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Don't Get Caught Short

Short-term Plans Offer Little Coverage and Come with Potential for Large Medical Bills

Short-term Health Insurance Plans, which offer limited health coverage for periods of less than a year, are being marketed more aggressively this year. Because of policy changes by the Trump administration that have largely eliminated federal regulation of these plans, consumers need to understand the limitations of this type of insurance coverage and the risks of having coverage that may not cover basic health care needs.

Rachel's Story

Consider, for example, the experience of Rachel who played recreational volleyball for years but stopped after a doctor suggested finding a sport that placed less stress on her aching knees. After working as a computer programmer for over 10 years, Rachel joined with several friends to create a new software start-up company. She needed insurance and opted for a short-term plan with the hope that the new company would secure revenues and later provide health insurance.

Rachel twisted her knee after slipping on some ice outside her home. Her doctor diagnosed a knee injury that required surgery. Her short-term insurer, allowed by law to limit coverage for pre-exiting conditions, reviewed Rachel's past medical records related to her knees. The company indicated that Rachel's knee injuries were pre-existing and refused to cover the operation that cost over $20,000.

Background

Stories like Rachel's are commonplace for people who end up getting short-term health plans. Short-term plans do not have to cover the same basic health care services required under the Affordable Care Act. Insurers offering these plans require applicants to submit health information in order to determine the scope of benefits and level of coverage. They also use that information to set prices or decide who they are willing to cover. Unlike ACA plans, short-term plans do not have to cover people with pre-existing conditions.

The Affordable Care Act (ACA) limited these plans to terms lasting less than three months, and insurers often marketed them as a solution for people experiencing a gap in coverage or only needing coverage for a short period of time. The Trump administration extended short-term plans for up to 364 days, which may strain the health and stability of the ACA Marketplace.

Short-term plans are not required to cover any specific health care. They are only renewable at the discretion of the insurance company, so if someone has "used" their health insurance too much or gets sick, the insurer may very well not renew their policy, which would mean they would have to find coverage somewhere else. That might be difficult because the ACA doesn't consider short-term plans comprehensive health insurance, which means that someone losing short-term plan coverage does not qualify for a special enrollment period. As a result, they cannot buy a subsidized Marketplace plan until the next open enrollment period.

Short-term plans often fail to cover basic health care needs and could leave consumers in the lurch if they need prescription drugs or to access treatment for common issues such as mental health or substance use challenges, or chronic pain. Because these plans aren't governed by ACA consumer protection rules, companies are required to include a disclaimer warning consumers to "check your policy carefully to make sure you are aware of any exclusions or limitations regarding coverage of preexisting conditions or health benefits."

Short-term Plans in Wisconsin

Kids Forward looked at each of the short-term plans available in Wisconsin to see what they cover, what they exclude, and how different they are from ACA regulated health insurance. Insurance Form Filings are available via the SERFF Filing Access Website.. As of September, Kids Forward found eight short-term plans active in Wisconsin:

- Independence American Insurance Company
- National Health Insurance Company
- Philadelphia American Life Insurance Company
- United States Fire Insurance Company
- Wisconsin Physicians Service Insurance Corporation (WPS)
- Companion Life Insurance Company
- Golden Rule Insurance Company
- Unified Life Insurance Company

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All of these plans offer no or very limited coverage for pre-existing conditions, and they can charge sick people more than healthy people. Because these plans do not offer standardized benefits and the insurers charge people based on their health status, the deductibles, co-pays, and co-insurance vary widely from person to person and from plan to plan. All of this is in stark contrast to the plans governed by the ACA, which offer insurance to everyone, cover pre-existing conditions, and cannot discriminate based on health status.

While the plans differ, many of them charge similarly high rates for coinsurance, which is the percentage a customer pays for a covered health care service, after the deductible has been paid. Some plans have a 70% coinsurance rate or higher. This means that the consumer would be responsible for more than two-thirds of their medical bill, and their insurance would only cover less than one-third of that bill. This patient portion is in addition to any other out of pocket costs, including insurance premiums.

Unlike ACA plans, many also have limits on how much the company is willing to pay during the life of the policy. In addition to frequently having life-time limits and high cost-sharing rates, short-term plans have many exclusions that make getting coverage for basic needs difficult and sometimes impossible.

Common exclusions or limitations for Wisconsin's short-term plans include:

- None of plans offered in Wisconsin include coverage for pre-existing conditions.
- All of the plans include a lifetime cap on what they will pay for covered services.
- All but one plan excludes maternity care. This means there is no coverage for pregnancy, childbirth, or any other related services.
- Half of the plans don't have mental health coverage, and half have either no coverage or limited coverage for substance use disorders.

Buyer Beware

These limitations effectively exclude many people seeking health coverage. A report by CMS, the federal government agency that oversees Medicare, Medicaid, and the ACA, found that 1 out of 2 Americans could be excluded by pre-existing condition policies. This is more common with older adults (since 73% of adults aged 45-65 have a pre-existing condition according to insurers), but about one in three people aged 18-24 would also be affected by policies excluding coverage for pre-existing conditions. This means that, because of their health status, short-term plans could potentially leave gaps in coverage for half the population.

Because of the very limited coverage for mental health care, maternity care, prescription drugs and outpatient medications, calling short-term plans "insurance" is really a misnomer. They too often fail to cover basic health care needs.

In addition to the many, complicated exclusions, short-term plans often use a practice called medical underwriting. That means prices may be different based on age, gender, or health status. A review of short-term plans by the Center for Budget and Policy Priorities found that a short-term plan offered by National Health Insurance Company with a $5,000 deductible would cost 20% more per month for a 40-year-old woman, compared to a 40-year-old man. These discriminatory price differences create even more barriers for people seeking care under these plans.

What Policymakers Should Do

Several other states have banned short-term plans, but in states like Wisconsin these sub-par plans are often promoted as a solution to rising health care costs. Companies often market their short-term plans as cost-saving alternatives to ACA coverage; however, in reality, these plans do not meet minimum ACA standards, frequently fail to meet basic health needs, and can leave consumers who thought they were covered with many thousands of dollars in unpaid medical bills.

Short-term plans are not a viable alternative to ACA coverage. They provide less coverage, little to no consumer protections, and likely have higher out-of-pocket costs – especially for those who qualify for discounts through Healthcare.gov (who currently comprise about 8 out of 10 Wisconsinites who buy Marketplace plans). Wisconsin should join states like Colorado, Illinois, and New Mexico that provide meaningful protections for people with pre-existing conditions by passing laws that regulate or ban short-term plans, which offer little to no consumer protections. *Updated 12/12/2019*

Written by: Hayley Young and William Parke-Sutherland