

***The Cost & Benefits of Short-Term  
Individual and Family  
Health Insurance Plans***

*June, 2012*

*2011 policies surveyed were active in October 2011*

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## *Introduction and Background*

- eHealth, Inc. has used its proprietary technology to enroll over 3 million Americans in health insurance through multiple channels, including its online marketplace eHealthInsurance.com.
- The objective of this report is to provide a nationwide perspective on cost and benefit trends in the short-term health insurance market for individuals and families based on an analysis of a geographically distributed sample of eHealthInsurance purchasers and products.
- This is the first Cost & Benefits of Short-Term Individual and Family Health Insurance Plans report published by eHealthInsurance. eHealthInsurance is one of the few organizations with national source data that can best reflect consumer buying patterns and purchase prices.
- Founded in 1997, eHealthInsurance, a wholly-owned subsidiary of eHealth, Inc., is an online source of health insurance for individuals, families and small businesses.
- eHealthInsurance is licensed to sell health insurance in all 50 states and the District of Columbia. eHealthInsurance and eHealth are registered trademarks of eHealthInsurance Services, Inc.
- eHealthInsurance offers thousands of individual, family, small business and short-term health plans underwritten by more than 180 of the nation's leading health insurance companies, making it the ideal model of a successful, high-functioning health insurance exchange.

## *Average Monthly Premiums by State*

The 2012 'Cost & Benefits of Short-Term Individual and Family Health Insurance Plans' report identifies average monthly premiums for short-term individual and family policies purchased through eHealthInsurance.com. The report analyzes the costs and benefits associated with short-term health insurance plans sold through eHealthInsurance.com in 36 states and the District of Columbia. The report also provides state specific data on plans sold in 26 states where eHealthInsurance had customers enrolled in at least 100 active policies in 2011. These states include: AZ, CA, CO, CT, DC, FL, GA, IL, IN, KS, MD, MI, MO, NC, NV, OH, OR, PA, SC, TN, TX, VA, WA and WI.

## Short-Term Health Insurance Defined

Individually purchased short-term health insurance policies differ from major medical health insurance in a number of ways. Short-term health insurance policies are optimal for individuals and families in transition who are confident they'll have access to major medical health insurance within six to twelve months. Scenarios in which consumers may want to consider a short-term plan include:

- People transitioning from one job to another, and using short-term coverage during a waiting period before their new employer-sponsored health insurance begins.
- Employees taking a leave of absence from work and do not having continuing group coverage.
- Young adults without access to a parent's health insurance policy may also use short-term health insurance as a stop-gap measure until renewable major medical health insurance coverage becomes available.
- Recent graduates that are still job-hunting and do not have access to group coverage or cannot afford individual major medical coverage.
- Other situations in which someone is looking to fill a short-term gap in coverage.

| What Does Each Typically Provide?   | Major Medical | Short-Term |
|-------------------------------------|---------------|------------|
| Emergency Room Care                 | Yes           | Yes        |
| Surgeries                           | Yes           | Yes        |
| Coverage of Pre-existing Conditions | Yes           | No         |
| Lifetime Limits on Medical Coverage | No            | Yes        |
| Visits to the Doctor                | Yes           | Yes        |
| Guaranteed Renewability             | Yes           | No         |
| Credible Coverage (HIPAA)           | Yes           | No         |

**Renewal of Coverage** - When it comes to renewing coverage, major medical insurance policies are renewable each year unless one of a handful of exceptions, such as fraud or failure to pay premiums, applies. However, short-term insurance policies are not required to be renewable once your coverage term has run out. So, for example, if a person develops a major illness like diabetes or cancer, they cannot be dropped from their major medical plan, but a short-term plan would only be required to cover them through the end of their contracted term (typically 6 months).

**Benefits** - Both short-term health insurance policies and major medical individual and family policies typically cover visits to the doctor, trips to the emergency room, and surgeries or x-rays. Some plans also cover the cost of some prescription drugs.

