



SHORT-TERM PLANS:

Affordable options for America's uninsured

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KEY FINDINGS

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THE PROBLEM:
HEALTH INSURANCE COSTS ARE
TOO HIGH AND CHOICES ARE
TOO LIMITED.



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THE RESULT:
NEARLY 30 MILLION
INDIVIDUALS REMAIN
UNINSURED.



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THE SOLUTION:
SHORT-TERM PLANS.



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THE BENEFITS:
LOWER COSTS, MORE OPTIONS,
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THE IMPACT:
2.5 MILLION UNINSURED
AMERICANS WILL GAIN HEALTH
INSURANCE.



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THE OPPORTUNITY:
STATES CAN REDUCE BARRIERS
AND HELP MORE INDIVIDUALS
FIND INSURANCE.



BOTTOM LINE:
IT'S TIME TO REMOVE BARRIERS TO AFFORDABLE HEALTH INSURANCE.

THE PROBLEM: Health insurance costs are too high and choices are too limited

Across the country, Americans from all walks of life are rightly concerned about health coverage. Despite promises of increased options and lower costs under ObamaCare, the opposite has happened over the last several years. Premiums have skyrocketed, leaving Americans paying more and more out of pocket with limited choices.

PREMIUMS HAVE MORE THAN DOUBLED

Between 2013 and 2017, premiums in the individual market more than doubled.¹ During that time, nearly 60 percent of states using HealthCare.gov saw premium increases between two and three times and in some cases premiums more than tripled.² In real dollars, average premiums have skyrocketed from roughly \$2,800 per year to nearly \$6,000.³

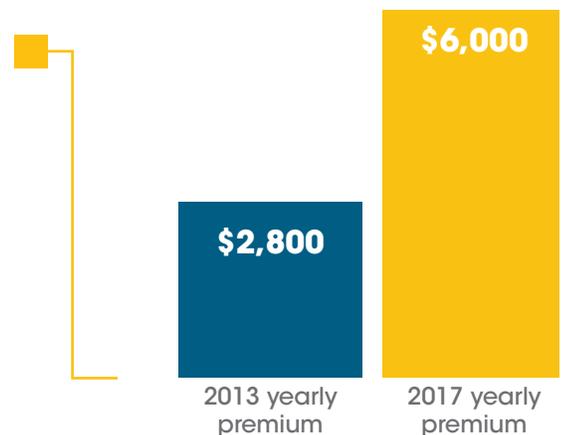
In 2018 alone, benchmark plans in the individual market increased by 37 percent.⁴ Over the next decade, they are projected to increase by roughly seven percent per year.⁵

A survey recently commissioned by eHealth, an online health insurance broker, found that 63 percent of individuals shopping for health insurance say monthly premiums are their number one concern about health care.⁶

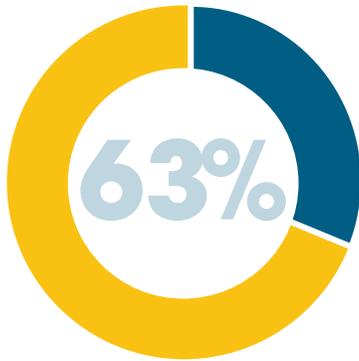
CHOICES ARE TOO SLIM

Individuals who have not been priced out of the market altogether are left with few affordable options. In 2018, consumers in 56 percent of counties had just one insurer to choose from in the individual market.⁷ Eight states have just one insurer offering coverage on the federal exchange and most enrollees have only one or two insurer options.⁸ The small number of plans that are available are often unaffordable.

**IN REAL DOLLARS,
AVERAGE PREMIUMS
HAVE SKYROCKETED
FROM ROUGHLY
\$2,800 PER YEAR TO
NEARLY \$6,000**



Source: Author's calculations



OF UNINSURED SHOPPERS WHO VISITED HEALTHCARE.GOV IN THE PAST YEAR AND DID NOT PURCHASE A PLAN CITED HIGH PREMIUMS AS THE PRIMARY REASON

'AFFORDABLE' COVERAGE IS NOT AFFORDABLE

According to a 2018 survey by eHealth, only one in four individuals shopping for health insurance are willing to spend more than \$200 per month.⁹ More than a third said insurance was only affordable at \$100 or less per month.¹⁰

However, the percentage of current enrollees on the federal exchange with access to a plan that costs \$200 or less was just six percent in 2018.¹¹ Federal data shows that nearly half of all federal exchange enrollees have no access to any plans that cost less than \$400 per month.¹²

THE RESULT: Nearly 30 million individuals remain uninsured

As a result of skyrocketing premiums and few options, millions of Americans are being priced out of the health insurance market altogether. In fact, 63 percent of uninsured shoppers who visited HealthCare.gov in the past year and did not purchase a plan cited high premiums as the primary reason.¹³

Nearly 30 million individuals remain uninsured today and that number is projected to continue to grow.¹⁴ The Centers for Medicare and Medicaid Services (CMS) projects that nearly 38 million people will be uninsured by 2026 under the status quo.¹⁵

All of these trends—skyrocketing premiums, reduced choices, and millions left uninsured—are alarming and should grab policymakers' attention. Thankfully, states have a new opportunity to begin solving all three of these problems.

