



TESTIMONY

Before the Senate Committee on Insurance

Regarding SB199 Short Term Limited Duration Plans

02/25/2021

Good morning, Chairman Longbine, Vice Chairs Peck and Fagg and my distinguished fellow members of the Joint Committee on Financial Institutions and Insurance.

My name is Senator Beverly Gossage, and I am the owner and president of HSA Benefits Consulting, as well as the Legislative Chair of the Kansas Association of Health Underwriters, a chapter of the National Association of Health Underwriters (NAHU), a professional association representing more than 100,000 licensed health insurance agents, brokers, general agents, consultants and employee benefits specialists. The members of NAHU work on a daily basis to help individuals and employer groups purchase, administer and utilize health insurance coverage. As such, we are pleased to have the opportunity to provide comments on SB199 regarding Short Term Limited Duration Plans (STLD), commonly called short term medical plans (STM)

Originally STMs were primarily designed to fill gaps in coverage that may occur when an individual is transitioning from one plan or coverage to another plan or coverage, such as in between jobs. This type of coverage is exempt from the definition of individual health insurance coverage under the Affordable Care Act (PPACA) and is therefore not subject to the PPACA provisions that apply to the individual market.

Target purchaser Typically the buyers have been A) employees who are between jobs and choose not to pay the high cost of COBRA or ACA Marketplace plans until they would be eligible for another employer plan, B) employees whose small employer doesn't offer group insurance and ACA Marketplace plans are too expensive, C) employees whose employer plan costs are unaffordable for their dependents and they are not eligible for subsidies under the ACA Marketplace, D) Self employed Kansans who find the ACA Marketplace too expensive, E) College students whose school does not offer a health plan and the ACA Marketplace plans are too expensive, F) Retired seniors not quite old enough for Medicare and find the ACA Marketplace plans are prohibitive.

Background Insurance companies have been offering short term health plans as an alternative to traditional healthcare plans for decades. Though the federal government allows an insurer who offers a short term plan to give an option to the purchaser to renew for up to 36 months without medical underwriting, the Kansas statute limits an insurer to offer a single plan for up to 12 months in duration. The statute permits a purchaser to buy up to another 12 months from that same insurer, but the purchaser will be re-underwritten at each new application.

Proposed amended bill would permit insurers offering plans in Kansas to offer up to the 36 month renewal period. We support this extension for two reasons. 1) It diminishes the possibility of a purchaser having a condition developed in the first policy period, not covered or even causing a denial of coverage when he applies for a subsequent plan. 2) As licensed health insurance agents, we have seen the private plans for our clients more than quadruple since the ACA was passed. Granted those Kansans who buy a private plan and are between 100% to

250% of the poverty level will receive a substantial tax payer-funded credit toward premium as well as their out-of-pocket costs drastically reduced. However, many purchasers may either receive a modest subsidy or are forced to pay full price. For those Kansans ACA policies not only come with high premiums, but also burden them with up to an \$8550 out-of-pocket. Kansans need other options.

Consumer Protection with No Limited Enrollment Period Unlike the ACA Marketplace that forces a purchaser to wait up to 11 months if he misses open enrollment, a short term plan can start as early as the next day. But when the duration of the term purchased expires, the client must buy a new plan and any condition that occurred during that previous term becomes an uncovered condition in the next term. By allowing the duration to be renewed up to 36 months, fewer of these purchasers will find themselves with conditions that aren't covered. And fewer will have to worry about reapplying every year. This provision, of course, does not force insurers to offer the 36 month renewals but gives them the option.

STMs ARE Insurance Some may argue that the value of short-term plans is “unclear” because they provide “a false sense of security,” but millions of consumers would disagree. Michael Cannon of the Cato Institute illustrated this point by recounting the story of Jeanne Balvin, a 61-year old Arizona resident.

“In 2017, Balvin purchased an STM plan from UnitedHealthcare for \$274 per month. It covered the entire cost of her emergency surgery for diverticulitis, minus a \$2,500 deductible. Had she purchased an ACA plan, her premium would have been three times as high and her deductible in the range of \$6,000.” If her state allowed the extension and she was in her first year of a three-year renewal, the diverticulitis would be a covered expense for another two years after the medical incident and the insurer could not raise her premiums. [In a win for consumers, a court ruling affirms the legality of short-term health insurance plans | TheHill](#)

There are many “Jeannes” who have had similar experiences with STM plans. One is a staff member for our Kansas Senate leadership team who purchased a short term medical plan last January and was forced to have an emergency gall bladder surgery in February. All of the \$97000 of costs were covered after he paid his 2500 deductible. The premium would have been more than double for an ACA plan and his out-of-pocket costs would have been in excess of \$8000.

Lower Premium Options Until the federal government can amend the ACA to make these major medical plans more affordable, we are left to offering our middle income clients short term plans or sharing plans. The short term plans are at least 60% to 70% lower in premium than the ACA plans primarily because they do not cover pre-existing conditions or other benefits that some purchasers do not want or would rather pay cash for, such as normal maternity, prescriptions, chiropractic services or mental health. Purchasers appreciate that they only pay for what they want insurance to cover. The purchaser will consider using the savings in premium to pay for the services not covered by the STM policy, should they be needed. These plans often have a regional network and limited provider selection, while most short term plans provide a national network of providers. Obviously, STM plans are not for everyone, but fill a need.

