

Short-Term Health Insurance

Value, Benefits and Cost



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Executive Summary

Short-term plans comprise a segment of the individual health insurance market that has recently become the subject of policy debates and heightened public interest. A rule established by the Obama administration that limited the length of these policies to 90 days may now be reversed, allowing short-term plans to remain in effect for periods of less than 12 months, as they had been prior to 2017. The impact such a reversal may have on the stability of insurance markets under the Affordable Care Act (ACA), and on the cost of major medical insurance plans, is a matter of speculation and sharp disagreement.

Often missing from these debates is the important role short-term plans play in providing a legitimate coverage option for individuals and families facing gaps in their major medical health insurance coverage, and increasingly, for those unable to afford ACA-compliant plans or who have limited coverage options in their area. Without broader legislative action or market changes aimed at lowering the cost of major medical coverage, restrictions on the availability of short-term policies may simply leave large numbers of consumers uninsured.

eHealth's report aims to shed some light on today's short-term health insurance market. It examines the cost of short-term plans (something eHealth has covered for several years) but also explores the impact of the 90-day rule, consumer sentiments about short-term coverage, changes in policyholder demographics, benefits offered under short-term plans, and the utilization of benefits for policyholders receiving medical care.

Findings are based on data collected from individuals and families selecting short-term plans at eHealth.com, a voluntary survey of consumers purchasing short-term insurance through eHealth, and data provided by short-term insurance carriers with whom eHealth has a contractual relationship. Highlights of eHealth's analysis include the following:

- **Demand for short-term plans remains strong despite the 90-day rule.** Short-term applications accounted for 57 percent of all combined short-term and major medical plan applications received by eHealth in 2017, up from 47 percent in 2016.
- **Short-term policyholders want longer coverage periods.** Nearly 70 percent of eHealth customers with short-term policies responding to a voluntary survey said they would have purchased a policy that lasted longer than 90 days if it were available to them.
- **Without access to short-term plans, most policyholders said they would be uninsured.** Fifty-one percent of survey respondents said they would have been uninsured during their coverage period without the short-term policy they purchased through eHealth.
- **Short-term plans are becoming more popular among older consumers.** The average age of consumers buying short-term coverage at eHealth increased from 34 in 2016 to 36 in 2017; since 2015, the share of people between the ages of 45 and 64 buying short-term plans has increased from 21 percent to 25 percent.
- **Nearly three-in-ten short-term policyholders use their coverage.** Twenty-eight percent of eHealth survey respondents said they used their short-term coverage for medical care, most commonly for a sick visit to the doctor's office.
- **Short-term health insurance was immune to premium inflation in 2017.** The average premium for individual short-term coverage in 2017 was unchanged from 2016 (\$110 per month) and decreased by 3 percent for families during the same period (from \$276 to \$267 per month), a stark contrast to the premium inflation seen among major medical plans.

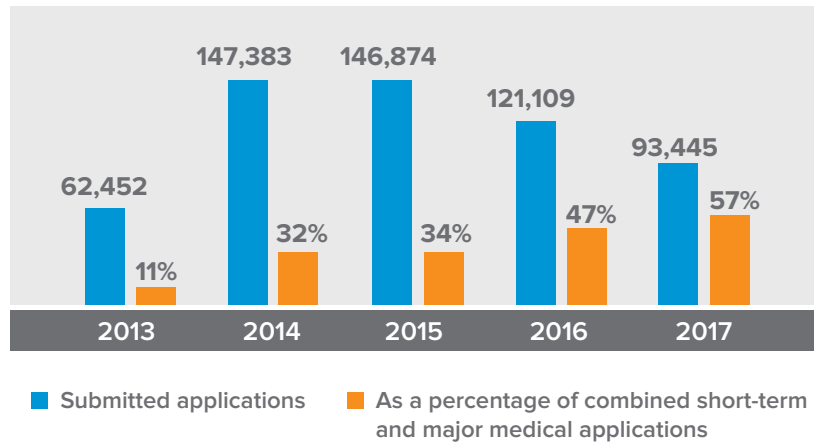
Short-Term Coverage and the 90-Day Rule

As major provisions of the ACA took effect in 2014, the popularity of short-term health insurance plans at eHealth increased significantly, likely due in part to the implementation of a defined open enrollment period and the 38 percent increase in average premiums for individual major medical insurance plans between 2013 and 2014*. During that same period, the number of short-term health insurance applications received by eHealth increased by 136 percent (Chart 1).

