Adam Neylon

State Representative • 98th Assembly District

DATE: August 10, 2021

TO: Assembly Committee on Insurance

FROM: Representative Adam Neylon

RE: Support for Assembly Bill 212

Thank you for your consideration today of Assembly Bill 212. This legislation aligns Wisconsin with federal standards for Short-Term Limited Duration health insurance plans, or STLDs. AB 212 defines short-term, limited-duration insurance using the federal government's definition, increasing the allowable duration of short-term health plans to 36 months, up from 18 months, including renewals and extensions.

These plans represent an important option for thousands of families and individuals in Wisconsin. STLDs provide a coverage gap for folks who lack affordable alternatives. Moreover, for consumers who miss annual enrollment periods and are not eligible for a special enrollment, it is the only coverage option available.

STLD plans cost significantly less than most other plans because they are limited in their coverage. A Kaiser Family Foundation report from 2018 said STLD plans could cost 54% lower than ACA-compliant plans, saving consumers thousands.

My office contacted OCI and they said they do not have a count of how many Wisconsin residents currently have an STLD plan, but they did say there are eight companies in Wisconsin who sell STLD plans. I would note that the U.S. House Committee on Energy and Commerce's Subcommittee on Health issued a report last year citing Wisconsin as being in the top 10 states in enrollment with about 100,000 people covered by an STLD plan. Some of these people are young and do not need or want to pay for an expensive comprehensive health insurance plan. Some of these people are getting close to the age of 65, when they will be eligible for Medicare and all they are looking for is an affordable health insurance option that provides a basic level of care until they can get on Medicare.

Please join me in supporting consumer choice and competition in the health insurance industry. Thank you for your time.

Post Office Box 8953 • Madison, Wisconsin 53708 • (608) 266-5120 • Rep.Neylon@legis.wi.gov

DALE KOOYENGA
STATE SENATOR · 5TH DISTRICT
State Capitol · P.O. Box 7882 · Madison, WI 53707-7882 · (608) 266-2512

August 10, 2021

TO: Members of the Assembly Committee on Insurance

FR: Senator Dale Kooyenga

RE: Support for AB 212 – Extending the duration of short-term limited duration health plans to match federal regulations

Thank you for holding a hearing on Assembly Bill 212. This bill aligns state law with federal rules that extend the length of time that short-term limited duration (STLD) health plans can be renewed while making lower-cost, flexible coverage more available to people who choose it.

STLD plans are also called bridge plans because they are designed to provide essential coverage for people going through a life transition, such as students just graduating but not yet employed full-time, those between jobs for whom COBRA coverage is too costly, seniors who retire before Medicare eligibility, and people starting a business who need temporary coverage and can't afford a marketplace plan.

For many of these people, the choice isn't between a marketplace plan and a short-term plan. Their real choice is between unaffordable "Cadillac" insurance versus no coverage at all. This bill offers a compromise. Because these plans exist outside of the ACA framework, they are generally far less expensive—up to 90% less costly according to one estimate. This simple statutory change could benefit a projected 58,000 Wisconsinites.

Wisconsin state law dating back to 2009 limits STLD plans to a maximum of 18 months total duration. However, in 2018 a new federal rule returned STLD coverage to the pre-ACA duration of 12 months while permitting renewals for up to 36 months, putting Wisconsin out of conformity. This bill aligns Wisconsin law with the federal rules and retains the ability of the Office of the Commissioner of Insurance to regulate the marketing of STLD plans.

Consumers should be able to choose from a wider array of plan options that fit their personal circumstances and budget. Under this bill, people who need affordable coverage to bridge two periods of their lives—school, work, retirement, or anywhere in between—will have expanded options to do just that.

Thank you for hearing AB 212. I respectfully ask for your support.

Wisconsin Association of Health Plans

The Voice of Wisconsin's Community-Based Health Plans

Assembly Bill 212
Assembly Committee on Insurance
August 10, 2021

My name is John Nygren and I am the Executive Director of the Wisconsin Association of Health Plans. The Association is the voice of 12 Wisconsin community-based health plans that serve employers and individuals across the state in a variety of commercial health insurance markets, including the individual market.

Wisconsin's community-based health plans oppose AB 212 because the bill has the potential to destabilize the individual insurance market and reduce access to affordable, comprehensive health care coverage.

