



# Wisconsin Individual Health Insurance Market:

Presence and Impact of

## Short-Term Limited Duration Plans

Supplement: Brief Report

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## **Background: OCI STLDP Study**

This brief report summarizes data and analysis of the enrollment in, and marketing of, short-term limited duration plans (STLDPs) in Wisconsin's health insurance market. It serves as a supplement to the full data report, addressing the following points:

- STLDP enrollment, coverage, and design
- Consumer purchasers of STLDPs
- Length of time for STLDPs purchased
- Insurer and Association marketing practices
- Impact on the purchase of comprehensive coverage/Affordable Care Act (ACA) compliant plans in the individual market

The purpose of this report is to help Wisconsin policymakers and regulators better understand STLDPs and determine whether there is a need to pursue STLDP related regulatory changes or policy initiatives.

Wisconsin Statute § 632.7495(4) recognizes STLDPs as an insurance product “marketed and designed to provide short-term coverage as a bridge between coverages.” Beyond this, however, questions remain about whether – and should – consumers use STLDPs as a substitute for comprehensive coverage.<sup>1</sup> Some consumers may believe that ACA-compliant plans offer and are priced to include unwanted benefits.<sup>2</sup> STLDPs may offer premiums that are lower than unsubsidized premiums for ACA-compliant policies, but they expose enrolled members to additional healthcare costs in the form of cost-sharing and non-covered services. STLDPs are not required to include specific ACA consumer protections. STLDPs, unlike ACA-regulated comprehensive coverage, may limit coverage based on an individual's prior health status, and pre-existing conditions, may limit maximum annual and lifetime dollar coverage, offer less benefit coverage, and lack guaranteed renewability.

## **STLDP Enrollment and Coverage**

Wisconsin in 2021 had 12 carriers enrolling Wisconsin residents in STLDPs, an increase from 10 carriers identified by a National Association of Insurance Commissioners (NAIC) survey in 2019. While the number of identified carriers has increased, the number of STLDP enrolled members decreased. Wisconsin carriers report 10,310 enrolled members in December 2021, compared to 13,731 reported enrolled in December 2019.

This decrease in enrollment from 2019 to 2021 may relate to two significant factors. The declaration of the COVID-19 public health emergency in March 2020 brought new federal law and regulation aimed at pandemic relief and recovery—expanding federal subsidies for enrollment in ACA Marketplace plans and Medicaid enrollment.<sup>3</sup> In addition, the federal government took proactive steps in 2021, with substantial new outreach funding, to promote ACA plan enrollment.<sup>4</sup>