THE SOLUTION: Short-term plans

In October 2018, millions of Americans gained access to more affordable options as a result of rules issued by the Trump administration.¹⁶

The federal rule does two simple things: first, it allows individuals to keep short-term, limited duration insurance plans, or short-term plans, for a period of up to 364 days.¹⁷ Second, it gives Americans the opportunity to renew these plans for up to three years.¹⁸

This standard itself is not new. In fact, the same one existed for nearly twenty years, until—eight days before the 2016 election—the Obama administration suddenly prohibited consumers from buying short-term plans for longer than three months at a time.¹⁹

WHAT ARE SHORT-TERM PLANS?

Short-term plans are temporary insurance plans that provide health coverage for individuals and families for a limited period. Short-term plans can be purchased at any time, unlike other plans available on the individual market which restrict enrollment to open enrollment periods or following a life-changing event.²⁰ Coverage usually begins within a few days compared to other medical coverage that can take several weeks to begin.²¹ Because short-term plans are not subject to all of the same federal regulations as plans in the individual market, premiums are far more affordable and insurers can offer more customized choices.

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THE BENEFITS: Lower costs, more options, and available at any time

A survey of short-term plans currently available nationwide finds that the short-term market offers eight times as many plan designs and options as the individual market.²² In fact, Americans shopping in the short-term market have access to 160 plans on average, compared to just 20 plans in the individual market.²³

Americans who want to shop for short-term plans also have more insurers to choose from. When compared to the individual market, consumers have twice as many insurers that they can shop around with.²⁴ Ultimately, more options mean a better chance that someone can find a plan that meets their specific needs.

Data also shows that short-term plans are significantly less expensive than plans sold in the individual market. An analysis of plans sold through Agile Health Insurance, one of the nation's top short-term plan brokers, are nearly 60 percent less expensive on average.²⁵

In some areas, the savings are even higher: in Denver, Colorado, for example, premiums in the short-term market are a staggering 74 percent lower. Even better, most short-term plans nationally cost less than \$200 per month, while virtually no plans in the individual market are that affordable.²⁶

Other analyses have produced similar findings, with some finding short-term plans to be up to 80 percent less expensive than the lowest-cost bronze plan in the individual market on average, and up to 93 percent less expensive in some states.²⁷

Because short-term plans can be purchased at any time, they offer an important protection for Americans who may fall on expected hard times—losing their job and their insurance along with it—or for Americans who want more flexibility and ownership over when they purchase their insurance.

SHORT-TERM PLANS ARE 59 PERCENT LESS EXPENSIVE THAN INDIVIDUAL MARKET PLANS

Average monthly premium for a 40-year-old non-smoking female in select cities, by market type



Source: Agile Health Insurance

THE IMPACT: 2.5 million uninsured Americans will gain health insurance

The expansion of short-term plans will provide more affordable options for millions of Americans who have been priced out of the market. Under the new landscape, more than three million individuals are projected to purchase short-term plans, including 2.5 million who are currently uninsured.²⁸

This includes seniors not yet eligible for Medicare, young people who have lost eligibility for their parents' plans or are just getting into the workforce, individuals who are between jobs, and more.

Many of the uninsured have been priced out of the individual market by high out-of-pocket costs and limited options. Whether a short-term plan is the right fit for these individuals varies based upon their unique needs and circumstances. But one thing is clear: that is a determination individuals should have the right to make for themselves and, unfortunately, too many states are currently standing in their way.

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THE OPPORTUNITY: States can reduce barriers and help more individuals find insurance

Many states have barriers in place that prevent Americans from receiving the full benefits of the new federal rule. For example, some states have laws on the books that mirror the Obama-era rule and prohibit short-term plans from being issued for more than three months. Other states allow plans to be issued for longer periods of time but limit or prohibit their renewability.

Even more troubling, some states—like California, Maryland, and Washington—have recently moved to undermine the new rule and block efforts by local insurers to offer more short-term plans.²⁹⁻³¹

The bottom line is that there are a host of ways states are holding back new, affordable health care options for hard-working Americans and the uninsured.

The fix is simple: **states should remove existing issuance and renewability barriers and instead mirror the standard set forth in the new federal rule.** This would allow Americans to buy plans for up to a year and renew them for up to 36 months.

By choosing this path, policymakers will be unleashing new options that cost less than half the cost of the average individual market plan, and they will be increasing options for uninsured Americans who have been priced out of the market, bringing much-needed relief.

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