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ACA plans or short-term health plans -- what's right for you?

9 min read

By Les Masterson Posted : December 12, 2019

Insurance.com has been trusted by readers and respected by industry insiders for years. On this page, we build upon our mission to educate consumers by sharing insights directly from leaders in the car insurance industry. Here, we talked to a leading expert about the differences between Affordable Care Act (ACA) and short-term plans.

Choosing a health plan takes both research and analysis of your situation. You should think about both your health and finances.

When you're looking for an individual health plan, you need to figure out:

- How much health care services you use
- Your health care needs over the coming year
- Whether you have any chronic conditions

That's just the health part of it.

You'll also want to figure out your financial situation:

- How much you can afford monthly for health coverage
- How much you have to pay for deductibles and copays

After exploring these topics, you can figure out what's the best health plan for you.

An [Affordable Care Act \(ACA\) plan](#) is one way to get coverage. Another option that the federal government expanded in recent years is [short-term health plans](#). These plans are low-cost. However, if you have any health issues or expect to need many health services in the next year, you may want to find an inexpensive ACA plan, said Jan Dubauskas, vice president and senior counsel at Health Insurance Innovations, which includes the site, [Agile Health Insurance](#).

Let's take a look at the differences to help you find out what's a better choice for you.

ACA plans provide full coverage

An ACA plan covers you regardless of previous injuries or pre-existing conditions like chronic illnesses.

The vast majority of working-age Americans has an employer-based plan, but an ACA plan is an option if you or your spouse can't get coverage from an employer. ACA plans are annual -- just like an employer-sponsored health plan.

An ACA plan must cover 10 essential health benefits:

- Ambulatory patient services
- Emergency services
- Hospitalization
- Maternity and newborn care
- Mental health and substance use disorder
- Prescription drugs
- Rehabilitation services
- Laboratory services
- Preventive and wellness services
- Pediatric services, including oral and vision care

"If someone has a chronic condition and medical concerns, they should be on an ACA plan to get the robust coverage they need," Dubauskas said.

Short-term health plans are an alternative to COBRA

People sometimes mistake short-term plans as an ACA plan alternative. In fact, short-term health plans should be considered as an option to COBRA.

Short-term plans have been around for the past two decades. They're seen as plans to help people who face unexpected accidents or illnesses. They're not meant as a long-term health insurance plan to cover people with long-standing health issues. Instead, you may want a short-term plan if you're out of work or started a new job and don't have health benefits yet.

Laid-off workers often choose expensive COBRA plans to keep coverage for up to 18 months after leaving a job. They're pricey because former employers no longer kick in any money to help pay for coverage. So, individuals have to pay the full amount for [health insurance](#).

They may also have to pay up to a 2% administrative cost. To put that into perspective, [Kaiser Family Foundation](#) estimated that the average annual premium for employer-sponsored health insurance family coverage was more than \$20,000 in 2019. Employees kicked in about \$6,000 on average for that coverage. Without an employer picking up the remaining money, the employees would pay an average of more than \$20,000 plus an up to 2% administration fee. That's about four times more for the same employer-sponsored plan.

So, you can see how a short-term plan might be a more affordable stop-gap until you get another health insurance plan.

Insurers offered short-term plans with coverage of up to 12 months until the Obama administration restricted the plans to only 90 days after the ACA. The Trump administration reversed that regulation and expanded the plans so more people are eligible and can enroll in short-term plans longer.

Now, enrollees in many states can stay in a short-term plan for a year and request two extensions. So, in effect, most Americans can have a short-term plan for as long as 36 months. There are exceptions, though. Some states don't allow short-term plans, while others have limitations.

States that don't allow short-term plans are:

- California
- Hawaii
- Massachusetts
- New Jersey
- New York

States that restrict short-term plans to six months:

- Colorado
- Illinois

Places that allow short-term plans for only three months with no renewals:

- Delaware
- District of Columbia

- Maryland
- New Mexico
- Vermont
- Washington

When comparing plans, Dubauskas said it's important to know that short-term plans aren't meant for people with chronic conditions. Instead, they're in place for "unexpected accidents or illnesses."

Unlike ACA plans, short-term plans don't have to accept every applicant. They can reject you if you're considered a risk.

For instance, short-term plans often won't give you coverage if you have pre-existing conditions like diabetes, heart problems, kidney failure and recent cancer.

Even if you get approved for a short-term plan, it may not cover services found in an ACA plan. One example is that short-term plans don't have to cover the 10 essential health benefits found in the ACA.

Short-term plans can exempt coverage of those services or place limits on them. An example is prescriptions. Dubauskas said a short-term plan may cover medication if you go to the hospital for an unexpected condition. However, the plan likely won't cover a prescription for pre-existing asthma. Instead, you'd have to pay that all yourself.