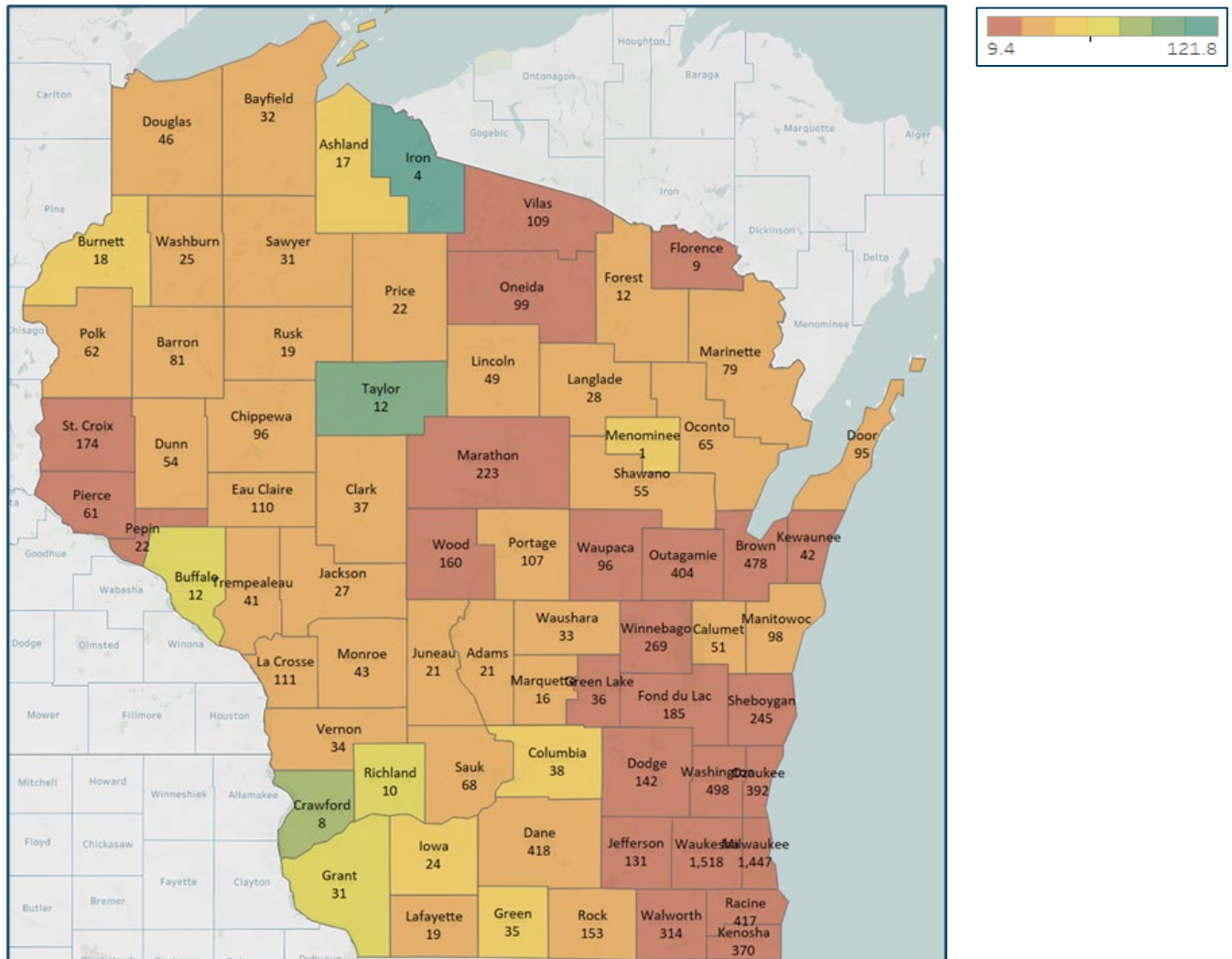
## **Geography and Market Share**

ACA compliant plan enrollment far surpasses STLDP enrollment in all geographic regions, with STLDP enrollment accounting for a fraction of 1% of Wisconsin's overall population; Wisconsin's ACA compliant plan individual market exceeds 200,000 residents. However, the level of participation in STLDPs relative to the ACA marketplace does vary among regions. Figure 1 displays the ratio of Marketplace enrollment to STLDP enrollment by county, with the green shaded counties showing higher Marketplace enrollment relative to STLDP enrollment, and the darker red shaded counties showing higher STLDP enrollment relative to Marketplace enrollment.

Northeastern and Southeastern regions account for the largest share of STLDP member months in each of the plan term categories, with the Northeastern region accounting for about a quarter of enrollment and member months, and the Southeastern region accounting for about a third of total enrollment and member months. The relative number of members enrolled in STLDPs across regions does not align with the relative size of the overall individual market or with the total populations in these regions. Enrollment in STLDPs may relate to other characteristics in the region, such as the strength of the individual market, or of the employer-sponsored insurance market, the age and workforce composition of the population, employment dynamics, and Marketplace plans and premiums.

The Southeastern and Milwaukee regions have individual markets with a lower share of private coverage, and of the overall population, relative to other regions, but have the highest ratio of STLDP coverage to individual market enrollment compared to other regions. This indicates that, while a smaller proportion of residents in those regions participate in the individual market, residents that do are more likely to purchase STLDPs than residents in other regions of the state.