According to the American Academy of Actuaries, "A key to sustainability of the health insurance markets is that health plans competing to enroll the same participants must operate under the same rules." AB 212 would create an even more uneven playing field for an insurance product that already operates under different rules than comprehensive coverage.

Wisconsin health plans support consumer choice and acknowledge that short-term plans can be a necessary product for individuals who are transitioning between coverage sources. But there are consequences to creating an uneven regulatory playing field. Rather than reducing costs in the individual market, AB 212 has the potential to actually raise costs for those who need health care coverage the most.

Because short-term plans do not have to cover essential health benefits or pre-existing conditions, these plans can "cherry pick" healthy individuals by designing coverage options that disadvantage individuals with high health care needs. Increasing the allowable length of short-term policies from 18 months to three years could make individual market coverage more expensive, as individuals with significant health needs are attracted to products that are required to provide more comprehensive coverage.

AB 212 also has the potential to undermine the success of the Wisconsin Healthcare Stability Plan, a state-based reinsurance program with bipartisan support. Thanks in part to the Wisconsin Healthcare Stability Plan, rates on the individual market, which include plans available on Healthcare.gov, are 3.4 percent lower in 2021 on average than rates in 2020. In addition, consumers today have more choices of insurers than they did before the reinsurance program was implemented. Legislative action that could lead to a smaller, less healthy individual market risk pool threatens the hard-won, badly-needed stability the individual market is moving toward.

Wisconsin health plans recognize and support efforts to provide greater access to health care at lower costs, but AB 212 does not address health care costs and may actually cause individual market premiums to increase.

We respectfully request your opposition to AB 212.

August 10, 2021

Representative David Steffen, Chairman
Assembly Committee on Insurance
Re: Opposition Testimony on AB 212

Dear Chairman Steffen and Members of the Committee:

The undersigned groups are writing to urge you to oppose AB 212, which would expand the availability of short-term, limited duration (STLD) health plans. Collectively, our organizations support maintaining and expanding access to high-quality, comprehensive health care coverage for Wisconsinites living with chronic health conditions. Wisconsinites need access to affordable, adequate health insurance so they can treat and manage their conditions. Unfortunately, STLD plans offer limited coverage and benefits, and are not required to have the same consumer protections as other plans.

***STLD policies do not provide comprehensive coverage*:** Unlike ACA-compliant plans, STLD policies do not have to provide coverage for Essential Health Benefits (EHBs); when they do offer EHBs, these benefits are frequently capped well below the value of ACA-compliant plans.[1] Comprehensive coverage is especially important for consumers who are diagnosed with serious diseases like cancer, diabetes, heart disease, multiple sclerosis, or arthritis during the middle of the plan year. Without these services, patients may face astronomical costs, delays to their treatments, or may be forced to forgo treatment entirely because of costs.

These plans have also been found to employ deceptive marketing and sales tactics,[2] further exposing the most vulnerable Wisconsinites to unnecessary risks. On March 17, the Federal Communications Commission announced a record-setting $225 million fine against two Texas-based telemarketers for placing one billion spoofed robocalls designed to sell STLD policies.[3]

STLD policies do not provide cost-effective coverage, especially for major illness: The recent passage of the American Rescue Plan Act (ARP) will significantly reduce the premium gap between STLD policy premiums and ACA-compliant plans for the next two years. Effective January 1, 2021, the ARP caps premiums for benchmark ACA-compliant plans at no more than 8.5 percent of a household's income. The ARP also provides a 100-percent COBRA premium subsidy for up to six months in 2021, closing another potential coverage gap.[4]

[1] https://www.kff.org/health-reform/issue-brief/understanding-short-term-limited-duration-health-insurance/
[2] https://www.gao.gov/assets/710/708967.pdf
[3] https://docs.fcc.gov/public/attachments/DOC-370869A1.pdf
[4] https://www.kff.org/health-reform/issue-brief/how-the-american-rescue-plan-will-improve-affordability-of-private-health-coverage/

