Center for Health and Economy

The Proposed Modifications to Short Term Limited Duration Insurance Plans

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The Trump Administration has released a series of executive orders with the aim of reducing health insurance premiums. One of these orders seeks to redefine Short Term Limited Duration Insurance (STLDI) so that insurers can create and offer plans with a duration of up to 364 days.[1] This change would allow STLDIs to function in a way similar to Qualified Health Plans (QHPs) available in the health insurance marketplace.

In the following report, the Center for Health and Economy (H&E) evaluates the impact that the regulation on STLDIs would have on the individual health insurance market. All impacts projected in this report are relative to H&E's March 2018 baseline.[2] As with all projections, the estimates are associated with some degree of uncertainty.

Key Findings:

- **Premium Impact:** The loosening of regulations on STLDIs would increase premiums across QHP metal levels by 5 to 9 percent in 2028. This is due to the shifting of less costly individuals out of the QHP pool into the STLDI pool.
- **Coverage Impact:** This regulation is projected to lead to moderate increases in the insured population; roughly 2.5 million more people would purchase insurance by 2028.
- **Medical Productivity:** These policies would lead to a 17 percent increase in medical productivity by 2028.
- **Provider Access:** These policies would lead to a 15 percent decrease in provider access by 2028.
- **Budget Impact:** There is no observable budget impact as a result of loosening restrictions on STLDIs.

Analysis

This analysis uses a microsimulation model developed for use by H&E. The model employs micro-data available through the Medical Expenditure Panel Survey to analyze the effects of health policies on the health insurance plan choices of the under-65 population and interpret the resulting impact on national coverage, average insurance premiums, the federal budget, and the accessibility and efficiency of health care.

For this report, H&E assumed that the proposed regulations for STLDIs would take effect in 2019. Data on roughly two thousand STLDIs from various insurers were used to inform the modeling.[3] H&E assumed that the choice to purchase an STLDI was comparable to the choice of purchasing a Catastrophic plan. It was also assumed that the current state-level laws will remain static throughout the budget window. Currently, six states have regulation that would make new plans formed under this regulation illegal. STLDIs under the current federal law are illegal in Massachusetts, New Jersey, New York, and Vermont, while Oregon and Washington include laws that would prohibit the sale of STLDIs past three months. All comparisons are to H&E's March 2018 baseline projection.

Premium Impact

H&E health insurance premium estimates are based on five plan design categories offered in the Individual Market: Platinum, Gold, Silver, Bronze, and Catastrophic. Under current law, the cost-sharing designs of the four metallic categories correspond to approximate actuarial values: 90 percent, 80 percent, 70 percent, and 60 percent, respectively. Catastrophic coverage plans refer to health insurance plans that reimburse medical expenses only after members meet a high deductible—a maximum of $7,350 for an individual under current law. Premiums in H&E's model are considered in a single risk pool. All premium estimates reflect health insurance prices without any federal subsidies.

Table 1 below presents the estimated premiums for each category between 2019 and 2028.

Table 1. Average Annual Premiums in the Individual Market

		2019	2020	2021	2022	2023	2028
Single Coverage	Platinum	8,600	8,900	9,200	9,500	9,900	11,900
	Gold	7,700	8,000	8,400	8,700	9,100	11,100
	Silver[2]	7,600	7,900	8,300	8,700	9,100	11,200
	Bronze	6,000	6,200	6,500	6,700	7,000	8,600
	Catastrophic	3,000	3,100	3,200	3,400	3,600	4,500
	STLDIs	1,300	1,400	1,400	1,500	1,600	2,000
Family Coverage[1]	Platinum	17,500	18,000	18,600	19,300	20,000	24,200
	Gold	17,300	17,900	18,600	19,300	20,000	24,600
	Silver[2]	17,000	17,600	18,500	19,300	20,100	25,000
	Bronze	14,500	14,900	15,300	15,800	16,300	19,300
	Catastrophic	6,500	6,800	7,200	7,500	8,000	9,800
	STLDIs	3,200	3,400	3,500	3,700	3,800	4,700

[1]Family coverage estimates are based on a family size of four persons.

[2]Silver plans offered to low-income households receive cost-sharing benefits that alter the effective premium relative to un-assisted Silver plans.

H&E estimates that the premiums in the individual market will increase by 5 to 9 percent by the year 2028 relative to the baseline. Premiums are expected to increase for health insurance marketplace plans as STLDI plans pull younger and healthier consumers out of the marketplace. This migration toward STLDIs creates upward pressure on premiums for QHPs as insurers seek to mitigate the costs of a risk pool that is less healthy.

