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May 2022

PRIVATE HEALTH INSURANCE

Limited Data Hinders Understanding of Short-Term Plans' Role and Value during the COVID-19 Pandemic

GAO-22-104683

GAO Highlights

Highlights of GAO-22-104683, a report to congressional committees

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Why GAO Did This Study

Millions of Americans who lost their jobs during the COVID-19 pandemic also lost their ESI. Short-term plan insurance was one option for these consumers. However, these plans can be significantly different from other health coverage options for those losing ESI. Therefore, it is important to understand the role they play in the market and for individual consumers.

GAO was responsible under the Coronavirus Aid, Relief, and Economic Security Act for monitoring the federal government's pandemic response. In this report, GAO describes what is known about short-term plans and the role that they might play for individuals who lost ESI during the pandemic. Stakeholder views of the value of short-term plans in meeting consumer needs are also discussed.

GAO conducted a literature search and review of studies on short-term plans and conducted interviews with national organizations such as the National Association of Insurance Commissioners. GAO also interviewed seven policy researchers selected to include diverse policy perspectives and stakeholders. This included (1) officials from six state insurance departments selected to represent different levels and types of regulation, and (2) representatives from four organizations that sell short-term plans.

View GAO-22-104683. For more information, contact John E. Dicken at (202) 512-7114 or DickenJ@gao.gov.

What GAO Found

One option that may be available to those who lose jobs with employer-sponsored insurance (ESI) during the COVID-19 pandemic is short-term plans, which can cover certain health expenses. These plans are generally not subject to federal requirements for individual health insurance coverage established by the Patient Protection and Affordable Care Act (PPACA), such as restrictions on basing premiums on pre-existing health conditions and the requirement to cover 10 essential health benefits. Federal requirements for short-term plans are primarily limited to defining their duration—the length of time a consumer can be covered by them. States have broad authority and discretion in regulating short-term plans, and regulation of short-term plans varies across states. For example, some states have prohibited their sale and some have imposed restrictions in addition to federal requirements.

GAO found that limited and inconsistent data hinder understanding of the role short-term plans played during the COVID-19 pandemic for those who lost ESI, such as whether they were used by consumers as temporary coverage or as a longer-term alternative to PPACA-compliant plans. Policy researchers and representatives of national organizations that GAO interviewed said there was a lack of comprehensive data and information on short-term plans, including data on how many people enroll in them and for how long. In addition, data collected on short-term plans varied across the six states that GAO reviewed.

- Two states did not have data on short-term plan enrollment.
- Three states reported fewer than 10,000 enrollees in short-term plans and trends varied as to whether enrollment increased or decreased.
- One state did not have short-term plans offered from 2019 through 2021.

State officials in the five states with plan sales were not able to report on the role of short-term plans for consumers, as none of them collected data on the duration of short-term plan coverage.

Views vary widely about the value of short-term plans to consumers. Officials from two of the six states GAO reviewed and other stakeholders interviewed said that short-term plans meet an important need for certain consumers who lost ESI during the COVID-19 pandemic. They said short-term plans provide additional options for certain consumers such as those needing temporary insurance until they become employed again, and those who cannot afford insurance premiums for PPACA-compliant plans. In contrast, officials in two other states and some other policy researchers said that short-term plans did not provide good value to consumers. While most of those GAO interviewed said that short-term plans often had lower premiums than PPACA-compliant plans, some also emphasized that short-term plans (1) provided fewer benefits, (2) were not available to those with pre-existing conditions, and (3) could result in higher total out-of-pocket costs for some consumers compared to PPACA-compliant plans. In addition, unlike PPACA-compliant plans, short-term plans are not subject to federal requirements to provide consumers with key information about their benefits that would facilitate comparison with other options.

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Abbreviations

ESI	Employer-sponsored insurance
NAIC	National Association of Insurance Commissioners
PPACA	Patient Protection and Affordable Care Act

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Congressional Committees

It is estimated that millions of Americans experienced a disruption in health insurance coverage during the COVID-19 pandemic due to loss of jobs that provided employer-sponsored insurance (ESI).[1] Those who lost ESI had several options for obtaining an alternative source of health care coverage, including short-term, limited-duration insurance, referred to hereafter as short-term plans.[2] A short-term plan is health insurance traditionally designed to fill temporary gaps in coverage that may occur when an individual is transitioning from one source of long-term, comprehensive coverage to another.[3]

States are the primary regulators of private health insurance, which is also subject to certain federal standards and minimum requirements. Federal requirements for short-term plans are primarily limited to defining their duration—the length of time a consumer can be covered by a short-term plan and the ability of the consumer to renew the plan—and in 2018

[1]In prior work, we reported on estimates of employer-sponsored insurance that suggested that more than 3.1 million non-elderly adults lost their insurance during the COVID-19 pandemic; some losing this insurance were able to obtain an alternative source of coverage. GAO, *COVID-19: Additional Actions Needed to Improve Accountability and Program Effectiveness of Federal Response*, GAO-22-105051 (Washington, DC, Oct. 27, 2021), 72.

[2]Under current regulations, short-term, limited-duration insurance is generally defined as health insurance that expires less than 12 months after the effective date of the coverage and, taking into account renewals or extensions, has a duration of no longer than 36 months in total. See 45 C.F.R. § 144.103 (2021). For purposes of this report, we refer to this insurance as short-term plans.

As GAO has reported elsewhere, other health coverage options subject to federal regulation include: coverage through a federal or state health insurance exchange established under the Patient Protection and Affordable Care Act (PPACA); Medicaid, a joint federal-state health financing program for certain low-income and medically needy individuals; and benefits under the Consolidated Omnibus Budget Reconciliation Act (COBRA) of 1985, which provides certain individuals who lose their employer-sponsored health coverage with temporary access to continue their coverage for limited periods of time under certain circumstances. GAO-22-105051.

[3]Coverage is long-term if it can be annually renewed without limitation, and it is comprehensive if it covers a broad array of health care services. Examples of renewable, comprehensive coverage are ESI, Medicare, and Medicaid, which are renewable each year for eligible individuals, and cover a broad array of health care services.

the limit was extended from less than 3 months of coverage to up to 3 years of coverage.[4] Short-term plans are excluded from the definition of individual health insurance coverage under federal law and thus are not subject to the Patient Protection and Affordable Care Act's (PPACA) requirements for health insurance coverage provided by plans in the individual market (hereafter referred to as PPACA-compliant plans).[5] For example, unlike PPACA-compliant plans, short-term plans are not prohibited by federal law from varying premiums based on the individual consumer's health status or gender.

Because short-term plans can be significantly different than PPACA-compliant plans, and because they can be purchased for longer periods of coverage than previously allowed, it is important to understand the role they play for consumers in the health insurance market—such as whether the plans are purchased to fill a temporary need or as longer-term coverage—as well as the extent to which these plans reduce or defray consumers' medical costs during periods of economic downturn—such as during the COVID-19 pandemic. Understanding the role these short-term plans play and the extent to which this provides value to consumers is also important because consumers who buy short-term plans are not included in PPACA individual market risk pools—the population that buys individual health insurance coverage in each state—which influences the

[4]Federal requirements for the maximum duration of short-term plans have varied over time, with the latest change increasing the duration from 3 months to up to 1 year with the option to renew for up to a total of 3 years.

[5]See 42 U.S.C. § 300gg-91(b)(5); 45 C.F.R. § 144.103 (2021) (definition of individual health insurance coverage). See also Pub. L. No. 111-148, 124 Stat. 119 (2010), as amended by the Health Care and Education Reconciliation Act of 2010, Pub. L. No. 111-152, 124 Stat. 1029 (2010) (hereafter "PPACA").

For example, PPACA established new requirements for individual health insurance coverage regarding what benefits must be covered, what costs consumers may be responsible for, and what information insurers may use to determine the monthly premiums they charge, but these requirements do not apply to short-term plans. See Pub. L. No. 111-148, §§ 1001, 1201, 124 Stat. 119, 131, 161, 885 (codified as amended at 42 U.S.C. §§ 300gg-6, 300gg-13, 300gg-18).