Dubauskas gave another instance of when a short-term plan might not cover you. Let's say you broke your toe on Monday. On Tuesday, you apply for a short-term plan and get coverage. The plan won't cover any medical services or prescriptions for your toe because the injury happened before your coverage.

Cost of plans

Short-term health plans are inexpensive. Dubauskas estimates you can find plans that cost about \$100 a month.

ACA plans, on average, cost four times more. However, if you qualify for subsidies based on your income, you can find ACA plans for less than a short-term plan. Dubauskas said you can find a subsidized ACA plan for \$50 or less if you're eligible.

The government provides financial assistance to help pay for ACA plans for people with income below 400% of the federal poverty limit. That threshold for 2020 is \$49,960 for a single person, \$67,640 for a couple and \$100,400 for a family of four.

When you're looking for an ACA plan, you provide your household income. The health insurance exchanges will factor that in when giving you health insurance quotes. It will automatically deduct subsidies from the quotes.

The health insurance exchanges differentiate ACA plans by cost structure. Each metal level varies by premiums and cost-sharing, such as deductibles and out-of-pocket costs. Dubauskas suggested people figure out what they can afford in terms of a deductible and premiums monthly.

Here are the four categories for ACA plans:

Type of plan	% that insurer pays	% that member pays	Plan characteristics
Bronze	60%	40%	Lowest premiums, but highest out-of-pocket expenses for health care services
Silver	70%	30%	Higher premiums than Bronze and higher out-of-pocket costs than Gold
Gold	80%	20%	Lower premiums than Platinum and lower out-of-pocket costs than Silver
Platinum	90%	10%	Highest premiums, but lowest out-of-pocket expenses for services

About two-thirds of ACA plan members have either a Bronze or Silver plan.

Here's who might be right for each metal grade:

Type of plan	Who may benefit from the plan
Bronze	You have savings to help pay for the deductible, don't expect to need much health care and would rather pay lower premiums.
Silver	You want to pay low premiums, but don't have much in the way of savings to help you pay out-of-pocket costs.
Gold	You would rather limit out-of-pocket costs but don't want to pay higher premiums found in Platinum plans.
Platinum	You don't mind higher premiums with the understanding that you'll pay lower out-of-pocket costs later.

When can you enroll?

Another difference between ACA and short-term plans is when you can enroll.

ACA plans allow you to enroll or make changes to your plan during open enrollment. That is between Nov. 1 and Dec. 15 in most states.

There are a handful of states with longer open enrollment:

- California – Oct. 15 to Jan. 15
- Colorado – Nov. 1 to Jan. 15
- D.C. – Nov. 1 to Jan. 31
- Massachusetts – Nov. 1 to Jan. 23
- Minnesota – Nov. 1 to Dec. 23
- New York – Nov. 1 to Jan. 31
- Rhode Island – Nov. 1 to Dec. 23

You can also sign up or make changes to these plans if you qualify for a special enrollment period. These periods are only if you have a qualifying life event, including:

- Divorce
- Marriage
- Birth or adoption of a child
- Death of a spouse or partner that leaves you without coverage
- Your spouse or partner, who has you covered, loses his/her job and health insurance
- You lose your job and with it your health insurance
- Your hours are cut making you ineligible for your employer's health insurance plan

- You are in an HMO and move outside its coverage area

On the other side, you can enroll in a short-term plan at any time.

“The premise of (short-term plans) is you never know when someone is going to lose a job,” Dubauskas said.

Tips for buying a health plan

There are 28 million uninsured Americans who could benefit from a short-term plan or possibly a subsidized ACA plan.

Dubauskas said Agile Health Insurance has found the most interest in short-term plans from Texas. The Lone Star State has the highest uninsured rate. An estimated five million Texans don't have health insurance. That's 18% of the population.

“The interest is generally where there are fewer ACA plans or where ACA plans are very expensive,” Dubauskas said.

So, we've compared ACA plans to short-term plans. Now, how do you figure out what's right for you?

Dubauskas offered five tips:

1. **Check your budget.** What can you afford monthly? What are your savings that could help pay for health plan deductibles and costs?
2. **Look into subsidies.** What kind of subsidy can you receive if you choose an ACA plan?
3. **Think about your health.** What are your prior medical conditions? These may prevent you from getting a short-term plan or restrict what the plan covers if you get approved.
4. **Check into all of your options for your area.** Some states have limited affordable ACA plan options. Others have many available plans. Most states offer short-term plans, while others don't or restrict them.
5. **Talk to an agent to help you work through your options.** This person can also help you figure out what's considered in-network and out-of-network in plans.

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