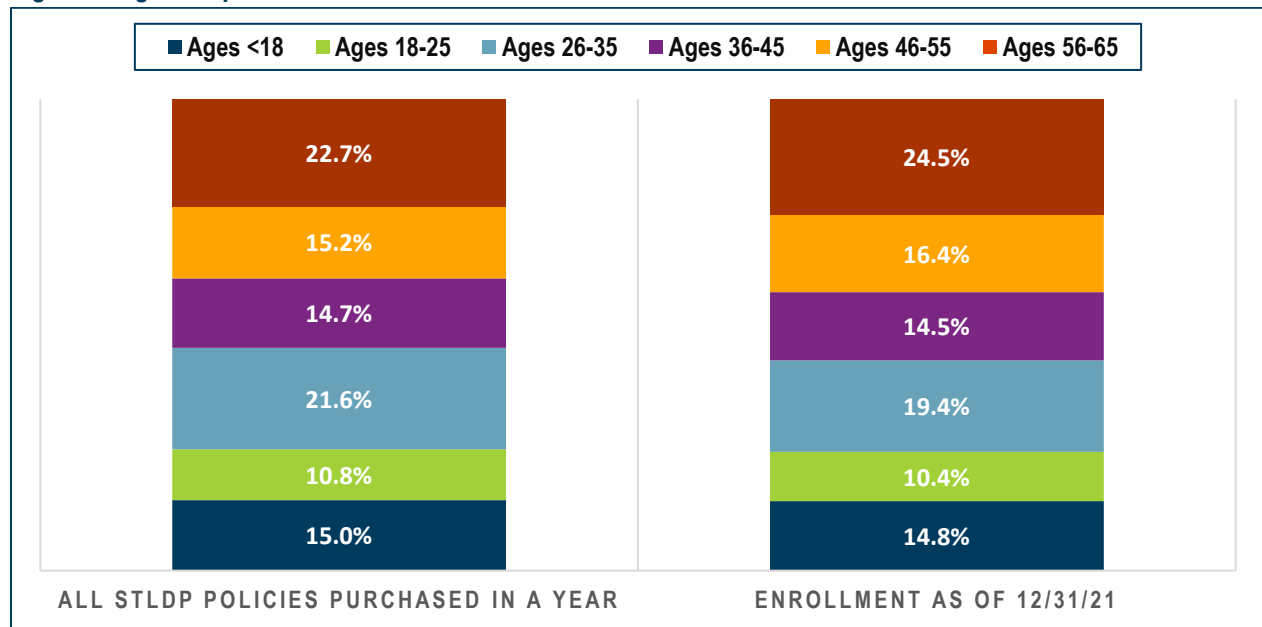
**Figure 1. STLDP Enrollment by County: Ratio of Marketplace to STLDP Enrollment**



### Consumer Purchasers of STLDPs

Figure 2 displays the age composition of STLDP enrolled members. Consumers who enroll in STLDPs ages 55 – 65 account for a quarter of STLDP members: 22.7% of policies purchased in a year and 24.5% of members enrolled at a specific point in time. The age group 26 – 35 represents the next largest group of enrolled members, accounting for about one-fifth. This group includes those most likely to face a disruption in insurance coverage with a recent loss of eligibility for coverage under their parents' plans.<sup>5</sup> Consumers aged 18 – 25 represent the smallest portion of those enrolled in STLDPs. This may reflect their continuing eligibility for coverage under their parents' plans, and access to other sources of low-cost coverage via ACA catastrophic plans and college-sponsored student health plans.<sup>6</sup> However, as noted young adults are also most likely to remain uninsured.<sup>7</sup>

