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# NEWS RELEASE

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# Actuaries: Changes in Short-Term, Limited-Duration Insurance Could Lead to Increase in ACA Premiums

**WASHINGTON—**The final rule expanding short-term, limited-duration insurance (STLDI), released today by the departments of Labor, Treasury, and Health and Human Services, will likely contribute to premium increases in Affordable Care Act (ACA) individual markets, while creating new insurance options for some consumers that provide fewer benefits at lower premiums than ACA-compliant plans.

"Lengthening the maximum allowable duration of short-term, limited-duration insurance, especially in conjunction with the elimination of the individual mandate penalty, will likely lead to some younger and healthier individuals moving away from ACA-compliant coverage and opting for short-term coverage," said American Academy of Actuaries Senior Health Fellow Cori Uccello. "Higher ACA premiums will result."

The Academy's Individual and Small Group Markets Committee submitted a comment letter on the proposed rule to HHS in April that highlighted the potential implications of expanding STLDI, including:

- STLDI can offer more limited benefits, exclude coverage for pre-existing conditions, and charge higher premiums or deny coverage to people with health problems. As a result, these plans could offer lower premiums to lower-cost individuals, but would result in higher premiums for ACA coverage, which provides pre-existing condition protections.
- Premium and cost-sharing subsidies are available only for ACA plans, providing incentives to subsidy-eligible individuals to remain in ACA plans and moderating the potential deterioration of the ACA market.
- The impact of STLDI renewability depends on how it is structured. If insurers opt to allow enrollees to re-apply for coverage every year, pre-existing condition exclusions could begin again upon reapplication. That is, conditions acquired during the initial benefit period could be

excluded in the next benefit period. If on the other hand insurers opt to allow consumers to renew coverage without additional underwriting (meaning newly acquired conditions would not be excluded from coverage), insurers could charge an additional premium.

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