In this report we use the phrase "PPACA-compliant plans" to mean plans that must meet federal requirements for individual health insurance coverage. We did not evaluate the legal compliance of any plans for purposes of this report. PPACA-compliant plans may be sold through federal or state PPACA exchanges that allow consumers to access possible federal subsidies, or they may be sold by insurers directly to individuals outside of the exchanges. Consumers may purchase PPACA-compliant plans during annual open enrollment periods or at any time if they have a qualifying life event, such as having or adopting a child or loss of insurance coverage.

cost of premiums set by insurers and the amount of federal subsidies available under PPACA.[6] For example, if relatively healthy individuals choose short-term plans instead of PPACA-compliant plans, this could result in higher premiums for PPACA-compliant plans and higher federal subsidies.

The Coronavirus Aid, Relief, and Economic Security Act includes a provision for GAO to conduct monitoring of, among other things, the effect of the COVID-19 pandemic on the health, economy, and public and private institutions of the United States.[7] In this report, we describe:

1. what is known about short-term plans, including the role they might play for individuals who lost ESI during the COVID-19 pandemic;
2. how stakeholders and policy researchers view the value of short-term plans in meeting consumer needs, including in comparison to PPACA-compliant plans; and
3. what data about short-term plans would be useful for understanding their role and value, according to stakeholders and policy researchers.

To address all of these objectives, we examined information from a variety of sources, including a review of federal and state regulations, a literature search and review of studies on short-term plans, and interviews with selected national organizations, stakeholders and policy researchers. We reviewed studies on short-term plans published from 2016 through 2021 to learn about (1) what has been reported on the role of short-term plans in the insurance market generally, as well as related to people who lost ESI during the COVID-19 pandemic from March 2020 through 2021, and (2) views of the value of short-term plans compared to individual health insurance coverage. (App. I provides more detail on our approach

[6]Individuals purchasing coverage through the exchanges may be eligible, depending on their incomes, to receive financial assistance to offset the costs of their coverage through two types of subsidies. Premium tax credits reduce an eligible individual's premium costs. Some enrollees who qualify for premium tax credits may also be eligible to receive cost-sharing reductions, which lower enrollees' deductibles, coinsurance, and co-payments, based on their income and the type of plan they select. The American Rescue Plan Act of 2021 expanded eligibility for subsidies to individuals with higher incomes and increased subsidies for lower-income individuals for 2021 and 2022. . Pub L. No. 117-2, § 9661, 135 Stat. 4, 182 (codified as amended at 26 U.S.C. § 36B).

Premiums are set by insurers to cover the expected health care costs of the state's individual market and thus may vary based on whether the population is sicker or healthier.

[7]Pub. L. No. 116-136, § 19010(b), 134 Stat. 281, 580.

to identify relevant literature.) We focused our research on short-term plans sold by insurers to individuals. We did not review products sold as group insurance.[8]

Through our literature search we identified national associations that had collected or analyzed information about short-term plans, and we interviewed representatives from these organizations, including the National Association of Insurance Commissioners (NAIC) and the America's Health Insurance Plans. We also interviewed officials from the Congressional Budget Office, which has collected and analyzed information about short-term plans.

In addition, we interviewed policy researchers as well as officials with selected stakeholder organizations involved in the sale or oversight of short term plans—including insurers that sell short-term plans and state insurance departments.

- Through our literature search, we identified policy researchers who had analyzed information on short-term plans from calendar years 2016 through 2021, and we interviewed seven of these individuals selected to achieve variation across the group with respect to organizational affiliation and policy perspective.
- We interviewed officials from six state insurance departments selected to achieve variation in geographic region and the extent to which the states regulate short-term plans.[9]
- Finally, we interviewed four sellers of short-term plans, including three insurers and one broker, selected to achieve variation in volume of short-term plan sales, whether the company operated in one state or multiple states, and to include one or more insurers that sold in our selected states.[10]

[8]The private health insurance market includes individual and group coverage. The individual market is where individuals and families buy health insurance on their own. Health plans sold in the group market are offered through plan sponsors such as employers.

[9]The states selected for this study include Alabama, Colorado, Florida, Idaho, Michigan, and Pennsylvania.

[10]A broker is an individual who receives commissions from the sale and service of insurance policies. These individuals work on behalf of the customer and are not restricted to selling policies for a specific company but commissions are paid by the company with which the sale was made.

We conducted this performance audit from December 2020 to May 2022 in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Background

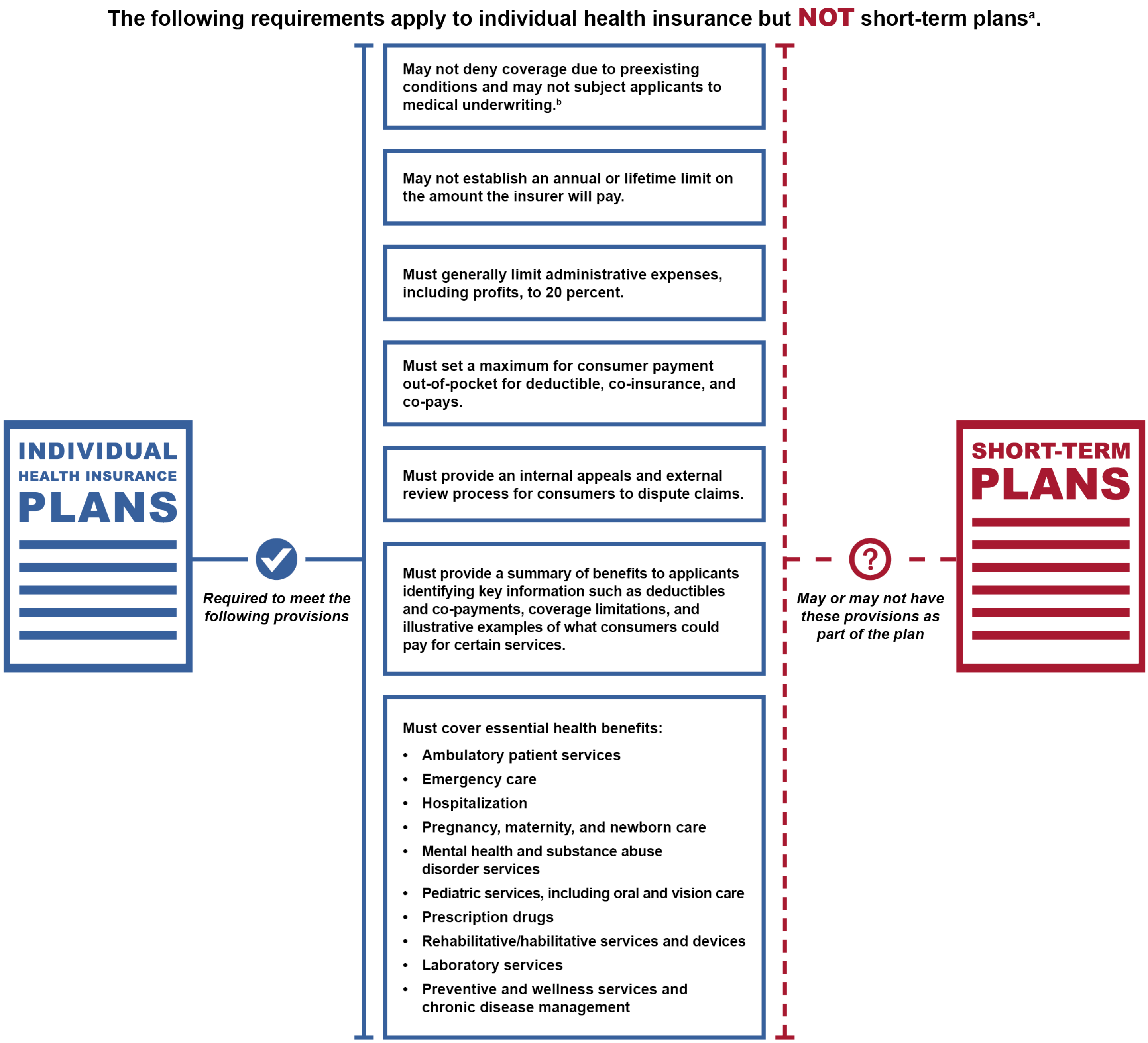
Short-Term Plans

Short-term plans were traditionally designed to fill temporary gaps that may occur when an individual is transitioning from one coverage to another; for example, when someone has left a job and is seeking other employment. However, although sold by insurers directly to individuals, short-term plans are exempted from the definition of individual health insurance coverage under federal law and therefore are not required to comply with PPACA's requirements for individual health insurance coverage.[11] For example, PPACA prohibits insurers that sell individual health insurance coverage from denying coverage or charging higher premiums because of a pre-existing condition—a condition that the consumer had prior to applying for coverage, such as diabetes or heart disease—and it requires such insurers to cover 10 essential health benefits. (See fig. 1 for individual health insurance requirements under federal regulation, including the 10 essential health benefits.) Unlike PPACA-compliant plans, however, federal rules prohibiting the varying of premiums based on a consumer's health status or gender—a process called medical underwriting—do not apply to short-term plans. Moreover, these plans also are not subject to federal rules prohibiting denial of coverage for pre-existing conditions, rules limiting the amount of expenses the consumer must pay, or prohibitions on annual or lifetime limits on how much money the insurer will pay.[12]

[11]See 42 U.S.C. § 300gg-91(b)(5); 45 C.F.R. § 144.103 (2021). Similarly, PPACA requirements for group health plans and for insurance offered through an employer to a group of its employees do not apply to short-term plans, which are sold to individuals.

