

02/01/2022

Dear Chairman Johnson, Vice-Chair Croft, and distinguished members of the Joint Committee on Financial Institutions and Insurance:

My name is Brian C. Blase, and I served as a special assistant for economic policy to President Trump at the White House's National Economic Council from 2017-2019 working on health policy issues. In that capacity, I led the development of the rule to expand Americans' ability to benefit from short-term plans. I am now serving as president of Paragon Health Institute.

Short-term plans are a valuable option for individuals and families to gain financial protection and health coverage. Chris Pope of the Manhattan Institute wrote a paper in 2019 comparing Affordable Care Act (ACA) plans with short-term plans.¹

According to Pope's findings, for equivalent insurance protection, the premiums for short-term plans are much lower than ACA plan premiums—in some cases about half the cost. Moreover, Pope finds that narrow-network HMOs are often the only types of ACA plans available and that short-term plans generally cover a much broader set of providers. Pope provides an example from Fulton County, Georgia, where ACA plan premiums were about the national average and where the state permits the sale of short-term plans consistent with the Trump administration's policy.

A Blue Cross bronze plan, which covers about 60% of medical expenses, for a 30-year-old male who doesn't smoke costs \$296 per month. The plan carries a \$5,200 deductible, with a maximum out-of-pocket cost of \$7,900. Pope compares that with UnitedHealth's short-term plan that lasts 360 days. That plan has a monthly premium of \$209, nearly 30% lower. The deductible and out-of-pocket caps are also lower, at \$5,000 and \$7,000, respectively. The savings are greater for a more generous silver plan (covers 70% of medical expenses): \$467 a month in premiums on the exchange versus \$250 for a comparable short-term plan.

Some skeptics of short-term plans feared that permitting people to benefit from them would hurt the individual health insurance market, governed by ACA requirements. I conducted a study on this question, which was released last year by the Galen Institute.² I assessed the trends in the individual market—enrollment, insurer participation, and premiums—between states that permit short-term plans for at least 364 days and those that place restrictions on short-term plans, which include restrictions on how they can be priced.

These trends showed that, since 2018, states which fully permit short-term plans have had better enrollment, insurer participation, and premium trends in their individual markets, where people buy ACA plans, than states that restrict short-term plans.

¹ https://media4.manhattan-institute.org/sites/default/files/R-0519-CP.pdf?mod=article_inline

² <https://galen.org/assets/Individual-Health-Insurance-Markets-Improving-in-States-that-Fully-Permit-Short-Term-Plans.pdf>

- **More Insurers:** There has been a 61% increase in the number of insurers offering ACA plans from 2018 to 2021 in robust short-term plans states, compared to states that restrict short-term plans in some manner, with restricting states only experiencing a 25% increase.
- **Larger Premium Decreases:** Robust short-term plans states have experienced premium decreases more than twice as large, when compared to states that restrict short-term plans. The only states where individual market premiums have increased since 2018 are the five states that fully prohibit short-term plans.
- **Less Erosion of Enrollment:** With ACA enrollment down in most states, robust short-term plans states have experienced less declines since 2018, with restricting states experiencing a 2.3 percentage point greater declines in enrollment.

This research is important because an estimated three million people enrolled in short-term plans in 2019. Restricting short-term plans will take away this option from people who are buying these plans with their own money and will likely increase the number of uninsured by one million or more.

There are two reasons for why fully permitting short-term plans may have helped the individual market.

- 1) Less adverse selection in the individual market since people who develop medical conditions while enrolled in short-term plans have their expenses covered by the short-term plans instead of switching to an ACA plan. By allowing short-term plans to last for longer, these states likely reduce adverse selection against ACA-compliant insurance policies.
- 2) Short-term plans could spur individual market insurers to become more efficient since they are a substitute for individual market coverage, for some people.

In conclusion, my research shows that short-term plans provide a real benefit to consumers, and the evidence shows that states that permit short-term plans have had better experience in their individual market since 2018. Kansas residents can additional protection if they are permitted to buy these policies for 36 months.

Sincerely,

Brian C. Blase, PhD
President, Paragon Health Institute