



Major-Medical Health Insurance vs. Short-Term Health Insurance Fact Sheet

There are many types of products being sold in the health insurance market; understanding the different types of coverage will allow you to make a more informed decision when purchasing health insurance coverage. The purpose of this fact sheet is to highlight the key differences between major-medical health insurance plans, short-term health insurance plans, and supplemental health insurance plans.

MAJOR-MEDICAL HEALTH INSURANCE

Major-Medical Health Insurance is comprehensive coverage which, on average, pays for at least 60% (usually much higher) of your expected healthcare costs throughout the year. Major-Medical Health Insurance plans cannot place lifetime or annual dollar limits on coverage. Most plans have a maximum-out-of-pocket dollar limit, which is the most amount of money a consumer will be required to spend on medical expenses in a given year. Once a consumer hits this limit, the insurance company will pay all medical bills for covered services at in-network providers for the remainder of the year.

Additionally, the Major-Medical Health Insurance plans offered on **DC Health Link** to individuals or small businesses with 50 or fewer employees are commonly known as Qualified Health Plans (QHP); these health insurance plans have **10 categories of essential health benefits** that must be covered.

Unlike Short-Term Health Insurance and Supplemental Health Plans (explained below), Major-Medical Health Insurance cannot deny you coverage based on your medical history. Also, having Major-Medical Health Insurance means you have met the **Individual Shared Responsibility Provision** of the federal Affordable Care Act (commonly known as the “ACA” or “Obamacare”) and will not need to pay a tax penalty with the Internal Revenue Service (IRS) (see below for more information).

SHORT-TERM HEALTH INSURANCE

Short-Term Health Insurance, also known as temporary health insurance, gap coverage or a short-term medical plan, lasts less than 365 days and cannot be renewed or extended. These products are exempt from the ACA requirements, so they do not need to cover the same level of benefits and services as Major-Medical Health Insurance. Unlike Major-Medical Health Insurance, these plans are unlikely to cover prescription drugs, maternity care, or preventive services, such as immunizations or cancer screening. Additionally, Short-Term Health Insurance can deny you coverage based on your medical history and exclude benefits related to a pre-existing condition. Short-Term Health Insurance will not excuse you from paying the individual mandate penalty (discussed below).

SUPPLEMENTAL HEALTH PLANS

Supplemental Health Plans may be known by a variety of names such as accident, illness, or fixed-indemnity policies. Primarily, they are intended to provide you with protections against out-of-pocket costs in case of an unexpected injury or hospitalization. Like Short-Term Health Insurance, Supplemental Health Plans typically place a dollar limit on how much the insurer will pay for covered medical services while you’re enrolled. Supplemental Health Plans will not excuse you from paying the individual mandate penalty (discussed below) and can decline coverage based on your prior medical history.

IMPORTANT: In the District of Columbia, Supplemental Health Plans may not be sold to consumers who are not covered under a Major-Medical Health Insurance policy.

FILE A COMPLAINT

If you have questions about the type of health insurance product you purchased, or believe you received misinformation about an insurance product, please file a complaint with the District of Columbia Department of Insurance, Securities and Banking’s Consumer Services Division at disb.complaint@dc.gov or call 202-727-8000.



Department of Insurance, Securities and Banking (DISB)

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Key Differences			
	Major-Medical Health Insurance	Short-Term Health Insurance	Supplemental Health Plans
When do I purchase coverage?	During open enrollment, usually at the end of the year	Anytime	Anytime
When can coverage start?	2-6 weeks after enrolling	Usually within 1-14 days	Depending on policy
Can my application be declined because of pre-existing conditions?	No	Yes	Yes
Will it cover maternity care?	Yes	No	No
Can it be purchased with the assistance of a government subsidy?	Yes	No	No
Is there a maximum dollar amount the plan will pay before the consumer is required to pay the rest of the bill?	No	Yes	Usually
Will it cover Mental Health and Substance Use Disorder Services?	Yes	No	No
Can I renew it every year, as long as the plan is available?	Yes	No	Yes
Where can I purchase the plan?	Through your employer, DC Health Link or via an agent/broker	Agent/Broker	Agent/Broker
Can it protect me from the tax penalty for not having health insurance?	Yes	No	No

A TIP FOR PURCHASING MAJOR-MEDICAL HEALTH INSURANCE:

If you are purchasing insurance directly for yourself or your family in the District of Columbia, only CareFirst BlueCross BlueShield and Kaiser Permanente offer plans guaranteed to meet the coverage requirements to provide comprehensive coverage and avoid penalties. The plans are only available through DC Health Link. If you work for a small employer (50 employees or less) Aetna, CareFirst, Kaiser and United Healthcare offer QHPs that are guaranteed to meet the coverage requirements to avoid penalties. Most large employer-based coverage will also qualify, but you should confirm with your employer or consult with a tax professional that the coverage meets minimum standards to avoid paying a tax penalty.

INDIVIDUAL MANDATE PENALTY FOR NOT HAVING MAJOR-MEDICAL HEALTH INSURANCE

Consumers who lack Major-Medical Health Insurance that meets Affordable Care Act standards can face penalties known as the Individual Shared Responsibility Payment. Below is a list of Major-Medical Health Insurance that fulfill the ACA coverage requirement; being covered under one of these plans should exempt you from the penalty.

The penalty is calculated as the larger of:

- **2016:** \$695 per adult or 2.5% of household income
- **2017 and Beyond:** The percentage option will remain at 2.5% and the flat fee option will be adjusted each year for inflation.

Note: Additional fees can be assessed for children; households' annual total fees are subject to certain caps.

Types of Major-Medical Health Insurance
Plans purchased on DC Health Link
Medicare Part A and Medicare Advantage Plans
Insurance purchased through your employer
Medicaid, DC Alliance, or Children's Health Insurance Program (CHIP) coverage
TRICARE and other plans administered by the Veterans Administration
Federal Employees Health Benefits Program
COBRA coverage
Student health plans
Coverage provided to Peace Corps volunteers