Table 2. Change in Average Premiums in the Individual Market

		2019	2020	2021	2022	2023	2028
Single Coverage	Platinum	5%	5%	5%	4%	4%	5%
	Gold	5%	5%	5%	5%	6%	6%
	Silver[2]	7%	7%	7%	7%	7%	7%
	Bronze	6%	5%	5%	5%	5%	5%
	Catastrophic	1%	1%	1%	1%	1%	1%
Family Coverage[1]	Platinum	5%	5%	5%	5%	5%	7%
	Gold	7%	8%	8%	8%	8%	9%
	Silver[2]	8%	8%	8%	8%	8%	8%
	Bronze	7%	7%	7%	7%	7%	8%
	Catastrophic	1%	2%	2%	2%	2%	2%

[1]Family coverage estimates are based on a family size of four persons.

[2]Silver plans offered to low-income households receive cost-sharing benefits that alter the effective premium relative to un-assisted Silver plans.

Coverage Impact

H&E insurance coverage estimates reflect health insurance choices for the under-65 population. H&E estimates that the policy change regarding STLDIs would result in an average yearly net increase in the insured population of 2.4 million, with about 2.5 million more consumers obtaining insurance in the year 2028 relative to the March 2018 baseline projection. Table 3 below shows the overall projected insurance levels with the proposed regulation on STLDIs. The most significant factor leading to the increased enrollment and take-up of STLDIs is that their premiums are lower relative to those for QHPs. H&E expects that the bulk of STLDI enrollment will be among younger, healthier individuals, as STLDI plans typically have much higher cost-sharing than QHPs.

Table 3. Health Insurance Coverage (Millions)

	2019	2020	2021	2022	2023	2028
Individual Market*	18	18	17	17	16	14
Health Insurance Marketplace	9	9	9	9	8	7
Other Non-Group Insurance	9	8	8	8	8	8
Employer Sponsored Insurance	156	156	157	157	158	160
Medicaid	68	68	68	68	68	69
Other Public Insurance[1]	5	5	5	5	5	5
Total Non-Elderly Population	**276**	**277**	**278**	**279**	**280**	**284**
Total Insured[2]	**247**	**247**	**247**	**248**	**248**	**249**
Uninsured[2]	**29**	**30**	**31**	**31**	**32**	**35**
Percent Uninsured	**11%**	**11%**	**12%**	**12%**	**12%**	**13%**

[1] Other Public Insurance includes under-65 Medicare enrollment.

[2] All insurance coverage estimates refer only to the under-65 population.

* Individual Market and Total Insured numbers may not equal the sum of other sub-categories due to rounding.

All of the increase in the number of insured individuals occurs outside the health insurance marketplace, as Table 4 below shows. H&E projects that roughly 3 million people would purchase STLDIs in 2019 and that enrollment in the plan would remain constant throughout the 10-year window. Within the health insurance marketplace, H&E expects a small drop of roughly 700,000 enrollees each year, as STLDIs draw from some people enrolled in Silver and Bronze plans. H&E expects minimal changes in enrollment outside of the individual market as a result of a change in STLDI regulation.

Table 4. Change in Individual Market Health Coverage (Millions)

	2019	2020	2021	2022	2023	2028
Health Insurance Marketplace	**-0.8**	**-0.7**	**-0.7**	**-0.7**	**-0.7**	**-0.5**
Platinum	*	*	*	*	*	*
Gold	*	*	*	*	*	*
Silver	-0.4	-0.4	-0.4	-0.4	-0.4	-0.3
Bronze	-0.4	-0.3	-0.3	-0.3	-0.3	-0.2
Catastrophic	*	*	*	*	*	*
Other Non-Group Insurance	**3.1**	**3.1**	**3.1**	**3.1**	**3.1**	**3.0**
Platinum	*	*	*	*	*	*
Gold	*	*	*	*	*	*
Silver	*	*	*	*	*	*
Bronze	-0.1	-0.1	-0.1	-0.1	-0.1	-0.2
Catastrophic	*	*	*	*	*	*
STLDIs	3.2	3.2	3.2	3.2	3.2	3.2
Total Change in Individual Market	**2.3**	**2.3**	**2.3**	**2.3**	**2.4**	**2.5**

*Change in insured is less than 100,000.

Productivity and Access

In an attempt to evaluate access and productivity in the health care system, H&E estimates the Medical Productivity Index (MPI) and the Provider Access Index (PAI). Health insurance plan designs are associated with varying degrees of access to desired physicians and facilities, as well as incentives that promote or discourage efficient use of resources. H&E estimates each index by attributing productivity (i.e. efficiency) and access scores to the range of plan designs available and uses the changes in plan choices to project the evolution of health care quality. These scores are provided in Tables 5 and 6 below.

Table 5. Medical Productivity Index[1]

	2019	2020	2021	2022	2023	2028
Individual Market	**2.7**	**2.8**	**2.8**	**2.8**	**2.8**	**2.9**
Marketplace	2.5	2.6	2.6	2.6	2.7	2.8
Other Non-Group Insurance	3.0	3.0	3.0	3.0	3.0	3.1

[1] Productivity and access estimates refer only to the Individual Market, Medicaid, and under-65, non-disabled population.