Figure 2. Age Composition of Enrolled Members



## Key Findings

### Enrollment & Coverage ♦ Geography & Market Share ♦ Consumer Purchasers

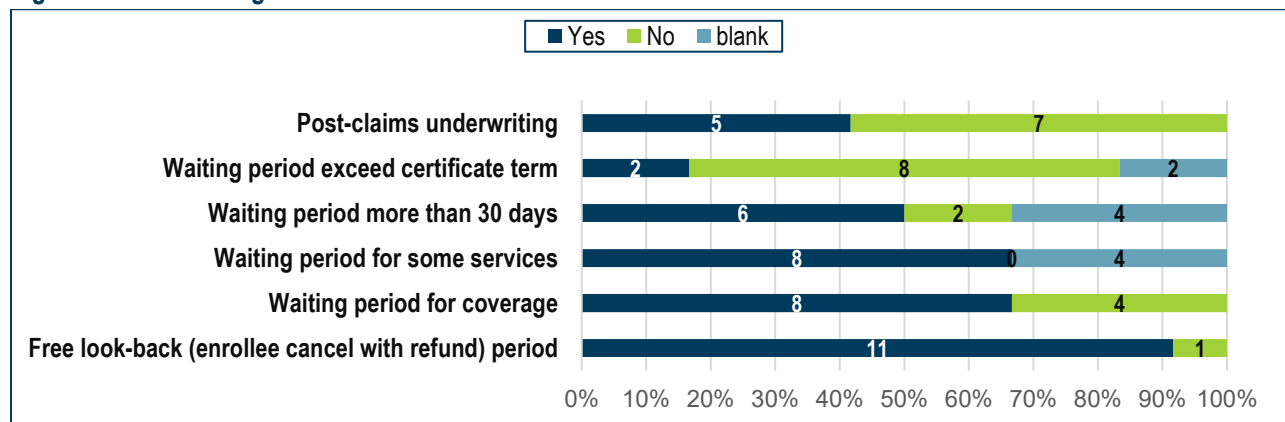
- In 2021, 12 insurers sold STLDPs in Wisconsin.
  - Overall, STLDP enrollment is decreasing. Carriers had 10,310 enrolled members in December 2021 compared to 13,731 in December 2019.
  - Factors contributing to the decline in STLDP enrollment may include expanded federal subsidies for ACA plans, resulting from the COVID-19 public health emergency, increased federal funding directed toward ACA plan outreach, and continuous enrollment in Medicaid during the public health emergency.
- Purchase of STLDPs varies across geographic regions, with the Northeastern and Southeastern regions accounting for the largest share of member months in each of the plan term categories.
  - Beyond population size, STLDP enrollment may relate to various characteristics in the region, such as the age and workforce composition of the population, employment dynamics, and Marketplace plans and premiums.
- Consumers ages 55 – 65 account for the largest group of members enrolled in STLDPs, with consumers ages 26 – 35 as the next largest group.

### Plan Design and Term Length

As noted, STLDPs are not subject to ACA regulations of the comprehensive individual market, and carriers maintain the ability to impose exclusions based on pre-existing conditions, waiting and look-back periods, and conduct underwriting and enrollment practices that limit their insured pool and insurance risk.<sup>8</sup>

Figure 4 displays the frequency that carriers report using these practices. These percentages reflect the proportion of 12 carriers reporting their coverage policies. This does not indicate the proportion of enrolled members subject to these coverage policies, which will differ based on the relative number of members enrolled in each of the carriers' plans. Note that all carriers except one report offering a free look-back period. Wisconsin statute requires offering a free look-back period, whereby a policyholder may return a policy within 10 days after receipt and receive a refund.<sup>1</sup> However, insurers selling STLDPs through Associations that have less than 25% of their Association policyholders residing in Wisconsin are not subject to this requirement.

