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There's a BIG difference between short-term medical insurance and other policies

A quick guide to understanding the nuances between health plan options

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In choosing a health plan, it is important to understand not only what the monthly premium will be, but what is (and is not) covered by the plan.

Recent federal regulations related to short-term limited duration health insurance (STLDI or "short-term" plans) have expanded the types of health coverage options available in today's market. Having choices helps employers and individuals tailor coverage to their particular needs. Making the right choice, however, can be complicated, because coverage differs widely between various types of plans. It's important to understand not only what the monthly premium will be, but also what the insurance plan does – and does not – cover. This article provides a brief guide to help employers and employees navigate some common health plan options.

Some common coverage options – at a glance

Coverage	General Purpose	Key Characteristics
Affordable Care Act (ACA)-compliant major medical coverage.	Comprehensive major medical coverage. Intended to serve as an individual's primary medical coverage.	Available in employer large- and small-group markets and individual market. Subject to all ACA requirements, including essential health benefits (small group and individual), no annual or lifetime dollar limits on benefits, no exclusions for pre-existing conditions and no individual underwriting for eligibility or premiums.
Short-term insurance or short-term limited duration insurance (STLDI).	Considered a type of primary medical coverage. Intended for individuals who have a temporary gap in coverage (e.g., between jobs or between school and job). May be of interest to healthy individuals or others looking to bridge the gap to ACA-compliant major medical coverage.	Available in the individual market. Not subject to any ACA requirements. Premiums vary based on scope of benefits provided and individual health status. Pre-existing conditions generally not covered. With renewals, can potentially last up to 36 months; however, insurers are not required to renew the coverage.

Coverage	General Purpose	Key Characteristics
Supplemental insurance coverage (e.g., accident, disability, cancer or critical illness coverage, hospital indemnity products). Sometimes called "excepted benefit" coverage.	Additional financial protection in the case of illness or injury. Not intended to serve as primary medical coverage.	Available as group and individual products. Typically pays a fixed cash benefit upon a covered event regardless of medical expenses incurred. Benefit payments may be used for any purpose (e.g., expenses not covered by major medical insurance or other financial needs of the insured).

Affordable Care Act (ACA)-compliant major medical coverage

Plans subject to the Affordable Care Act provide comprehensive major medical coverage. These plans are intended to serve as an individual's primary medical coverage and are required to meet a variety of federal standards designed to help ensure both access to coverage and the quality of coverage. ACA-compliant insurance products are available in the individual, small-group and large-group markets. Lower-income individuals who purchase individual ACA coverage through a federal or state marketplace (exchange) may be eligible for a premium tax credit to help pay the premium for the coverage.

ACA plans :

- Must provide coverage for 10 categories of essential health benefits in the individual and small-group markets.
- Must cover certain preventive care services without any cost to the individual (e.g., copayment or deductible).
- Cannot have any lifetime or annual dollar limits on essential health benefits.
- Must comply with federal limits on out-of-pocket expenses for in-network benefits.
- Cannot exclude or limit coverage for pre-existing conditions.
- Cannot charge individuals premiums that vary by health status (at enrollment or renewal).

ESSENTIAL HEALTH BENEFITS

Individual and small-group ACA plans must provide coverage for 10 categories of essential health benefits:

- Preventive care;
- Doctor's visits and other out-patient care;
- Hospitalization;
- Emergency services;
- Maternity and newborn care;
- Medical health and substance use disorder services;
- Prescription drugs;
- Lab services;
- Rehabilitative and habilitative services and devices; and
- Pediatric care, including dental and vision care.

- In the individual market, must be guaranteed issue, meaning that the insurer cannot deny coverage (e.g., based on health status) if the individual is enrolling during an open or special enrollment period.
- Must be guaranteed renewable in the individual market, meaning that the coverage must renew at the individual's option.
- Must comply with a variety of other requirements, such as medical loss ratio rules.

Until Jan. 1, 2019, individuals who do not have ACA-compliant health coverage may have to pay a federal tax penalty.

Short-Term, Limited Duration Insurance (STLDI)

Short-term insurance plans are individual market products. As the name suggests, STLDI plans are designed for individuals who are transitioning from one type of primary medical coverage to another and have a temporary gap in coverage. Due to the short-term nature of these plans, they are not subject to ACA requirements. Historically, short-term coverage has generally been limited to a total coverage period of less than 12 months. New federal regulations issued in August 2018, however, allow short-term plans to continue for a total coverage period (including any renewals) of 36 months.

STLDI is generally considered a type of major medical coverage, because individuals who have such coverage typically rely on it as their primary health insurance. However, since short-term plans are not subject to ACA requirements, this coverage is very different from ACA-compliant coverage and individuals considering short-term coverage should be aware of their difference.

Short-term coverage can be useful in some situations (e.g., for individuals who are looking for coverage just until the next ACA open enrollment period). Because short-term coverage is less comprehensive than ACA-compliant coverage, it can also be much cheaper, particularly for healthy individuals.

