



TESTIMONY

Before the Kansas House Committee on Insurance

Regarding HB2053 Short Term Limited Duration Plans

01-22-2020

Room 212N Capitol Building

Good afternoon Chairman Vickrey, Vice Chair Cox, and Ranking Member Neighbor, and distinguished members of the Committee on Insurance.

My name is 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 bill 2053 regarding Short Term Limited Duration Plans (STLD) commonly called short term medical plans (STM)

These plans are a type of health insurance coverage that was 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.

Background The previous federal administration promulgated extensive new requirements for short-term, limited-duration health insurance policies in 2016. Those rules changed the federal definition of short term, limited-duration coverage that had been in place since the passage of the Health Insurance Portability and Accountability Act of 1996 by specifying that short-term, limited-duration health coverage could not provide coverage for more than three months, rather than the previous federal maximum of 12 months. Under the old rules, states determined the length and availability of short-term policies in their jurisdictions while abiding by the federal coverage duration ceiling of 12 months. In October of 2018 the current administration restored the 12 month duration and allowed these plans to be renewed for up to 36 months without being re-underwritten.

Proposed amended bill would permit insurers offering plans in Kansas to offer 36 month renewals. We support this extension. As licensed health insurance agents 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. However, most purchasers may either receive a modest subsidy or are forced to pay full price. For most people these premiums with their \$8150 deductibles are completely unaffordable. Kansans need other 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 about 60% to 70% lower in premium than the ACA plans primarily because they do not cover pre-existing conditions.

For example, the lowest priced ACA policy for a male, age 52, is \$670 with an \$8150 out-of-pocket. A STM with a 5000 out-of-pocket is only \$289 with plans as low as \$179. At age 22 the plans above would be \$228 and \$74 respectively with some plans as low as \$46. Short term plans are not right for everyone but for many people are the difference between being insured and going without.

In Kansas a client may buy a plan for one month up to twelve months that 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.

The KAHU urges this committee and the House at large to vote for this bill as amended to allow Kansans more options in purchasing private insurance for longer durations without renewal.

A handwritten signature in blue ink that reads "Beverly Gossage". The signature is written in a cursive, flowing style.