**Figure 3. Underwriting and Enrollment Practices**



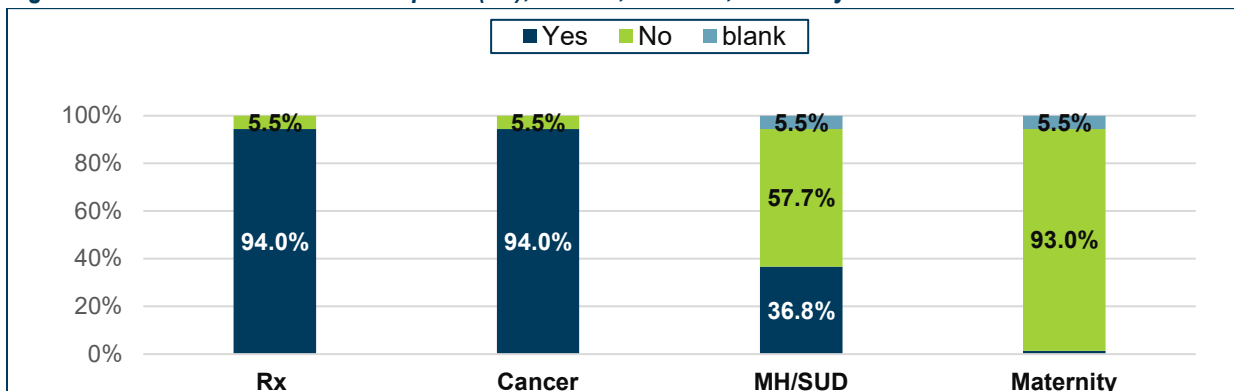
<sup>1</sup> Wis. Stat. § 632.73 (1).

STLDPs are not required to cover the ACA’s designated essential health benefits.<sup>9</sup> Carriers may determine the benefit design and coverage exclusions. Figure 5 displays the coverage inclusions and exclusions for prescription drug coverage (Rx), cancer treatment, mental health/substance use disorder (MH/SUD) services, and maternity services. Nearly all the carriers cover prescription drugs and cancer treatment. None of the carriers report covering maternity care. Carriers were split in reporting coverage of MH/SUD services.

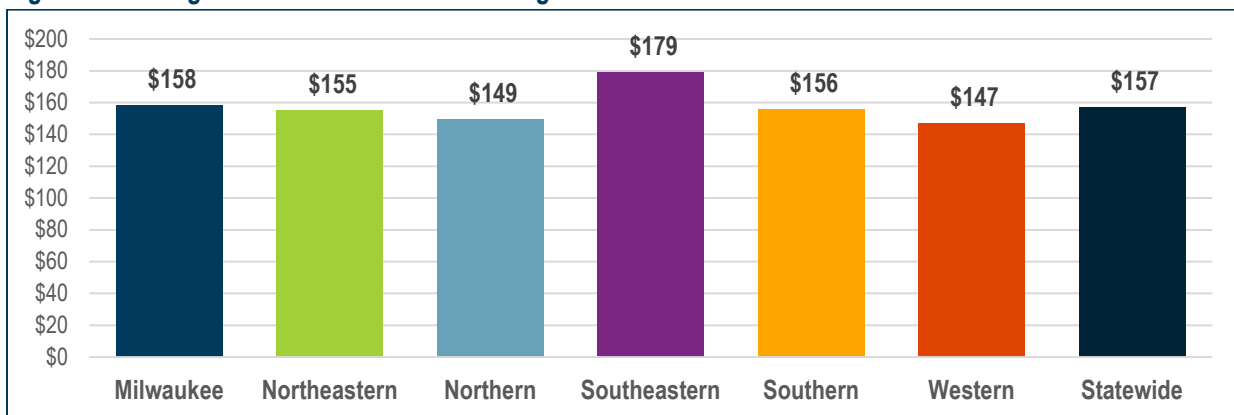
The 12 carriers selling STLDPs in Wisconsin offer plans of varying lengths ranging from 30 days to 364 days. Within each region, the longer term STLDPs (6 – 12-month plans) account for most of the enrollment—ranging from two-thirds to three-quarters of enrolled members and member months. Carriers have substantial flexibility when determining the benefit design and coverage exclusions.

