

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



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Introduction

eHealth, Inc.'s 'Cost & Benefits of Short-Term individual and Family Health Insurance' report provides a perspective on cost and benefit trends in the short-term health insurance market based on the analysis of a geographically distributed sample of short-term medical insurance policies. New health insurance plan data presented in this report is derived from a sample of over 14,000 individual and family short-term health insurance policies from 45 states and the District of Columbia that were purchased through eHealth.com with coverage in effect as of October 2012.

The report identifies average monthly premiums for short-term individual and family policies and analyzes the costs and benefits associated with short-term health insurance plans sold through eHealth.com. The report also provides state-specific data on plans sold in 27 states (and the District of Columbia) where at least 100 eHealth customers were enrolled in active policies in October 2012. These states include: AZ, CA, CO, CT, FL, GA, IL, IN, KS, MD, ME, MI, MN, MO, NC, NV, OH, OR, PA, RI, SC, TN, TX, UT, VA, WA, WY, and WI.

Founded in 1997, eHealth, Inc., is the nation's leading online source of health insurance for individuals, families and small businesses, licensed to sell health insurance in all 50 states and the District of Columbia. eHealth, Inc. has been publishing "Cost and Benefits Reports" on individual and family major medical plans since 2001, and on short-term health insurance plans since 2012. The 2012 report presented plan data for 2009 through 2011.

Short-Term vs. Major Medical Health Insurance

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 periods of transition who are confident they'll have access to major medical health insurance in no longer than six to twelve months. Scenarios in which consumers may want to consider a short-term plan include:

- People transitioning from one job to another with a gap in coverage before new employer-sponsored health insurance begins.
- Employees taking a leave of absence from work who may face a gap in their health insurance 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 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
Creditable Coverage (HIPAA)	Yes	No

Short-Term Coverage and the ACA – When the “individual mandate” provision of the Affordable Care Act (ACA) comes into effect in January 2014, most people without employer-based health insurance will be required to purchase coverage on their own or run the risk of having to pay a tax penalty. Individually-purchased major medical health insurance plans will meet the coverage criteria of the ACA in 2014, but short-term health insurance plans will not.

Short-Term vs. Major Medical Health Insurance (cont.)

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 six 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 provide coverage for prescription drugs. Major medical policies also typically cover a number of items that short-term policies often do not, 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, and (sometimes) chiropractic care. Major medical health insurance policies issued on or after September 23, 2010 are prohibited from placing a lifetime dollar limit on most covered medical services. Short-term health insurance plans may place caps on the amount of coverage available over the term of the policy.

Enrollment and Pre-existing Medical Conditions - 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. Until January 2014, a person’s application for major medical health insurance or short-term health insurance can be declined due to pre-existing medical conditions, in most states. However, short-term insurance is typically easier to qualify for, the application process is typically much shorter and coverage can typically begin 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. Until January 2014, this may also be the case with major medical individual and family health insurance policies. In some instances there may be a waiting period before eligibility for certain benefits is made available under a major medical health insurance policy.

Coverage 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. Re-application is necessary to extend coverage at the end of a coverage term. Coverage under major medical health insurance plans, by comparison, is not limited to a specific term. (This report does not take into account the number of people who maintained a short-term policy for its maximum duration and then reenrolled in another short-term plan.)

Methodology Notes

- This report analyzes the costs and benefits associated with short-term health insurance plans sold through eHealth.com in 45 states and the District of Columbia.
- State-specific data in this report is limited to states where a minimum of 100 short-term health insurance policies were purchased through eHealth with coverage in effect in October 2012. States with fewer than 100 active policies were excluded from the reporting of state-specific prices and benefits.
- The 2012 plan data referred to in this report is derived from approximately 14,000 individual and family short-term health insurance policies in 45 states and the District of Columbia, all purchased through eHealth and with coverage in effect as of October 2012.
- 2011 plan data referred to in this report is derived from approximately 17,000 individual and family short-term health insurance policies in 36 states and the District of Columbia, all purchased through eHealth and with coverage in effect as of October 2011.
- This report analyzes monthly premiums paid on short-term individual and family health insurance policies in 2011 and 2012 along with some of the benefits and coverage levels associated with those plans.
- The data contained in this report represents only those consumers who shopped for and purchased short-term health insurance through eHealth.com.
- Definitions of terms used in this report:
 - An “active” policy is a policy for which eHealth received a commission payment from the insurance carrier for the relevant month.
 - An “individual” short-term plan is an individual and family short-term health insurance policy that has one member, the policy holder.
 - A “family” short-term plan is an individual and family short-term health insurance policy that has two or more members.