An Obama administration rule that took effect in 2017 limited the duration of short-term health insurance plans to a maximum of 90 days. Previously, policies were available in some states for periods of up to 364 days, though most plans limited coverage periods to six months. While overall consumer interest in ACA alternatives** remained high, the number of short-term plan applications received by eHealth in 2017 dropped by 23 percent as compared to 2016 (Chart 1).

While the 90-day rule was intended, in part, to encourage consumers to enroll in ACA-compliant major medical plans, demand for short-term policies increased at eHealth (as a percentage of combined short-term and major medical plan applications received) in 2017.

Chart 1: Short-term plan enrollment

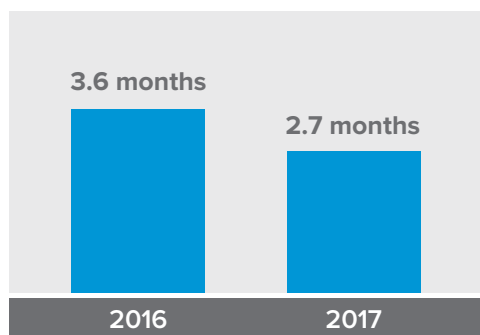


*See data presented in eHealth's January 23, 2017 press release

** "ACA alternatives" refers to short-term plans and other ancillary products as well as medical insurance packages, which were introduced at eHealth in 2017 and accounted for a significant percentage of non-major medical products purchased at eHealth in the fourth quarter.

In 2016 (prior to the implementation of the 90-day rule), the average period consumers remained covered under a short-term health insurance policy purchased at eHealth was 3.6 months, not significantly longer than the proposed 90-day limit. In 2017, the year in which the 90-day rule took effect, the average coverage period dropped to 2.7 months (Chart 2).

Chart 2: Average duration of short-term policies before and after implementation of the 90-day rule



At the end of the 90-day coverage period, it is possible in most cases for consumers to re-apply for a new coverage term, either with the same or a different insurer, and a significant number of short-term consumers did so. In 2017, 22 percent of eHealth's customers enrolled in more than one short-term policy during the year.

Consumer Attitudes About Short-Term Health Insurance

In January 2018, eHealth conducted a voluntary survey of its short-term health insurance customers to gauge perceptions about the products they purchased. Nearly 1,000 responses were collected. Among the results, eHealth found:

- **Temporary coverage needs and affordability drive interest in short-term policies:** When asked to identify the primary factor that had influenced the purchase of a short-term plan, 61 percent of respondents said they only needed coverage for a limited period, while 27 percent chose a short-term policy because it was more affordable than other options.
- **Half said they would be uninsured without access to short-term policies:** 51 percent of respondents said that without their short-term health insurance plan they would have been uninsured; another 22 percent said they don't know what they would have done without access to short-term plans; only 12 percent said they would have purchased ACA-compliant coverage instead.
- **Consumers shopping for short-term policies want longer coverage periods:** 69 percent of respondents said they would have purchased a short-term policy that lasted longer than 90 days if it were available to them.
- **One quarter chose short-term policies because they missed open enrollment:** 26 percent of respondents said they purchased short-term coverage, in part, because they had missed open enrollment under the Affordable Care Act.
- **A majority consider ACA coverage first:** More than half of respondents (52 percent) said they considered purchasing an ACA-compliant health insurance plan before turning to short-term coverage. About half (49 percent) believed they would not have qualified for government subsidies under the ACA.
- **Three-quarters were happy with their coverage:** Three-quarters (76 percent) of respondents reported being happy with their short-term coverage, while more than half (58 percent) said their plan covers the medical services they value most. Only 28 percent of respondents said they used their short-term plan when receiving medical care; 78 percent of those who accessed medical services reported being happy with their coverage.