The statewide average premium, based on carriers’ individual reported premiums in 2021, was \$157 per month. (Figure 6) Premiums across regions ranged from \$147 to \$179 per month. Statewide, plans with terms of less than 3 months averaged \$101 per month, 3 – 6-month plans averaged \$130 per month, and plans up to 364 days (12 months) averaged \$191 per month. These premiums may exceed what many Wisconsin consumers would pay for ACA-compliant comprehensive coverage through the Marketplace; with current federal premium subsidies, an estimated 69% of Wisconsin’s uninsured consumers with lower incomes have access to plans with no premiums (“zero-premium plans”) or premiums for \$50 or less per month (“low-premium plans”).<sup>10</sup>

**Figure 4. Covered Services: Prescription (Rx), Cancer, MH/SUD, Maternity**



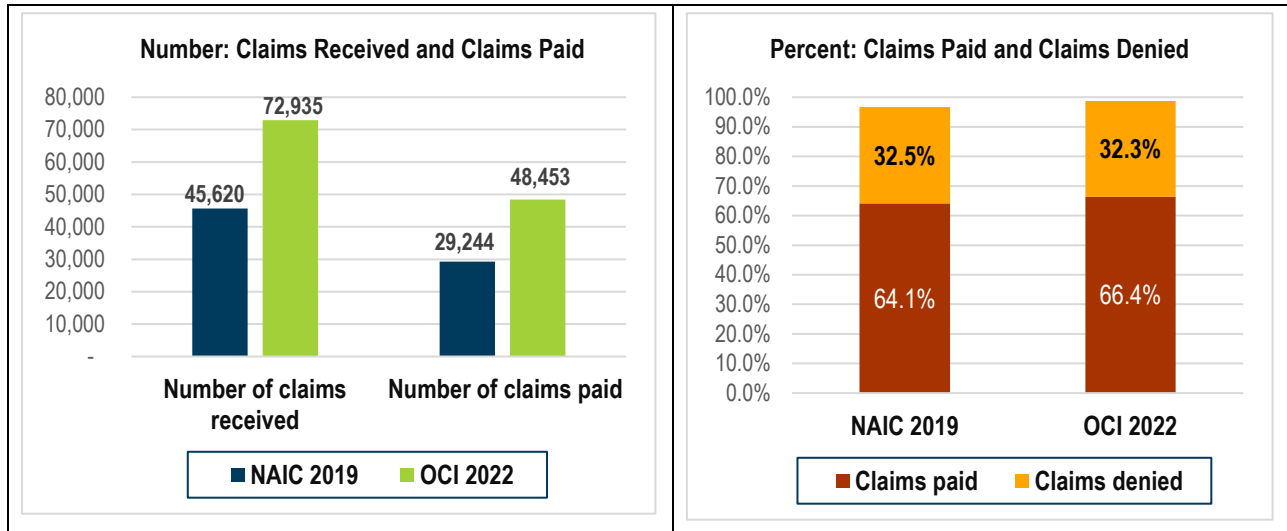
**Figure 5. Average STLDP Premium Across Regions**



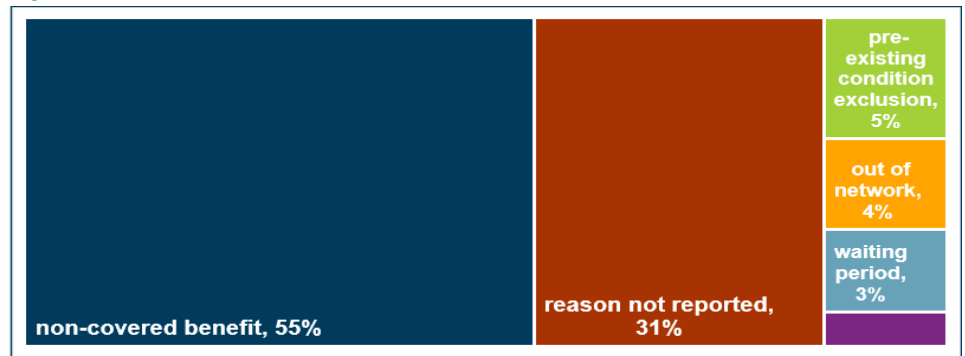
### Claims Experience and Medical Loss Ratio (MLR)

