

## Limited Health Plans: AHPs and STLD Plans

The federal government has made two types of limited health insurance coverage more widely available than before. They are association health plans (AHPs) and short-term, limited duration (STLD) health plans. These plans don't have to follow the [Affordable Care Act \(ACA\)](#). Most regular health plans that employers offer and that you can buy through the Health Insurance Marketplace or Exchange have to follow the ACA. Because AHPs and STLD plans don't have to, they can cost less—sometimes much less—than regular plans. But, both types of insurance have limitations you should know.

### AHPs

AHPs are insurance plans that permit small businesses to join together to buy health insurance. “Small businesses” include people who work for themselves. AHPs aren't new—they've been around for decades. But, new rules about them went into effect on September 1, 2018.

The new rules allow more small businesses and self-employed people to join these plans. They do this by relaxing the rules for forming an AHP. The reason for creating an AHP can be simply to provide members with health insurance. The association needs to have one important business purpose beyond that, but the rules don't dictate that purpose. For example, the purpose might be holding conferences or offering classes on business issues. And, under the new rules, people who share professional interests can form an AHP even if they live in different states, as long as they are in the same geographic region.

The federal government has also relaxed the rules for AHP benefit coverage and spending. Under the ACA, AHPs had to meet the same standards as regular plans for small groups and individuals. With the new rules, AHPs will have more choice in deciding how much coverage they'll provide. Regular health plans must spend at least 80 percent of the money they take in from premiums on healthcare costs. AHPs don't have to do that.

### Benefits Provided by AHPs

AHPs don't have to cover the 10 “essential health benefits.” These benefits are required by the ACA for regular plans.

The 10 categories of essential health benefits are:

1. Ambulatory (outpatient) services
2. Emergency services
3. Hospitalization
4. Pregnancy, maternity and newborn care
5. Mental health and substance use disorder services
6. Prescription drugs
7. Rehabilitative and habilitative services and devices (habilitative means helping patients gain skills they couldn't have developed on their own)
8. Laboratory services
9. Preventive and wellness services and chronic disease management
10. Pediatric services, including oral and vision care

Unlike regular Marketplace/Exchange or employer-offered plans, individual AHPs can decide not to cover certain essential health benefits. For example, AHPs can choose not to cover prescription drugs or rehabilitative services. AHPs that cover companies with 15 employees or

more, though, will have to offer maternity coverage. Companies with fewer than 15 employees won't have to offer maternity benefits.

Like regular plans, AHPs must have a maximum out-of-pocket spending limit for the essential health benefits they do cover. An out-of-pocket limit is the most a member has to pay for covered services, after paying for deductibles, copays and coinsurance. (See our article on [Cost-Sharing](#).) AHPs also can't have annual or lifetime limits on their benefit coverage.

The ACA provides a number of consumer protections. Under the ACA, insurance plans must cover preventive services, like vaccines and screening tests, without charging you a copay or coinsurance. Another ACA protection allows members' children to stay on the plan until age 26. The new AHP rules continue these protections.

### **Pre-existing Conditions**

Under the new rules, AHPs must still accept people who have a pre-existing medical condition (and can't charge higher premiums or cancel coverage for those who get sick). But AHPs can charge different rates based on gender, age and location. Older workers, for instance, are more likely to have long-term illnesses. They might have to pay higher rates. Women in their early 30s are more likely to need maternity benefits. Rates for them could be higher than in regular plans. AHPs can also charge higher premiums to people in higher-risk jobs, like mechanics and paramedics.

### **Who Will Benefit from the New AHP Rules**

Some companies will benefit by paying lower premiums than they would for a regular health plan. For individual workers, the amount they have to pay will depend on their age, gender and occupation. Healthy young men in low-risk jobs will probably have lower premiums. AHP rates for men in their thirties could be lower than ACA rates. Workers who earn a little too much to qualify for ACA subsidies might benefit as well.

People affected by the ACA's "family glitch" may also benefit from the new AHP rules. Workers who have access to "affordable" health insurance through their jobs don't qualify for government healthcare subsidies. Insurance is considered "affordable" if the plan for the individual worker costs less than 9.56 percent of the household income. But, that doesn't take into account that family plans usually cost much more than individual plans. A worker might earn too much to qualify for subsidies and still not be able to afford a regular family plan. He or she may be able to afford an AHP family plan, though.

### **When Your Employer Offers an AHP**

The plans that employers offer their workers must meet certain basic standards:

- Coverage for one person can't cost that individual more than 9.56 percent of his or her entire household income.
- Plans have to pay at least 60 percent of the cost of covered benefits.

This is true whether the plans are regular plans or AHPs. If the offered plan doesn't meet these basic standards, the company may face penalties. But, companies with fewer than 50 employees will not face penalties.

Individuals who work for businesses that don't offer health insurance may get subsidized coverage through the ACA. If the business starts to offer an AHP, however, employees are no longer eligible for subsidies. As a result, in some cases, workers may pay higher rates and have fewer benefits under the AHP.

### **STLD Health Plans**

In August, the government greatly expanded access to STLD health plans. STLD insurance was designed for people who lose their health insurance for a short time. They might be between

jobs, for instance. Under the ACA, STLD coverage was limited to three months and the contracts couldn't be renewed. The new rules permit STLD coverage up to 12 months. After that, the contract can be renewed for up to two years.

Because they don't have to follow ACA rules, STLD plans can cost much less than regular health plans. They also offer much less coverage. Like AHPs, STLD plans don't have to cover all of the 10 essential health benefits. They usually don't cover (or have very little coverage for) mental health, substance abuse and prescriptions. Unlike regular plans or AHPs, STLD applicants can be turned down or charged higher premiums based on pre-existing conditions, gender, age or other factors.

Also, unlike all other individual health insurance, STLD insurance isn't guaranteed renewable at the end of the contract term. That means if you become seriously ill, you may not be able to renew coverage when the term ends. STLD plans can also impose annual or lifetime limits on coverage. They don't limit how much you may have to pay for covered services. Like AHPs, they don't have to spend at least 80 percent of the premiums they receive on healthcare services.

### **Your Action Plan: Pros and Cons of AHPs and STLD Plans**

If you're considering joining an AHP or an STLD plan, take a good look at what they offer and carefully consider your health insurance needs.

#### **Pros**

- AHPs may offer lower rates and more choices to self-employed people and small businesses.
- AHPs may not exclude people with pre-existing conditions.
- STLD plans offer lower premiums to individuals.
- Individuals and companies that have been unable to afford health insurance may now be able to afford it.
- Relatively healthy individuals who don't need a lot of medical services may benefit.

#### **Cons**

- AHPs and STLD plans don't have to cover all 10 essential benefits. If members become sick or pregnant, they might not be covered for all the services they need.
- AHPs can charge higher rates to certain age or gender groups or people in higher-risk jobs.
- STLD plans can turn away applicants or charge them higher premiums based on pre-existing conditions, gender, age or other factors.
- STLD plans aren't guaranteed to be renewable.
- STLD plans can limit how much they pay, in a year or a lifetime.
- STLD plans don't limit how much you may have to pay for covered services.
- Workers who qualified for government healthcare subsidies under the ACA may no longer qualify if their employer starts to offer an AHP.