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Californians deserve access to short-term health insurance

Michael F. Cannon

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Gov. Jerry Brown must soon decide whether to sign or veto a bill sponsored by Sen. Ed Hernandez, D-West Covina, that would eliminate affordable health coverage for many Californians, deny care to the sick and increase premiums for Affordable Care Act plans.

Californians have always had the freedom to purchase “short-term” health insurance. Short-term plans have traditionally filled gaps in coverage, such as when consumers are between jobs or nearing Medicare eligibility. They often cost 70 percent less and offer greater choice of doctors than ACA plans.

New federal rules allow short-term plans to last up to 12 months and be renewed for up to 36 months. The non-partisan Congressional Budget Office says the new rules will allow short-term plans to provide more comprehensive coverage than they have in the past. Federal estimates indicate these plans would cost an average $428 per month — 31 percent less than ACA plans.

That’s just the beginning: The new rules make it possible for Californians to obtain secure coverage for just $86 per month — nearly 90 percent less than the average ACA premium.

The new rules clarify that insurers can combine short-term plans with a separate product — a “renewal guarantee” — that gives the purchaser the right to keep paying healthy-person premiums, no matter how sick she becomes. For the sick, renewal guarantees offer more secure coverage than employer plans. In 2008, UnitedHealth began selling standalone renewal guarantees in 25 states, but excessive regulation intervened. The new rules make these products possible again.

Allowing renewal guarantees will reduce premiums in California’s ACA Exchange. The fact that consumers who fall ill will get to keep paying low, healthy-person premiums means they will stay out of the ACA’s risk pools, reducing the cost of ACA coverage.

The Hernandez bill would block these affordable options and deny care to the sick by outlawing short-term plans.

Here’s how. If you forget to enroll in an ACA plan during the “open” enrollment period, or within 60 days of losing employer coverage, the ACA denies you coverage until Jan. 1 of the following year. Under current law, however, you can enroll in a short-term plan that covers you until then.

But since the Hernandez bill would make short-term plans illegal, it would force you to go uninsured until Jan. 1 of the following year. If you developed cancer or another expensive illness, you would face months of sky-high medical bills. Many Californians would inevitably forgo necessary care, go bankrupt, or both.

Some ACA supporters believe the new federal rules would harm the ACA, and they’re literally willing to deny you health care to protect it. But they’re wrong. Renewal guarantees are a win-win: They make coverage more affordable for consumers both inside and outside ACA plans. We shall see whether Brown has a better understanding of the new rules, and more compassion for California residents.

Michael F. Cannon (@mfcannon) is director of health policy studies at the Cato Institute.