The economic risks of STLD plans stand out in a pair of 2020 studies commissioned by major patient advocacy organizations. One study found a newly diagnosed patient with lung cancer on a STLD plan could pay $49,000 to $103,400 in out-of-pocket costs (including premiums and cost sharing for medical and prescription drug expenses) during the six months following diagnosis, compared to $7,900 on an ACA-compliant plan.[5] The other study reported that a lymphoma patient would pay $51,600 for their care annually under a STLD plan, compared to $12,931 under an ACA-compliant plan.[6]

STLD policies discriminate against people with pre-existing conditions: STLD policies consider an individual's pre-existing condition or health status when issuing health insurance coverage. This means that a STLD policy issuer can choose to deny coverage, charge higher premiums, or choose not to cover certain benefits for individuals based on their health history. Pre-pandemic, 25 percent of non-elderly Wisconsinites (roughly 852,000 people) had a pre-existing condition that would result in them being uninsurable if they were subject to medical underwriting.[7] This total has certainly increased as over 607,000 Wisconsinites have been diagnosed with COVID-19.[8] These people would not have access to STLD policies and could only obtain coverage through ACA-compliant plans.

Renewability does not ensure stability: Short-term, limited-duration coverage is intended to offer consumers policies meant to fill a short-term gap in coverage. Allowing these policies to be sold for extended periods of time would cause confusion to consumers who may be misled into believing these products to be comprehensive in nature and prevent them from actually enrolling in more comprehensive plans. In 2018 the National Association of Health Underwriters (NAHU) recommended against the plan durations being proposed in AB 212, recommending a shorter renewal period and noting that short-term coverage is not comprehensive and not a good medical solution for any consumer on a longer-term basis .[9]

Guaranteed renewability of STLD plans is touted by AB 212 supporters as a protective feature, but that feature does not translate to guaranteed coverage stability. The finalized federal rule does not mandate that STLD plans come with guaranteed renewal, and the premiums and benefit sets for the plans may change from term to term. Additionally, the practice of rescission, also known as post-claims underwriting, means that an STLD plan may be retroactively canceled at any time – including after plan renewal.[10]

STLD policies can impose lifetime and annual coverage limits: Under current law, ACA-compliant plans are prohibited from imposing lifetime and annual limits on EHB services. STLD policies may impose lifetime and annual limits on coverage, potentially exposing consumers to significant out-of-pocket costs for the care they need, especially if they are diagnosed with a serious illness or injured in an accident.

STLD policies can lead to gaps in coverage: The expiration of STLD coverage does not constitute a qualifying event for purposes of an individual being able to obtain a special enrollment period to obtain coverage on the marketplace. This could leave the individual exposed to a significant gap in coverage.

COVID-19 Testing and Cost-Sharing Services Not Required. While federal guidance requires private health insurance to cover COVID-19 testing and cost sharing for related services, this requirement does not extend to short-term plans.[11]

[5] https://www.lls.org/sites/default/files/National/USA/Pdf/STLD-Impact-Report-Final-Public.pdf
[6] https://www.fightcancer.org/sites/default/files/National%20Documents/Costs-of-Cancer-2020-10222020.pdf
[7] Claxton, G, Cox, C, Damico, A, Levitt, L, & Pollitz, K. Pre-existing Conditions and Medical Underwriting in the Individual Insurance Market Prior to the ACA. Kaiser Family Foundation, December 2016. Available at https://www.kff.org/health-reform/issue-brief/pre-existing-conditions-and-medical-underwriting-in-the-individual-insurance-market-prior-to-the-aca/.
[8] https://www.dhs.wisconsin.gov/covid-19/data.htm#summary
[9] https://nahu.org/media/3268/nahu_stp_comment_042318.pdf
[10] http://chirblog.org/making-short-term-plans-a-long-term-coverage-option/
[11] https://www.commonwealthfund.org/blog/2020/age-covid-19-short-term-plans-fall-short-consumers

These plans may not cover inpatient prescriptions, vaccinations, and treatment for patients with COVID-19. Additionally, Wisconsinites who have had COVID-19 now have a preexisting condition that can be used to deny coverage.

Thank you in advance for your consideration, and we look forward to continuing to work closely with you to ensure that more Wisconsinites have access to affordable, comprehensive coverage that best meets their needs. If you have any questions about the content of this letter, please contact sara.sahli@cancer.org, Government Relations Director, American Cancer Society Cancer Action Network.

