Short-term Health Plans

The Problem. Short-term health plans are time-limited, health insurance policies that are meant to be used between periods of more consistent, long-term coverage. However, these plans are not considered comprehensive, because they do not have to comply with ACA requirements. For example, these plans do not have to cover pre-existing conditions. These plans typically have annual and lifetime dollar caps, no out-of-pocket maximum, and high deductibles which leaves consumers on the hook for any costs past those caps.

In 2017...

No Colorado plans covered Rx drugs.9
Only 57% of short-term plans in CO covered mental health and substance use treatment.8

The Impact. Extending the length of short-term plan coverage increases the amount of time that a consumer is inadequately covered. The longer a consumer is covered through a short-term plan, the more likely they are to reach coverage caps and pay out-of-pocket for services. In 2017, Jeanne Balvin, a consumer in Phoenix, was stuck with $97,000 in medical bills after she reached her dollar cap and her coverage was revoked due to a pre-existing condition. Balvin was covered for an emergency surgery, but the abdominal infection that developed after was considered a "pre-existing condition". Even when a service is covered by a short-term plan, complications or follow-up visits resulting from a covered service could be considered a pre-existing condition, and therefore not covered.

The Landscape.

Federal Changes New federal rules for short-term health plans, became effective on October 2, 2018. The rule extends the limit of short-term plans from 3 months to 364 days, and allows them to be renewed for up to 3 years. Short-term plans do not have to provide comprehensive benefits including coverage for hospitalization, maternity care, preventive care, prescription drugs, mental health services, substance use disorder treatment, or pre-existing conditions—all benefits which are covered by qualified health plans under the ACA. The new rule also requires short-term plans to disclose that these benefits may not be covered, however, there is no federal standard for reporting coverage exclusions. New guidelines for federally funded, health insurance navigators will require navigators to promote short-term plans, regardless if that’s the best option for the consumer. Because Colorado’s health insurance navigators are state funded, these guidelines do not apply.

Mapping Pre-existing Conditions across the U.S. 0% of Non-elderly Adults with a Pre-existing Condition

Source: Kaiser Family Foundation analysis.
Current Colorado Law  Colorado law (10–16–102) limits short-term plans to 6 months, non-renewable. Colorado Regulation 4–2–41 requires insurance companies to include a disclaimer when selling short-term plans, notifying the consumer that these plans do not qualify as minimum essential coverage—in other words, they do not meet the protections required by the Affordable Care Act. Short-term plans are also required to cover certain benefits outlined in Colorado statute. Even these benefits may no longer be covered when a short-term plan is re-purchased, as the need for that benefit can be considered pre-existing condition. The mandated benefits Colorado short-term plans must cover are not the same as essential health benefits, which are covered by ACA-compliant plans. The DOI has also released Bulletin 4.72 which clarifies that short-term plans cannot be marketed as substitutes for ACA-compliant plans. However, unlike regulations, DOI bulletins are not enforceable.

The Solution. CCHI supports policies that:

1) **Standardize Loss Ratio** Protect the consumer by requiring short-term plans to meet the same medical loss ratio (MLR) as ACA-compliant plans.
2) **Collect Data** Require the same data to be publicly available through the DOI as ACA-compliant health insurance policies.
3) **Establish Robust and Standardized Disclosures** Ensure that detailed plan information be disclosed to consumers, and presented through a standardized form, prior to purchase. This form would include plan information such as premium rate, list of services covered, maximum out-of-pocket, lifetime or annual dollar caps, and any other limitations or exclusions.
4) **Restrict Short-term Plan Sale During Open Enrollment** Restrict the sale and purchase of short-term plans during the annual ACA open enrollment period, encouraging people to buy comprehensive coverage.
5) **Require Short-term Plans to Cover Essential Health Benefits (EHBs)** Mandate comparable coverage between ACA-compliant plans and short-term plans by requiring short-term plans to cover EHBs.
6) **Prohibit Pre-existing Condition Exclusions** Prevent patients from being subject to significant out-of-pocket costs by requiring short-term plans cover pre-existing conditions.
7) **Reinforce Short-term Plan Marketing Prohibitions through Regulation** Clarify prohibitions on deceptive short-term plan marketing strategies by publishing DOI Bulletin 4.72, which states “short-term limited duration health insurance policies that are marketed as a substitute for, an alternative to, a replacement of, or as equivalent to an ACA-compliant health benefit plan, or including services that do not meet the definition for the line of business for that product, may be found in violation of § 10–3–1104(1), C.R.S.”, as a regulation.

In Colorado, some of the mandated benefits short-term plans are required to cover are:

- Complications of Pregnancy and Childbirth
- Maternity
- Mental Health and Substance Use Disorder
- Hospice Care
- Prostate Cancer Screening
- Prosthetic Devices
- Cervical Cancer Vaccines
- Preventive Health Care Services

“Short-term insurance is only good if you’re healthy.”
~ Norm Balvin (Husband of Jeanne Balvin)

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1. Title 10-16-102(18) C.R.S.
8. See Reference 2
9. See Reference 2
10. C.R.S. 10-16-104
11. Ibid
12. See Reference 4