



# The Truth About Short-Term Plans

Short-term plans are limited-duration health plans that provide affordable options for consumers. However, many myths surrounding their structure have unnecessarily distorted the real benefits short-term plans can provide.

**M** Myth: Short-term plans don't offer many key Affordable Care Act (ACA) benefits.

**R** Reality: Many short-term plans throughout the country offer several essential health benefits (EHBs) outlined in the ACA.<sup>1</sup>

Indeed, there is only one EHB (out of 10) that is unavailable throughout short-term plans in a variety of states.<sup>2</sup> Otherwise, access to short-term plans that cover the overwhelming majority of EHBs is robust across the country.<sup>3</sup>

Ironically, states that restrict short-term plans actually create the unintended consequence of short-term plans with fewer benefits. For instance, in states where short-term plans are fully available, the mental health EHB is 50 percent more available, on average, than in states that have restrictions on short-term insurance.<sup>4</sup> These differences persist across different EHBs.<sup>5</sup>

**M** Myth: Short-term plans are inherently "junk" because of a lack of ACA requirements.

**R** Reality: Many of the ACA restrictions, regulations, and rules force insurers to be less competitive and more costly in the plans they offer.<sup>6-7</sup>

These are the same restrictions that have contributed to premiums doubling since 2013 (the year the ACA was implemented), while tens of millions of Americans remain uninsured—even prior to COVID-19.<sup>8</sup> By avoiding the red tape in the ACA, short-term plans are far less expensive for Americans. They present a better bargain for millions of Americans unable to afford individual market plans post-ACA.

**M** Myth: Short-term plans offer little value to consumers.

**R** Reality: Short-term plans are flexible and affordable options for millions of Americans—whether they are out of work due to COVID-19, between jobs, or have a different gap in coverage they need to fill.

Alternatives to short-term insurance like COBRA are far more expensive, with premiums of about \$7,000 per year for individuals and \$20,000 for most families.<sup>9</sup> In contrast, the premiums for short-term plans are between 50 and 80 percent lower than those for individual market plans, on average, and far lower than COBRA premiums.<sup>10</sup>

And it's not just premium savings where consumers can benefit from short-term plans. In both out-of-pocket costs and comprehensive coverage, short-term plans are often less costly when compared to their individual market counterparts. For example, a Blue Cross Blue Shield bronze-level ACA plan for a 30-year-old, nonsmoker male in Atlanta charges \$296 in monthly premiums with a \$5,200 deductible and \$7,900 out-of-pocket maximum.<sup>11</sup> But the same individual can buy a UnitedHealthcare bronze-like short-term plan for \$209 per year in premiums, with a \$5,000 deductible, and a \$7,000 out-of-pocket maximum.<sup>12</sup> Put simply, that's a roughly 29 percent lower premium, a four percent lower deductible, and an 11 percent lower out-of-pocket maximum—with better out-of-network protection. These cost savings and value advantages persist when comparing silver-level exchange plans to silver-like short-term plans.<sup>13</sup>

**M** Myth: Short-term plans leave those with pre-existing conditions out to dry.

**R** Reality: **Only five percent of the American population has high-cost, pre-existing conditions at any one time, and these individuals have access to ACA plans (which are heavily subsidized in many cases) that offer full coverage.**<sup>14</sup>

Short-term plans appeal to a different segment of the market. Short-term plans are simply another option that can be appealing to the overwhelming majority of the market that doesn't fall into this category, making the pre-existing conditions argument grossly exaggerated.

