

Federal Agencies Propose Plugging Short-Term Health Plan Workaround

The Biden administration has proposed limiting short-term health plans it calls 'junk insurance' to four months instead of one year.

By *Paul Mulholland*

The Departments of Labor, Treasury and Health and Human Services issued a [proposal Friday](#) that would limit the amount of time employers can use short-term health coverage and indemnity plans to no more than four months, instead of the 12 months set by the administration of former President Donald Trump.

In a [fact sheet issued Friday](#), the administration of President Joe Biden said the proposal would crack down on "junk insurance" it claims leaves consumers exposed to high medical fees when transitioning between plans.

"New proposed rules would close loopholes that the previous administration took advantage of that allow companies to offer misleading insurance products that can discriminate based on pre-existing conditions and trick consumers into buying products that provide little or no coverage when they need it most," the administration release stated. "These plans leave families surprised by thousands of dollars in medical expenses when they actually use health care services like a surgery."

These short-term health plans are intended to be transitional and provide coverage for an employee moving from one longer-term plan to another, says Roberta Casper Watson, a partner in the Wagner Law Group and head of its health and welfare practice group. The plans are not required to follow every provision of the Affordable Care Act, including covering of pre-existing conditions.

Watson says the agencies believe employers are using "workarounds" to avoid complying with the Affordable Care Act and adds, "and they're right." This proposal has been expected for a long time, and if it passes, it will "make a dent" in this practice.

Indemnity plans pay a fixed amount of money for health expenses, regardless of what expenses were actually incurred. Watson explains that these plans often pay a predetermined sum per day of missed work, such as \$100, and are mainly intended to compensate for income lost due to a health event.

If finalized, the Biden administration said the rule would “establish a clear disclosure for consumers of the limits of these plans.”

The rule will be open to a 60-day public comment period after its publication in the Federal Register, listed for July 10. If enacted, the rule will be enforced for insurance sold 75 days after the date of publication of the final rule, according to the proposal.

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