Sincerely,

American Cancer Society Cancer Action Network
American Lung Association
Arthritis Foundation
Be the Match/National Marrow Donor Program
Greater Wisconsin Agency on Aging Resources, Inc.
The Leukemia and Lymphoma Society
National Multiple Sclerosis Society
Susan G. Komen

OSP

TESTIMONY IN SUPPORT OF AB 212

Assembly Committee on Insurance

August 10, 2021

Gregg Pfister
Visiting Fellow
Opportunity Solutions Project

Dear Members of the Assembly Committee on Insurance:

I appreciate of the opportunity to offer testimony in support of AB 212, which will increase access to affordable short-term health plans in Wisconsin.

Right now, Wisconsin residents are struggling with access to affordable health care. Individuals and families from Eau Clair to Milwaukie are faced with ever-rising premiums, high deductibles, and narrower networks on Wisconsin's individual market. For example, between 2014 and 2021 the average benchmark premium in Wisconsin increased by an astonishing 53 percent.[1] In fact, typical premiums for health insurance are higher in Wisconsin than in three out of four bordering states.[2]

Thankfully, Wisconsin residents can purchase short-term insurance options, which are typically 50 to 80 percent less expensive than individual market plans on the ObamaCare exchange.[3] These plans are excellent options for young adults who are moving off of their parents' insurance; seniors who are waiting to qualify for Medicare; workers who are between job; the uninsured; and more.

However, by limiting the total duration of these plans to just 18 months, Wisconsin is leaving federal flexibility on the table and denying its residents access to affordable health insurance for a longer period of time.

AB 212 would address this problem by allowing short-term plans to be renewed for up to 36 months. This will make a huge difference in the lives of Wisconsinites across the state. For example, a 40-year-old woman in Milwaukie will pay 66 percent less in premiums by sticking with a short-term plan then switching to a comparable individual market plan.[4]

Beyond a far lower cost, there are additional benefits to expanding short-term plans. States with fully-permitted short-term plans have more affordable and more stable individual insurance markets than states which impose arbitrary restrictions on short-term plans.[5] Additionally, short-term plans typically use broader preferred provider organization (PPO) networks, in contrast to increasingly-tiered health maintenance organizations (HMOs) that box consumers in to a narrow group of providers.[6] These plans also offer access to a wide array of robust options, including the overwhelming majority of essential health benefits.[7]

Put simply, expanding the renewability of short-term plans in Wisconsin is common-sense. It will provide greater options for less expensive health insurance with better networks at a time when health care is increasingly out of reach for many Americans. AB 212 takes a strong step toward improving access to affordable health care in Wisconsin.

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[1] Kaiser Family Foundation, "Marketplace Average Benchmark Premiums," KFF (2021), https://www.kff.org/health-reform/state-indicator/marketplace-average-benchmark-premiums/.

[2] Ibid.

[3] Foundation for Government Accountability, "Short-Term Plans," FGA (2019), https://thefga.org/one-pagers/short-term-plans/.

[4] Jonathan Ingram, "Short-Term Plans: Affordable Health Care Options for Millions of Americans," Foundation for Government Accountability (2018), https://thefga.org/paper/short-term-plans-affordable-health-care-options-for-millions-of-americans/.

[5] Brian Blase, "Individual Health Insurance Markets Improving in States that Fully Permit Short-Term Plans," Galen Institute (2021), https://galen.org/2021/individual-health-insurance-markets-improving-in-states-that-fully-permit-short-term-plans-2/.

[6] Foundation for Government Accountability, "The Truth About Short-Term Plans," FGA (2020), https://thefga.org/one-pagers/the-truth-about-short-term-plans/.

[7] Ibid.

HEALTHCARE COOPERATIVE

Testimony Opposing Assembly Bill 212
Relating to Short-Term Health Coverage

Assembly Committee on Insurance
August 10, 2021

Chairman Steffen and members of the committee, we appreciate the opportunity to submit written testimony opposing Assembly Bill 212, which would allow short-term limited duration insurance (STLDI) policies to be sold for a consecutive 36 months in Wisconsin.

We support the use STLDI plans for short-term needs when appropriate but not for the length of time that is being proposed. As this testimony will show, it would be detrimental to most health insurance consumers to keep these plans for long periods of time. It would also be harmful to Wisconsin's medical provider community and the non-profit Wisconsin-based health insurers that serve the majority of individual market consumers in our state.