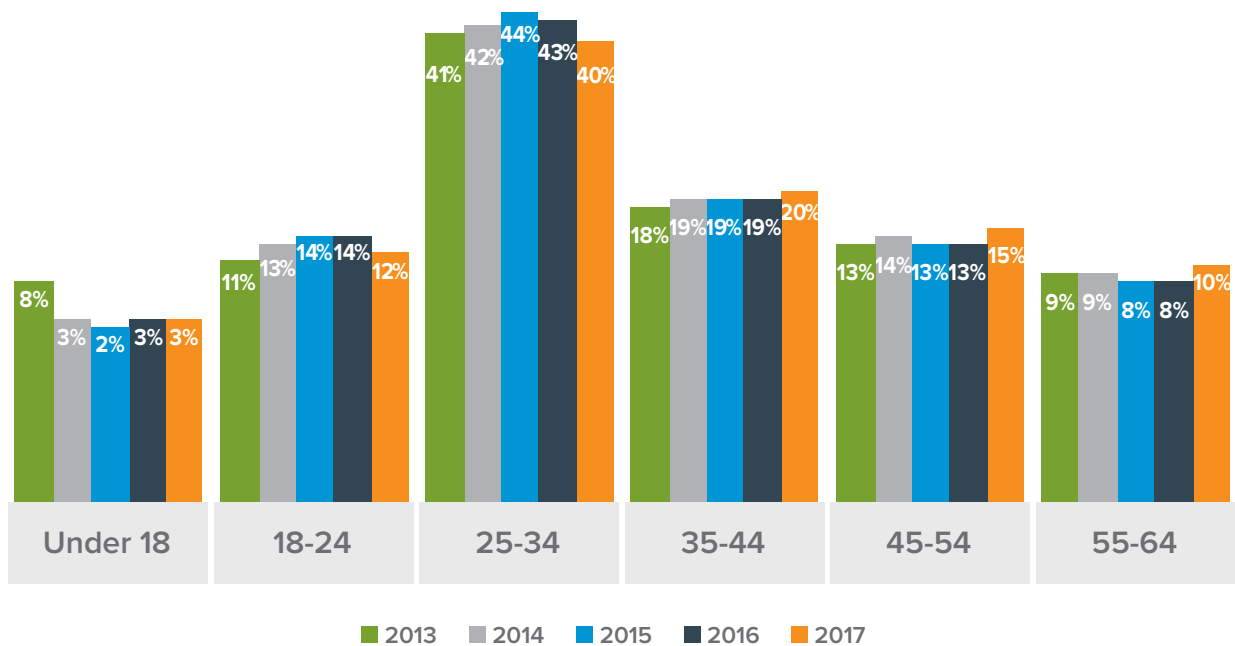
Demographics of Short-Term Policyholders

The average age of consumers buying short-term health insurance at eHealth in 2017 was 36 years old, an increase of two years, as compared with the year prior.

eHealth finds that short-term health insurance products are becoming somewhat more popular among older adults. Since 2015, the share of customers between the ages of 45 and 64 purchasing short-term plans has increased from 21 percent to 25 percent (Chart 3).

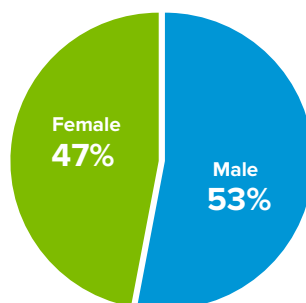
By contrast, younger adults make up a decreasing share of eHealth’s short-term customers, though they still constitute the majority. Between 2015 and 2017, the percentage of applicants between the ages of 18 and 34 decreased from 58 percent to 52 percent (Chart 3).

Chart 3: Customer mix by age band, 2017



Men were somewhat more likely than women to purchase short-term health insurance plans at eHealth in 2017, accounting for 53 percent of all policyholders (Chart 4). That’s the same figure reported in 2016.

