TaxNewsFlash

United States

No. 2018-072
February 20, 2018

Proposed rule: "Short-term, limited-duration insurance" to expand to 12 months

The U.S. Treasury Department and IRS today (along with the Labor Department and the Department of Health and Human Resources) released for publication in the Federal Register a proposed rule to amend the definition of "short-term, limited-duration insurance" for purposes of an exclusion from the definition of individual health coverage.

The **proposed rule** [PDF 303 KB] is being released to lengthen the maximum period of short-term, limited-duration insurance to provide "more affordable consumer choice for health coverage."

Summary

The preamble to the proposed rule explains that short-term, limited-duration insurance is a type of health insurance coverage designed to fill temporary gaps in coverage when an individual transitions from one plan or coverage to another. A 2016 rule provided that the definition of short-term, limited-duration insurance could not provide coverage for three months or longer (including any renewal period(s)).

Today's proposed rule would amend the definition of short-term limited-duration so that it may offer a maximum coverage period of less than 12 months after the original effective date of the contract. Thus, the proposed rule would expand the potential maximum coverage period by nine months.

The proposed rule would also revise the required consumer notice that must appear in the insurance contract and on any application materials for short-term, limited-duration insurance.

Request for comments

The proposed rule includes a request for comments—including a request for comments as to whether the length of short-term, limited-duration insurance ought to be a period of duration other than 12 months. Comments are also requested about other areas including, for example, comments concerning:

- The conditions under which issuers ought to be allowed to continue short-term, limited-duration insurance for 12 months or longer

- The application process and whether an expedited or streamlined re-application process is warranted

- The effective date and applicability date of the rule (if finalized)

The due date for comments is April 23, 2018.