Who is Common Ground Health Care Cooperative? (CGHC)

CGHC is a private insurance company created by local business and healthcare leaders to bring value, accountability, and honesty to the individual and small group health insurance markets. Anyone that is familiar with our story knows that we faced many challenges with the startup of the Affordable Care Act. We fought for the privilege of serving consumers in the individual market, and we were the only carrier to serve the Marketplace in several Wisconsin counties in 2018 and 2019. Today, we see the market stabilizing resulting in more competition from other carriers in those counties.

Our mission, defined by the insurance consumers that govern our Board of Directors, dictates that we provide education and advocacy for our members who need support and assistance in understanding their health care choices and decisions. Today, we advocate for our members by opposing Assembly Bill 212. Yes, there are problems with the Affordable Care Act that need fixing – we know those very well. And we also recognize that the authors of this legislation have good intentions to lower costs for consumers. Unfortunately, AB 212 is not compatible with consumer protections such as pre-existing condition coverage have been embraced by the majority of Americans and politicians on both sides of the aisle.

What is Short-Term Insurance?

STLDI plans were created as a stopgap measure before the federal government passed laws related to portability of health coverage, and they played an important role of providing coverage to workers that were subject to coverage waiting periods. A short-term carrier may deny coverage, charge more based on age or health status, and most exclude services like prescription drug coverage, mental health care and maternity care[1]. Short-term plans are not required to cover pre-existing conditions (even if they are undiagnosed when the plan is issued) and can impose annual and lifetime limits on benefits. STLDI plans are typically not renewed for enrollees who become sick while covered by one.

In other words, short-term plans play an important gap filling role, but they are not, and were never intended to be, a replacement for long-term coverage that meets all insurance consumer protections and regulations. Like undersized spare tires on a car, they get the job done for short periods of time but have severe limitations. Consumers that use them long-term are statistically putting themselves at high risk for expensive medical claims that they cannot afford.

How the Extension of Short-Term Duration Hurts Consumers

Any consumers that decline comprehensive coverage during an open or special enrollment period and opt to purchase an STLDI plan is taking a gamble. If they get sick, their health claims will certainly be investigated to determine if there is a tie to a pre-existing condition. In fact, in-depth claims investigations are a key component of STLDI from a carrier perspective. Some egregious real-life examples cited in a federal lawsuit[2] include:

- A woman who went to the hospital with heavy vaginal bleeding resulting in a five-day hospital stay and a hysterectomy, only to be denied coverage under her short-term plan on the ground that her menstrual cycle constituted a pre-existing condition.

- A man in Washington, D.C. who purchased a short-term plan with a stated maximum payout of $750,000; when he sought coverage for a $211,000 bill resulting from a hospitalization, he was covered for only $11,780. He was denied other coverage in part based on his father's medical history.

As a member-governed cooperative, we can attest that health insurance is extremely complicated for consumers. Most short-term plan consumers are not aware of what they are buying. A simple google search for "affordable health insurance" or "Obamacare plans" will result in numerous top-of-page returns that links the consumer to STLDI plans without disclosing it to the consumer. One marketing scan conducted by the Georgetown University Center on Health Insurance Reforms (CHIR) found that in every state, over half of all results from websites that suggest ACA-compliant health insurance products to consumers directed them to STLDI or other insurance products that do not meet the standards for comprehensive insurance. This was confirmed by a more recent investigation by the US House Committee on Energy and Commerce.[3]

It demonstrates that while consumers are looking to purchase more comprehensive coverage, they may be duped into purchasing STLDI coverage when they would be better served by a plan with comprehensive coverage. A consumer is not likely to fully understand the potential impact of purchasing an SLTDI product, particularly consumers that do not realize they have a pre-

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[1] Commonwealth Fund: https://www.commonwealthfund.org/blog/2020/limitations-short-term-health-plans-persist-despite-predictions-theyd-evolve
[2] ACAP v. Treasury: https://www.communityplans.net/wp-content/uploads/2020/09/2019-05212-CONSENT-AMICUS-FOR-APPELLANT-FINAL-BRIEF-1860211-filed-by-Service-Date-09082020-Length-of-Br.pdf
[3] Georgetown Center for Health Insurance Reforms: http://chirblog.org/u-s-house-investigation-offers-new-evidence-dangers-short-term-plans/

existing condition or what an STLDI plan might deem a pre-existing condition. And short-term carriers pay very high commissions in order to drive sales, meaning that certain brokers and agents may be more inclined to sell them over a plan that is likely a better fit for the consumer.