Major medical policies also typically cover a number of items that short-term policies often don't, including; preventive care (in some cases with no out-of-pocket cost), maternity benefits (either as part of the policy or with an "add-on" option); brand-name and generic prescription drugs are often, but not always covered; and chiropractic care is sometimes covered. Major medical health insurance policies issued on or after September 23, 2010 are prohibited from putting a lifetime dollar limit on most of the medical benefits you receive. Short-term health insurance plans typically do have caps on the amount of coverage they'll provide over the term length of the policy.

**Enrollment** - Enrollment in a short-term health insurance plan makes a person ineligible for any guaranteed issue or HIPAA plans, which a person typically enrolls in after they've exhausted 18 months of COBRA health insurance coverage.

A person's application for major medical health insurance or short-term health insurance can be declined, due to pre-existing medical conditions. However, short-term insurance is typically easier to qualify for; the application process is typically much shorter and coverage can typically begin much sooner.

**Exclusions** - It is possible to apply for and receive coverage under a short-term health insurance policy that excludes coverage of a pre-existing medical condition. But, some exclusions may still apply if your major medical plan does not cover pregnancy or labor and delivery, for example. And, in some instances there may be a waiting period before you're eligible for certain benefits on a major medical policy.

**Average Short-Term Policy Duration** - The majority of short-term policies are offered on a six-month term. In some counties in certain states, short-term policies are available for up to twelve months. Policies can be cancelled at any time. This report refers to the average policy duration, which reflects the amount of time an individual maintained their short-term coverage. In those instances when a policy was active for more than six months (approximately 184 days) it's assumed that the person was enrolled in a plan that allowed for up to 12 months of enrollment. This report does not take into account the number of people who maintained a policy for its maximum duration and then reenrolled in another short-term plan.

**Cancellation of coverage.** In most instances a person can cancel their major medical plan or their short-term health insurance plan at any time, though depending on the terms of the policy, a person may not be entitled to a refund for such cancellation.

## Methodology Summary

- The 2011 plan data referred to in this report is derived from approximately 13,000 individual and family short-term health insurance policies purchased through eHealthInsurance that were active in October 2011.
  - **Individual short-term plans: approximately 10,000**
  - **Family short-term plans: approximately 3,000**
- The 2010 plan data referred to in this report is derived from approximately 17,000 individual and family short-term health insurance policies purchased through eHealthInsurance that were active in October 2010.
  - **Individual short-term plans: approximately 13,500**
  - **Family short-term plans: approximately 3,500**
- The 2009 plan data referred to in this report is derived from approximately 17,000 individual and family short-term health insurance policies purchased through eHealthInsurance that were active in October 2009.
  - **Individual short-term plans: approximately 14,000**
  - **Family short-term plans: approximately 3,000**
- This report analyzes monthly premiums paid on short-term individual and family health insurance policies in 2009, 2010, and 2011 along with some of the benefits and coverage levels associated with those plans.
- The report analyzes the costs and benefits associated with short-term health insurance plans sold through eHealthInsurance.com in 36 states and the District of Columbia.
- State-specific data in this report is limited to states where eHealthInsurance has a minimum of 100 active short-term health insurance policies in 2011. States with fewer than 100 active policies were excluded from the reporting of state-specific prices and benefits.
- The data contained in this report represents only those consumers who shopped for and purchased short-term health insurance through eHealthInsurance.com.
- Actual premiums may differ from premiums quoted on the eHealthInsurance website because they represent the premium being paid after underwriting, and for policies that were purchased prior to the date of analysis.
- The number of policies listed above does not represent all of the short-term individual and family major medical policies purchased through eHealthInsurance that were active during the stated time period.
- For example, some policies for which eHealthInsurance did not have sufficient benefit or premium data were excluded from the survey.
- Plan data listed in this report might change based on additional data received from health insurance carriers at a date later than the active date of the data or later than the published date of this report.
- Deductibles were determined by reviewing the health insurance carrier's brochure and related plan documents for each plan included in the survey.