Chart 4: Customer mix by gender



Short-Term Plan Benefits

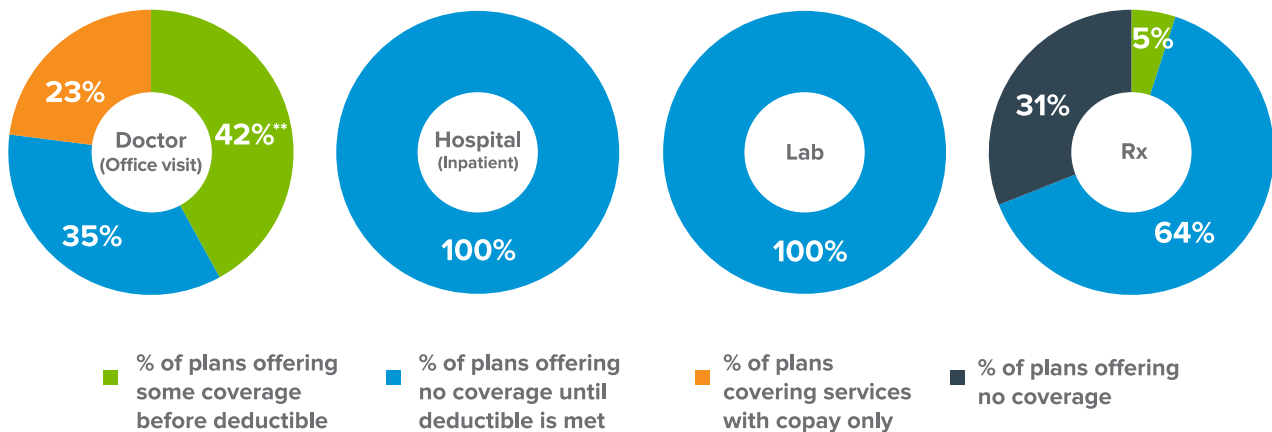
Short-term health insurance provides protection against medical expenses for a limited period. Benefits offered do not meet the “minimum essential health benefits” standards of the Affordable Care Act, and applicants may be declined based on their medical history. Even so, a majority (58 percent) of survey respondents said the short-term plan they bought at eHealth provided them with the benefits they valued most.

To provide a snapshot of short-term coverage, eHealth conducted an analysis of the benefit packages of more than 1,000 plans* offered by four major short-term health insurance companies, representing a significant proportion of the overall market. All plans reviewed provide some coverage for doctor’s office visits, inpatient hospital care, and laboratory work. Sixty-nine percent of the plans reviewed offer some prescription drug coverage (Chart 5).

Many plans (42 percent) provide some coverage for a sick visit to a physician’s office before policyholders meet their deductible. Approximately one-third (35 percent) offer no coverage for doctor’s office visits until the full deductible is met. Somewhat fewer than one quarter (23 percent) cover doctor’s office visits with a copay only.

All plans provide coverage for inpatient hospital and laboratory services, but only after the plan deductible is met. Approximately two-thirds (64 percent) of plans offer coverage for prescription drugs only after the medical deductible (or a separate prescription drug deductible) is met; 31 percent offer no coverage for prescription drugs, but many of these policies offer prescription drug discount cards in combination with the short-term policy. In some cases, prescription drugs are only covered on an inpatient basis.

Chart 5: Medical services covered by short-term plans



* Plans offered in multiple states were counted on a per-state basis.

**Some plans restrict coverage to a specified dollar value for initial doctor’s office visits, after which additional coverage is only available once the deductible is met. These were included in the “some coverage before deductible” category shown in Chart 5. Fewer than one percent of plans restricted coverage for office visits to a specified dollar amount only (i.e., no more than \$50 toward the full cost of a visit).

Note that the information in this report is not intended to be a comprehensive summary of the coverage offered under any particular plan. Each plan has its own limitations and exclusions, as outlined in the official plan documents for that plan.