[12]For example, health status could include such things as physical and mental illnesses, medical history, genetic information, and disability. While federal rules allow short-term plans to vary premiums based on the individual consumer's health status, gender, and other factors, PPACA-compliant plans can only vary premiums based on four characteristics associated with the consumer: geographic area within a state, tobacco use, individual versus family plan, and age—plans may not charge an older adult more than three times the premium that they charge a younger adult. See 42 U.S.C. § 300gg(a)(1).

Figure 1: Selected Requirements in PPACA That Apply to Individual Health Insurance Coverage but Not to Short-Term Plans



Source: GAO analysis of federal regulations. | GAO-22-104683

[a]For purposes of this report, we refer to short-term limited duration insurance as short-term plans. Such plans are excluded from the federal definition of individual health insurance coverage and thus are not subject to Patient Protection and Affordable Care Act (PPACA) requirements for such

coverage. See 42 U.S.C. § 300gg-91(b)(5). See also Pub. L. No. 111-148, 124 Stat. 119 (2010), as amended by the Health Care and Education Reconciliation Act of 2010, Pub. L. No. 111-152, 124 Stat. 1029 (2010).

[b]Medical underwriting is a process whereby premiums may vary based on a consumer's health status or gender.

Although short-term plans do not have to meet these federal requirements, some may use certain terminology and marketing approaches that are similar to PPACA-compliant plans. For example, short-term plans may set an annual deductible—a dollar amount for which the consumer is responsible before the insurer makes any payments—as well as an annual limit on the consumer's out-of-pocket expenses for covered services; they may establish co-payments for certain types of services, such as $35 for each physician visit; and they may set co-insurance rates, such as 30 percent of inpatient medical expenses.[13] They may also list the types of services that are covered. Short-term plans may be marketed through certain brokers and on-line websites that sell both short-term plans and PPACA-compliant plans.

Federal Regulation of Short-Term Plans

In contrast to the body of federal regulations applicable to PPACA-compliant plans, federal regulation of short-term plans is primarily concerned with the plan's duration of coverage and the ability of the consumer to renew the plan. In addition, federal regulations require short-term plans to prominently display certain information in the contract and in any application materials including that, among other things, the coverage is not required to comply with certain federal requirements.[14] Federal regulations concerning short-term plan coverage duration and renewability have changed over time, as noted below.

- Effective in June 1997, short-term plan contracts were restricted to a maximum duration of 12 months of coverage.[15]

[13]Co-payments are fixed amounts that the consumer pays for a covered health service—usually when they receive the service—and the amount can vary by the type of covered health service. Co-insurance also requires the consumer to share in the cost of a covered health service, but the share is calculated as a percentage of the allowed amount, which is the maximum an insurance plan will pay for a covered service.

[14]See 45 C.F.R. § 144.103 (2021).

[15]62 Fed. Reg. 16,894, 16,942, 16,958 (April 8, 1997). See also 69 Fed. Reg. 78,720, 78,783 (Dec. 30, 2004).

- Effective in January 2017, the Obama administration shortened the maximum duration of a short-term plan contract to up to 3 months of coverage.[16]
- Effective in October 2018, the Trump administration increased the maximum duration of a short-term plan contract to up to 12 months and also provided that the plan could be renewed for a total of up to 36 months of coverage.[17]

State Regulation of Short-Term Plans

While states cannot allow short-term plans to have a duration longer than federal limits, states have broad authority and discretion to regulate health insurance, including short-term plans sold to individuals. A state may regulate various aspects of the health insurance sold within the state, including plan design, insurer compliance with consumer protections, and information insurers must report to the states in which they operate.

- Plan design. States vary in the extent to which they impose additional restrictions on short-term plans beyond the federal requirements, for example by:
    - restricting the maximum contract duration of a single plan to 3 or 6 months, limiting the number of times a consumer can renew the plan, or prohibiting renewal entirely;
    - requiring short-term plans to offer certain benefits;
    - prohibiting short-term plans from being medically underwritten, meaning that insurers cannot vary premiums based on a consumer's health status;
    - prohibiting the sale of short-term plans during the state's PPACA open enrollment period but permitting their sale outside of that timeframe; or
    - prohibiting short-term plan sales in the state.
- Consumer protections. States may have health insurance consumer protections in place, typically known as "market conduct regulations." These regulations may require that consumers (1) are charged fair and reasonable prices for short-term plans, (2) are dealing with plans that comply with appropriate laws and regulations, and (3) are

[16] 81 Fed. Reg. 75,316, 75,326 (Oct. 31, 2016).

[17] 83 Fed. Reg. 38,212, 38,243 (Aug. 3, 2018).

protected against insurers that fail to operate in ways that are legal and fair to consumers.

- Insurer reporting. State departments of insurance may require insurance companies licensed in the state to report a variety of information, and this may include information about short-term plans. States participate as members of the National Association of Insurance Commissioners (NAIC) which collects certain data from insurers on behalf of state members; for example, information about different insurance products sold by the insurer and data on the amount of premiums earned and the number of policies sold in a state.[18]

Data Limitations Hinder Understanding of the Role Short-Term Plans Played during the COVID-19 Pandemic

Policy Researchers and National Organizations Cited a General Lack of Data on Short-Term Plans

Policy researchers and representatives of national organizations we interviewed told us that there was a lack of comprehensive data and information on short-term plans generally, including during the COVID-19 pandemic in 2020 and 2021. This included data on enrollment in short-term plans and the duration of policies sold—e.g., whether they were for several months or a year and how often they were renewed. These data would provide information about the role of short-term plans for consumers in terms of how much consumers relied on them, and whether they used them for temporary needs or as longer-term coverage.

- For example, one policy researcher said that most states' insurance departments did not collect data, and, when they did, they did not

[18]NAIC is the standard-setting and regulatory support organization created and governed by the chief insurance regulators from the 50 states, the District of Columbia and five U.S. territories. Through the NAIC, state insurance regulators establish standards and best practices, collect data from insurers, conduct peer review, and coordinate their regulatory oversight. For example, NAIC collects data from insurers on behalf of states through its Market Conduct Annual Statement.

collect it in comparable ways. This researcher also indicated that most states did not review premium rates for short-term plans.[19]

- Another policy researcher said that there is a lack of data sources for short-term plans that are publicly available, and that this lack of data limits the scope of what can be known about these plans.
- A third policy researcher said that claims about the role of short-term plans cannot be proven or disproven without systematic data collection.

Officials with the NAIC and the Congressional Budget Office told us that there is a lack of accurate data and information on short-term plans, including, but not limited to, enrollment data.

- Officials with NAIC, which collects data from insurers on behalf of state departments of insurance, told us that data reported to them by insurers on short-term plan enrollment and premiums in NAIC's annual Accident and Health Policy Experience Reports were not complete or accurate, in part because insurers varied in how they reported data and categorized both short-term plans and other unregulated products in their reports. To address this issue, NAIC issued a separate request to insurers in 2020 that sought to gather enrollment information from insurers about short-term plans, but, according to NAIC officials, some insurers did not respond and other insurers did not provide complete information.[20]
- Officials with the Congressional Budget Office, which studies trends in the types of health insurance consumers have, told us that there is no comprehensive tracking of short-term plans. In 2020, the Office reported on the lack of data on short-term plans and cited the need for

[19]Christina Lechner Goe, National Association of Insurance Commissioners, Non-ACA-Compliant Plans and the Risk of Market Segmentation, Consideration for State Insurance Regulators (National Association of Insurance Commissioners, March 2018).