Table 6. Provider Access Index[1]

	2019	2020	2021	2022	2023	2028
Individual Market	**2.6**	**2.6**	**2.7**	**2.7**	**2.7**	**2.7**
Marketplace	2.7	2.7	2.8	2.8	2.8	2.9
Other Non-Group Insurance	3.0	3.0	3.0	3.1	3.1	3.2

[1] Productivity and access estimates refer only to the Individual Market, Medicaid, and under-65, non-disabled population.

H&E expects medical productivity to increase relative to the March 2018 baseline projection as a result loosening the restrictions on STLDIs, as Table 7 below demonstrates. H&E projects that a higher proportion of consumers will purchase higher cost-sharing plans, which drive higher medical productivity. By 2028, medical productivity is expected to increase by 17 percent relative to conditions under current law.

Simultaneously, provider access is expected to decrease as a result of the change in regulation. The consumers that switch to the STLDI plans, which have a lower actuarial value, would typically have access to a more constrained provider network. Also, the higher cost sharing of STLDI plans means that consumers have less incentive to access health care. Both of these characteristics lead to lower provider access. The increase in the enrollment in STLDIs leads to a 15 percent decrease in provider access by 2028, as Table 8 shows.

Table 7. Change in Medical Productivity Index[1]

	2019	2020	2021	2022	2023	2028
Individual Market	**14%**	**15%**	**15%**	**16%**	**16%**	**17%**
Marketplace	12%	13%	14%	15%	15%	19%
Other Non-Group Insurance	12%	12%	12%	11%	11%	11%

[1] Productivity and access estimates refer only to the Individual Market, Medicaid, and under-65, non-disabled population.

Table 8. Change in Provider Access Index[1]

	2019	2020	2021	2022	2023	2028
Individual Market	**-11%**	**-12%**	**-12%**	**-12%**	**-13%**	**-15%**
Marketplace	*	*	*	*	*	*
Other Non-Group Insurance	-14%	-14%	-14%	-14%	-14%	-14%

[1] Productivity and access estimates refer only to the Individual Market, Medicaid, and under-65, non-disabled population.

* Change is smaller than 1 percent.

Uncertainty in Projections

The Center for Health and Economy uses a peer-reviewed micro-simulation model of the health insurance market to analyze various aspects of the health care system.[5] As with all economic forecasting, H&E estimates are associated with substantial uncertainty. While the estimates provide a good indication on the nation's health care outlook, there are a wide range of possible scenarios that can result from policy changes, and current assumptions are unlikely to remain accurate over the course of the next ten years.

One source of uncertainty is how insurers will alter the benefit structure of STLDI plans upon the finalization of such a proposed regulation. The plans would no longer be limited to three months and the expected increase in enrollment would change the amount of risk these insurers assume. Any resulting modifications to plan design would affect how consumers make decisions and, in turn, would affect enrollment numbers in both STLDI plans and QHPs.

H&E was unable to account for a few differences between STLDI plans and QHPs in this report. First, STLDI plans do not offer the full range of benefits that QHPs and Catastrophic insurance offer. For example, STLDI plans do not offer maternity coverage and rarely offer mental health coverage or prescription drugs.[4] STLDI plans also commonly include lifetime limits in their benefit structure. As a result, the choice for the consumer to purchase a STLDI plan is different that the choice for any other QHP or Catastrophic coverage. Second, it is likely that STLDI enrollment is further suppressed by other barriers to purchase. For instance, since STLDI plans are not QHPs, they will not appear on HealthCare.gov. These differences were not accounted for in this analysis, but they would likely have a negative effect on STLDI enrollment.

Premium changes as a result of the introduction of STLDI plans are the source of uncertainty. The magnitude of premium changes in the health insurance marketplace are

heavily dependent on the number and type of consumers STLDI plans pull out of the marketplace. In general, the more popular that STLDI plans are among the young and healthy within the health insurance marketplace, the greater the increase of QHP premiums.

Finally, it is likely that state behavior will have an effect on the prevalence and availability of STLDIs. Currently six states have laws in place that would negate the effects of the proposed rule in their states. It is possible that other states could follow suit, and more regulations at the state level could further suppress STLDI enrollment, which would have implications for marketplace premiums and enrollment.

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[1] Proposed available at: https://www.federalregister.gov/documents/2018/02/21/2018-03208/short-term-limited-duration-insurance

[2] http://healthandeconomy.org/health-and-economy-baseline-estimates-6/

[3] Short Term Limited Duration Insurance Plan data acquired from HealthPocket, Inc. Accessed at: https://www.healthpocket.com/about-us/data-requests

[4] https://www.kff.org/health-reform/issue-brief/understanding-short-term-limited-duration-health-insurance/