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The White House Continues Its Campaign To Deny People Insurance Choices

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The Biden administration is continuing its onslaught against health plans that don't have their seal of approval.

At a congressional hearing last month, Secretary of Health and Human Services Xavier Becerra agreed with Rep. Kathy Castor's, D-Fla., characterization of short-term health plans as "junk" insurance—and promised to scrutinize a Trump-era rule expanding access to them.

At the same time, the Biden administration is doing everything it can to coax people into buying exchange coverage. It opened a special enrollment period through August 15. And the March Covid-19 relief package the president signed into law provided enhanced subsidies for all Americans, no matter their income.

The fact that the Biden administration is turning to all matter of carrots and sticks to convince people to purchase exchange coverage should be a sign that it's not meeting people's needs.

Short-term plans are often much cheaper than those available on an exchange. That's because they don't have to comply with Obamacare's many mandates, including its benefit requirements.

Critics of short-term plans claim that's the problem—short-term insurers can deny people coverage or limit what they'll pay out in claims.

But the reality is different. Even high-risk individuals can find more affordable coverage in the short-term market than in the exchange market. A 2019 Manhattan Institute analysis found that a 60-year-old smoker in Atlanta could find a short-term plan with benefits similar to an exchange plan for hundreds of dollars less in premiums and deductibles.

The Cato Institute's Michael Cannon has shared the story of a 61-year-old Arizona woman who was able to cover the entire cost of her emergency diverticulitis surgery with a $274 per month, $2,500 deductible short-term plan. The equivalent exchange plan would have cost her more than $800 a month and featured a deductible of about $6,000.

Short-term plans also tend to have bigger provider networks, according to that Manhattan Institute study. Nearly three-quarters of exchange plans are HMOs, which restrict patients to a narrow provider network and require referrals for just about every service.

For many people, like those between jobs or waiting to start graduate school, short-term plans are simply a better fit than comprehensive coverage. Why would a healthy 27-year-old who will be joining her school's health plan in the fall want to purchase a year-long exchange policy when she can get a short-term plan for a few months that's less than one-fifth the price?

It's no wonder, then, that short-term plans are popular. More than 3 million Americans have them. And that's despite the fact that they're not available in 11 states, including populous ones like California and New York. Another 13 limit short-term plans' duration to six months or fewer.

The Biden administration's campaign against short-term plans may actually be undermining the exchanges—and the ability of people to get covered. In a recent paper, Brian Blase at the Galen Institute found that states allowing full access to short-term plans have more robust individual insurance markets than states that don't because exchange plans have to compete with their short-term counterparts for customers.

If Biden were to repeal the Trump administration's short-term rule changes, 1 million people would go uninsured, according to Blase.

If incentives and regulations align to favor the Obamacare exchanges, that's where most people will go to get health insurance—even if short-term plans offer better coverage at better prices. And when they go to the exchange, they may not like what they find.