



Short-Term Medical Insurance Proposal Offers Opportunity to Get People Coverage

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By: Patrick Ishmael

There are a lot of reasons health care costs in the United States continue to grow. One is that we don't really have a market for many of our health care products, and in important ways we are disincentivized to price shop. But another important factor is that much of what Americans consider health "insurance" nowadays is really mostly a maintenance agreement, not insurance. And often the most expensive features in those maintenance agreements are forced onto plans by state and federal officials

Imagine if cars had to be sold this way. Say that I just need a cheap car to get to work every day, but the law prevented dealerships from selling me a car without gold rims, tinted windows, and free oil changes for life—in other words, all the bells and whistles. My budget may be \$5000 for the car, but the dealership may only be able to sell cars that start at \$30,000 because of all the mandates. The result isn't that I end up getting the more expensive car with the mandated features—but that I might have to go without a car entirely.

That's the problem in American health care in a nutshell. Some people may find themselves overpaying for a product they don't want, and others may end up going without a product that they really need because it's so expensive.

There's a wrinkle in that health care paradigm, though. While longer-term insurance plans

typically fall under the auspices of federal regulation and often have state coverage mandates tacked on, "short-term medical insurance" (or STM) can often sidestep the mandate layers and offer a product that is insurance first and a maintenance plan second, if at all.

That may sound a bit jarring if you're used to health insurance as maintenance, but imagine how much homeowner's insurance would cost if government required insurers to include a grass-mowing benefit, or if a car owner's insurance had to include an oil change benefit. STM generally avoids those additional costs by focusing on the financial backstop that insurance is actually supposed to be.

Having greater latitude in finding a plan that fits your medical needs (and your budget) is an important step in fixing the health care cost problems we see in America today, and that's what one [proposal](#) from the House appears to offer. The legislation would expand the duration that an STM plan can last from six months to a year in Missouri, and it would also make clear that the STM plan a consumer might purchase is different from the insurance plans they might be used to. Specifically, the plans would have to state plainly in their documents that,

This policy may not cover preexisting conditions, including conditions you may currently have and are unaware of but are not diagnosed until the policy's term. This policy may not cover certain essential health benefits, including prescription drugs, preventative care, and emergency services. Before you realize benefits under this policy, you may be responsible for a deductible and/or coinsurance. Be sure to discuss these items with your insurance broker before purchasing a short-term medical policy.

In other words, a consumer may not have every medical condition covered—the maintenance plan would be limited—but if they were hit by a bus, they'd have a financial backstop because they'd at least have the STM's insurance protecting them.

And as the name suggests, STM is generally used for shorter periods of time than more fully-featured health maintenance plans. Some people may need it to fill a temporary gap in employer-sponsored coverage, and others may prefer it as an alternative to vastly more expensive Obamacare plans, even though STM plans are "skinnier" in terms of benefits and were generally non-compliant [for purposes of the mandate penalty](#).

Expanding the scope of STM coverage would help to resolve both of the problems I articulated at the beginning of this blog post—the limited incentive to shop around for coverage, and the multi-layered onion of mandates—that drive up the cost of the average health "insurance" plan.

This STM expansion idea is an excellent one that helps to meet the needs of people who really want coverage but don't want or can't afford what the government is trying to impose on them. I hope the idea receives increasing attention as the session continues.

About the Author



*Patrick Ishmael
Director of Government Accountability*

Patrick Ishmael is the director of government accountability at the Show-Me Institute.

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Show-Me Institute

5297 Washington Place	3645 Troost Avenue
Saint Louis, MO 63108	Kansas City, MO 64109
Phone: (314) 454-0647	Phone: (816) 287-0370
Fax: (314) 454-0667	

Email: info@showmeinstitute.org

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