[20]Officials with NAIC told us that the association plans to implement a more comprehensive and regular approach to data collection through a new Short-term Limited Duration Insurance Market Conduct Annual Statement in 2022 to address state concerns about the lack of information about short-term plans and other similar products. This comprehensive data request was developed through a working group involving representatives from state insurance departments and other stakeholders. It will include data about short-term plans and association health plans—plans offered by business and professional associations to their members—and will gather information about plan duration, insurer denials of claims, and consumer complaints. However, as with certain other NAIC products, most of the data will be made available only to member state insurance departments.

(1) enrollment data by state and year and (2) claims data for those enrolled.[21] This report indicated that these data would provide a better understanding of the effect of federal regulations for short-term plan duration on consumer selection of these plans. In addition, according to the report, these data could also provide information about what types of health care spending enrollees incur and how payments to providers compare to other individual insurance products. Officials with the Congressional Budget Office said that they were aware of the challenges faced by NAIC in collecting these data on behalf of state regulators.

One policy researcher we interviewed noted that, in contrast to data available on short-term plans, a wide range of data on PPACA-compliant plan options is collected by the federal government and the states to support oversight and policy-making. The Centers for Medicare & Medicaid Services collects data through the federal and state exchanges, including data on enrollment in different types of plans, premiums, and demographic and income characteristics of consumers. NAIC collects information about PPACA-compliant plans from insurers on behalf of states through its Health Market Conduct Annual Statement, which includes data for each state and insurer on the number of plan policies sold and other information such as consumer cost-sharing, consumer grievances and appeals, and insurers' denials of claims. This information can be used for a variety of purposes, such as monitoring consumer preferences, tracking the cost of coverage to consumers—including both premiums and out-of-pocket expenses—and developing policies to improve access and affordability.

Data Collection and Enrollment Trends Varied in Selected States, Making It Difficult to Understand the Role of Short-Term Plans

Just as comprehensive data on short-term plans is not collected nationwide, the states we reviewed varied in the extent that they collected data on short-term plans. None of the six states collected data on the duration of short-term plans and the extent to which they are renewed.[22]

- States that do not collect data. Two states—Pennsylvania and Alabama—do not regularly collect data on short-term plans, including data on the number of individuals enrolled in them. Specifically,

[21]Congressional Budget Office, *Letter from Director Phillip Swagel to Senator Tammy Baldwin Re: CBO's Estimates of Enrollment in Short-Term, Limited Duration Insurance* (Washington, DC: Congressional Budget Office, Sept. 25, 2020).

[22]We interviewed officials within the departments of insurance in Alabama, Colorado, Florida, Idaho, Michigan, and Pennsylvania. At the time of our interviews with these states, 2021 data was not available.

officials from Pennsylvania said they were not able to track short-term plan enrollment very well in part because insurers often combined these plans together with other products, such as fixed indemnity products, but did not break down enrollment separately for each product.[23] Officials in Alabama reported that they did not collect data on short-term plans on a regular basis, saying this would involve establishing new reporting requirements, and that their staff size was relatively small and did not have the capacity to regularly monitor new reporting.

- States that collect data. In the three states in our review that collected enrollment data from insurers on short-term plans—Florida, Idaho, and Michigan—the extent of data collected varied based on what officials told us. According to officials, Michigan only collects information on enrollment and premiums. Florida officials said that in addition to enrollment and premium information, they collected data on short-term plans including claims submitted and medical loss ratios to the extent that insurers provided that information in rate filings.[24] Officials in Idaho told us that, In addition to enrollment and premium information, the state collects information on the number of new policies issued, the number of policies ended, claims billed, and rescissions (policies cancelled retroactively by insurers).
- A state with no sales of short-term plans. Colorado limits short-term plans to up to 6 months' duration. According to officials, short-term plans were not sold in Colorado from 2019 through 2021.

Among the three states in our review that do collect data, enrollment trends from 2019 to 2020—the first year of the COVID-19 pandemic—were inconsistent. These data show that Michigan and Florida experienced a decrease in enrollment in short-term plans, while Idaho experienced an increase. (See table 1.) Officials in each of these states reported that short-term plans generally accounted for a relatively small part of their individual insurance markets. Officials in Michigan said they did not have an explanation for why enrollment declined in 2020, and that there were no regulatory changes that occurred during this time period that would explain the change. Officials in Idaho explained that the enrollment increase in 2020 may have been related to the state's

[23]Fixed indemnity products pay the consumer a fixed dollar amount per a certain time period, regardless of what services are provided; for example, a fixed dollar payment per day that someone is hospitalized.

[24]Medical loss ratios indicate the total amount the insurer paid for claims compared to the total amount collected in premiums.

establishment in 2019 of a new form of short-term plan—called an "enhanced" short-term plan— that provided additional protections to consumers compared to the traditional short-term plan available in the state.[25]

Table 1: Short-Term Plan Enrollment in Selected States, 2019 and 2020

State	Short-term plan enrollment in 2019	Short-term plan enrollment in 2020[a]
Florida	5,923	5,841
Idaho[b]	5,748	6,877
Michigan	8,847	7,778

Source: GAO interviews with selected states' departments of insurance. | GAO-22-104683

Note: Enrollment includes all lives covered by the policies sold (e.g., spouses and children, if also covered).

[a]COVID-19 was declared a pandemic by the World Health Organization in March, 2020.

[b]Idaho's market includes two kinds of short-term plans—traditional and enhanced. Legislation enacted in 2019 in Idaho established enhanced short-term plans, which must meet certain requirements beyond traditional short-term plans; for example, meeting the state's benchmark for essential health benefits. According to officials, Idaho enrollment data for 2019 may include some enrollment in enhanced short-term plans, which began to be sold in December 2019. Idaho enrollment for 2020 included 3,298 in traditional short-term plans and 3,579 in enhanced short-term plans.

State officials were not able to report on the role of short-term plans for consumers—such as whether they are purchased to fill a temporary need or as longer-term coverage—as none of the five states we examined in which short-term plans were sold compiled data on the duration of short-term plan coverage. Therefore, officials could not report whether consumers purchased them as temporary coverage between having other types of coverage, or for longer periods of time as an alternative to individual or employer-based insurance. Officials in two of our selected states believed that most consumers purchased them primarily as temporary coverage, officials in two other states felt that some consumers purchased them as temporary coverage while other consumers

[25]Idaho's market includes two kinds of short-term plans—traditional and enhanced. Legislation enacted in Idaho in 2019 established enhanced short-term plans, which must meet certain requirements beyond traditional short-term plans. Enhanced short-term plans must meet the state's benchmark for essential health benefits, must provide coverage for longer than 6 months, and cannot vary premiums based on gender. Insurers offering enhanced short-term plans in Idaho can consider medical history, including pre-existing conditions, only if sold outside the PPACA open enrollment period. Insurers offering enhanced short-term plans must set their premiums based on data for the same risk pool—the population that buys individual health insurance in the state—as PPACA-compliant plans.

purchased them more as permanent coverage, and officials in the fifth state did not know. Four of the six states in which we interviewed officials—Alabama, Florida, Pennsylvania and Idaho (for enhanced short-term plans)—allowed initial short-term plan contracts for up to 1 year with renewals that could allow for a total duration of coverage of up to 36 months. (See table 2 for requirements regarding limits on the length of coverage and renewability of short-term plans in the six states we examined.)

Table 2: Regulation of Contract Period and Renewal for Short-Term Plans Sold in Selected States, 2020-2021

State	Plan contract period	Contract renewal and total coverage duration allowed
Alabama	Less than 12 months	May be renewed or extended for a total duration not to exceed 36 months
Colorado[a]	Up to 6 months	Not renewable
Florida	Less than 12 months	May be renewed or extended for a total duration not to exceed 36 months
Idaho: traditional short-term plans[b]	Up to 6 months	Not renewable
Idaho: Enhanced short-term plans[b]	Longer than 6 months, up to 12 months	May be renewed or extended for a total duration not to exceed 36 months
Michigan	Up to 185 days[c]	Consumers are limited to 185 days of coverage in a 365 day period
Pennsylvania	Less than 12 months	May be renewed or extended for a total duration not to exceed 36 months

Source: GAO interviews with state departments of insurance and review of state regulations. | GAO-22-104683

[a]No insurers offered short-term plans in 2020 or 2021 in Colorado.