## Report Highlights – Active Policies in October 2011

- The average monthly premium paid for a short-term individual policy was **\$67**, while the average premium paid for a short-term family policy was **\$153**.
- Between October 2009 and October 2011, the average premium decreased **4.2%** for individual short-term policies and **5%** for family short-term policies.
- The average deductible for individual short-term policies was **\$1,821**, and the average deductible for short-term family policies was **\$1,877**.
- Between October 2009 and October 2011, the average deductible increased **19.6%** for individual short-term policies and **20.4%** for family short-term policies.
- On average, in 2011, the average female individual short-term policyholder paid **\$69** per month for health insurance coverage, while the average male short-term policyholder paid **\$64** per month.
- On average, in 2011 the average deductible for a female individual short-term policyholder was **\$1,792 (a 16% increase from 2009)** while the average deductible for a male short-term policyholder was **\$1,874 (a 17% increase from 2009)**.
- The maximum duration of short-term plans available on eHealthInsurance.com is as long as 365 days (one year) in some states in 2011, however the average maximum duration of a short-term plan enrolled in on eHealthInsurance was **184 days** (six months). Only **3.3%** of short-term plan enrollees on eHealthInsurance were in plans with a maximum duration of 300 days or more.
- In October 2011, **59%** of all active short-term health insurance policyholders were between the ages of **25 and 44**.
- In October 2011, policyholders between the ages of **45 and 64** made up **25%** of active policies and **16%** of active policies covered people ages **24 or younger**.
- The average coinsurance for a short-term health insurance policy was **22%**.
- Approximately **85%** of short-term plans had coinsurance levels of **20% or less**. Altogether, **81%** of short-term plans offered coinsurance of **20%**, **2.4%** had coinsurance of **30%**, **3.3%** of plans had coinsurance rates of **40%** and **8%** of plans had coinsurance of **50%**.
- Between October 2009 and October 2011, the plans that provided some form of prescription drug coverage decreased from **70%** of all active policies to just **67%** of all active policies.

## Profile of eHealthInsurance short-term policy holders: 2009 to 2011

|   | 2009     | 2010     | 2011     |
|---|----------|----------|----------|
| % Male  | 55.5%    | 55.7%    | 55.6%    |
| Policyholders between age 25 and 34                     | 34.5%    | 32.8%    | 35.8%    |
| % Individual  | 58.5%    | 56.5%    | 52.3%    |
| Average monthly premium for individual short-term plans | \$70     | \$67     | \$67     |
| Average deductible for individual short-term plans      | \$1523   | \$1629   | \$1821   |
| Average monthly premium for family short-term plans     | \$161    | \$153    | \$153    |
| Average deductible for family short-term plans          | \$1559   | \$1697   | \$1877   |
| Average duration of a short-term policy                 | 184 Days | 185 Days | 184 Days |

## Profile of average eHealthInsurance policy holder' premiums by state 2009 to 2011

| Average Premium – Individual Short-Term |           |           |           |
|---|-----------|-----------|-----------|
| STATE                                   | 10/1/2009 | 10/1/2010 | 10/1/2011 |
| AZ                                      | \$62      | \$57      | \$55      |
| CA                                      | \$87      | \$87      | \$94      |
| CO                                      | \$77      | \$64      | \$55      |
| CT                                      | \$64      | \$68      | \$77      |
| DC                                      | \$77      | \$81      | \$74      |
| FL                                      | \$89      | \$76      | \$84      |
| GA                                      | \$73      | \$72      | \$70      |
| IL                                      | \$67      | \$65      | \$67      |
| IN                                      | \$62      | \$61      | \$51      |
| KS                                      | \$56      | \$52      | \$63      |
| MD                                      | \$66      | \$55      | \$69      |
| MI                                      | \$52      | \$51      | \$53      |
| MN                                      | \$55      | \$59      | \$58      |
| MO                                      | \$55      | \$54      | \$52      |
| NC                                      | \$68      | \$63      | \$67      |
| NV                                      | \$74      | \$85      | \$64      |
| OH                                      | \$57      | \$60      | \$51      |
| OR                                      | \$53      | \$49      | \$47      |
| PA                                      | \$77      | \$73      | \$73      |
| SC                                      | \$65      | \$66      | \$65      |
| TN                                      | \$54      | \$60      | \$57      |
| TX                                      | \$69      | \$67      | \$67      |
| UT                                      | \$44      | \$46      | \$50      |
| VA                                      | \$64      | \$60      | \$62      |
| WA                                      | \$82      | \$82      | \$55      |
| WI                                      | \$56      | \$57      | \$63      |

