

NEW ACA REGULATIONS DEFINE SHORT-TERM, LIMITED DURATION INSURANCE

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The Departments of Labor, Health and Human Services, and the Treasury (collectively, “Departments”) issued final regulations, including clarification on the definition of short-term, limited duration insurance. These final regulations are substantially similar to the previously issued proposed regulations, and will become effective January 1, 2017. Short-term, limited duration coverage is a form of health insurance designed to fill temporary gaps in coverage when a person is transitioning from one health plan to another. Although it is not considered an excepted benefit, like an excepted benefit, short-term, limited duration coverage is not subject to many Affordable Care Act (ACA) requirements. To address the practice of short-term, limited duration insurance being sold as a type of longer term primary coverage, the Departments limited the duration of this type of coverage to less than three months. Short-term, limited duration insurance must also include a prominent notice on the contract stating that it does not qualify as minimum essential coverage. In addition to defining short-term, limited duration insurance, the final regulations provide additional guidance on the application of ACA rules to travel insurance. For travel insurance to be considered an excepted benefit, and therefore not subject to many of the ACA rules, it must not include major medical plans that provide comprehensive medical coverage for travelers with trips lasting six months or longer. In light of these final regulations, employers should review their policies to confirm they are consistent with these requirements.