



FACT SHEET

FOR IMMEDIATE RELEASE
February 20, 2018

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Fact Sheet: Short-Term, Limited-Duration Insurance Proposed Rule

Proposed Policy Changes

In October, President Trump issued an Executive Order instructing the Departments of Health and Human Services, Labor, and the Treasury to consider proposing regulations or revising guidance to promote healthcare choice and competition by expanding the availability of short-term, limited-duration insurance. As a direct result of this, the Departments issued a proposed rule on Tuesday, February 20, that would change the maximum duration of such coverage to less than 12 months, as opposed to the current maximum duration of less than three months.

Short-term, limited-duration insurance is a type of health insurance coverage that is designed to fill temporary gaps in coverage when an individual is transitioning from one plan or coverage to another form of coverage. This type of coverage is exempt from the definition of individual health insurance coverage under the Affordable Care Act (ACA) and is therefore not subject to the ACA provisions that apply to individual health insurance plans.

The proposed rule includes measures to help consumers who purchase short-term, limited-duration policies understand the coverage they are getting. The proposal would require one of two versions of a notice to appear in the contract and in any application materials that the plan is not required to comply with ACA provisions.

Providing Relief from Higher Rates and Limited Choice

Under the previous Administration, the Departments published a final rule in October 2016, which restricted short-term, limited-duration insurance to less than three months, further limiting consumer choice in a market where too many Americans cannot find affordable coverage that meets their health care needs. Average premiums have more than [doubled](#) from 2013 to 2017 in

health plans on the Federal Health Insurance Exchange, and half of U.S. counties have only one insurance [carrier](#) to choose from.

Short-term, limited-duration insurance is generally more affordable than ACA-compliant plans. In the fourth quarter of 2016, a short-term, limited-duration policy cost approximately \$124 a month compared to \$393 for an unsubsidized ACA-compliant plan. Based on enrollment trends prior to the October 2016 final rule, the Departments project that approximately 100,000 to 200,000 additional individuals would shift from an ACA-compliant individual market plan to short-term, limited-duration insurance in 2019. Only about 10 percent of these individuals would have been subsidy-eligible if they maintained their Exchange coverage.

Expanding Access to More Affordable Options:

Today's proposed changes are intended to provide additional, often much more affordable coverage options, while also ensuring consumers understand the coverage they purchase. Individuals and families who would benefit from this policy may include those:

- who are between jobs or other sources of coverage;
- who find ACA coverage too expensive or have seen their health insurance choices diminish; and
- whose doctors are not in network under ACA plans.

Longer limited-duration plans would also reduce the risk of a gap in coverage for people with short-term coverage who become seriously ill while covered. Under current rules, a person who becomes ill would likely not qualify for another plan less than three months in duration because of the illness and would then need to wait without coverage until the next year to gain coverage in the individual market.

CMS will accept comments on the proposed rule for 60 days. The proposed rule is available here: <https://www.federalregister.gov/public-inspection>.

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