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ALERT

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Agencies Release Proposed Regulations on Short-Term Limited Duration Insurance

On February 20, 2018, the U.S. Departments of Labor, Treasury, and Health and Human Services (Agencies) released proposed regulations that expand the availability of short-term limited duration insurance (STLDI). STLDI is offered in the individual (non-group) insurance market and is generally used by individuals such as students or individuals between jobs. Therefore, the direct impact to employers is limited; however, there is some concern that this rule may disrupt the individual and small group markets and is seen by some as a further step by the Trump administration to erode Obama-era regulations.

The rule reverses prior regulations that limited the duration of STLDI coverage to less than 3 months after the original effective date of the contract. If finalized, the rule would extend the permitted duration of STLDI to a period of less than 12 months. The rule does not require issuers to guarantee renewability of STLDI policies; however, it does not prohibit individuals from re-applying for coverage for another 364 days (which would likely be subject to medical underwriting).

The proposed regulations are in furtherance of an October 2017 Executive Order instructing the Agencies to consider ways to promote healthcare choice and competition by, among other things, expanding the availability of STLDI. The regulations are open for public comment for 60 days.

Although STLDI is sold in the individual market, it is exempt from ACA's insurance mandates, which typically makes it more affordable than the ACA-compliant plans that are required to offer coverage in ten broad categories of essential health benefits and contain other consumer protections. STLDI, on the other hand, is not required to cover essential benefits and may contain preexisting condition exclusions and annual and lifetime limits.

There is concern that expansion of STLDI availability may result in increased morbidity in the individual and small group markets due to younger, healthier individuals being encouraged to purchase STLDI. The federal government; however, expects that a relatively low percentage of individual market enrollees will shift to STLDI plans, and that only 10% would have been subsidy eligible had they maintained their Marketplace coverage.

In addition, increasing the duration of STLDI reduces the risk of a gap in coverage for people who become seriously ill while covered. Under current rules, they may have a gap in coverage before being able to enroll in a Marketplace plan that provides more robust coverage (another STLDI plan would likely exclude their condition as pre-existing). Also, since STLDI typically is not network-based, it allows for greater choice of providers, which may be useful in rural areas where provider networks under ACA plans are limited.

The proposed rule does not include an effective date for a final rule; however, the Agencies have proposed that the rule, if finalized, would be effective 60 days after publication of the final rule.

Your Trion Strategic Account Managers are here to answer any questions you might have as you prepare to comply with upcoming ACA requirements. If you are not currently a Trion client and would like assistance navigating the changes required by health care reform, please contact us today by emailing trionsales@trion-mma.com.

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