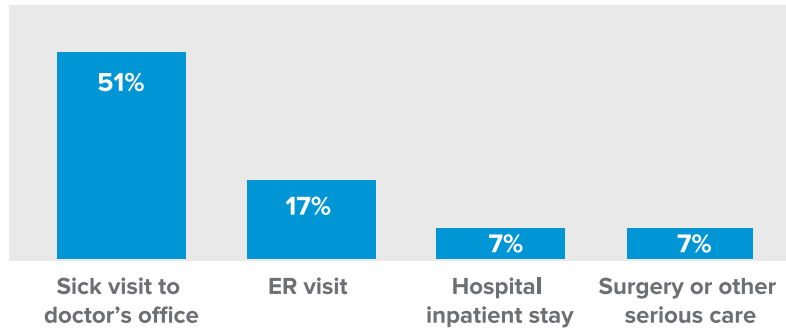
Medical Care Accessed by Short-Term Policyholders

Twenty-eight percent of respondents to eHealth’s survey reported having received medical care while covered by their short-term policy. When asked to identify the types of care received, approximately half (51 percent) said they had used their benefits for a sick visit to the doctor’s office (Chart 6).

Seventeen percent of respondents said they used their coverage for a visit to the emergency room; 7 percent said they used it for inpatient hospital care. Another 7 percent used their coverage for surgery or other serious forms of medical treatment.

Nearly half (47 percent) of those who received medical care while covered by their short-term policy reported receiving an annual checkup or other form of preventive care, despite the fact that most short-term health insurance plans do not provide coverage for these services.

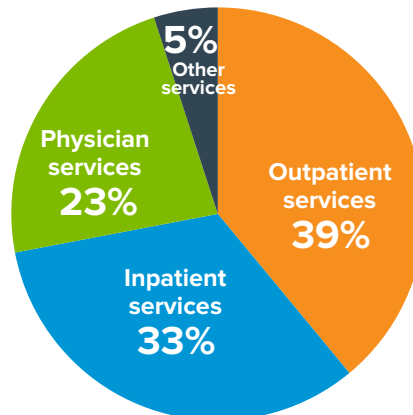
Chart 6: Medical care received by short-term members



To better understand the utilization of medical services under short-term health insurance plans, eHealth collected aggregated anonymous claims category data provided by two major short-term health insurance companies. eHealth found that 39 percent of all short-term medical claims, as calculated by dollar value, were paid for outpatient services, including diagnostic testing, surgical center and emergency room charges (Chart 7).

Thirty-three percent of claims were paid for inpatient medical services, including surgery and related charges; 23 percent of claims were for physician services, such as office visits and outpatient surgery; 5 percent of claims were paid for other services, such as prescription drugs and physical therapy.

Chart 7: Claims paid (by dollar value) for medical care under short-term policies



Average Premiums and Deductibles for Individuals

While monthly premiums for health plans compliant with the Affordable Care Act have increased significantly over the past five years, the average premium for short-term health insurance plans has been remarkably stable, according to the analysis by eHealth.

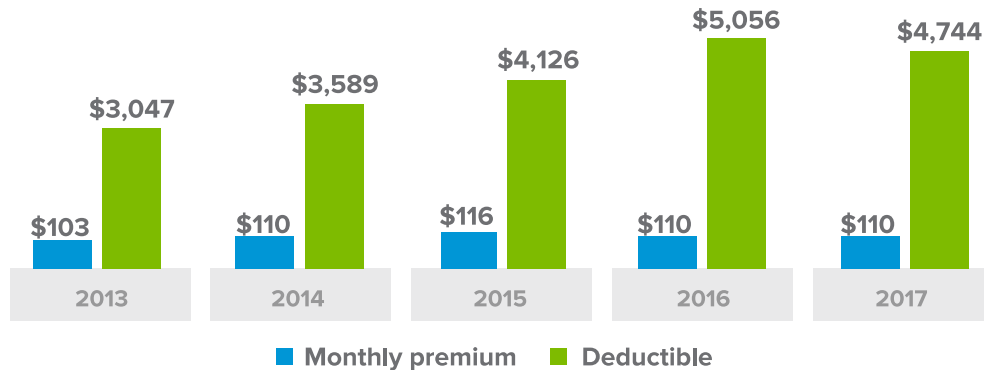
In 2017, the average monthly premium for individual short-term coverage purchased at eHealth was \$110. This number is unchanged from 2016, and identical to the average premium for 2014 (Chart 8).