Carriers report paying about two-thirds of claims and denying (or returning) about one-third of claims during calendar year 2021. (Figure 7) The STLDP rate of claims denials far exceeds the average denial rate for in-network claims by Wisconsin's ACA Marketplace plans, reported at 11.7% for 2021.<sup>11</sup> Non-covered benefits account for about 55% of STLDP denied claims. (Figure 8)

**Figure 6. Number and Percent of Claims Received and Claims Paid**



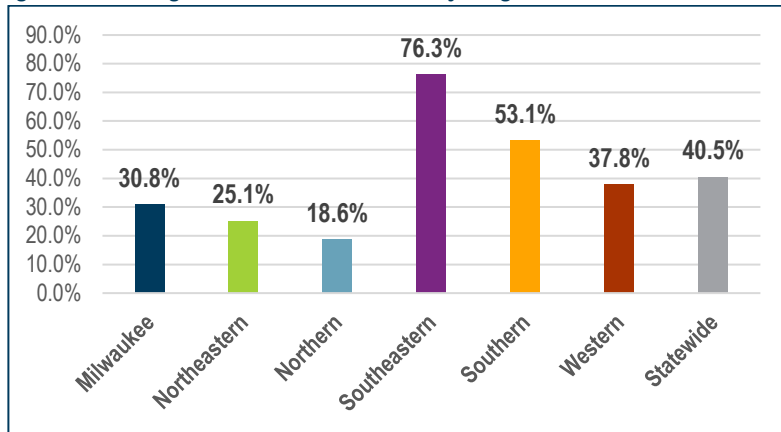
**Figure 7. Reported Reason for Claims Denied or Returned**



The medical loss ratio (MLR) represents the percentage of premium dollars spent on healthcare services for members. Carriers report a broad range of MLRs for 2022, with an overall average MLR of 40.5%. (Figure 9) This compares to 43.3% reported by NAIC in 2019. MLRs for STLDPs may be subject to substantial variation and volatility due to their enrollment size and shorter term of policy. Generally, these MLRs suggest that carriers of STLDPs spend a substantially lower percentage of their premium revenue on healthcare services than do carriers in the ACA regulated market, which requires carriers to price their products such that they attain a minimum MLR of 80%, after allowing for various adjustments, including for lower enrollment.<sup>12,13</sup>



**Figure 8. Average Medical Loss Ratio, by Region and Statewide**



MLR Ranges and Average, NAIC 2019 and OCI 2022 Surveys		
	MLR Range	MLR Average
NAIC 2019	2.5% - 53.7%	43.3%
OCI 2022	18.6% - 76.3%	40.5%

### Key Findings

#### Plan Design & Term Length ♦ Claims Paid ♦ Medical Loss Ratio (MLR)

- Nearly all STLDPs offered in Wisconsin cover prescription drugs and cancer treatment. Less than half cover MH/SUD, and none cover maternity care.
- Statewide average premium in 2021 was \$157.00 per month – a monthly premium generally higher than a subsidized ACA Marketplace plan for many consumers.
- In 2021, STLDP insurers paid about two-thirds of claims and denied about one-third.
  - The STLDP rate of claims denials far exceeds the average denial rate for in-network claims by Wisconsin’s ACA Marketplace plans, reported at 11.7% for 2021.
- The STLDP carriers report an overall average MLR of 40.5%.
  - While STLDPs may be subject to volatility due to their relatively small enrollment and short length, the MLR indicates that STLDPs spend a substantially lower percentage of their premium on healthcare services than ACA-compliant plans (required to attain MLR of 80%).