Let's look at some actual quotes, (see screenshots below). The ACA Marketplace policies for a male, age 55 in zip code 66204, range from \$650 to \$1170 monthly with an out-of-pocket ranging from \$8550 to \$6250. By contrast, the most popular STM with a \$5000 out-of-pocket is only \$328 with plans as low as \$156.

At age 22 with the same zip code, the Marketplace plans would be \$229 up to \$525 respectively with matching out-of-pockets as outlined above. By contrast, the most popular STM with a \$5000 out-of-pocket is only \$84 with plans as low as \$40.

Short term plans are not right for all Kansans but for many people are the difference between being insured and forgoing coverage. The KAHU urges this committee and the full Senate to vote for this bill to allow Kansans more choices in purchasing private insurance for longer durations without underwriting.

EXAMPLE QUOTES

Age 55 Zip Code 66204
 ACA Marketplace lowest priced plan

Oscar Insurance Company New plan - Not rated ⓘ

[Oscar Bronze Classic PCP Copay \(\\$3 Prescription List + Free 24/7 Virtual Visits + Free Personal Care Team\)](#) Compare

Bronze | EPO | Plan ID: 43490K50010002

Deductible ⓘ \$6,000 <small>Individual total</small>	Out-of-pocket maximum ⓘ \$8,550 <small>Individual total</small>	Estimated total yearly costs ⓘ <input type="button" value="Add yearly cost"/>
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Copayments / Coinsurance ⓘ

Emergency room care 50% Coinsurance after deductible	Generic drugs \$3	Primary doctor \$50	Specialist doctor \$90 Copay after deductible
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Age 55 Zip Code 66204
 ACA Marketplace highest priced plan

Blue Cross and Blue Shield of Kansas City New plan - Not rated ⓘ

[Blue KC Community BlueSelect Plus 1250 \(Telehealth: \\$10 Copay for Primary Care Office Visit & Behavioral Health Therapy; \\$0 Preventive Care\)](#) Compare

Gold | EPO | Plan ID: 94248K50560006

Deductible ⓘ \$1,250 <small>Individual total</small>	Out-of-pocket maximum ⓘ \$6,250 <small>Individual total</small>	Estimated total yearly costs ⓘ <input type="button" value="Add yearly cost"/>
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Copayments / Coinsurance ⓘ

Emergency room care 20% Coinsurance after deductible	Generic drugs \$15	Primary doctor \$15	Specialist doctor \$40
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Age 55 Zip Code 66204
 STM popular plan

Plan Details

PPO



Short Term Medical 5k, 100/0

Monthly Premium: \$327.97 /mo

Plan Cost
\$327.97

Network:
 Hospitalization: **No Charge after Ded.**
 Deductible: **\$5,000**
 Rx: **No**
 Dr. Visit: **No Charge after Ded.**
 Maternity: **No**

Age 22 Zip Code 66204
 ACA Marketplace lowest priced plan

Estimated monthly premium
\$229.02

Medica New plan - Not rated ⓘ
[Select by Medica Catastrophic](#) Compare
 Catastrophic | EPO | Plan ID: 39520KS0040013

Deductible ⓘ \$8,550 Individual total	Out-of-pocket maximum ⓘ \$8,550 Individual total	Estimated total yearly costs ⓘ <input type="button" value="Add yearly cost"/>
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Copayments / Coinsurance ⓘ

Emergency room care No Charge After Deductible	Generic drugs No Charge After Deductible	Primary doctor \$30 Copayment with deductible	Specialist doctor No Charge After Deductible
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Age 22 Zip Code 66204
 ACA Marketplace highest priced plan

Estimated monthly premium
\$524.76

Blue Cross and Blue Shield of Kansas City New plan - Not rated ⓘ
[Blue KC Community BlueSelect Plus 1250](#) Compare
 (Telehealth: \$10 Copay for Primary Care Office Visit & Behavioral Health Therapy; \$0 Preventive Care)
 Gold | EPO | Plan ID: 94248KS0560006

Deductible ⓘ \$1,250 Individual total	Out-of-pocket maximum ⓘ \$6,250 Individual total	Estimated total yearly costs ⓘ <input type="button" value="Add yearly cost"/>
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Copayments / Coinsurance ⓘ


Emergency room care 20% Coinsurance after deductible	Generic drugs \$15	Primary doctor \$15	Specialist doctor \$40
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Age 22 Zip Code 66204
 STM popular plan

You have the right to view information in your language. I would like to view information in Select Language ▼

Plan Details

PPO



Short Term Medical 5k, 100/0

Monthly Premium: **\$83.76_{mo}**

Plan Cost: \$83.76

Network:
 Hospitalization: **No Charge after Ded.**
 Deductible: **\$5,000**
 Rx: **No**
 Dr. Visit: **No Charge after Ded.**
 Maternity: **No**