Average deductibles have shown greater variation in the past several years. The average individual deductible of \$4,744 in 2017 represents a decline of 6 percent as compared with 2016 (Chart 8). The decrease in average deductibles may reflect insurer calculations of reduced risk following the implementation of the rule limiting the duration of short-term policies to 90 days.

A comparison of average short-term plan premiums with those sold in the ACA market highlights their appeal for consumers unable to afford the rising cost of ACA-compliant coverage.

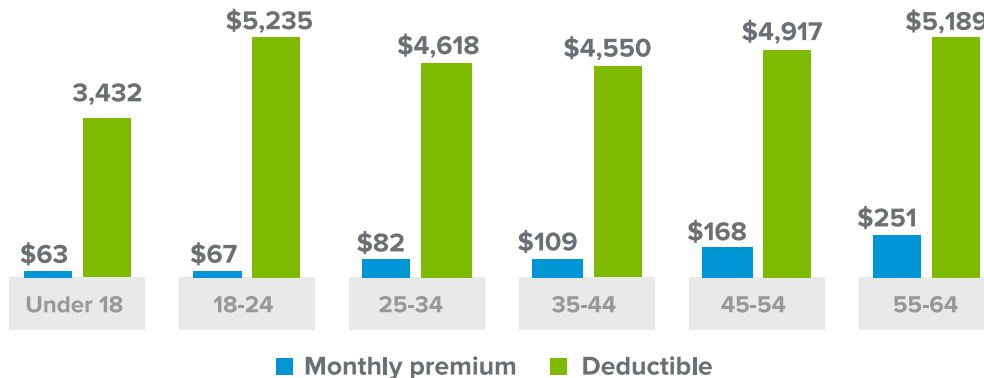
The average monthly premium for unsubsidized individuals buying ACA-compliant health plans at eHealth in 2017 was \$378 per month, 244 percent higher than the average premium for short-term coverage*.

Chart 8: Average individual short-term plan premiums and deductibles



An examination of 2017 monthly premiums for short-term coverage by age band shows that enrollees younger than 35 were often able to purchase short-term coverage for less than \$100 per month. On average, enrollees between the ages of 55 and 64 paid monthly premiums that were 275 percent higher than those paid by people between the age of 18 and 24 (Chart 9).

Chart 9: Average short-term plan premiums and deductibles by age band



*As reported in eHealth's Health Insurance Price Index Report for the 2017 Open Enrollment Period, published in May 2017.

A state-by-state review of costs for individual short-term health insurance policies purchased through eHealth in 2017 shows wide variation.

For example, Washington State had the highest average monthly premium, at \$264. Utah had the lowest, with an average monthly premium of \$66 (Table 1).

Average deductibles in 2017 ranged from \$1,803 in Washington State to \$5,947 in Arizona (Table 1). Among other factors, state-specific regulations may play a role in cost variations for short-term coverage from one state to another.