The attached policy paper from the Center on Budget and Policy Priorities goes into greater detail about how STLDI plans achieve their low medical loss ratios and high profit margins. The math is telling. While other types of regulated health insurance are required to spend at least 80% of premium dollars on medical care versus administrative costs or profits, STLDI plans spend a significantly lower percentage of premiums on medical care, often around 25-40%,according to a Milliman analysis.[4] This was confirmed by a recent NAIC Report.[5]

How AB 212 Will Impact the Wisconsin Market

In a free-market health insurance system, all competitors must play by the same rules. If certain competitors can play by different rules by calling their 3-year duration plans "short-term" to skirt regulations, then it will be a race to the bottom for insurance coverage. Individuals with pre-existing conditions will pay the highest price because they typically cannot go without comprehensive coverage and would be denied coverage by a short-term carrier anyway. Prices will increase significantly for consumers that simply want high quality, comprehensive health insurance coverage.

STLDI plans are typically sold by large national for-profit insurers that put an emphasis on lower spending on medical care and consequently higher profit margins. These carriers will only accept Wisconsin's healthier consumers. This will have a detrimental impact on the risk pool and the stability of Wisconsin's individual health insurance market. The risk profile for plans that cover pre-existing conditions will worsen, driving prices up. As more people leave, the more expensive comprehensive coverage becomes. This is known in insurance terms as a "death spiral."

In this scenario, the market becomes increasingly hostile to Wisconsin-based plans offering comprehensive coverage that covers pre-existing conditions. If comprehensive plans once again exit the Marketplace, then fewer affordable, comprehensive health insurance options will remain. Keep in mind most consumers in ACA-compliant plans today are enrolled in Wisconsin-based community health plans. By contrast, most STDLI policies are sold by companies headquartered outside of Wisconsin.

The Association for Community Associated Plans (ACAP) commissioned an actuarial study by Wakely Consulting Group to model the impact of three-year short-term plans on the individual market. Wakely estimated that after an initial ramp-up period, the impacts of adverse selection would begin to take effect and decreased enrollment in individual market would result in higher premiums. They modeled two scenarios, high and low enrollment, to produce a range of estimates. We are happy to share the full study if you are interested but provide an excerpt at the top of the next page. The figures are based on national data.

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[4] Milliman: https://us.milliman.com/-/media/milliman/pdfs/articles/patient-implications-brief-20200224.ashx?la=en&hash=20CC7D8FE9B153AA1713411291B0B7D4

[5] Modern Healthcare: https://www.modernhealthcare.com/insurance/short-term-health-plans-spend-little-medical-care

Effects of Short-Term Limited Duration Plans on the ACA-Compliant Individual Market (Wakely Actuarial Consulting for ACAP, used with permission)

Scenario	Near-term, after initial ramp-up	Near-term, after initial ramp-up
Method	Low 80% of unsubsidized market drops comprehensive coverage	High 100% of unsubsidized and a portion of subsidized drop comprehensive coverage
Year of Impact	**4-5 years**	**4-5 years**
Off-Exchange Population Included?	Yes	Yes
Increase in Individual Market Premiums	2.2%	6.6%
Decrease in Enrollment	-8.2%	-15.0%

Changes to Improve AB 212

As our testimony has illustrated, AB 212 may help large national insurers, but it will not help most insurance consumers, especially those with pre-existing health conditions. If the committee is set on advancing AB 212, we hope you will consider a few pro-consumer amendments. To help consumers understand what they are buying, the bill should require insurers selling these plans to issue a warning to consumers about otherwise required benefits that the short-term plan does not cover. We also ask that you increase penalties that OCI may issue against short-term insurers or agencies that engage in unfair or deceptive marketing. And finally, we believe it would be illustrative for Wisconsin to impose transparency in coverage reporting on short-term plans, by requiring any company that sells these plans in our state to report enrollment numbers and medical loss ratios which (already federally required of other individual plans). This would enable the state to compare how much health care these plans are paying for against the premiums they are receiving.

