understand what they are purchasing, and any broker found to be misrepresenting what a short-term plan covers should be disciplined. Yet the benefits of flexible short-term plans that can help individuals in very different stages of life should not be lost. For example:

With short-term plans a 26-year-old won't have to worry about going uninsured while he goes from his first job with no benefits to a job that has coverage.

A single mom is able to leave her job where she is being harassed without worrying about how she'll find health insurance for her family while she looks for another job.

And seniors trying to find an insurance bridge to Medicare will not lose it, like they would under this bill.

Any model legislation at NCOIL should avoid unintended consequences to these individuals. We want to make sure individuals can still afford to benefit from these plans, and 63 percent of all voters support short-term plans.ⁱⁱⁱ

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- i Greg George and Nicolas Horton, "Short-term plans: Affordable Options for America's Uninsured," Foundation for Government Accountability (2019), <https://thefga.org/research/short-term-health-insurance-plans/>
- ii Brian Blase, Doug Badger, and Grace-Marie Turner, "ACA at Ten: Huge Expansion of Welfare and Injury to Individual Insurance Market," Galen Institute (2020) https://galen.org/assets/ACA_at_10_huge_expansion_of_welfare.pdf
- iii This poll was conducted by FGA in November 2018 and is available here: <https://thefga.org/poll/voters-support-short-term-insurance-plans/>.