



## EXPANSION OF SHORT-TERM HEALTH PLANS

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The Affordable Care Act (ACA), or Obamacare, imposed high costs on health insurance markets and premium prices. To address these adverse impacts, President Trump issued Executive Order 13813 to promote healthcare choice and competition.<sup>1</sup> The Trump Administration subsequently finalized a rule, effective October 2018, that expanded access to short-term, limited duration insurance (STLDI).<sup>2</sup> The D.C. Court of Appeals upheld the STLDI rule in a 2-1 ruling in July 2020.<sup>3</sup>

- **Obamacare Premiums are Expensive and Non-Competitive.**
  - Obamacare individual health plans are expensive. In 2017, the average premium in the 39 states using the federal Exchange more than doubled the premium recorded in 2013.<sup>4</sup>
  - This is exacerbated by a lack of competition in healthcare markets. In 2018, 26 percent of enrollees living in 52 percent of counties had access to only one insurer on the Exchange.<sup>5</sup>
  - As premiums rose, major private insurers began to offer STLDI plans. Enrollment in these plans increased by 121% from 2012 to 2016, even as enrollees were subject to the former Obamacare individual mandate penalty.<sup>6</sup>
- **STLDI Policies Are Affordable, Flexible, and Competitive.**
  - These policies create competition by providing a short-term alternative to Obamacare and are an estimated 50 to 80 percent cheaper than Obamacare plans.<sup>7</sup>
  - Enrollment may only require responses to “yes/no” questions and can take effect as early as the next day.<sup>8</sup>
  - STLDI plans are excluded from the definition of “individual health insurance coverage,” and not required to provide all 10 categories of benefits mandated for such plans.<sup>9</sup> Instead, individuals can choose plans with coverage that aligns with their needs.
  - They are also exempt from Obamacare’s “community-rating” regulations which impose uniform premium levels across broad demographic groups, regardless of healthcare costs.<sup>10</sup>
  - STLDI plans may not be the best option for every individual.<sup>11</sup> However, expanding STLDI plans provides an option that returns power to people, and not Washington.
- **The STLDI Rule Expands Short-Term Insurance Policies.**
  - Previously, STLDI policies had a maximum length of under three months.<sup>12</sup> The final rule amends the definition of short-term, limited duration insurance to mean health coverage, with a:
    - Specified end date of less than 12 months after the contract’s effective date; and
    - Duration of up to 3 years total, with renewals or extensions.<sup>13</sup>
  - The rule does not change or eliminate existing rules governing plans under Obamacare.

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<sup>1</sup> Exec. Order No. 13813, 82 Fed. Reg. 48385 (Oct 12, 2017), <https://www.federalregister.gov/documents/2017/10/17/2017-22677/promoting-healthcare-choice-and-competition-across-the-united-states>.

<sup>2</sup> Specifically, the IRS, HHS, and the DOL Employee Benefits Security Administration.

<sup>3</sup> *Association for Community Affiliated Plans v. Department of the Treasury*, No. 19-5212 (D.C. Cir. 2020).

<sup>4</sup> ACA plans further drove up premiums by forcing some individuals to pay for coverage and services they did not need or could not afford.

<https://www.federalregister.gov/documents/2017/10/17/2017-22677/promoting-healthcare-choice-and-competition-across-the-united-states>

<sup>5</sup> *Kaiser Family Foundation*, “Insurer Participation on ACA Marketplaces, 2014-2018,” <https://www.kff.org/private-insurance/issue-brief/insurer-participation-on-aca-marketplaces-2014-2020/> (November 10, 2017).

<sup>6</sup> Manhattan Institute, *Renewable Term Health Insurance: Better Coverage than Obamacare*, (May 16, 2019), <https://www.manhattan-institute.org/cheaper-health-insurance-alternatives-to-obamacare-for-low-medium-risk-patients>.

<sup>7</sup> <https://www.whitehouse.gov/briefings-statements/president-donald-j-trumps-administration-working-provide-flexible-affordable-healthcare-options-americans/> (August 1, 2018).

<sup>8</sup> Short-term health insurance by state, <https://www.healthinsurance.org/short-term-health-insurance/#gone> (Last accessed September 23, 2020).

<sup>9</sup> Short-Term, Limited-Duration Insurance Rule, 83 FR 38212 (August 3, 2018), <https://www.federalregister.gov/documents/2018/08/03/2018-16568/short-term-limited-duration-insurance>.

<sup>11</sup> For example, individuals with pre-existing conditions or those who need more comprehensive coverage.

<sup>12</sup> Cato Institute, “Comments on Short-Term, Limited Duration Insurance – CMS-9924-P,” (April 23, 2018),

<https://www.cato.org/sites/cato.org/files/pubs/pdf/cannon-short-term-insurance-comment-update.pdf>.

<sup>13</sup> Short-Term, Limited-Duration Insurance Rule, 83 FR 38212 (August 3, 2018), <https://www.federalregister.gov/documents/2018/08/03/2018-16568/short-term-limited-duration-insurance>.