NAIFA
National Association of Insurance
and Financial Advisors

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Centers for Medicare & Medicaid Services
Department of Health and Human Services
Room 445-G, Hubert Humphry Building
200 Independence Avenue, SW
Washington, D.C. 20201

Re: Short-Term, Limited Duration Insurance (STLDI) - RIN 1545-BO41, RIN 1210-AB86, RIN 0938-AT48

This letter provides comments from the National Association of Insurance and Financial Advisors (NAIFA) on proposed regulations to amend 26 CFR Part 54, 29 CFR Part 2590, and 45 CFR Parts 144, 146, and 148 to lengthen the maximum coverage period for STLDI from less than 3 months to less than 12 months and to revise the notice required in STLDI plan materials.

Founded in 1890 as The National Association of Life Underwriters, NAIFA is the oldest, largest and most prestigious association representing the interests of insurance professionals from every Congressional district in the United States. Our mission – to advocate for a positive legislative and regulatory environment, enhance business and professional skills, and promote the ethical conduct of its members – is the reason NAIFA has consistently and resoundingly stood up for agents and called upon members to grow their knowledge while following the highest ethical standards in the industry.

NAIFA generally supports proposals that aim to increase consumer choice, lower premiums, and foster greater competition in the health insurance market for both individuals as well as large and small groups. To achieve these goals, the Internal Revenue Service, the Department of Labor, and the Department of Health and Human Services ("The Departments") propose a regulation with the purpose of ensuring that consumers have access to STDLI policies that provide health insurance coverage for up to approximately one year.

NAIFA supports the proposed rule, which would effectively repeal the federal regulation that limits STLDI policies to only 90 days. We believe this measure could ensure that consumers can maintain critical and temporary health insurance coverage in instances where a consumer lost his or her individual market or group policy and needs sufficient time to obtain a more comprehensive insurance policy. Also, in some health insurance markets where there are very few and cost prohibitive plans available for consumers, STDLI policies may offer consumers the only affordable, albeit temporary, option. In our comments below, we outline how STDLI is an important option for consumers in these circumstances and express our support for the Departments' proposal to permit these policies to last in duration for up to 12 months.

STLDI Provides Critical Temporary Coverage

STLDI plans provide consumers access to temporary, basic, and affordable coverage, especially in periods of dire need. Although STLDI plans are not required to cover a minimum set of benefits like individual market policies, they can and do provide necessary stop-gap coverage while consumers shop for a more comprehensive health insurance plan. For example, if a consumer loses his or her group insurance coverage due to job loss or another factor, the consumer may have to wait until the next open enrollment period to purchase an individual market policy or obtain coverage through a new employer. This waiting period could well exceed 90 days since open enrollment does not begin until mid-November. Theoretically, a consumer could experience a loss of individual or group market coverage early in the calendar year resulting in a potentially significant time period which could expose the consumer to an unexpectedly lengthy time without health insurance coverage. For many consumers, a STLDI policy may be the only option to secure temporary coverage until the next open-enrollment period or until the consumer gets covered under a new group insurance plan. In instances such as this, a STLDI policy that lasts beyond 90 days is critical so that the consumer can maintain a sufficient and affordable plan and not suffer a coverage gap.

STLDI policies may also serve as temporary coverage or even as a supplemental benefit in other circumstances, and NAIFA members have shared some specific instances where STLDI has been a particularly viable option for clients who need temporary and additional coverage beyond a 90-day period:

- Individuals seeking health insurance coverage while in a job transition and who discover COBRA payments to be too costly.

- Clients who qualify for an individual mandate hardship exemption, particularly those who fall into a Medicaid coverage gap

- New retirees seeking a temporary health insurance plan while waiting to enroll in Medicare

- Clients seeking coverage to ease financial hardship in the event of a critical illness or injury

- Self-employed persons who need additional coverage to complement their major medical plans

- Clients who recently turned 26 and are therefore ineligible to be covered under their parent’s plan

- Recent college graduates who have yet to secure coverage under a group health insurance plan through an employer

- Clients going through a life transition such as divorce or early retirement

- Individuals needing supplemental coverage to defray high costs of prescription medication

- Parents purchasing STLDI as coverage for their dependent children as a more affordable option than paying higher costs to cover them under an employer-sponsored group plan

- Students who have lost their coverage through their university and do not qualify for the special enrollment period

- American students studying abroad

- Individuals temporarily in the United States on VISA programs

- Families seeking temporary coverage for their children moving out of state

Prior to the regulation that limited the duration of these policies, NAIFA members who sell these plans have reported that the average duration of a STDLI policy is five to six months. In cases such as the ones we noted above, the 90-day limitation may not provide a sufficient length of time to ensure these individuals can maintain vital health insurance coverage while searching for a more comprehensive plan. Further, the current federal restrictions impede the ability of individuals to use STLDI policies as important supplemental coverage for specific conditions. Repealing the STLDI duration limit will enable consumers to retain affordable coverage for a sufficient period in critical instances.

STLDI May Provide an Affordable Option to Costly Individual Market Policies

The regulation limiting STLDI plans to only 90 days is especially harmful to consumers by restricting their options for health insurance coverage at a time when some health insurers have exited certain markets and state and federal health insurance exchanges. Many consumers now reside in areas where the very few available choices for health insurance coverage are often cost-prohibitive, and an STLDI policy may be the only affordable option. In one instance reported by a NAIFA member in Nebraska, a family of 4 with a household income of about $100,000 a year was in the market for health insurance coverage and found that the cheapest plan available was almost $2,000 per month with a $12,000 deductible. With an STDLI plan, this family obtained coverage for about $317 per month. In another case, a NAIFA member reported that a client, a 49-year-old male, who was in need of a health insurance policy discovered that the least expensive plan available would cost $710 per month and the policy did not include the client's doctors in the plan network. The client was able to purchase a STLDI plan for $460 per month that included the client's preferred doctors and coverage for certain protections. STDLI would give individuals and families more options and affordable choices in the individual health insurance market, especially to those consumers such as the ones in these examples who do not qualify for ACA premium tax credits.

Given the role of STLDI in providing temporary coverage and even serving as an alternative to costly individual market plans, we reiterate our view that the Departments should rescind the regulation which limits the duration of these policies. We, therefore, urge the Departments to approve the proposal to permit individuals to retain an STLDI policy for at least up to 12 months.

NAIFA commends the Departments for producing a proposal intended to ensure that consumers have greater choice and affordable options in the health insurance market. We thank the Departments for their time and consideration of our views. Should you have any questions, please contact Steve Kline in the NAIFA Government Relations office at skline@naifa.org or (703) 770-8187.

Sincerely,

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