[b]Idaho's market included two kinds of short-term plans—traditional and enhanced. Legislation enacted in Idaho in 2019 established enhanced short-term plans, which must meet certain requirements beyond traditional short-term plans; for example, meeting the state's benchmark for essential health benefits.

[c]Exceptions apply.

Concerns about Association Health Plans and Health Care Sharing Ministries

In addition to short-term plans, certain other products, including those commonly referred to as association health plans, are not subject to certain health insurance coverage requirements established under the Patient Protection and Affordable Care Act (PPACA). For example, under a 2018 Department of Labor regulation, association health plans are not subject to the PPACA requirement to cover the 10 essential health benefits. Historically, these sales were made by associations that had a primary purpose other than selling insurance, but several individuals we spoke to expressed concerns about short-term plans sold by associations, including in some cases by associations created primarily for the purpose of selling association health plans.

Officials in several of the states we studied said they were concerned about the growth of these plans.

- Florida officials said that enrollment in these plans had grown significantly since 2017, as fewer individuals were able to afford plans subject to PPACA requirements. They said that a filing to the state by one large out-of-state insurer of short-term plans indicated that it may have from 15,000 to 18,000 policies that were similar to short-term plans sold through associations.
- Pennsylvania officials said that, among associations selling health coverage in the state, one claimed to have 40,000 lives covered in Pennsylvania, while others had as few as 2,500.

In addition, products sold by certain faith-based organizations, commonly referred to as health care sharing ministries, may not comply with federal requirements of individual health insurance coverage. Officials in Colorado and Idaho noted their concerns about the recent growth of consumer purchases of coverage through health care sharing ministries that share resources for medical needs among members who make a periodic payment.

- Idaho officials estimated that there were 25,000 consumers in health care sharing ministries in 2019 and 2020, compared to 102,000 and 82,000 consumers, respectively, who purchased individual coverage on the PPACA exchanges in those years.
- Colorado officials said that there was an increase in enrollment in health care sharing ministries after insurers stopped selling short-term plans in the state, but officials said they did not have specific data on their enrollment.

Source: GAO interviews with selected states' departments of insurance. | GAO-22-104683

Views Varied Widely about the Value of Short-Term Plans to Consumers and as Compared to Individual Health Insurance Coverage

Our interviews with stakeholders and policy researchers, and our literature search, found widely varying views of the overall value of short-term plans to consumers, including for those who lost ESI during the COVID-19 pandemic. In addition, we found disagreement about how short-term plans compared to PPACA-compliant plans with respect to cost, benefit coverage, and consumer information. Given that there are no comprehensive data available on short-term plans, stakeholders based their views on their observations of the insurance market and some limited data; policy researchers based theirs on information collected in specific research studies.

Some Stakeholders and Policy Researchers Said Short-Term Plans Serve an Important Purpose, While Others Expressed Strong Reservations about Their Value

Some interviewees said that short-term plans provide an important option for consumers, in some cases to meet short-term needs and in other cases for longer-term coverage.

- Some interviewees identified examples of consumers who they said could benefit from short-term plans, including those who lost ESI during the pandemic and were in need of coverage until they became re-employed, consumers whose employment varies by season, and consumers whose income is too high to be eligible for Medicaid but too low to afford a PPACA-compliant plan.[26] Officials with the Alabama Department of Insurance said that, in times of economic downturns, it is critical to offer individuals as many options as possible to allow them to guard against health-related risk. Officials with one insurer said that short-term plans can help consumers who need coverage until the next open enrollment period. One broker we spoke to said that he had previously purchased a short-term plan to cover himself until the PPACA open enrollment period.
- Some interviewees noted that short-term plans can be beneficial as longer-term coverage, since current federal regulations allow short-term plans to last for up to 1 year with the possibility of renewing for up to 3 years. One insurer we spoke with said that their company works with many consumers who seek to buy short-term plans and renew them regularly to maintain coverage over time. Officials with the Alabama Department of Insurance said that short-term plans provide additional pricing levels for consumers who do not have access to PPACA subsidies. Officials in Idaho said that PPACA-compliant plans had become unaffordable for many residents, and that short-term plans provided an option to them. One policy researcher reported that his family was enrolled in a short-term plan, noting that he is self-employed and does not have an offer of health coverage through an employer.

In contrast, other interviewees said that short-term plans do not provide good value to consumers. They said that short-term plans can be financially risky for consumers and should be prohibited by the federal government or more strongly regulated by states or the federal government; for example, by limiting a plan's total duration to less than 1 year with no renewability.

[26] Medicaid is a federal-state program that finances health care for low-income and medically needy individuals. Individuals who lose health coverage due to job loss may be eligible to enroll in individual health insurance coverage and may be eligible for subsidies for exchange coverage.

- Several policy researchers said that, ideally, short-term plans should be prohibited, but, if they are not, they should be limited to 3 months or less in duration, they should not be renewable, and they should be required to comply with at least some PPACA consumer protections. One policy researcher told us that, while short-term plans may serve a legitimate purpose for some consumers, they should nevertheless not be renewable and only allowed for short-term needs.
- The commissioner of Pennsylvania's Insurance Department testified to Congress regarding the problems with short-term plans their state experienced, including numerous consumer complaints related to denials of claims by insurers.[27] The commissioner recommended limiting the duration of these plans to less than 1 year and not allowing them to be renewed. The Department has issued periodic notices to consumers alerting them about possible issues with short-term plans.
- Officials with Colorado's Department of Insurance said that, when short-term plans were sold in the state, there were consumer complaints about them, and consumers did not understand the plans' pre-existing condition exclusions.

Views Differed on the Value of Short-Term Plans to Consumers with Respect to Cost, Benefit Coverage, and Information, Compared to PPACA-Compliant Plans

Stakeholders, policy researchers, and research studies also disagreed about the extent to which short-term plans provide value compared to PPACA-compliant plans, specifically with respect to cost, benefit coverage, and consumer information. In addition, some state officials, policy researchers and research studies identified strong concerns with the marketing of short-term plans.

Cost of Coverage

Most of the individuals we spoke to, and some research studies reported, that short-term plans can have lower premiums than PPACA-compliant plans. However, while some individuals said this indicated the positive value of short-term plans to consumers, others said that it does not reflect the full cost to the consumer, and that, in order to compare short-term plans to other options such as PPACA-compliant plans, additional information needs to be considered.

[27] *Strengthening Our Health Care System: Legislation to Reverse ACA Sabotage and Ensure Pre-Existing Conditions Protections: Hearing Before the Subcommittee on Health of the Committee on Energy and Commerce*, 116th Cong. (2019) (statement of Jessica K. Altman, Commissioner, Pennsylvania Insurance Department).

Individuals we spoke to and some studies indicate that short-term plan premiums can be lower than premiums for PPACA-compliant plans. An insurer we spoke with described an example of a 6-month short-term plan for a 19-year-old individual with no pre-existing conditions that had a monthly premium of $39. By comparison, the Centers for Medicare & Medicaid Services reported that monthly premiums for a PPACA-compliant plan for a 27-year old (the only individual premium rate described) in 2020 ranged from $278 to $426, not including any subsidies for which certain individuals might be eligible.[28] One study illustrated the difference in premium amount by comparing the premiums for a popular short-term plan and a popular low-cost PPACA-compliant plan in the individual health insurance market in Atlanta, Georgia, in 2019, for a 27-year old female nonsmoker. The monthly premium for the short-term plan was $77 per month and $293 for the PPACA-compliant plan, not including any subsidy.[29] Another study compared premiums for the lowest cost bronze tier exchange plan to the lowest short-term plan premium posted online in 10 urban areas, and found that the lowest cost short-term plan premiums could be as much as 91 percent cheaper.[30] A third study

[28]Centers for Medicare & Medicaid Services, Center for Consumer Information and Insurance Oversight, *Plan Year 2021 Qualified Health Plan Choice and Premiums in HealthCare.gov States*, (Nov. 23, 2020). Premium data reflects the average lowest cost plan across different tiers of plans, with tiers defined by their actuarial value, or the percentage of total average costs for covered benefits that a plan will cover. These data do not include adjustments for premium tax credits that some low income individuals are eligible for through the PPACA exchanges. Eighty-six percent of exchange enrollees received premium tax credits on average each month in 2020. Center for Medicare & Medicaid Services, *Effectuated Enrollment: Early 2021 Snapshot and Full Year 2020 Average.* (June 5, 2021).