Table 1: Average premiums and deductibles for individual coverage by state

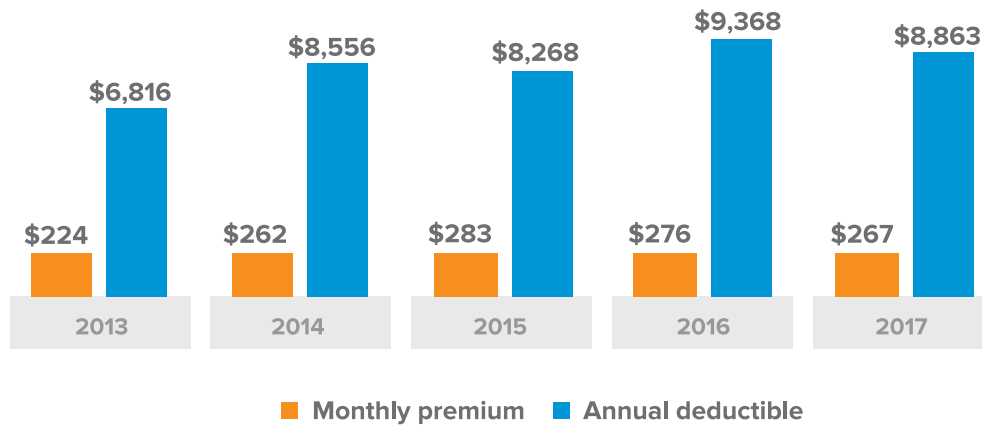
State	Premium	Deductible
AK	\$119	\$2,971
AL	\$99	\$5,606
AR	\$83	\$5,947
AZ	\$96	\$4,983
CA	\$184	\$4,195
CO	\$83	\$3,835
CT	\$144	\$5,685
DC	\$115	\$4,385
DE	\$109	\$4,977
FL	\$115	\$4,945
GA	\$101	\$5,464
HI	\$84	\$3,666
IA	\$90	\$4,902
ID	\$75	\$3,607
IL	\$107	\$5,237
IN	\$88	\$4,955
KS	\$104	\$4,799
KY	\$95	\$5,217
LA	\$127	\$4,724
MD	\$82	\$3,435
ME	\$90	\$3,699
MI	\$86	\$5,075
MN	\$81	\$3,445
MO	\$81	\$4,516
MS	\$104	\$5,517
MT	\$90	\$3,506
NC	\$88	\$5,115
ND	\$100	\$3,566
NE	\$104	\$5,048
NH	\$75	\$4,199
NM	\$137	\$3,816
NV	\$111	\$5,143
OH	\$84	\$5,176
OK	\$89	\$5,357
OR	\$108	\$4,336
PA	\$106	\$5,194
SC	\$108	\$5,365
SD	\$90	\$3,720
TN	\$78	\$3,886
TX	\$124	\$4,876
UT	\$66	\$3,507
VA	\$103	\$5,010
WA	\$264	\$1,803
WI	\$102	\$4,811
WV	\$134	\$4,902
WY	\$122	\$4,522

Average Premiums and Deductible for Families

Among families of two or more buying short-term health insurance plans through eHealth in 2017, the average monthly premium was \$267. It was the second year in a row in which average premiums for family coverage decreased, marking a 6 percent reduction from its high in 2015 (\$283). The average family deductible decreased by 5 percent between 2016 and 2017, from \$9,368 to \$8,863 (Chart 10).

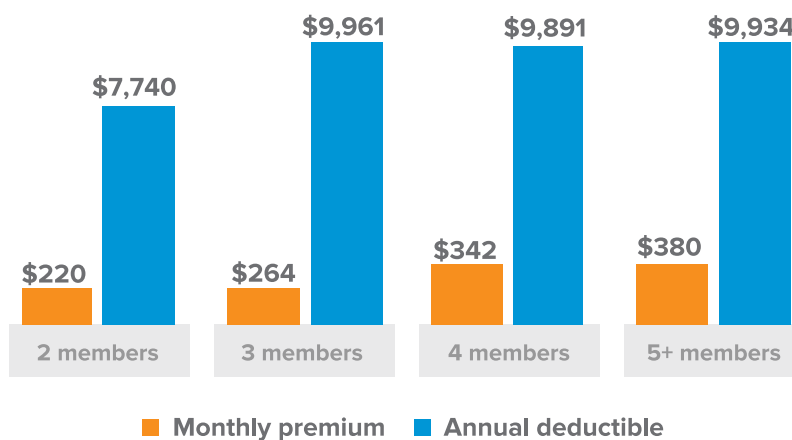
By contrast, the average monthly premium for unsubsidized families buying ACA-compliant health plans at eHealth in 2017 was \$997*.

Chart 10: Average premiums and deductibles for family coverage



Families comprised of only two people paid an average of \$110 per-month per-person for short-term coverage in 2017. Families of four paid an average monthly premium of \$85.50 per-person (Chart 11).

Chart 11: Average premiums and deductibles by family size



*As reported in eHealth's Health Insurance Price Index Report for the 2017 Open Enrollment Period, published in May 2017.