Conclusion

As you consider AB 212 please keep in mind that STLDI plans cost less solely because they offer less coverage and pay for less care. While this may appear to be a solution for individuals that do not receive tax credits to lower the cost of their coverage, promoting the long-term use of these plans will do more harm than good to consumers and the Wisconsin market. Instead, we hope to work with policymakers on solutions that will improve the individual market through reforms that make insurance more affordable for everyone.

Thank you to the members of the Senate Insurance Committee for reading through this lengthy testimony. If you agree that protecting Wisconsin's insurance market and consumers (especially those with pre-existing conditions) is the priority, then we ask that you not move AB 212 forward and begin to work with us on other solutions.

Please contact Melissa Duffy at (608) 334-0624 if you have any questions.

Enclosure: CBPP Commentary Growing Evidence Shows Need for Stronger Rules for Short-Term Health Plans

Think Your Health Care Is Covered? Beware of the 'Junk' Insurance Plan

By **Michelle Andrews** • DECEMBER 4, 2020

(KHN Illustration/Getty Images)

Looking back, Sam Bloechl knows that when the health insurance broker who was helping him find a plan asked whether he'd ever been diagnosed with a major illness, that should have been a red flag. Preexisting medical conditions don't matter when you buy a comprehensive individual plan that complies with the Affordable Care Act. Insurers can't turn people down or charge them more based on their medical history.

But Bloechl, now 31, didn't know much about health insurance. So when the broker told him a UnitedHealthcare Golden Rule plan would cover him for a year for less than his marketplace plan — "Unless you like throwing money away, this is the plan you should buy," he recalls the agent saying — he signed up.

That was December 2016. A month later Bloechl was diagnosed with stage 4 non-Hodgkin's lymphoma after an MRI showed tumors on his spine.

To Bloechl's dismay, he soon learned that none of the expensive care he needed would be covered by his health plan. Instead of a comprehensive plan that complied with the ACA, he had purchased a bundle of four short-term plans with three-month terms that provided only limited benefits and didn't cover preexisting conditions.

Because they tend to be less expensive, short-term plans continue to find buyers, and they have been championed by the Trump administration, which has loosened restrictions on them, as an alternative for consumers.

With this year's open enrollment period well underway, millions of people are looking for coverage on the federal and state marketplaces. Sometimes it's hard to tell the difference between comprehensive plans sold there and "junk" plans with limited benefits and coverage restrictions.

"These plans continue to proliferate," said Cheryl Fish-Parcham, director of access initiatives at Families USA, a consumer health care advocacy organization. "People need to be careful, whether they're buying by phone or on a website."

Bloechl assumed he was buying a comprehensive plan that would cover him for a life-threatening illness, although at the time he had no inkling he was sick. But when doctors said Bloechl needed a stem cell transplant, Golden Rule denied the request.

The reason: He had visited a chiropractor for back pain before he bought the plan. Bloechl had blamed the pain on the heavy lifting that came with running his Chicago landscaping business. But Golden Rule argued that he had sought medical treatment for a preexisting condition — cancer — so the plan didn't have to cover it. It didn't matter that he hadn't been diagnosed when he purchased it.

The insurer didn't cover any of his other bills for chemo and radiation either. Bloechl appealed the decision, but his appeals failed. He had more than $800,000 in bills for care — and that's before the stem cell transplant he desperately needed.

"It's just disgusting that these companies expect Joe Schmo or a guy like me to interpret [these policies] and then get screwed in the end," Bloechl said.

UnitedHealthcare refused to discuss this case with KHN unless Bloechl signed a statement waiving his right to privacy. But he told KHN he did not feel comfortable signing a legal document provided by the insurer.

"Our agents work with individuals to help them understand their health insurance options and select a plan that best meets their needs," said UnitedHealthcare's communications director, Maria Gordon Shydlo, in an email. "We inform each individual of their coverage options, including associated costs, network size and if the selected plan covers pre-existing conditions. We adhere to a stringent application process that helps ensure consumers understand the plan they are purchasing before they make a final decision."

