

1 Introduced by Committee on Health Care

2 Date:

3 Subject: Health; health insurance; Department of Financial Regulation;

4 association health plans; short-term, limited-duration health insurance

5 Statement of purpose of bill as introduced: This bill proposes to regulate short-

6 term, limited-duration health insurance coverage, including limiting the

7 duration of the coverage to less than three months, prohibiting renewal, and

8 requiring **the premiums to be community rated prominent disclosures**

9 **regarding the scope of the coverage.** It would also provide the Department

10 of Financial Regulation with rulemaking authority to regulate association

11 health plans to the extent permitted under federal law.

12 An act relating to regulation of short-term, limited-duration health insurance  
13 coverage and association health plans

14 It is hereby enacted by the General Assembly of the State of Vermont:

15 **Sec. 1. 8 V.S.A. § 4062(h)(1) is amended to read:**

16 (h)(1) The authority of the Board under this section shall apply only to the  
17 rate review process for policies for major medical insurance coverage and shall  
18 not apply to the policy forms for major medical insurance coverage or to the  
19 rate and policy form review process for policies for specific disease, accident,  
20 injury, hospital indemnity, dental care, vision care, disability income, long-

1 term care, student health insurance coverage, Medicare supplemental coverage,  
2 short-term, limited-duration insurance, or other limited benefit coverage, or to  
3 benefit plans that are paid directly to an individual insured or to his or her  
4 assigns and for which the amount of the benefit is not based on potential  
5 medical costs or actual costs incurred. Premium rates and rules for the  
6 classification of risk for Medicare supplemental insurance policies shall be  
7 governed by sections 4062b and 4080e of this title.

8 Sec. 2. 8 V.S.A. § 4079a is added to read:

9 § 4079a. ASSOCIATION HEALTH PLANS

10 (a) As used in this section, “association health plan” means a policy issued  
11 to an association; to a trust; or to one or more trustees of a fund established,  
12 created, or maintained for the benefit of the members of one or more  
13 associations or a contract or plan issued by an association or trust or by a  
14 multiple employer welfare arrangement as defined in the Employee Retirement  
15 Income Security Act of 1974, 29 U.S.C. § 1001 et seq.

16 (b) In order to protect Vermont consumers and promote the stability of  
17 Vermont’s health insurance markets, the Commissioner may adopt rules  
18 pursuant to 3 V.S.A. chapter 25 regulating association health plans to the  
19 extent permitted under federal law, including rules regarding licensure,  
20 solvency and reserve requirements, and rating requirements.

1 Sec. 3. 8 V.S.A. § 4084a is added to read:

2 § 4084a. SHORT-TERM, LIMITED-DURATION HEALTH INSURANCE

3 (a) As used in this section, “short-term, limited-duration health insurance”  
4 means health insurance that provides medical, hospital, or major medical  
5 expense benefits coverage provided pursuant to a policy or contract with an  
6 insurer and that has an expiration date specified in the policy or contract that is  
7 less than three months after the original effective date of the policy or contract.

8 ~~(b)(1) An insurer shall not offer an individual health insurance policy~~  
9 ~~or contract in this State for a term of less than 12 months unless the policy~~  
10 ~~or contract is for short-term, limited-duration health insurance and~~  
11 ~~complies with the provisions of this section.~~

12 (2) An insurer shall not provide short-term, limited-duration health  
13 insurance coverage unless the insurer has a certificate of authority from the  
14 Commissioner to offer health insurance as defined in subdivision 3301(a)(2) of  
15 this title or is licensed or registered with the Commissioner as a nonprofit  
16 hospital or medical service corporation, health maintenance organization, or  
17 managed care organization, unless the insurer is exempted by subdivision  
18 3368(a)(4) of this title.

19 (c) A short-term, limited-duration health insurance policy or contract shall  
20 be nonrenewable.