### Marketing Practices

The STLDP marketing materials consistently emphasize the limits on STLDPs; that they do not provide minimum essential coverage under the ACA, and that they include various exclusions and coverage limits. All the reviewed materials characterize STLDPs as a bridge between other coverage circumstances, with language directed to persons who are between jobs, waiting for employer benefits, or recently graduated. Insurers selling STLDPs must include in their marketing materials a consumer disclosure notice as prescribed by the federal Department of Health and Human Services.<sup>2</sup> Some additional language, however, suggests promotion of the plans as a substitute for comprehensive coverage. Messages state that STLDPs may be “for others who lack adequate health insurance” and that STLDPs provide “freedom of choice” or are for consumers seeking to “tailor health coverage to just what you need and not spend money on services you might not need.”

<sup>2</sup> Code of Federal Regulations. 45 CFR § 144.103

## ***Impact on the Purchase of Comprehensive Coverage/ACA Compliant Plans in the Individual Market***

Few carriers, in ACA individual market rate filing materials for plan years 2020 to 2023, distinguished the impact of STLDPs from other regulatory actions and market conditions. The rate filings reflect other changes, including loss of the individual mandate penalty in 2020, association health plan regulatory changes, and the impact of the COVID-19 pandemic. Only three carriers explicitly mentioned a morbidity factor adjusting for STLDPs in their Actuarial Memoranda; only one carrier provided an explicit STLDP factor (0.3%).

A review of claims data, premiums, membership, medical loss ratios, and pricing trends did not show a specific relationship to STLDPs. A review of area factors for geographic regions where STLDPs have stronger enrollment did not show conclusive impact of STLDPs.

STLDPs had about 11,000 residents enrolled monthly in 2021, while Wisconsin's comprehensive coverage individual market exceeds 200,000 residents. The state's individual market has expanded over recent years, bolstered by federal measures to promote enrollment. STLDPs may provide consumers a bridge between other coverage options, as intended. Some consumers may also be using these plans as a substitute for more comprehensive coverage. Overall, however, the data suggest that STLDP products have limited impact on the ACA compliant health insurance market.

In a changing environment, STLDPs may potentially divert more consumers from comprehensive coverage options. The coming changes in federal and state Medicaid coverage provisions with the Medicaid unwinding will cause many consumers – often with lower or fluctuating incomes – to lose Medicaid and need other coverage. Price sensitive consumers, lacking full information about available ACA subsidies, may gravitate toward enrolling in low premium STLDPs, despite their limited coverage protections and high out of pocket costs.<sup>14</sup> In many cases, however, STLDPs may not be the lowest cost option. For the many consumers eligible for federal premium tax credits and cost sharing subsidies, ACA compliant plan premiums will be lower or comparable to STLDPs and offer additional benefits and potentially less cost sharing. OCI licensed agents, brokers, navigators, and other stakeholders may be especially impactful during this time with additional messaging to help consumers make informed decisions.

### ***Key Findings***

#### ***Marketing Practices ♦ Impact on the Purchase of ACA Plans***

- State law defines STLDPs as an insurance product bridge between coverages. Marketing suggesting other purposes for the product may be an area for OCI to review use of compliant messaging.
- Overall, STLDP enrollment has remained relatively small in comparison to the size of Wisconsin's individual insurance market, and this has limited STLDP impact on the ACA compliant health insurance market.
- Data indicate that carriers did not anticipate a significant impact to their risk pools specifically related to STLDPs.
- Price sensitive consumers, lacking full information about available ACA subsidies, may gravitate toward enrolling in relatively low premium STLDPs. However, consumers eligible for federal premium tax credits will have options for accessing ACA compliant plans at lower or comparable premiums as STLDPs.
- Consumer outreach and education is particularly important in the coming months, as many consumers will be seeking new coverage options with the “unwinding” of Medicaid continuous enrollment provisions.

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## Endnotes

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- <sup>13</sup> *Explaining Health Care Reform: Medical Loss Ratio (MLR)*. Kaiser Family Foundation. February 29, 2012. <https://www.kff.org/health-reform/fact-sheet/explaining-health-care-reform-medical-loss-ratio-mlr/>
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