Consumer advocates have long sounded alarm bells about short-term and other plans that don't comply with the Affordable Care Act rules that require plans to provide comprehensive benefits to all comers, regardless of their health, and prohibit placing annual or lifetime dollar limits on coverage. ACA-compliant plans can also be purchased outside the marketplace, however, and that's where shoppers may run into trouble, thinking they're buying comprehensive coverage when they're actually buying something much more limited.

"It's a little bit of the Wild West out there," said Sabrina Corlette, a research professor at Georgetown University's Center on Health Insurance Reforms. "We often get calls about these products, and sometimes it can be challenging to figure out what they even are."

When Sam Bloechl was diagnosed with stage 4 non-Hodgkin's lymphoma, he and his wife, Megan Bloechl, learned his insurance plan wouldn't pay for treatment. Instead of a comprehensive plan that complied with the ACA, he had purchased a bundle of four short-term plans with three-month terms that provided only limited benefits and didn't cover preexisting conditions. (MEGAN BLOECHL)

Short-term plans have garnered much attention in recent years. In 2017, the Obama administration limited their duration to less than three months to discourage people from relying on these limited plans for primary coverage rather than as a temporary coverage bridge for people switching plans, as intended. But these plans were championed by the Trump administration as a cheaper option for consumers, and it issued a rule in 2018 that permitted short-term plans with terms of up to 364 days, with an option to renew for up to 36 months. The rule requires short-term plan materials to explain that the plans are not comprehensive insurance and may not cover some medical costs.

Such plans can be appealing to healthy people who don't expect to need medical care. But as Bloechl's experience shows, life can throw curveballs.

"Our patients are often young and healthy," said Ryan Holeywell, senior director of advocacy communications at the Leukemia & Lymphoma Society.

Some states restrict or even prohibit the sale of short-term plans on the individual market.

But these short-term plans are just the tip of the iceberg.

There are fixed indemnity plans that pay out a certain amount — $100 a day for a limited hospital stay or $150 for an OB-GYN visit, for example — that may not come close to covering the actual costs.

Accident and critical illness plans provide lump-sum cash benefits when people experience medical emergencies like a heart attack or stroke under certain circumstances.

Cancer-only plans may provide hospitalization coverage but not cover other services. "You may be treated with chemo and radiation but never go to the hospital," said Anna Howard, a policy principal at the American Cancer Society's Cancer Action Network. "So, the policy may never pay out."

Then there are bundled plans that combine options, such as a short-term plan along with a prescription drug discount card and cancer coverage.

Unfortunately, consumers can't always rely on insurance brokers to give them accurate information or steer them to comprehensive coverage, as Sam Bloechl discovered.

In August, the federal Government Accountability Office published a report about the experiences of "secret shoppers" who called 31 health insurance sales representatives and asked about plans, saying they had preexisting conditions such as diabetes and heart disease. In more than a quarter of cases, the sales reps "engaged in potentially deceptive marketing practices," the report found, including falsely claiming that drugs such as insulin were covered, or offering a plan that didn't cover preexisting conditions.

One reason brokers might encourage consumers to buy non-ACA plans: higher commissions.

"In our survey of brokers, they do report they pay higher commissions than ACA plans," Corlette said. Some brokers reported they avoid noncompliant plans, however, because they pose risks for consumers.

The National Association of Health Underwriters, an organization for health insurance and employee benefits professionals, did not respond to a request for information and comment.

Consumers can be sure they're getting a comprehensive, ACA-compliant plan if they buy it from marketplaces set up by that health law, Howard said.

Brokers can help people understand their options and buy a plan, including plans that comply with the ACA, but picking a broker can be challenging.

"Ideally go to someone in a brick-and-mortar building who has to bump into you in the grocery store," Corlette said.

After his experience with Golden Rule, Sam Bloechl decided his best option was to offer a group plan to workers at his small landscaping company that he could also enroll in. He worked with a different broker, and he had lawyers look over the policies he was considering. He wanted to be sure that whatever plan he bought would cover his stem cell transplant.

The new plan did cover it. And by the time he went to work out payment on his $800,000-plus bill, his income had declined so much because of his illness that he qualified for charity care. The hospital wrote off his bill.

His cancer is in remission.

But the experience with the short-term policy still rankles. “Charity care picked up the one bill and [UnitedHealthcare Golden Rule’s] competitor paid for the transplant,” he said. “They got off the hook without paying a dime.”

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