- The average state-level premium for individually purchased short-term health insurance policies ranged from \$94 to \$47.



## Individual Plan Premiums and Deductibles by Age: October 2011

| Age of primary policy holder | Avg. monthly premium | Avg. deductible | % of individual policies sampled | % of uninsured population* | % of US population* |
|------------------------------|----------------------|-----------------|----------------------------------|----------------------------|---------------------|
| Less than 18                 | \$47                 | \$1,864         | 7.1%                             | 14.6%                      | 24.5%               |
| 18-24                        | \$46                 | \$1773          | 8.5%                             | 16.2%                      | 9.7%                |
| 25-34                        | \$55                 | \$1853          | 35.8%                            | 23.7%                      | 13.6%               |
| 35-44                        | \$72                 | \$1822          | 23.1%                            | 17.4%                      | 13%                 |
| 45-54                        | \$102                | \$1777          | 18.1%                            | 15.9%                      | 14.4%               |
| 55-64                        | \$151                | \$1725          | 7.4%                             | 10.6%                      | 12.1%               |
| <b>Overall</b>               | <b>\$67</b>          | <b>\$1821</b>   | <b>100%</b>                      | <b>98.4%</b>               | <b>87.3%</b>        |

- 72% of America's uninsured are under the age of 45\*.
- 74% of eHealthInsurance individual short-term health insurance policyholders were under the age of 45 in October of 2011.

\*Source: "U.S. Census Bureau, Current Population Survey, 2011 Annual Social and Economic Supplement," released in September 2011. This Census report reflects 2010 year data and is the most recent available from the Census Bureau describing the demographics of the uninsured.

## Individual Short-Term Plan Premiums by Age: 2009-2011

| Age of policy holder | Avg. premium 2009 | Avg. premium 2010 | Avg. premium 2011 |
|----------------------|-------------------|-------------------|-------------------|
| Less than 18         | \$55              | \$55              | \$47              |
| 18-24                | \$58              | \$52              | \$46              |
| 25-34                | \$60              | \$56              | \$55              |
| 35-44                | \$79              | \$77              | \$72              |
| 45-54                | \$104             | \$105             | \$102             |
| 55-64                | \$151             | \$148             | \$151             |
| <b>Overall</b>       | <b>\$69</b>       | <b>\$67</b>       | <b>\$67</b>       |

- The average individual short-term premium was of \$67 per month.
- Policyholders paid premiums ranging from an average of \$47 to \$151 per month, depending on their age.

An average is the sum of all the data in the distribution divided by the sample size. Dollar values were rounded to the nearest dollar.

## Short-Term Individual Plan Deductibles by Age: 2009-2011

| Age of policy holder | Avg. deductible 2009 | Avg. deductible 2010 | Avg. deductible 2011 |
|----------------------|----------------------|----------------------|----------------------|
| Less than 18         | \$1578               | \$1490               | \$1864               |
| 18-24                | \$1542               | \$1594               | \$1773               |
| 25-34                | \$1521               | \$1669               | \$1853               |
| 35-44                | \$1493               | \$1615               | \$1822               |
| 45-54                | \$1490               | \$1611               | \$1777               |
| 55-64                | \$1505               | \$1676               | \$1725               |
| <b>Overall</b>       | <b>\$1559</b>        | <b>\$1697</b>        | <b>\$1821</b>        |