Among states in which eHealth sold family short-term health insurance policies in 2017, Washington State had the highest average monthly premium, at \$627, while Iowa had the lowest, with an average monthly premium of \$187. Average deductibles ranged from \$5,532 in Washington State to \$10,550 in California (Table 2).

Table 2: Average premiums and deductibles for family coverage by state

State	Premium	Deductible	State	Premium	Deductible
AL	\$250	\$9,828	MN	\$211	\$8,786
AR	\$193	\$9,297	MO	\$193	\$8,670
AZ	\$199	\$7,907	MS	\$251	\$9,932
CA	\$490	\$10,550	MT	\$249	\$8,821
CO	\$238	\$9,621	NC	\$243	\$8,046
CT	\$351	\$7,703	NE	\$271	\$8,459
DE	\$222	\$7,394	NV	\$232	\$9,300
FL	\$285	\$9,371	OH	\$205	\$8,121
GA	\$267	\$9,321	OK	\$218	\$9,567
IA	\$187	\$7,242	OR	\$240	\$7,354
ID	\$212	\$8,327	PA	\$252	\$8,755
IL	\$247	\$8,641	SC	\$243	\$8,477
IN	\$223	\$9,148	TN	\$189	\$8,583
KS	\$213	\$7,544	TX	\$309	\$9,676
KY	\$235	\$8,535	UT	\$189	\$8,832
LA	\$274	\$9,485	VA	\$261	\$7,898
MD	\$214	\$8,180	WA	\$627	\$5,532
ME	\$221	\$9,268	WI	\$267	\$8,723
MI	\$196	\$8,233	WV	\$214	\$9,667

When comparing premium costs between ACA and short-term plans, it should be noted that ACA plans are available with government subsidies for qualifying consumers. Short-term plans are not eligible for purchase with government subsidies or tax credits. In addition, short-term coverage is not considered minimum essential coverage, and therefore, will not protect consumers from having to pay the ACA's tax penalty for failing to maintain qualifying health insurance. The tax penalty associated with the individual mandate has been repealed for plan year 2019 and beyond.

Methodology

Unless otherwise stated, all information presented in this report is based on short-term health insurance policies sold by eHealth at www.ehealth.com during the 2017 calendar year. Data on short-term health insurance costs and sales from previous years, and on Obamacare-compliant major medical health insurance products purchased at eHealth through the ACA's 2017 open enrollment period, were previously published by eHealth and available through the company's media center or available on request. State-specific costs are limited to states in which eHealth sold at least 100 short-term health insurance policies during the 2017 calendar year.

The findings in this report are based on eHealth data only, unless otherwise noted. No conclusions about the overall market should be drawn from eHealth's figures.

Self-reported consumer data contained in this report is based on a voluntary email-invitation survey of people who purchased short-term health insurance through eHealth; a total of 895 responses were collected. Benefit information in this report was prepared by eHealth based on an analysis of plans offered through eHealth for four leading short-term health insurance carriers whose plans were available through www.ehealth.com in January 2018.

The analysis of coverage utilization based on claims costs was prepared by eHealth based on anonymous, aggregated data provided to it by two leading short-term health insurance carriers with whom eHealth has a contractual relationship.

Prices and deductibles may vary by geographical region and other circumstances. Average prices or deductibles may not reflect the actual prices available to any particular consumer.

About eHealth

eHealth, Inc. (NASDAQ: EHTH) owns [eHealth.com](http://ehealth.com), a leading private online health insurance exchange where individuals, families and small businesses can compare health insurance products from brand-name insurers side by side and purchase and enroll in coverage online and over the phone. eHealth offers thousands of individual, family and small business health plans underwritten by many of the nation's leading health insurance companies. eHealth (through its subsidiaries) is licensed to sell health insurance in all 50 states and the District of Columbia. eHealth also offers educational resources, exceptional telephonic support, and powerful online and pharmacy-based tools to help Medicare beneficiaries navigate Medicare health insurance options, choose the right plan and enroll in select plans online or over the phone through Medicare.com, eHealthMedicare.com and PlanPrescriber.com.

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