[29]Dane Hansen and Gabriela Dieguez, *The Impact of Short-Term Limited-Duration Policy Expansion on Patients and the ACA Individual Market* (Seattle, WA; Milliman Research Report, February 2020). The researchers chose a “bronze” tier plan for comparison to the short-term plan, because it has among the lowest cost premiums among PPACA-compliant plans. In general, as actuarial value—the percentage of total average costs for covered benefits that a plan will cover—increases, consumer cost-sharing decreases. The actuarial values of the metal tiers are: bronze (60 percent), silver (70 percent), gold (80 percent), and platinum (90 percent).

[30]Monthly premiums for the PPACA plans did not reflect discounts for premium tax credits. Monthly premiums for short-term plans reflected prices posted online, were not guaranteed, and could be adjusted after medical underwriting. Karen Pollitz, Michelle Long, Ashley Semanskee, and Rabah Kamal, *Understanding Short-Term Limited Duration Health Insurance* (San Francisco, CA: Kaiser Family Foundation, April 2018).

estimated that short-term plans premiums could be as much as 54 percent lower than PPACA-compliant exchange plans.[31]

However, although short-term plan premiums may sometimes be lower than those for PPACA-compliant plans, some interviewees and research studies reported that, to compare the value of the two types of coverage, additional information needs to be considered, and that it is misleading to suggest that short-term plan coverage is similar to comprehensive coverage under a PPACA-compliant plan.

- For example, the cost of PPACA coverage is reduced for individuals who—based on their income—qualify for partial or complete premium subsidies or reduced cost-sharing. According to one study, over 20 million individuals were estimated to be eligible for PPACA subsidies in 2020.[32] According to the Centers for Medicaid & Medicare Services, the average monthly premium for those receiving advance premium tax credits through the PPACA exchanges in 2020 was $89.[33]
- Most of the individuals we spoke to reported that some short-term plans do not cover services for pre-existing health conditions, which PPACA-compliant plans must cover. Some of those we spoke to told us that some people would not be eligible to purchase a low cost short-term plan due to pre-existing conditions or would be charged higher premiums based on their health history. One research study estimated that, in 2018, 27 percent of non-elderly adults in the United States—about 54 million people—had a pre-existing condition that would be declined for coverage under medically underwritten health insurance.[34]

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[31]Larry Levitt, Rachel Fehr, Gary Claxton, Cynthia Cox, and Karen Pollitz, *Why do Short-Term Health Insurance Plans Have Lower Premiums than Plans that Comply with the ACA?* (San Francisco, CA: Kaiser Family Foundation, October 2018).

[32]Kaiser Family Foundation, *Marketplace Enrollees Receiving Financial Assistance as a Share of the Subsidy-Eligible Population* (San Francisco, CA: Kaiser Family Foundation, 2022).

[33]Centers for Medicare & Medicaid Services, Health Insurance Marketplaces 2021 Open Enrollment Report, retrieved on 3/4/2022 from: https://www.cms.gov/research-statistics-data-systems/marketplace-products/2021-marketplace-open-enrollment-period-public-use-files.

[34]Gary Claxton, Cynthia Cox, Larry Levitt, and Karen Pollitz, *Pre-existing Condition Prevalence for Individuals and Families* (San Francisco, CA: Kaiser Family Foundation, October 2019), accessed March 4, 2022, https://www.kff.org/health-reform/issue-brief/pre-existing-condition-prevalence-for-individuals-and-families/#.

- As another example, short-term plans can establish a higher limit for what consumers must annually cover out-of-pocket, beyond premium payments, than PPACA-compliant plans are allowed to do. These out-of-pocket costs include deductibles, co-payments, and co-insurance. One research study estimated the costs that consumers would pay for premiums and out-of-pocket expenses if they were newly diagnosed with one of several conditions—for example, diabetes, a heart attack, or lung cancer—and found that the total cost to those covered by short-term plans and diagnosed with one of these conditions was significantly greater than their costs would have been under a PPACA-compliant plan. The study estimated, for example, that a consumer who had a heart attack would face a cost of $32,100 under the short-term plan in the 6 months following diagnosis, compared to $7,900 under a PPACA-compliant plan in the same time period.[35]

Benefits

Policy researchers and the research literature disagreed in their characterization of the extent to which short term plans offer a comprehensive array of health benefits compared to PPACA-compliant plans.

One policy researcher we spoke to said that, in assessing short-term plans' coverage of benefits, it is most important that consumers have at least one short-term plan option in their area that covers a broad array of benefits. They discussed their research that found that short-term plans covering all of PPACA's essential health benefits—except maternity benefits—are widely available.[36] This study looked at the number of short-term plans that two online websites listed in the major urban area in each state, and whether these plans included coverage for certain benefits: prescription drugs, mental health, substance abuse and maternity care. It found that in most states there were at least some short-term plans that provided coverage for three of these services, specifically, prescription drugs, mental health and substance abuse.

[35]Dane Hansen and Gabriela Dieguez, *The Impact of Short-Term Limited-Duration Policy Expansion.*

[36]Chris Pope, *Renewable Term Health Insurance: Better Coverage than Obamacare* (New York, NY: Manhattan Institute, May 2019).

Pollitz, Long, Semanskee, and Kamal, *Understanding Short-Term Limited Duration Insurance*.

In contrast, other research studies and stakeholder interviews emphasized that short-term plans often do not cover these benefits. For example, one study looked at the same state-level data as in the study noted above but calculated the percent, rather than the number, of short-term plans that did not cover these benefits. The study concluded that 71 percent of short-term plans did not cover prescription drugs, 62 percent did not cover substance abuse treatment, and 43 percent did not cover mental health services.[37] The study further noted that, even when a plan did cover one of these services, there were almost always limitations or exclusions in the short-term plan that would not be permitted under PPACA-compliant plans, such as a limit on the payment amount for mental health services. Therefore, according to the study, it would be misleading to suggest the short-term plan coverage is similar to comprehensive coverage under a PPACA-compliant plan. One insurer we spoke with said that their short-term plans cover fewer benefits than PPACA-compliant plans. They said that their plans cover some essential health benefits but not others, such as preventive care, so a consumer's visit to a physician would only be covered if the consumer was sick. In addition, rather than providing prescription drug coverage, the short-term plan provided a drug discount card.[38]

Consumer Information

Stakeholders, policy researchers, and research studies also disagreed about the degree to which consumers seeking coverage may face challenges in obtaining and understanding information about short-term plans, particularly compared to PPACA-compliant plans.

Some of the interviewees we spoke to reported that insurers provided consumers with information about short-term plan policies that consumers needed.

[37]Pollitz, Long, Semanskee, and Kamal, *Understanding Short-Term Limited Duration Insurance*. Another study looked at 96 short-term plans offered via an online source in the Atlanta, Georgia, market in 2019 and found that 67 percent did not include prescription drug benefits, and 58 percent did not include mental health and substance abuse disorder benefits. See Hansen and Dieguez, *The Impact of Short-Term Limited-Duration Policy Expansion.* A third study reviewed 12 short-term plans being sold in three states, and reported that 11 excluded nearly all coverage of prescription drugs, with some providing limited coverage of inpatient prescriptions. Emily Curran, Kevin Lucia, JoAnn Volk, and Dania Palanker. *In the Age of COVID-19, Short-Term Plans Fall Short for Consumers* (New York, NY: The Commonwealth Fund, May 12, 2020).

[38]Drug discount cards or coupons provide the consumer with a discount when purchasing a prescription drug from a pharmacy; they are not considered insurance.

