

Short-term Medical, Limited Benefit and Discount Medical Plans

With the regulations established by the Affordable Care Act (ACA), short-term medical, limited benefit and discount medical plans have become increasingly popular. However, consumers must be aware of what they are purchasing before replacing their comprehensive major medical coverage with one of these options. Remember, if it sounds too good to be true, it probably is.

What is a short-term medical plan?

A short-term medical plan is a temporary health insurance policy typically offering “bare-bones” coverage designed for use during unexpected coverage gaps. An individual can only hold a short-term medical plan for a short period of time, less than one year. These plans are nonrenewable. Furthermore, they do not meet the coverage requirements of the ACA, meaning an individual may have to pay a monetary penalty for not carrying acceptable health insurance coverage.

What is a limited benefit plan?

A limited benefit plan provides reduced benefits, often marketed as “Cancer Only,” “Specified Disease,” “Hospital Indemnity” or similar products. These policies are intended to act as a supplement to a comprehensive major medical plan, not a replacement. These plans also do not meet the requirements of the ACA and may result in a monetary penalty for not carrying acceptable health insurance coverage under the ACA.

What is not covered by short-term medical and limited benefit plans?

Unfortunately, many consumers do not realize that short-term medical and limited benefit plans do not provide much coverage until they need to use their insurance. It is important to know what is not covered. Some of the care not covered by these plans includes:

- Many limited benefit plans cap the annual amount that can be paid out, often leaving the consumer with large, unpaid medical bills. For example, the policy may have a cap as low as \$2,000. If you have emergency surgery, you would reach the cap almost instantly, leaving you with a large bill for which you would be responsible.
- Be aware of preexisting condition exclusions – if the plan does not renew and an individual must reapply, any conditions covered by the plan during the first enrollment will likely be considered a preexisting condition. For example, if you are diagnosed with cancer during your initial six month policy period and reapply for another six month policy period, further treatment for your cancer would not be covered.
- These policies do not typically cover preventive care (e.g., routine annual exams or immunizations).
- These policies do not meet the Minimum Essential Coverage (MEC) requirement under the ACA. Without a plan which meets MEC, you are subject to the monetary penalty.

What is a discount medical plan?

A discount medical plan is a program that claims to provide discounts or access to discounts on medical care for a monthly fee. This kind of plan is **not insurance and is not a substitute for a comprehensive major medical plan**. Consumers will receive only a discount with a discount medical plan and will be responsible for payment of the uncovered, often very large portion of the bill at the time of service.

Currently, the North Dakota Insurance Department does not license discount medical plans. Individuals or companies selling these plans must follow chapter 26.1-53 of the North Dakota Century Code which provides for such things as disclosures that must be made, marketing requirements, and cancellation and refund requirements. Consumers are especially encouraged to always make sure they are dealing with a legitimate company before providing financial information.

Things to consider when thinking about purchasing a discount medical plan:

- Beware of “up to” discounts such as “Discounts up to 70%!” – savings will typically be much less. After paying for a discount plan’s enrollment fees and/or monthly fees, there may be no “discount” at all and as pointed out above, the coverage will be less than a major medical plan.
- Confirm the details – verify that there are actually providers in your area who will accept the discount medical plan before enrollment. The plan will provide absolutely no benefit if there are no providers accepting it.
- Do not sign up on the spot – individuals or companies selling legitimate plans will be willing to provide written information and allow the consumer to confirm the details before enrollment. High-pressure sales and “special deals” are signs to pass on the offer. Consumers should also ask for a written, detailed cancellation policy prior to enrollment.
- Do not provide personal and financial information over the phone, instead request written materials and confirm the company is legitimate prior to enrollment.
- A legitimate discount medical plan provider will disclose that the plan is not insurance. All marketing materials will also state that it is not insurance.
- Do not cancel a comprehensive major medical plan – a discount medical plan alone may not provide sufficient coverage. And remember, since a discount medical plan is not insurance an individual may have to pay a monetary penalty for not carrying acceptable health insurance coverage under the ACA.
- If you are confused, or things do not add up, do not sign up. Give the North Dakota Insurance Department a call and we can talk through your questions.

What are some red flags to watch for that might indicate a medical plan is a short-term medical, limited benefit or discount medical plan?

- The offer is received out of the blue via fax, e-mail or phone.
- Coverage is being offered at rates that sound too good to be true.
- The offer is a “special deal,” a “one-time deal,” or the “last chance” to save.
- There are membership fees associated with the offer – this may be a discount medical plan and not insurance.
- The plan offered is not regulated under State law.
- Claims are not being paid despite having purchased a plan.
- An agent or company becomes evasive when asked about state insurance licenses – short-term medical and limited benefit plans must be sold by an insurance producer licensed in North Dakota.
- An agent or company insists on cash payments.

When should I actually purchase a short-term medical plan?

- **Almost never.** The only times you should ever need to purchase one of these plans is when you have a gap in your comprehensive major medical coverage. For example, when you are between jobs or when you are close to being Medicare eligible. Otherwise, you should be purchasing a comprehensive major medical plan.

If you believe you have been targeted by an insurance scam, have a complaint how a product was marketed or sold to you, or have a complaint about how any of the products discussed above are performing, please contact the North Dakota Insurance Department at 1-800-247-0560, 701-328-2440 or info@nd.gov.