Additionally, those with pre-existing conditions are actually better able to purchase short-term insurance compared to pre-ACA individual market plans. For example, 18 percent of attempts to purchase health insurance prior to the ACA were denied due to pre-existing conditions.<sup>15</sup> But this rate declined to 13 percent of attempts in the short-term marketplace post-ACA.<sup>16</sup>

**M** Myth: Short-term plans offer access to only narrow networks with limited providers.

**R** Reality: **The ACA exchanges are marred by narrow networks with many health maintenance organization (HMO) plan types.**<sup>17</sup>

In stark contrast, short-term plans tend to be preferred provider organization (PPO) plans that offer much broader access to providers. As a result, short-term plans often promote broader networks.<sup>18</sup>

**M** Myth: The duration and timeline of short-term plans is a disadvantage.

**R** Reality: **For the many states that allow short-term plans to be renewed for up to three years, patients have additional protection and certainty of coverage for multiple years.**

In contrast, states that restrict the length of short-term plans mean that consumers will have their deductibles reset more often. Put simply, it's up to states to take advantage of the full federal rules that allow the expansion of short-term plans.

Additionally, short-term plans can start in just a week or two.<sup>19</sup> In contrast, ACA plans typically take more than a month for coverage to begin and require you to purchase the plan during a limited open enrollment period (unless you have a qualifying event).<sup>20</sup>

**M** Myth: Short-term plans are legally questionable.

**R** Reality: **In 2018, the Trump administration published a final rule expanding the duration of short-term plans for up to three years.**

Despite court challenges, this rule was upheld by a federal district court, and subsequently upheld by a U.S. Court of Appeals for the D.C. Circuit.<sup>21</sup> Additionally, short-term plans have a long history of being recognized by the federal government via legislation and rulemaking.<sup>22</sup>

**M** Myth: Short-term plans are deceptively marketed.

**R** Reality: Insurers have several state and federal requirements they must follow when marketing short-term plans.

For example, federal law requires a clear disclaimer when offering these plans indicating they are not ACA coverage. Failure to comply with this requirement can result in significant penalties.<sup>23</sup> Additionally, state regulators have the power to further impose sanctions and penalties in order to hold insurers accountable for fraud. Finally, health insurance brokers can play an important role to help consumers pick the right plan.

**Bottom Line: Short-term plans are affordable plans for millions of Americans that still offer coverage at a better value, with legal certainty and consumer protections in place.<sup>24</sup>**

They have allowed many previously uninsured consumers to gain affordable coverage, and offer coverage for those in transition between jobs as well as those in need of insurance to fill another type of coverage gap.

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2. Ibid.
3. Ibid.
4. Ibid.
5. Ibid.
6. Brian Blase and Doug Badger, "The Value of Short-Term Plans: Rebutting The Energy and Commerce Democratic Staff Report," Health Affairs (2020), <https://www.healthaffairs.org/doi/10.1377/hblog20200813.226193/full/>.
7. Chris Pope, "Renewable Term Health Insurance: Better Coverage Than Obamacare," Manhattan Institute (2019), <https://www.manhattan-institute.org/cheaper-health-insurance-alternatives-to-obamacare-for-low-medium-risk-patients>.
8. Foundation for Government Accountability, "Short-Term Plans," FGA (2019), <https://thefga.org/research/short-term-plans/>.
9. Brian Blase, "Not 'Junk': Setting the Record Straight on Short-Term Health Coverage Plans," Daily Signal (2019), <https://www.dailysignal.com/2019/10/23/not-junk-setting-the-record-straight-on-short-term-health-coverage-plans/>.
10. Foundation for Government Accountability, "Short-Term Plans," FGA (2019), <https://thefga.org/research/short-term-plans/>.
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12. Ibid.
13. Ibid.
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15. Ibid.
16. Ibid.
17. Ibid.
18. Ibid.
19. eHealth, "Catastrophic Health Insurance," eHealth (2020), <https://www.ehealthinsurance.com/resources/affordable-care-act/catastrophic-insurance>.
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21. Katie Keith, "Appeals Court Upholds Rule Relaxing Short-Term Plan Restrictions," Health Affairs (2020), <https://www.healthaffairs.org/doi/10.1377/hblog20200719.720906/full/>.
22. Brian Blase and Doug Badger, "The Value of Short-Term Plans: Rebutting The Energy and Commerce Democratic Staff Report," Health Affairs (2020), <https://www.healthaffairs.org/doi/10.1377/hblog20200813.226193/full/>.
23. Ibid.
24. Ibid.