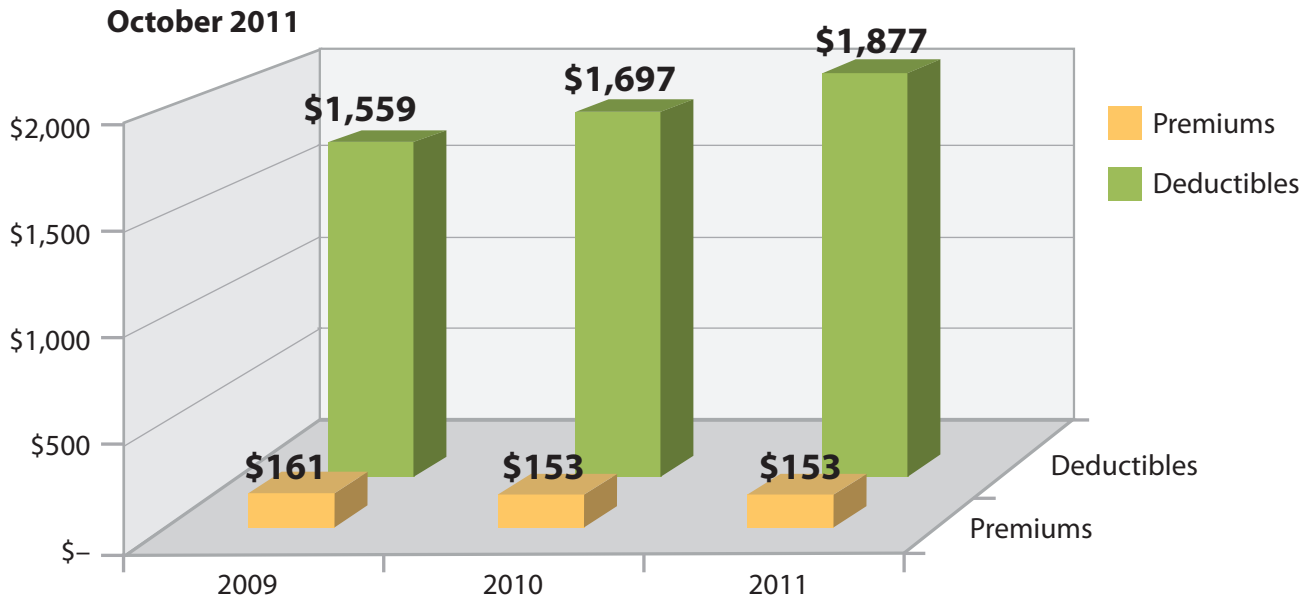
- The average individual short-term plan policyholder had an annual deductible of \$1,821.
- Adults between the ages of 55 and 64 had the lowest average annual deductible of \$1,725 per year.
- Children under the age of 18 had the highest annual short-term deductibles of \$1,864 per year.
- 58.9% of individual short-term plan policyholders were between the ages of 25 and 44.

## Individual Short-Term Plan Premiums by Gender: October 2009, 2010 and 2011

| Women                                       | 2009   | 2010   | 2011   |
|---|--------|--------|--------|
| Avg. monthly short-term premium             | \$71   | \$68   | \$69   |
| Average short-term deductible               | \$1503 | \$1625 | \$1792 |
| % of short-term individual policies sampled | 51.3%  | 50.6%  | 51.8%  |

| Men   | 2009   | 2010   | 2011   |
|---|--------|--------|--------|
| Avg. monthly short-term premium             | \$68   | \$66   | \$64   |
| Average short-term deductible               | \$1555 | \$1660 | \$1874 |
| % of short-term individual policies sampled | 48.7%  | 49.4%  | 48.2%  |

## Average Short-Term Family Health Insurance Plan Premiums and Deductibles:



- The average family short-term premium was of \$153 per month in October 2011.
- Policyholders had an average annual deductible of 1,877.
- Overall, short-term deductibles increased between 1009 and 2011, while monthly premiums decreased.

