



TO: Senate Committee on Insurance, Financial Services, Government Oversight & Courts
FROM: Mark Rakowski, Chief Operating Officer, Children's Community Health Plan
DATE: Thursday, February 13, 2020
RE: Opposition to SB 793 – short term health insurance plans

Children's Community Health Plan (CCHP), an affiliate of Children's Wisconsin, provides access to high quality health care for more than 140,000 individuals and families across eastern Wisconsin. We offer the second largest BadgerCare plan in the state, as well as offer Together with CCHP, our marketplace plan, and Care4Kids, a partnership with DCF and DHS to provide coverage for kids in out-of-home care. We are proud to offer comprehensive health benefits and innovative services including case management for individuals with complex needs, a 24/7 nurse line and virtual urgent care visits. CCHP also provides health programs to support our members with asthma, depression, pregnant women, new moms, and many other wellness initiatives.

As the chief operating officer of CCHP, I have witnessed many changes in the health insurance industry over the last several years. While the goal of the authors of SB 793 to expand access to health insurance for those in need of short-term health care coverage is laudable, I am concerned the bill could create a gap in access to quality health care. Codifying the 36 month renewal or extension of these type of plans in state law may provide some access, but falls short on access to the type of comprehensive coverage consumers have come to rely on such as access to prescription drugs, wellness check-ups, preventative services like mammograms, mental and behavioral health services and maternity care. Moreover, these plans generally will not cover you if you have a pre-existing condition.

Healthcare reforms have traditionally rested on a foundation often described as a "three-legged stool." The first leg is made up of insurance reforms to ensure that coverage is meaningful. In the context of today's health marketplace, that means essential health benefits are covered and exclusionary practices like lifetime limits and restrictions on pre-existing conditions are ended. The second leg consists of mandates that everyone — young and old, healthy and sick — purchase insurance so that the shared risk of all consumers is as broad and diverse as possible. This contains cost and premium growth. Finally, the third leg of the stool helps bring premiums within reach for people with low incomes including offering subsidies.

Each leg of the stool reinforces the others. The insurance must be useful, the risk pool must be close to universal, and the coverage must be affordable. However, we are now seeing an expansion of short term, limited duration insurance plans. Such plans tend to feature lower premiums but also sparser benefits and fewer consumer protections. These short term plans result in essentially reduced coverage for some and higher premiums for everyone else. Short term plans weaken all three legs of the stool at once, and start to erode the marketplace.

Short term plans were first created to do exactly what the name implies — offer some insurance benefits for a short period of time. HHS defined them as "designed to fill temporary gaps in coverage that may occur when an individual is transitioning from one plan or coverage to another plan or coverage." These plans were originally intended to be temporary stopgaps, not a substitute for coverage.

This proposed legislation would change short term plans from a stopgap into what seems like permanent coverage to individuals because of how they are marketed.

Short term plans undermine some of the most popular recent insurance reforms — including those popular on both sides of the aisle. Short term plans, for instance, can exclude people on the basis of pre-existing conditions. Again, they need not cover essential health benefits, like maternity care or treatment for substance abuse. And short term plans often have deductibles of up to \$20,000 for three months of coverage. Some also have annual coverage limits of \$1 million.

Not only do short term plans *not* cover pre-existing conditions, but what was covered when you bought the plan can be excluded later when you try to renew the plan. Rescissions are rampant in the short term market, leading to retroactive cancellation of policies that stick patients with enormous medical bills.

Just a couple of examples of the real-world consequences of these plans include:

- A woman in Illinois went to the hospital with heavy vaginal bleeding resulting in a five-day hospital stay and a hysterectomy, only to be denied coverage under her short-term plan on the ground that her menstrual cycle constituted a pre-existing condition.

- A husband and wife in Arizona who purchased a short-term plan believing it was comprehensive coverage were left with over \$200,000 in medical bills after the husband suffered a heart attack. The listed maximum total payout of \$750,000 was misleading after the deductible was paid. It instead meant they could have a number of procedures totaling up to \$750,000, but only covered up to \$5,000 maximum per procedure.

Short term plans are inadequate as health insurance but are still being marketed as an alternative to actual health insurance plans – that is, Qualified Health Plans in the Marketplace. State regulators have been receiving increased complaints about these plans related to their marketing and coverage. The Federal Trade Commission has received numerous cases of customers buying health insurance they believed was comprehensive, then having their claims rejected or barely paid out. We thought we had solved the problem of insurance companies pocketing premium rather than spending it on medical care for their members. Short term plans bring that problem back—in a big way. Some don't spend even half their premiums on medical care.

Short-term plans also do not have to meet market-wide standards such as ensuring most premium dollars are used for health benefits or that sufficient doctors and hospitals are in the plan's network. Short term plans are not subject to rules around mental health parity, or other non-discrimination rules that protect people with conditions like HIV/AIDS.

These plans can be effective stopgaps. But that is all they should be. Short term plans are not functional as full-time health coverage products and Wisconsin would be wise not to allow the extension of these up to three years.

Children's Community Health Plan is glad to serve as a resource. If you have any questions, comments or concerns, please contact me mrakowski@chw.org, 414-266-6328.