Key Findings

- The average monthly premium paid for a short-term individual policy was \$69, while the average monthly premium paid for a short-term family policy was \$160.
- Between October 2011 and October 2012, the average premium increased 3% for individual short-term policies and increased 5% for family short-term policies.
- The average deductible for individual short-term policies in 2012 was \$2,901, and the average deductible for short-term family policies was \$2,984.
- Between October 2011 and October 2012, the average deductible increased 59% (\$1,821 to \$2,901) for individual short-term policies and 59% (\$1,877 to \$2,984) for family short-term policies.
- In 2012, female individual short-term policy holders paid an average of \$71 per month for coverage, while male short-term policy holders paid an average of \$66 per month.
- In 2012 the average deductible for a female individual short-term policy holder was \$2,935 while the average deductible for a male short-term policy holder was \$2,866.
- In 2012, the maximum duration of short-term plans available on eHealth.com was as long as 365 days (one year) in some states; however the average maximum duration of a short-term plan purchased through eHealth was approximately six months (between 180 to 185 days); only 4.2% of policy holders enrolled in a short-term policy with a maximum duration of 300 days or more.
- In 2012, policy holders between the ages of 25 and 34 accounted for 44% of active short-term policies.
- Policy holders age 24 and under accounted for 27% of active short-term policies.
- Policy holders between the ages of 35 and 64 accounted for 30% of all active short-term policies.
- The majority of short-term policies (75%) had 20% coinsurance; less than one-in-five (17%) had coinsurance of 50%; less than one-in-twenty (4%) had 0% coinsurance, and the same number (4%) had coinsurance of 40%.
- As of October 2012, over 55% of all active individual short-term policies provided prescription drug coverage and 52% of all active family short-term policies provided prescription drug coverage.

Survey Results

Average premiums and deductibles for individual and family short-term health insurance policies in 2011-2012

Coverage	Average monthly premium	Average deductible
Individual coverage	\$69	\$2,901
Family coverage	\$160	\$2,984

Comparison of average premiums 2011-2012

Coverage	Avg. premium 2011	Avg. premium 2012	% increase 2011-2012
Individual coverage	\$67	\$69	3%
Family coverage	\$153	\$160	5%

Comparison of average deductibles 2011-2012

Coverage	Avg. deductible 2011	Avg. deductible 2012	% increase 2011-2012
Individual coverage	\$1,821	\$2,901	59%
Family coverage	\$1,877	\$2,984	59%

- While average premiums have remained relatively stable year-over-year, the 2011-2012 increases come after decreases in the 2009-2011 period as shown in the 2012 report. Between October 2009 and October 2011, the average premium decreased 4.2% for individual short-term policies and decreased 5% for family short-term policies.
- The average deductible for both individual and family short-term policies increased by more than half between 2011 and 2012.

Survey Results (cont.)

Average individual short-term health insurance premiums and deductibles by age and gender.

Policy	% of policies sampled*	Avg. monthly premium	Avg. deductible
Policy holder age <18	12%	\$50	\$2,604
Policy holder age 18-24	15%	\$45	\$3,251
Policy holder age 25-34	44%	\$55	\$2,693
Policy holder age 35-44	12%	\$74	\$2,817
Policy holder age 45-54	10%	\$108	\$3,178
Policy holder age 55-64	8%	\$153	\$3,610
Male policy holders	49%	\$66	\$2,866
Female policy holders	51%	\$71	\$2,935
Overall	N/A	\$69	\$2,901

*Policy holder age groups add up to 101% due to rounding.

- Policy holders in the “millennial” generation or younger (up to age 34) account for almost three quarters (71%) of all individual short-term health insurance policies.
- The difference in average premium between persons in the 18-24 age group and those in the 55-64 age group is \$108.
- Women individual short-term policy holders pay an average of 8% more in monthly premiums than males.

Survey Results (cont.)

Average premiums for individual short-term coverage by state 2009-2012:

Average Monthly Premium – Individual Short-Term Policies

State	2009	2010	2011	2012
AZ	\$62	\$57	\$55	\$55
CA	\$87	\$87	\$94	\$96
CO	\$77	\$64	\$55	\$55
CT	\$63	\$68	\$77	\$78
DC	\$77	\$81	\$74	\$70
FL	\$89	\$76	\$84	\$73
GA	\$73	\$72	\$70	\$62
IL	\$67	\$65	\$67	\$64
IN	\$62	\$61	\$51	\$56
KS	\$56	\$52	\$63	\$59
MD	\$66	\$55	\$69	\$68
ME	N/A	N/A	N/A	\$66
MI	\$52	\$51	\$53	\$70
MN	\$55	\$59	\$58	\$56
MO	\$55	\$54	\$52	\$50
NC	\$68	\$63	\$67	\$60
NV	\$74	\$85	\$64	\$72
OH	\$57	\$60	\$51	\$53
OR	\$53	\$49	\$47	\$54
PA	\$77	\$73	\$73	\$72
RI	N/A	N/A	N/A	\$82
SC	\$65	\$66	\$65	\$71
TN	\$54	\$60	\$57	\$60
TX	\$69	\$67	\$67	\$73
UT	\$44	\$46	\$50	\$46
VA	\$64	\$60	\$62	\$63
WA	\$82	\$82	\$55	\$70
WI	\$56	\$56	\$63	\$64

- In 2012, average individual short-term premiums by ranged between \$46 (Utah) and \$96 (California).

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