An average is the sum of all the data in the distribution divided by the sample size. Dollar values were rounded to the nearest dollar.

## Individual & Family Short Term Plans That Provide Prescription Drug Coverage: October 2009, 2010 and 2011

| Prescription Coverage | Individual                   |                            |                          | Family                       |                            |                          |
|-----------------------|------------------------------|----------------------------|--------------------------|------------------------------|----------------------------|--------------------------|
|                       | Percent Offering Rx Coverage | Avg. Cost with Rx Coverage | Avg. Cost no Rx Coverage | Percent Offering Rx Coverage | Avg. Cost with Rx Coverage | Avg. Cost no Rx Coverage |
| <b>2009</b>           | 70%                          | \$75                       | \$56                     | 65%                          | \$178                      | \$128                    |
| <b>2010</b>           | 61%                          | \$72                       | \$60                     | 57%                          | \$174                      | \$125                    |
| <b>2011</b>           | 67%                          | \$63                       | \$73                     | 64%                          | \$151                      | \$155                    |

- Note: A short-term health insurance plan that does not provide prescription drug coverage will provide coverage for drugs administered during covered medical treatments.
- In most markets, consumers have the option to purchase plans that include prescription drug coverage.

## Coinsurance for Individual Short-Term Health Insurance Plans: October 2009-2011

| Coinsurance Rate | 2009       |         | 2010       |         | 2011       |         |
|------------------|------------|---------|------------|---------|------------|---------|
|                  | % of Plans | Premium | % of Plans | Premium | % of Plans | Premium |
| 0%               | 13.8%      | \$97    | 8.6%       | \$105   | 4.8%       | \$113   |
| 20%              | 69.0%      | \$68    | 75.2%      | \$63    | 81.0%      | \$65    |
| 25%              | 1.8%       | \$78    | 1.9%       | \$77    | 0.4%       | \$84    |
| 30%              | 3.0%       | \$64    | 2.5%       | \$70    | 2.4%       | \$72    |
| 40%              | 2.2%       | \$49    | 2.7%       | \$50    | 3.3%       | \$60    |
| 50%              | 10.2%      | \$48    | 9.1%       | \$59    | 8.0%       | \$54    |

- Coinsurance refers to the percentage of any covered medical expense a policyholder is obligated to pay after satisfying any co-payments or deductibles. For example, if the insurer covers 80% of the allowable charge for a specific service, the policyholder may be required to cover the remaining 20% as coinsurance up to the plans annual out-of-pocket limit.
- While only a small percentage of the total sample size (less than 3 percent), plans with coinsurance levels of 25% were the most expensive plans selected.

## Duration of Individual Short-Term Health Insurance Policies by Day Count: October 2009-2011

| Policy Duration | 2009     | 2010     | 2011     |
|-----------------|----------|----------|----------|
| 30 - 120 Days   | 1%       | 2%       | 2%       |
| 180 - 185 Days  | 97%      | 95%      | 95%      |
| 270- 365 Days   | 2%       | 3%       | 3%       |
| <b>Average</b>  | 184 Days | 185 Days | 184 Days |

- The overwhelming majority (96%) of short-term health insurance policyholders enroll in short-term coverage in six month (185 day) increments.
- In some states, plans are only available on eHealthInsurance.com in six month increments. However, there are states where coverage is offered in increments ranging of six to twelve months.
- This table does not account for persons who renewed their coverage after their short-term policy ended.

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## **Glossary**

### **• Definitions:**

- An “active” policy is a policy for which eHealthInsurance received a commission payment from the insurance carrier for the relevant month.
- An “individual plan” short-term is an individual and family short-term health insurance policy that has one member.
- A “family plan” short-term is an individual and family short-term health insurance policy that has two or more members.
- “Prescription coverage” varies by insurer and plan type. Typically, prescription drugs are covered in one of the two ways below:
  - Insurance covers a percentage after plan deductible is met.
  - Insurance covers cost of the drug but a copayment is required with prescription.