1       (d) Any A policy or contract for short-term, limited-duration health  
2       insurance coverage shall display prominently in the policy or contract and in  
3       any application materials provided in connection with enrollment in that  
4       coverage, in at least 14-point type, such disclosures as the Commissioner  
5       may require regarding the scope of short-term, limited-duration coverage,  
6       including the types of benefits and consumer protections that are and are  
7       not included. the following:

8       “THIS IS NOT QUALIFYING HEALTH COVERAGE (“MINIMUM  
9       ESSENTIAL COVERAGE”) THAT SATISFIES THE HEALTH  
10       COVERAGE REQUIREMENT OF THE AFFORDABLE CARE ACT.  
11       IF YOU DON’T HAVE MINIMUM ESSENTIAL COVERAGE, YOU  
12       MAY OWE AN ADDITIONAL PAYMENT WITH YOUR TAXES.”

13       (d) An insurer shall use a community rating method acceptable to the  
14       Commissioner for determining premiums for short-term, limited-duration  
15       health insurance coverage. The following risk classification factors are  
16       prohibited from use in rating individuals and their dependents:

17       (1) demographic rating, including age and gender rating;

18       (2) geographic area rating;

19       (3) industry rating;

20       (4) medical underwriting and screening;

21       (5) tier rating; or

1 ~~(6) durational rating.~~

2 (e) The Commissioner shall adopt rules pursuant to 3 V.S.A. chapter 25:

3 (1) establishing the minimum financial, marketing, service, and other  
4 requirements for registration of an insurer to provide short-term, limited-  
5 duration health insurance coverage to individuals in this State;

6 (2) requiring an insurer seeking to provide short-term, limited-duration  
7 health insurance coverage to individuals in this State to file its rates, forms, and  
8 advertising materials with the Commissioner for his or her approval; and

9 (3) establishing such other requirements as the Commissioner deems  
10 necessary to **protect Vermont consumers and** promote the stability of  
11 Vermont’s health insurance markets.

12 **Sec. 4. 33 V.S.A. § 1802 is amended to read:**

13 § 1802. DEFINITIONS

14 As used in this subchapter:

15 \* \* \*

16 (3) “Health benefit plan” means a policy, contract, certificate, or  
17 agreement offered or issued by a health insurer to provide, deliver, arrange for,  
18 pay for, or reimburse any of the costs of health services. This term does not  
19 include coverage only for accident or disability income insurance, liability  
20 insurance, coverage issued as a supplement to liability insurance, workers’  
21 compensation or similar insurance, automobile medical payment insurance,

1 credit-only insurance, coverage for on-site medical clinics, or other similar  
2 insurance coverage where benefits for health services are secondary or  
3 incidental to other insurance benefits as provided under the Affordable Care  
4 Act. The term also does not include stand-alone dental or vision benefits;  
5 long-term care insurance; short-term, limited-duration insurance; specific  
6 disease or other limited benefit coverage, Medicare supplemental health  
7 benefits, Medicare Advantage plans, and other similar benefits excluded under  
8 the Affordable Care Act.

9 \* \* \*

10 **Sec. 5. 33 V.S.A. § 1811 is amended to read:**

11 § 1811. HEALTH BENEFIT PLANS FOR INDIVIDUALS AND SMALL  
12 EMPLOYERS

13 (a) As used in this section:

14 (1) “Health benefit plan” means a health insurance policy, a nonprofit  
15 hospital or medical service corporation service contract, or a health  
16 maintenance organization health benefit plan offered through the Vermont  
17 Health Benefit Exchange or a reflective silver plan offered in accordance with  
18 section 1813 of this title that is issued to an individual or to an employee of a  
19 small employer. The term does not include coverage only for accident or  
20 disability income insurance, liability insurance, coverage issued as a  
21 supplement to liability insurance, workers’ compensation or similar insurance,

1 automobile medical payment insurance, credit-only insurance, coverage for on-  
2 site medical clinics, or other similar insurance coverage in which benefits for  
3 health services are secondary or incidental to other insurance benefits as  
4 provided under the Affordable Care Act. The term also does not include stand-  
5 alone dental or vision benefits; long-term care insurance; short-term, limited-  
6 duration insurance; specific disease or other limited benefit coverage,  
7 Medicare supplemental health benefits, Medicare Advantage plans, and other  
8 similar benefits excluded under the Affordable Care Act.

9 \* \* \*

10 **Sec. 6. EFFECTIVE DATES**

11 **(a) Secs. 2 (association health plans) and this section shall take effect**  
12 **on passage.**

13 **(b) The remaining sections shall take effect on July 1, 2018.**