

State of Idaho
DEPARTMENT OF INSURANCE

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BULLETIN NO. 03-1

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TO: ALL HEALTH INSURERS AND PRODUCERS

**FROM: MARY L. HARTUNG, DIRECTOR
IDAHO DEPARTMENT OF INSURANCE**

RE: SALE OF SHORT-TERM HEALTH INSURANCE COVERAGE

This bulletin is issued to provide guidance to health insurers and producers concerning the sale of short-term health policies. Under Idaho law, short-term health coverage that is nonrenewable and issued for a period of twelve months or less is not subject to the requirements applicable to small employer and individual health benefit plans under Chapters 47 and 52 of Title 41, Idaho Code. However, if a short-term policy is renewed, reissued or extended, the policy falls within the definition of a health benefit plan under Idaho law and is subject to the Idaho small group and individual health insurance laws generally applicable to health benefit plans, including guaranteed renewability. **An insurance carrier may not avoid Idaho's laws governing small employer and individual health benefit plans by renewing or reissuing coverage in the form of "short-term policies."**

Although short-term policies may be appropriate to provide temporary coverage under certain circumstances, there are generally significant limitations on the types of benefits they provide and short-term policies do not provide continuity of coverage rights. This means that the short-term policy insurer may impose preexisting condition exclusions. For persons who have a right under state and federal law to continuity of coverage due to prior qualifying coverage, enrollment in a short-term plan may result in the loss of this important right. The Department has received complaints from purchasers of short-term policies who were not informed of their right to purchase a health benefit plan that would not impose preexisting condition limitations. Some of these persons had medical conditions that resulted in significant costs that could have been avoided had they maintained continuity of coverage by purchasing a health benefit plan.

Benefit limitations, loss of continuity of coverage rights, non-renewability and preexisting condition exclusions are important considerations for persons being offered a short-term policy. Idaho Department of Insurance Rule 30 (IDAPA 18.01.30.101.d) requires disclosure of limitations on renewability, and all short-term health policies should contain clear disclosures regarding renewability in accordance with that rule. Idaho law also prohibits insurers and producers from engaging in unfair or deceptive marketing practices. In the case of short-term health policies, fair marketing requires that applicants be clearly informed of limitations and potential risks in electing to take short-term coverage rather than a health benefit plan. In particular, applicants should be informed of the effect of preexisting condition limitations.