

Interim Hearing: federal orders affecting the Texas health insurance marketplace

Senate Business and Commerce Committee

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Takeaways: Short-term plans shortchange consumers

- Voters in mid-terms overwhelmingly supported protections for people with pre-existing conditions.
- Individual market is a critical source of coverage for people who don't have job-based coverage: self-employed individuals, small business owners/employees, part-time workers, low-wage workers, early retirees and their families.
- Market instability has made it much harder for middle and upper income enrollees to afford coverage.
- “Short-term” plans -- cheap, but bad, coverage -- are not a good solution.
 - Coverage is insufficient, even as catastrophic coverage, leaving patients exposed to medical bankruptcy
 - Makes full coverage more expensive for people with pre-existing conditions
- 22 states place additional restrictions on short-term plans.
- A balanced approach would ensure short-term plans can fill coverage gaps, without morphing into inadequate long-term coverage and eroding access for people with pre-existing conditions.

Short-term plans pose unique risks for consumers

	ACA-compliant plans	Association health plans	Short-term plans
Coverage of pre-existing conditions	✓	✓	✗
Must offer coverage to all applicants	✓	✗	✗
Premiums cannot be based on health status	✓	Depends*	✗
Coverage of Essential Health Benefits	✓	✗	✗
Cannot impose lifetime and annual limits	✓	✓	✗
Coverage of preventive care with no co-pay	✓	✓	✗

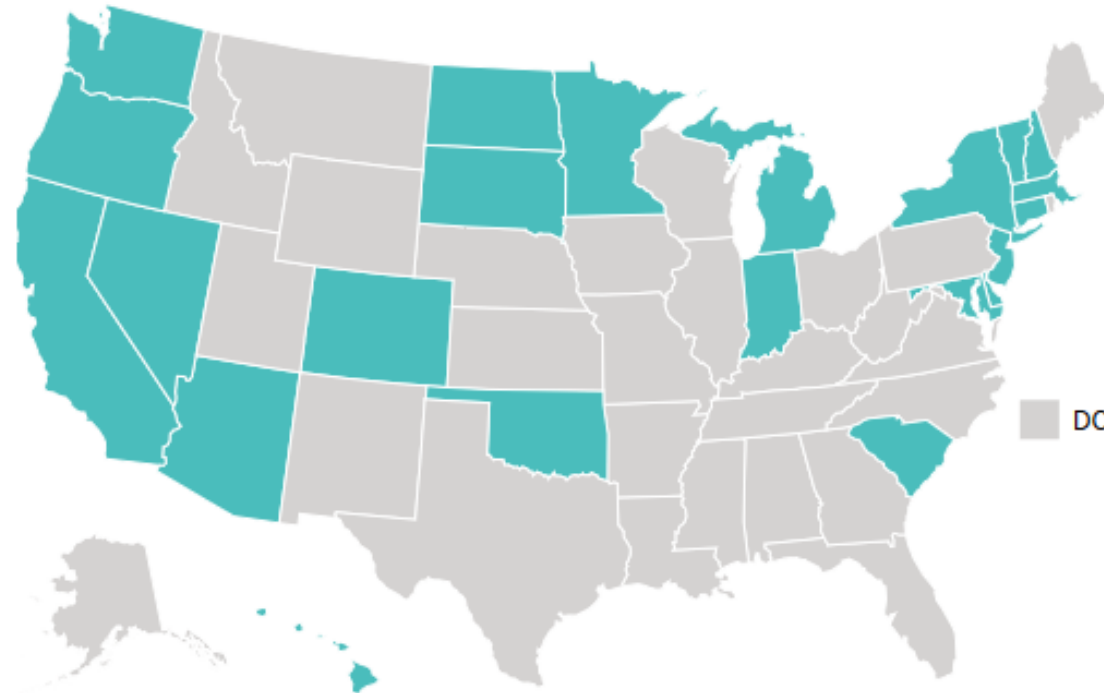
**Association health plans (AHPs) set up under the “old pathway” can base premiums on health status, but AHPs set up under the “new pathway” cannot.*

Concerns with short-term plans



- **Do not provide adequate coverage against catastrophic costs**, exposing consumers to large financial risks. They have annual and lifetime limits, high deductibles, broad exclusions, and sometimes have caps on costly care like surgery and hospitalization.
- **Can leave consumers with no coverage if they get sick or injured.** Short-term plans do not have to renew consumers, and consumers who become ill and get dropped can't switch to the Marketplace until the following January.
- **Create consumer confusion.** Inadequate disclosure means consumers won't understand limited benefits until it is too late
- **Expose health care providers to growing uncompensated care**
- **Segment the market** and drive up the cost of coverage for people with pre-existing conditions

22 states place limits on the sale of short-term health plans



- Does not have stricter limits than federal government
- Stricter limits than federal government

- 18 states have limited duration of coverage (generally 3 or 6 months)
- 4 states have prohibited short-term plans that discriminate based on health status

Policies that strike a balance

Short-term plans can provide value for consumers by bridging temporary gaps in coverage – between jobs or until open enrollment. But, if they are allowed to function as skimpy long-term coverage, they can lead to a proliferation of medical debt and uncompensated care and drive up premiums for comprehensive coverage – a burden that will fall particularly heavily on middle-income people with pre-existing conditions.