Key differences between ACA-compliant coverage and short-term coverage:

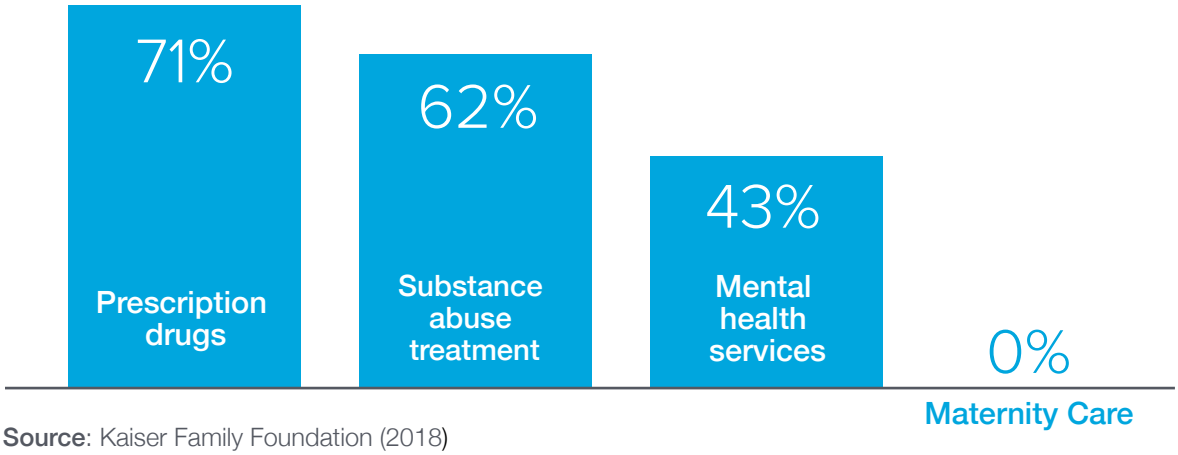
- Short-term plans are not required to cover pre-existing conditions and typically do not.
- Insurers are not required to offer coverage to all individuals. For example, insurers may refuse coverage based on health status.
- Premiums are based on individual medical underwriting, meaning that less healthy individuals or individuals at higher risk for health problems (e.g., older individuals) may pay more for coverage.
- Short-term plans are not required to cover essential health benefits. For example, some plans may not cover prescription drugs, maternity care or other essential benefits.
- Short-term plans may impose annual and/or lifetime dollar limits on benefits.

- Federal law allows short-term plans to be renewed for a total period of 36 months but does not require insurers to renew the coverage. For example, if an individual with short-term coverage gets sick, the insurer is not required to renew the short-term coverage when it ends. In such a case, the individual may need to wait for an open enrollment period to obtain ACA-compliant coverage.
- Short-term coverage does not satisfy the ACA individual mandate in effect until Jan. 1, 2019.

Short-term coverage is not the same as COBRA continuation coverage which may be available when an employee or covered family member loses employer group health coverage (e.g., upon termination of employment or divorce). COBRA coverage is ACA-compliant major medical coverage.

Percent of short-term plans covering select benefits

The analysis examines 24 distinct short-term insurance products currently marketed in 45 states and the District of Columbia through eHealth or Agile Health Insurance.



Source: Kaiser Family Foundation (2018)

The federal expansion of short-term coverage to 36 months (including renewals) has been welcomed by some but has also created controversy and concern about the potential impact on covered individuals and the individual insurance market as a whole. States may impose additional restrictions on short-term coverage (e.g., restricting the coverage period or imposing benefit mandates). Thus, the scope of short-term coverage may vary state by state and the full impact of the new rules on the market may not be clear for some time.

Supplemental coverage (e.g., accident, cancer, hospital indemnity)

Supplemental insurance policies are designed to provide an additional layer of financial protection in the case of an accident or illness. These types of policies are different from ACA-compliant plans and STLDIs because they aren't intended to serve as primary major medical coverage or a substitute for

such coverage. For this reason, federal and state law have long recognized these plans as "excepted benefits." They are generally "excepted" from requirements that apply to major medical coverage, including the ACA requirements.

These types of policies include:

- Accident.
- Disability.
- Specified disease policies that pay benefits for particular illnesses (e.g., cancer or critical illness policies).
- Hospital fixed indemnity policies that pay a specified amount due to hospitalization.

Unlike typical primary medical policies, they generally pay a cash benefit triggered by covered accident or illness unrelated to the amount of expenses incurred. This cash benefit can be used for any purpose as determined by the policyholder, whether to pay for the out-of-pocket costs that add up even with major medical insurance or for other financial needs.

Which is best for me?

Whether budget is the top concern or quality is most important, it is helpful to have options for health coverage. It is also important to understand each of the options and how they fit together to provide you with the best overall benefits package. Research plans before you buy and consult with a benefits expert to help determine the benefits package that is right for you.

Source

[1] Kasier Family Foundation (2018). Most short-term health plans don't cover drug treatment or prescription drugs, and none cover maternity care. Accessed on Sept. 10, 2018, from kff.org/health-reform/press-release/analysis-most-short-term-health-plans-dont-cover-drug-treatment-or-prescription-drugs-and-none-cover-maternity-care/.