Summary and Analysis of Proposed Legislation to Regulate Short-Term (limited duration) Plans in RI

Background:

1. Short term health plans are designed to cover limited health benefits, with 60% or less of the cost of the product actually paying for health care (compared to 80% "MLR" for other individual health products).
2. Short term limited duration plan offerings have been restricted to coverage for up to 3 months by federal rule.
3. A new federal rule will allow these short-term plans to offer 12 months of their limited benefits to subscribers.
4. Short term plans have significant "fine print" limitations, including the types of services covered, often with a dollar maximum for each.
5. Persons purchasing short-term plans are not eligible for federal tax credit subsidies to help with insurance affordability.
6. Persons purchasing short-term plans often find themselves without coverage when they seek care.
7. If young, healthy people seek these plans, they will no longer be contributing to the individual market pool.
8. The loss of these healthier lives, due to both short term plans and the repeal of the federal individual mandate penalty, is estimated to cause rates to go up (nationally) for those in that individual pool as much as 20.7%. (Urban Institute, 3/14/18)

What does this bill do?

1. This bill would treat short-term plans the same as RI currently treats all other commercial insurance products.
2. Currently, the definition of health plans in our small group (up to 50 lives) and large group (50+), includes short-term plans. Thus, short-term group plans must follow the same marketing and consumer protection standards of all other plans in those markets.
3. This bill would add the same language to the definition of an Individual Market plan, having the same marketing and consumer protection standards apply to all plans in that market (Chapter 27-18.5-2). *This is the only change being proposed in this bill.*
4. Consumer protections that will apply if this bill passes include, but are not limited to:
    a. No preexisting condition exclusions
    b. Behavioral health parity
    c. 80% threshold for claims payment (known as "MLR"= medical loss ratio)

Fiscal and Policy Implications of the legislation:

1. Currently, OHIC is unaware of any short-term plans being sold legally in RI.
2. If short-term plans were to increase in sales in RI, the number of healthy persons in the Individual Market is estimated to decrease, causing rates in that market to increase by up to an estimated 20.7%, given the mandate penalty repeal.
3. As short-term plan marketing increases in RI, persons eligible for federal tax credits for comprehensive coverage may be unaware of that option.
4. As short-term products are marketed nationally, they often include a list of states where the short-term plan cannot be legally sold. RI has no law in place, and is therefore not on those lists.

What do other states do about short-term plans?

1. NY and NJ do what is proposed in this bill—treating short-term plans as individual market plans and in compliance with the same consumer safeguards.
2. Other states ban the sale outright; limit their duration; will not allow the plans to be renewed; require the plans to pay a state fee; or require certain benefit and underwriting standards be met. (AR, MA,CA,CO,IN,MD,OR)