



Illinois Department of Insurance

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IDOI Joins Five State Insurance Departments Seeking to Protect Consumers by Restricting Short-Term Limited Duration Insurance and Fixed Indemnity Coverage

Chicago – The Illinois Department of Insurance (IDOI) and five state Departments of Insurance* took action this week to increase protections for millions of health insurance consumers. The state DOIs sent a signed letter in support of the Centers for Medicare & Medicaid Services' (CMS) proposed rule to restrict Short-Term Limited Duration Insurance (STLDI) and fixed indemnity insurance plans which do not provide comprehensive health coverage and are not subject to many of the consumer protections that apply to health insurance coverage.

The multi-state letter refers to a joint effort by the U.S. Department of Health & Human Services, the U.S. Department of Labor, and the U.S. Department of the Treasury to:

- amend the federal definition of STLDI to limit the length of the initial contract period to no more than three months and the maximum coverage period to no more than four months
- prohibit the same issuer from issuing multiple STLDI policies to the same policyholder within a 12-month period (this practice, known as “stacking,” takes advantage of a loophole to provide separate, sequential STLDI policies that collectively evade duration limits, obscuring the distinction between STLDI and comprehensive coverage)
- further regulate hospital indemnity plans or other fixed indemnity plans to ensure that consumers can better distinguish between comprehensive coverage vs. fixed indemnity excepted benefits coverage which is designed to provide a source of income replacement, rather than full medical coverage
- further regulate the marketing of STLDI

“We encourage federal CMS to move forward with the proposed rulemaking because misleading, deceptive marketing of Short-Term Limited Duration Insurance (STLDI) and fixed indemnity coverage

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are harmful to consumers who believe they are purchasing comprehensive health coverage only to find that it falls far short,” **said IDOI Director Dana Popish Severinghaus.** “Some STLDI issuers even attempt to market the policies as being under the Affordable Care Act (ACA) Marketplace umbrella to further confuse consumers.”

Currently, Illinois has 15 STLDI issuers. “The proposed federal rulemaking would give IDOI additional regulatory authority over STLDI and fixed indemnity coverage,” **said Director Popish Severinghaus.** “This would allow the Department to better protect consumers from misinformation and ensure Illinoisians do not mistakenly purchase inadequate coverage instead of affordable, comprehensive health coverage offered by the ACA Marketplace.”

STLDI is a type of health insurance that is designed to fill temporary gaps in coverage when an individual is transitioning from one source of coverage to another. STLDI is exempt from the definition of individual health insurance coverage under the Public Health Service Act and, generally, is not subject to the consumer protections and requirements for comprehensive coverage under the Affordable Care Act (ACA).

Hospital indemnity or other fixed indemnity insurance provides fixed, cash payments upon the occurrence of a health-related event. Fixed indemnity insurance has traditionally been used as a form of income replacement, and it is not a substitute for comprehensive coverage because the plans do not provide a full range of benefits and reimbursement certainty. When fixed indemnity coverage meets certain criteria, it is an excepted benefit that is not subject to most federal requirements or consumer protections that apply to health insurance coverage.

*State DOI signees:

Dana Popish Severinghaus, Director, Illinois Department of Insurance

Ricardo Lara, Commissioner, California Department of Insurance

Alice T. Kane, Interim Superintendent, New Mexico Office of the Superintendent of Insurance

Andrew R. Stolfi, Director/Insurance Commissioner, Oregon Department of Consumer and Business Services

Michael Humphreys, Commissioner, Pennsylvania Insurance Department

Mike Kreidler, Commissioner, Washington State Office of the Insurance Commissioner

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