

### Opinion: Trump's Insurance Changes Will Undermine Coverage

Margaret Murray | Mar 7, 2018

We learned two things about health insurance during the debate over health reform prior to the Affordable Care Act. First, not enough people had coverage. Second, some who thought they were covered weren't covered adequately. Had Twitter been as popular back then, many of these problematic plans might have been called "FAKE INSURANCE" in all caps.



Sadly, the Trump Administration has proposed regulations to expand substandard insurance plans under the guise of consumer choice and lower costs—inviting back many of the problems that plagued the individual market before the ACA.

The repeal of the individual mandate penalty as part of the December 2017 tax cut legislation grants permission to opt out of purchasing health insurance without penalty. Some people will opt out. Others will migrate to “non-compliant” plans that are less expensive but released from the ACA’s benefit and coverage requirements—such as short-term limited duration insurance (STLDI) plans.

STLDI plans are designed to fill temporary coverage gaps. But as a stand-in for full-time health insurance plans, STLDI plans are “Fake Insurance.” You have a policy and a lower premium, but your coverage is far less meaningful. As The Commonwealth Fund notes, STLDI plans can discriminate on the basis of pre-existing conditions and can decline to provide essential health benefits such as prescription drug or substance abuse coverage.

STLDI plans typically shift costs to consumers: they feature very high deductibles, exceeding \$7,000 to \$20,000 for just three months of coverage. ACA-compliant plans, in contrast, cannot exceed \$7,350 in out-of-pocket costs for 2018. STLDI plans also limit annual and lifetime coverage; many cap coverage at \$1 million. ACA-compliant plans have no such limits.

The Trump Administration’s proposed regulation allows these plans to provide up to 364 days of coverage—and is considering allowing more. The regulation notes that STLDI plans are exempt from certain requirements because they are “not individual health insurance coverage.” The irony is thick.

## **Adverse Selection**

The difference in benefits and premiums between STLDI plans and those that comply with ACA regulations would effectively create separate risk pools. As the American Academy of Actuaries notes, “Noncompliant plans would likely be structured to be attractive to low-cost enrollees, through fewer required benefits, higher cost-sharing, and premiums that vary by health status.” In other words, STLDI plans would siphon off healthier enrollees from the ACA-compliant risk pool. This would mean that people in ACA-compliant plans would be generally less healthy, sending those premiums higher. Since STLDI plans can exclude individuals that get sick—even while they are still undergoing treatment—over time the difference between the two risk pools would create a feedback loop of higher premiums in the ACA-compliant market, causing greater adverse selection, which, in turn, leads to still-higher premiums.

Health reform aimed to increase coverage, improve the affordability of comprehensive coverage, and improve the quality of care. The ACA did these things – the ranks of the uninsured dropped, health plans with better features became the industry standard, and cost-sharing reductions and tax credits made coverage affordable for people with low incomes. Pushing people out of ACA-compliant plans and into STLDI achieves the exact opposite. Fewer will be insured, “fake insurance” plans with little or no meaningful coverage will proliferate, and ACA-compliant premiums will increase as the Marketplace is destabilized. For these reasons, we will continue to oppose regulatory attempts to undermine quality health insurance for every American.<sup>i</sup>

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<sup>i</sup> Murray, Margaret. “Trump’s Insurance Changes Will Undermine Coverage” Managed Healthcare Executive, 7 March, 2018, <http://managedhealthcareexecutive.com/mhe-articles/opinion-trumps-insurance-changes-will-undermine-coverage>