- The broker we spoke to, whose company markets short-term plans directly to consumers online, said that consumers are given clear disclosures that these plans are not PPACA-compliant, and that pre-existing conditions are not covered.
- Similarly, officials with one insurer said they did not believe there were risks to consumers buying its short-term plans, because the terms of these plans were clearly laid out in their promotional materials.
- Officials with another insurer noted that they assumed that consumers were satisfied with their short-term plans because they had fewer consumer complaints for their short-term plans than for their Medicaid and Medicare products.
- Officials from Alabama said their guidance requires insurers to clearly state the terms of the short-term plan policy to avoid any misinterpretations, their department has issued news briefings to the general public about short-term plans, and they have a chart on their website that provides a full synopsis of what short-term plans are relative to PPACA-compliant plans.

In contrast, some policy researchers and stakeholders reported that consumers may have less information about short-term plans than for PPACA-compliant plans or may not understand certain aspects of short-term plans. One researcher said that, because short-term plans are not subject to PPACA requirements, they are difficult to compare to each other, and that, while some insurers provide straightforward policy descriptions, others' policies are confusing, ambiguous, and include lots of exceptions. Insurers offering short-term plans are not required to provide consumers with a summary of benefits and coverage that complies with PPACA guidelines for format and content, although they may choose to do so. (See text box.) In one secret shopper study of sales representatives selling non-PPACA-compliant products, including short-term plans, most of the sales representatives refused to provide plan documentation in advance to the consumer—even when asked for it directly—and would only provide it after the consumer made an initial payment.[39] Officials with the Michigan Department of Insurance said that consumers may not understand that short-term plans provide limited coverage, or that there are differences compared to PPACA-compliant plans. Officials with the Pennsylvania Department of Insurance reported many cases of consumers purchasing short-term plans without a full

[39]Center on Health Insurance Reforms, Dania Palanker and JoAnn Volk, *Misleading Marketing of Non-ACA Health Plans Continued During COVID-19 Special Enrollment Period* (Washington, DC: Georgetown University Health Policy Institute, October 2021).

understanding of the product's limitations. In some of these cases, officials said, consumers faced significant costs to pay for care that the short-term plan would not pay for. Legislation was proposed in the Pennsylvania House of Representatives in February 2021 to establish requirements for insurers to disclose complete and accurate information to consumers, among other things, but it had not been passed as of February 2022.

Information Available to Consumers about PPACA-Compliant Plans

Plans compliant with the Patient Protection and Affordable Care Act (PPACA) must meet certain federal requirements related to providing consumers with information about plan characteristics and provisions. Specifically, issuers of PPACA-compliant plans must provide a summary of benefits and coverage to applicants and enrollees. This summary must provide a list of benefits and deductibles, co-payments, and co-insurance rates, among other things. All plans must present this summary in the same format to make it easy for consumers to compare plans. They must also provide examples of what the plan will cover in common medical situations and must tell consumers what is not covered under the specific plan.

In addition to a summary of benefits and coverage for individual plans, PPACA health insurance exchange websites may offer side-by-side comparisons of multiple plans and their key features such as premiums and deductibles. PPACA-compliant plans sold on these federal and state websites may be grouped into categories based on plans' relative "actuarial value," which is the percentage of total average costs for covered benefits that a plan will cover, which can help consumers assess the relative similarities and differences among different plan options, and what the consumer's expected costs will be. For example, if a plan has an actuarial value of 70 percent, consumers, on average, would be responsible for 30 percent of the costs of all covered benefits. However, an individual consumer could be responsible for a higher or lower percentage of the total costs of covered services for the year, depending on actual health care needs and the terms of the insurance policy. They would also be protected by a maximum out-of-pocket threshold for the year.

Source: GAO analysis of federal regulations and requirements. | GAO 22 104683

Several individuals we interviewed told us that there are certain concepts important to understanding short-term plans that can be challenging for consumers to understand, such as "post-claims underwriting" and "pre-existing condition."[40] One researcher said that they had never seen post-claims underwriting explained to consumers in short-term plan marketing materials. Others said that the definition of pre-existing condition may not

[40]Post-claims underwriting is a process whereby an insurer conducts an in-depth review of a consumers' medical records after the consumer has received the service, and after the insurer has received an insurance claim, in order to ensure that the claim is for a benefit that is covered and not, for example, for a pre-existing condition. Post-claims underwriting may be used to deny claims to enrollees of short-term plans or rescind a short-term plan policy, except where prohibited by state law.

be obvious or clear to many consumers; for example, a consumer may not know that a reference to “chest cold” in their medical record may suggest or be considered a pre-existing condition, and that therefore any future treatment for a chest cold or other respiratory illness might not be covered. Officials with an insurer agreed that it can be challenging to educate consumers about the exclusion of pre-existing conditions. A joint report by 30 national organizations that represent patients with serious health conditions profiled examples of consumers who purchased short-term plans and subsequently were faced with high costs because the insurer found that their illness was a pre-existing condition.[41] A report by the House Energy and Commerce Committee Democratic Staff profiled cases of consumers who had purchased short-term plans and whose claims were subsequently denied because the insurer found that the medical services were for a pre-existing condition.[42]

Finally, short-term plans are not subject to PPACA’s requirements for maximum lifetime out-of-pocket costs limits for consumers, although states could set such a maximum. Such a limit provides protection to consumers who have, for example, long-term illnesses that result in significant medical costs. According to one researcher, when looking at short-term plans a consumer may only notice the total maximum dollar amount that the insurer will cover under the plan and think that it will be enough to meet their needs. However, they may not be aware of detailed provisions within different parts of the policy that limit how much the insurer would pay to cover a specific service, or that exclude coverage for the service, for example outpatient chemotherapy, which can be expensive.

Marketing

Interviews with some state officials and policy researchers, and our review of research studies, indicated strong concerns about the marketing of short-term plans, including concerns about misleading and fraudulent sales practices as well as about the financial incentives for insurers and brokers selling short-term plans versus PPACA-compliant plans.

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[41]Partnership to Protect Coverage, *Under-Covered: How “Insurance-Like Products Are Leaving Patients Exposed. 2021* (Accessed March 21, 2022, https://nami.org/About-NAMI/NAMI-News/2021/New-Report-Under-Covered-How-Insurance-Like-Products-are-Leaving-Patients-Exposed).

[42]U.S. House of Representatives Committee on Energy and Commerce, Democratic Staff, *Shortchanged: How the Trump Administration’s Expansion of Junk Short-Term Health Insurance Plans is Putting Americans at Risk* (June 2020).

- Officials with three of the state insurance departments we spoke with expressed such concerns. For example, officials in Pennsylvania said that some insurers and brokers told consumers that short-term plans would cover the same benefits as a PPACA-compliant plan, when in fact they did not. Officials in Florida said that the biggest risk of short-term plans relates to brokers misrepresenting what the plans cover during the sales process.
- Several policy researchers reported that their work had identified marketing practices that directed consumers to short-term plans when they might have been eligible for a subsidized PPACA-compliant plan. For example, one study that looked at the results of web-based searches for health insurance in eight states found that, regardless of search terms used, companies selling short-term plans generally dominated the results returned.[43] Another study, which surveyed consumers about their experience in shopping for coverage, found that 22 percent of consumers who were helped by a broker or commercial health plan representative said they were offered an alternative to a PPACA-compliant plan, such as short-term plans with lower premiums but that excluded pre-existing conditions and other benefits required of PPACA-compliant plans.[44] Another study, conducted following the federal increase of PPACA premium subsidies, found that most sales representatives contacted were more likely to refer consumers to products that were not PPACA-compliant, such as short-term plans, and most representatives did not suggest PPACA-compliant coverage.[45]

[43]Sabrina Corlette, Kevin Lucia, Dania Palanker and Olivia Hoppe, *The Marketing of Short-Term Plans: An Assessment of Industry Practices and State Regulatory Responses* (Washington, DC: Robert Wood Johnson Foundation and Urban Institute, January 2019).

[44]Karen Pollitz, Jennifer Tolbert, Liz Hamel, and Audrey Kearney, *Consumer Assistance in Health Insurance: Evidence of Impact and Unmet Need* (San Francisco, CA: Kaiser Family Foundation, Aug. 7, 2020).

[45]Dania Palanker and JoAnn Volk, *Misleading Marketing of Non-ACA Health Plans Continued During COVID-19 Special Enrollment Period* (Washington, DC: Georgetown University Health Policy Institute, October 2021).