Texas should:

- Limit the duration of short-term coverage to less than a year, or require that short-term plan contracts discontinue on Dec 31, to align with open enrollment
- Prohibit renewals
- Require meaningful disclosure in marketing materials and at application

Background Slides

Short-term plans do not provide adequate coverage, not even for catastrophic costs

Short-term plans have many broad and unusual exclusions/limits (actual examples from plans on sale in Texas)

- No coverage for pre-existing conditions
- No coverage for any sickness that occurs before 6th day after the effective date
- No coverage for cancer that has symptoms that start in the first 30 days of the policy
- No coverage for these procedures during the first 6 months of the policy: hysterectomy, hernia repair, tonsillectomy, ear tubes, sinus surgery, gall bladder surgery
- No prescription drug coverage (plans with Rx coverage had several limits, like dollar caps per year and no specialty drugs)
- No maternity
- No mental health or substance use disorder treatment (plan with coverage had limits, like no more than \$100/day for inpatient and only 10 outpatient visits)
- No annual preventive exam or preventive care, including well women exams and well baby/child exams
- No coverage for transplants
- No coverage for contraception
- No immunizations
- No treatment related to any congenital condition (other than cleft palate or TMJ in newborn)
- No coverage for injuries if under the influence of alcohol or drugs
- No coverage for self-inflicted injuries
- No treatment for chronic fatigue or pain disorders
- No treatment for immunodeficiency disorders
- No allergy treatment
- No treatment for end stage renal disease
- No joint replacement or treatment of joints, the spine, bones, or connective tissues unless related to a covered injury
- No hospice care
- No treatment/services for injuries sustained while engaging in a hazardous activity (rock or mountain climbing, hang gliding, racing any vehicle, flying in an aircraft (other than commercial airlines), scuba diving, riding in all-terrain vehicles, playing in interscholastic or organized competitive sports leagues)
- No treatment for sexually transmitted infections
- No treatment for conditions of the skin, skin diseases, moles or acne
- No therapy or treatment related to developmental delays
- Ambulance benefit limited to \$250/trip, and you pay the rest
- Hospitalization benefit limited to \$1000/day and you pay the rest
- Surgery benefit limited to \$1,250 /day and you pay the rest
- Annual total policy limit (like lifetime maximum) of \$500K - \$2Million

How can short-term health plans offer lower premiums than plans that comply with the ACA?

38%

The amount plans are able to reduce premiums by excluding coverage of **pre-existing conditions** or denying coverage altogether to people with such conditions.

+

16%

The amount plans are able to reduce premiums by **limiting coverage** for prescription drugs, maternity care, mental health, and substance use treatment.

54%

The difference between premiums for **short-term health plans** and ACA plans.

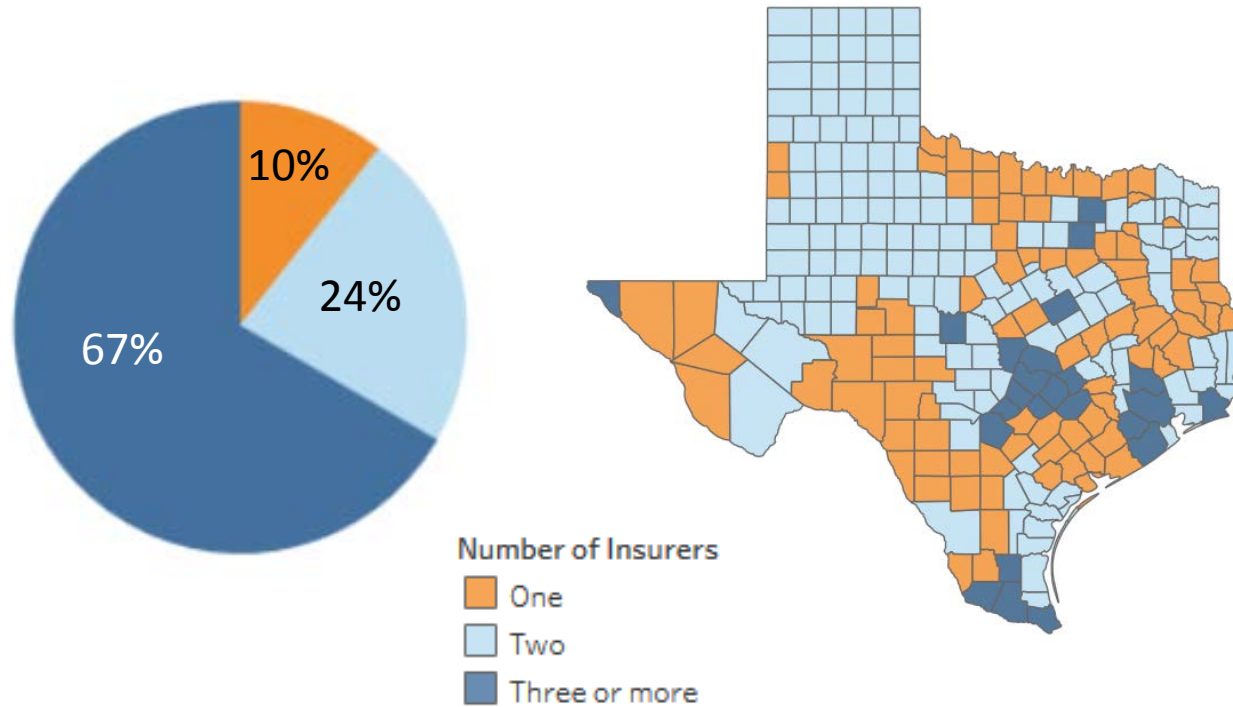
Broad Agreement That Short-Term Plans Shortchange Consumers and Weaken Insurance Markets

