



# Short-term Plans

**M** Myth: Short-term plans provide insufficient coverage.

**R** Reality: **By design, short-term plans give each consumer what they want.**

Short-term plans place the consumer in the driver's seat. Individuals can choose their level of deductible, length of coverage, and the level of benefits. Although short-term plans are exempt from some regulations mandated in the individual market, these affordable and temporary plans offer consumers another coverage option which can be designed to meet their individual needs.<sup>1</sup> Because they can be bought at any time of the year, short-term plans also provide options for individuals who missed the open enrollment period in the individual market and would otherwise be locked out of insurance coverage for the remainder of the year.

**M** Myth: People will lose their current insurance plans.

**R** Reality: **Expanding access to short-term plans gives consumers more choices.**

Strengthening the short-term plan market does not eliminate any options currently available. Individuals can still choose to enroll in individual market plans or keep existing employer coverage. Improving access to short-term plans simply provides additional affordable coverage options for those who need or want them, especially the uninsured, who have been priced out of the insurance market altogether.

**M** Myth: Short-term plans expose consumers to too much financial risk.

**R** Reality: **Short-term plans allow more individuals to have protection against major medical events.**

Nearly 30 million individuals have no health insurance coverage at all, exposing them to major financial risk during unexpected medical events. Having access to affordable short-term plans will help protect these individuals if major medical events occur.

**M** Myth: Malicious insurance companies can mislead consumers with short-term plans.

**R** Reality: **States have laws in place to punish bad-apple insurers.**

Federal rules require that insurers provide consumers with an extensive disclosure before selling policies. Under federal regulations, all short-term plans must provide consumers with disclosures that explain short-term plan coverage. This disclosure includes language noting that these plans are not required to cover all medical costs, do not meet the requirements for the individual mandate, can have lifetime and annual benefit limits, and do not activate a special enrollment period in the federal exchange.<sup>2</sup> States can also pursue legal action against any insurer not following this standard or any other consumer protections required by state law.

**M** Myth: Short-term plans will increase costs for those left in the individual market.

**R** Reality: The availability of short-term plans will have a minor impact on premiums in the individual market.

The Congressional Budget Office (CBO) projected that expanding access to short-term plans would increase premiums by at most two to three percent.<sup>3</sup> However, the Centers for Medicare and Medicaid Services (CMS) reports that net premiums in the individual market will actually decline for the average enrollee as a result of expanded short-term plans.<sup>4</sup> Additionally, average premiums for benchmark exchange plans actually decreased by 1.5 percent for 2019, following the introduction of new short-term plans.<sup>5</sup> Actuaries from Louisiana's largest exchange provider, Blue Cross Blue Shield Louisiana, determined that the rule changes for short-term plans would not increase premiums in the individual market and the provider was able to reduce premiums by up to 15 percent in 2019.<sup>6</sup> Even if the rule change marginally increased premiums, nearly nine out of 10 people on the federal exchange receive subsidies, insulating them from premium increases.<sup>7</sup>

**M** Myth: Short-term plans will harm people with pre-existing conditions.

**R** Reality: Short-term plans do not change rules on pre-existing conditions but do provide new protections for the uninsured and those who may develop conditions.

Individuals with pre-existing conditions will continue to have guaranteed access to plans in the individual market. Expanding access to short-term plans simply provides affordable options outside of the individual market. Strengthening short-term plans also provides new protection for the uninsured and those who may develop medical conditions later. Under previous rules, those buying short-term plans were required to reset their coverage every three months.<sup>8</sup> These limits introduced more uncertainty over the availability and price of their next policies and increased the likelihood that they would be denied coverage if they developed a medical condition during the year. These limits also forced consumers to have their deductibles and out-of-pocket limits reset every three months. By allowing consumers to buy short-term plans for up to 12 months with renewal options for up to three years, individuals buying these plans will have more coverage certainty and protection if they later develop a medical condition.

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