Initially, tax credits were available to consumers with income below 400 percent of the federal poverty level if the applicable premiums were greater than a specified percent of their income. The American Rescue Plan Act of 2021, signed into law in March 2021, reduced the highest threshold to 8.5 percent of income and allowed consumers to obtain the tax credit regardless of their income level through 2022 if they exceed that threshold. Pub L. No. 117-2, § 9661, 135 Stat. 4, 182 (codified as amended at 26 U.S.C. § 36B).

- Our prior work found that some sales of insurance plans included problematic marketing practices. In eight of 31 covert shopping tests, the sales representatives identified through a health insurance consumer information website engaged in potentially deceptive marketing practices about plans that were not PPACA-compliant, including short-term plans, such as claiming that a consumer's pre-existing condition was covered when the health plan documents received after purchase said otherwise.[46]
- Several interviews and studies identified concerns that the compensation paid by insurers to insurance brokers may lead to incentives to sell short-term plans rather than PPACA-compliant plans. Officials in one state noted that brokers receive significantly higher compensation for sales of short-term plans—in the range of a 12 to 15 percent commission on the premium amount—compared to PPACA-compliant plans, which pay between 1 and 2 percent in commission.[47] The officials noted that a broker might not inform consumers that they are eligible for subsidized exchange plans, since they might receive a larger commission for the short-term plan. One study that interviewed brokers in six states reported that, after PPACA was enacted, many insurers reduced or eliminated the commissions they paid to brokers.[48] A subsequent study that interviewed insurance brokers across seven states reported that broker compensation for short-term plans and other products that do not comply with PPACA requirements, such as health care sharing ministries, involved

[46]GAO, *Private Health Coverage: Results of Covert Testing for Selected Offerings,* GAO-20-634R, (Washington, DC: Aug. 24, 2020). Another GAO study, conducted solely among sales representatives listed on the federal government's website, healthcare.gov, found that none of the sales representatives we contacted engaged in potentially deceptive marketing practices that misrepresented or omitted information about the products they were selling. GAO, *Private Health Coverage: Results of Covert Testing for Selected Sales Representatives Listed on Healthcare.gov*, GAO-21-568R (Washington, DC: Aug. 10, 2021).

[47]The amount a broker is paid reflects both the commission percentage and the premium amount; therefore, for short-term plans with low premiums, the higher commission rate may not result in higher total compensation for the sale.

[48]Kevin Lucia, Sabrina Corlette, Dania Palanker, and Olivia Hoppe, *Views from the Market: Insurance Brokers' Perspectives on Changes to Individual Health Insurance* (Washington, DC: Robert Wood Johnson Foundation and Urban Institute, Aug. 2018).

commissions in the range of 15 to 28 percent of the monthly premium.[49]

Additional Data Would Enhance Understanding of the Role of Short-Term Plans and Help States Oversee Insurer Market Conduct

Stakeholders and policy researchers we interviewed identified specific short-term plan data, in addition to general enrollment and policy duration data, that would be beneficial for understanding the role of short-term plans in a pandemic, informing regulators about consumer coverage, and ensuring effective oversight of consumer protections. The specific short-term plan data our interviewees recommended fell into several general categories, including enrollment, plan characteristics, marketing and financial information. (See table 3 for examples of data stakeholders and policy researchers recommended be collected about short-term plans.)

Table 3: Examples of Data and Information about Short-Term Plans Suggested for Collection from Insurers by Stakeholders and Policy Researchers

Category	Data and information
Enrollment	• Enrollment numbers, including covered lives, based on a uniform definition and approach to counting enrollment (e.g., enrollment at a point-in-time or the total number of consumers ever enrolled during the year) • Enrollment numbers by length of coverage duration of policies • Rate of renewals and denials of coverage • Average length of time policies are held • Demographic characteristics of enrollees: age, prior insurance coverage, employment status, health status, and residence
Plan characteristics	• Benefits that the plan covers or excludes • Annual out-of-pocket maximum that the consumer would be responsible for, for services covered by the plan • Maximum amount insurer will pay • Deductible amounts • Co-payments and co-insurance rates by type of service[a]
Marketing	• How plans are marketed and what information is presented to consumers • Sources of plan sales (e.g., with an independent broker or an insurer's agent; whether the website where the plan is sold is a federal or private website[b]) • Broker commissions • Consumer complaints, consumer satisfaction

[49]Sabrina Corlette, Eric Wengle, Ian Hill, and Olivia Hoppe, *Perspectives from Brokers: The Individual Market Stabilizes While Short-Term and Other Alternative Products Pose Risks* (Washington, DC: Robert Wood Johnson Foundation and Urban Institute, April 2020).

Category	Data and information
Financial factors	• Range of monthly premiums charged, and what share of enrollees pay different premium amounts • The types of information used to set premiums, such as age or health status • Medical loss ratio: the total amount the insurer paid for claims compared to the total amount collected in premiums • Denials of claims; consumer appeals of denials

Source: GAO interviews with a selection of: seven policy researchers selected to achieve variation with respect to educational training, organizational affiliation, and policy perspective; officials with six states selected to achieve variation in geographic region and the extent of state regulation of short-term plans; four sellers of short-term plans including three insurers and one broker selected to include companies that operated in one state and multiple states. | GAO-22-104683

[a]Co-payments are fixed amounts that the consumer pays for a covered health service—usually when they receive the service—and the amount can vary by the type of covered health service. Co-insurance also requires the consumer to share in the cost of a covered health service, but the share is calculated as a percentage of the allowed amount for the service.

[b]A broker is an individual who receives commissions from the sale and service of insurance policies. These individuals work on behalf of the customer and are not restricted to selling policies for a specific company but commissions are paid by the company with which the sale was made.

Stakeholders and policy researchers and research studies indicated ways in which additional data—such as data listed in table 3—could be valuable to states. For example, additional data could clarify the role of short-term plans during a pandemic or other economic downturn as well as in the market generally, including whether the plans were used by consumers as temporary coverage or as an alternative to PPACA-compliant plans. Such data could also provide information about what types of health care costs short-term plan enrollees incur and how payments to providers compare to that of PPACA-compliant plans. Finally, additional data could support state oversight of the market conduct of insurers and consumer protections, for example protections related to ensuring that prices are fair and that consumers' claims are being handled appropriately.

Agency Comments

We provided a draft of this report to HHS for review and comment. HHS provided technical comments, which we incorporated as appropriate.

If you or your staff have any questions about this report, please contact me at (202) 512-7114 or DickenJ@gao.gov. Contact points for our Offices of Congressional Relations and Public Affairs may be found on the last page of this report. GAO staff who made key contributions to this report are listed in appendix II.

Sincerely yours,

John E. Dicken
Director, Health Care

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Appendix I: Publications on Short-Term Plans

We conducted a literature search on short-term plans for the period 2016 through 2021 and reviewed relevant publications to learn about what has been reported on the role of short-term plans in the insurance market generally in the past, as well as for employees who lost employer sponsored insurance (ESI) during the COVID-19 pandemic in 2020 and 2021.[1] The literature search reviewed sources that included scholarly publications, government reports, insurance industry sources, association and think tank sources, and general news sources. In addition, we conducted additional searching through citations in publications identified in the literature search and periodic scanning of websites of organizations that cover topics related to this objective and collected referrals of articles from policy experts and stakeholders to whom we spoke.

From this overall search, we selected and reviewed 50 publications that addressed one or more of the following topics: data on short-term plans, views about why consumers might choose short-term plans compared to other options, views about the benefits and risks of short-term plans, and views about the role of short-term plans generally and during the COVID-19 pandemic. We reviewed these publications to identify the views of stakeholders and policy researchers on these topics, as well as to select policy researchers to interview. We did not conduct an independent review or assessment of data reported in these publications.

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[1]Search terms included: short-term plans, short-term health insurance, short-term health coverage, short-term health insurance coverage, short-term limited duration insurance, and skimpy plans.

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Appendix II: GAO Contact and Staff Acknowledgments

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In addition to the contact named above, Bob Copeland (Assistant Director), Mary Giffin (Analyst-in-Charge), Helen Sauer, and Andrew Nguyen made key contributions to this report. Also contributing were Laurie Pachter, Jennifer Rudisill, Jeffrey Tamburello, and Emily Wilson Schwark.

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