- **AARP:** “Short-term plans, with their skimpy coverage and lower price, are likely to siphon off healthier people from the market. This means that older people and those with greater health needs who remain in the individual health insurance market will have to pay more for their coverage. This is especially troubling for older adults, who already pay higher premiums than other age groups and who will see larger dollar increases.” (3/21/18 [blog](#))
- **Texas Medical Association:** “Consumers considering purchasing these short-term, limited-duration policies are unlikely to know the limitations of the policies and the non-applicability of numerous ACA consumer protections to these policies... Thus, consumer expectations for short-term, limited duration policies may depart significantly from the realities of these policies.” (March 21, 2018, letter)
- **Texas Hospital Association:** “THA is concerned that extending the coverage period of short-term, limited-duration health care insurance will result in an increased number of individuals purchasing health care coverage that does not offer adequate coverage to meet their needs.... Individuals who purchase short-term insurance face serious risks due to insufficient coverage, including unaffordable medical bills, non-covered prescription drugs and services, higher out-of-pocket financial responsibility, and the potential inability to renew short-term insurance coverage. (April 19, 2018, letter)
- **Patient Groups:** “[G]iven the history of discrimination and inadequate coverage within short-term limited-duration plans, we are deeply concerned that [allowing them to last up to one year] could seriously undermine the key principles of access, adequacy, and affordability that are the underpinnings of current law – and put those we represent at enormous risk.” ([Letter](#) signed by 21 groups, including the American Cancer Society Cancer Action Network, American Heart Association, March of Dimes, Autism Speaks, and American Lung Association)
- **American Academy of Actuaries:** “Market segmentation and adverse selection for ACA plans could result if healthier individuals purchase (short-term) plans instead of ACA plans, leading to higher premiums for ACA plans.” (4/6/18 [letter](#))

Broad Agreement That Short-Term Plans Shortchange Consumers and Weaken Insurance Markets

- **American Academy of Family Physicians:** Extending short-term plans for up to one year would allow “plans to sell low-value insurance policies that could subject patients to catastrophic medical bills and medical bankruptcy. We oppose efforts to exempt short-term, limited-duration plans from consumer protections such as covering pre-existing conditions of essential health benefits. (4/18/18 [letter](#))
- **Health Care Service Corporation:** Extending short-term plans “would create a shadow market for individuals that would operate under a different set of rules, undercutting existing consumer protections and selectively insuring only the healthiest applicants. . . . [I]t would have the effect of concentrating health care costs in the existing individual market and making coverage less affordable for those with pre-existing conditions.” (4/23/18 letter)
- **America’s Health Insurance Plans:** “[W]e are concerned that substantially expanding access to (short-term plans) will negatively impact conditions in the individual health insurance market (both on and off exchange), exacerbating problems with access to affordable, comprehensive coverage for all individual market consumers.” (4/20/18 [letter](#))
- **Centene:** “The low premiums associated with these plans and the ability for the plans to last almost a full calendar year can be used to recruit healthier consumers while excluding those with pre-existing conditions, which would impact the integrity of the individual market single-risk pool. . . . We strongly recommend leaving the duration maximum for (short-term plans) to 3 months.” (4/23/18 letter)
- **Blue Cross and Blue Shield Association:** “(W)e have significant concerns that allowing short-term limited duration plans to be offered on a 364-day basis would further destabilize the already fragile individual insurance market and cause rates to increase for those who need or want comprehensive health coverage ... (The current federal limit of less than three months) ensures that short-term plans are limited to their intended purpose: filling temporary coverage gaps as opposed to serving as a primary source of coverage.” (4/23/18 letter)

2019 Texas Marketplace Options



- 67% of Texans are in counties where 3 or more insurers offer Marketplace plans
- 10% of Texans in counties with only 1 Marketplace insurer
- 8 insurers in 2098 Texas Marketplace

The Individual Market is a Small but Critical Source of Coverage

Health insurance coverage sources in Texas, 2017 all ages

