

FACT SHEET

SB 910 (Hernandez): Limiting Junk Insurance: Short-Term Insurance Plans

SB 910 would prohibit insurance companies from selling short-term insurance plans in California. These short-term plans lack the Affordable Care Act's (ACA) important consumer protections: they do not provide comprehensive coverage or cover essential health benefits, and people with pre-existing conditions can be denied coverage or have their coverage dropped when they get sick. SB 910 would maintain the stability of California's individual market by ensuring health coverage sold in California provides comprehensive benefits and consumer protections.

Federal Administration Encourages (Wrong) Use of Short-Term Insurance

Under previous Obama Administration rules, short-term plans were restricted to only 90 days and could not be renewed. In an October 12th, 2017 executive order, the President directed various federal agencies to expand the use of short-term insurance by changing federal rules. The administration intends to reverse the Obama-era rules and allow short-term insurance to last for up to a year and be renewable. The Trump administration also intends to allow short-term insurance to count as actual health insurance, even though it provides little coverage for health care needs.

Short-Term Insurance is Junk Insurance: It's Bad for Consumers, Covered California and Our Entire State Individual Market

Covered California, our state health care exchange, has a strong risk mix of healthy and less healthy individuals. Covered California has also been able to negotiate lower premiums compared to other states and the federal exchange maintaining competition in the market with its 11 participating insurers. For example, in 2018, premiums increased 12.5%ⁱ on average, compared to 34%ⁱⁱ nationally. A healthy risk mix and a stable market translates to lower annual premium increases for consumers. More than 3.4 million Californians have purchased insurance through Covered California since 2014,ⁱⁱⁱ which combined with our Medi-Cal expansion, has helped to cut the state's uninsured rate to a historic low of 6.8%, compared to 9% nationally.^{iv}

Short-term insurance is bad for consumers because it lacks basic consumer protections and essential health benefits that cover prescription drugs, maternity care, mental health, and other vital services. Healthier people would be encouraged to buy short-term insurance plans because the monthly premiums are relatively cheaper than ACA-compliant plans but cost the consumer more in terms of higher deductibles, co-pays, and other out-of-pocket costs.

Expanding the availability and the use of short-term insurance would damage California's healthy risk mix and destabilize our individual market. As a result, our individual market will be fragmented where only sicker, older and higher-risk people will buy ACA-compliant plans, and healthier, younger, and less risky people buy junk insurance like short-term coverage. As a result, premiums will skyrocket, our risk mix will deteriorate, and our market will destabilize, leading to people either paying extremely high premiums or becoming uninsured. Insurers sell short-term insurance because it is more profitable, and they are not required to apply the premiums consumers pay towards medical costs and services.

FACT SHEET: SB 910 (Hernandez)

Why is short-term insurance considered junk insurance?

- It can deny people with pre-existing conditions.
- It can charge higher rates based on a person's health status.
- It does not have to cover any or all 10 ACA essential health benefits.
- It can include dollar caps on services and stop covering medical expenses after the cap is reached.
- It does not have a maximum limit on annual out-of-pocket costs.
- It does not allow people to use federal financial assistance to pay premiums.

What protections does an ACA-compliant plan offer to consumers?

- It covers people with pre-existing conditions.
- In California, premiums are solely based on age and region, not health status.
- It covers all 10 essential health benefits and medically necessary care.
- It eliminates annual and life-time benefit limits, and caps annual out-of-pocket costs.
- It allows people to use federal assistance to help pay for premiums.

SB 910 (Hernandez) Eliminates Junk Insurance Plans

Existing California law, which predates the ACA, limits short-term limited duration insurance (short-term insurance) to 185 days with one renewal. This provision of state law has been dormant due to the ACA and is not currently operative. In theory, there should be no California insurers selling short-term insurance plans at this time. Obama-era federal rules limit short-term insurance to 90 days with no renewal. SB 910 would ban the sale of short-term insurance plans instead of imposing a time limit because these plans should not be sold in the first place given existing law. SB 910 would strengthen existing law and clarify that insurers cannot sell short-term insurance.

California has taken extraordinary actions to protect our residents and our health care system. As a result, Californians have access to comprehensive, affordable, and quality coverage with strong protections and a stable insurance market. Limiting the use of short-term insurance plans is an action that will ensure Californians do not buy junk insurance that leaves them without coverage for vital care and without strong consumer protections. Lastly, banning short-term insurance will help the state maintain a healthy risk mix and a stable, competitive individual market.

For more information about SB 910 (Hernandez), contact:

Mary June Flores, Health Access California
mjflores@health-access.org or (916) 497-0923

ⁱ Covered California, [Covered California Releases 2018 Rates: Continued Stability and Competition in the Face of National Uncertainty.](#)

ⁱⁱ Avalere Health, [Silver Exchange Premium Rise 34% on Average in 2018.](#)

ⁱⁱⁱ Covered California, [Covered California Finishes Fifth Open Enrollment Strong – New Sign-Ups of 423,484 up 3 Percent Over Last Year.](#)

^{iv} Centers for Disease Control and Prevention, [January – June 2017 Health Insurance Estimates.](#)