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Guest Commentary: Short-term health plans = long-term problems

By Margaret A. Murray | April 27, 2018

Sellers beware.

The Trump administration's attempt to broaden the market for short-term health plans is drawing wide interest among carriers looking to boost sales in the individual market. But health plans that go this route do so at the industry's peril, failing to recognize the potential long-term damage that short-term, limited duration insurance, or STLDI, plans will create for the industry.

In February when it proposed the expansion, the administration itself defined STLDI plans as "a type of health insurance coverage that was designed to fill temporary gaps in coverage that may occur when an individual is transitioning from one plan or coverage to another plan or coverage."

That's exactly what they should be: a temporary solution to fill in coverage gaps in a pinch. But the proposed rule would change their coverage from the short-term, three months of coverage, to the long term: 12 months of coverage. The rule also would make the process to renew and reapply more convenient for current policyholders. In effect, insurers could offer STLDI plans as year-round plans.

These plans are and should remain stopgaps. But as long-term solutions, they are fake insurance—no more a substitute for real coverage than Neil Patrick Harris is a substitute for a real doctor.

The more they are offered to consumers, the greater the likelihood the insurance industry will face blowback as STLDI enrollees discover needs that will overwhelm their meager benefits. How soon we forget that dysfunction in the health insurance market was the impetus behind passage of the Affordable Care Act. Before 2009, one of the policy drivers of health reform was people winding up in bankruptcy because the health plan they thought would be there for them was wholly inadequate: it prompted calls for reform from both sides of the aisle.

Just as before, the danger for insurers if short-term plans proliferate is that consumers will begin to question the value of the underlying product when their coverage needs go beyond the low limits of short-term plans.

It's fair to argue that the ACA has been less successful in addressing market dysfunctions than its authors had hoped. But turning back the clock won't improve things. People who switch to 12-month STLDI plans expose themselves to higher out-of-pocket costs, greater financial hardships, and reduced access to services. At the same time, the risk pools in the marketplaces for ACA-compliant plans would be degraded. The Trump administration itself states that in the proposed regulation. Let's take them at their word on that.

Insurers gearing up to sell these plans to boost short-term profits should also consider the long-term consequences for the entire industry. Once the public is reintroduced to denials of care on the basis of pre-existing conditions, coverage limits and fine print, their response will be vehement—and wholly understandable. Insurers who offer the newly construed short-term plans will be providing the tools of their own demise to some future Congress.

As anything other than a stopgap, STLDIs are a mirage. The industry should be smart enough to not rush headlong into this expanded niche solely for short-term, limited-duration financial gain. It's an invitation to an inevitable case of seller's remorse.

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