



# Regulatory Updates on Fixed Indemnity, STLD, and Other Excepted Benefit Plans: What Employers Need to Know

The U.S. Departments of Labor (DOL), Health and Human Services (HHS), and the Treasury have issued new federal regulations regarding fixed indemnity plans, short-term, limited-duration (STLD) insurance plans, and other excepted benefits, effective for plan years beginning on or after January 1, 2025. These regulations aim to ensure consumers fully understand the limited scope of these plans, which are not intended to replace comprehensive health insurance.

This summary highlights the key elements of the new notice requirements for these plan types, explains their differences, and provides essential compliance steps for employers and insurers. It also discusses the distinctions between these plans and comprehensive health insurance, including specific references to specified disease and accident insurance plans.

## Background on Fixed Indemnity, STLD, and Other Excepted Benefits Plans

- **Fixed Indemnity Plans** provide a set cash payment for specific events, such as hospital stays or surgeries, regardless of actual costs. These plans are often chosen by consumers seeking supplemental coverage to help with out-of-pocket expenses. However, they are not intended to replace comprehensive health insurance, such as coverage under the ACA or employer-sponsored plans.

Despite their supplemental nature, consumers may mistakenly view them as substitutes for full coverage. In response to this confusion, new federal regulations now require clearer communication between insurers, employers, and consumers, ensuring they understand that these plans do not offer the protections of comprehensive health coverage, such as essential health benefits, preventive services, and cost-sharing protections.

Some marketing strategies have blurred the line between supplemental and full coverage, prompting regulatory action. In response, the federal government introduced new regulations to require clearer communication between insurers, employers, and consumers. These rules protect consumers by ensuring they are fully informed about the limited scope of fixed indemnity plans and understand that these plans are not a replacement for comprehensive health coverage.

- **STLD Plans** are limited-duration health plans designed to provide temporary coverage for individuals who may be between jobs or waiting for other insurance to begin. These plans generally offer fewer benefits and often exclude coverage for pre-existing conditions. They are not required to comply with ACA regulations, meaning they do not cover essential health benefits such as maternity care, mental health services, or prescription drugs.

Under current federal regulations, STLD plans are limited to a maximum duration of three months, with the possibility of a one-month renewal. Despite being intended for short-term gaps, some consumers mistakenly rely on these plans as long-term solutions, which can result in significant coverage gaps and financial risks. In response to these risks, new regulations mandate clear notices informing consumers of the limited duration and scope of STLD plans.

**Specified Disease and Accident Insurance Plans** provide coverage for specific events, such as a diagnosis of cancer or an accident, offering a lump-sum payment to the insured. While they offer financial assistance during specific health events, they are considered excepted benefits and do not provide comprehensive coverage. These plans, too, must clearly inform consumers that they are not substitutes for full health insurance.

### Examples of Fixed Indemnity Plans

- **Fixed Indemnity Plans** commonly offer the following benefits:
  - *Hospital Indemnity Plans:* Fixed dollar amounts per day of hospitalization, typically ranging from \$100 to \$500, regardless of hospital charges.
  - *Critical Illness Indemnity Policies:* A one-time, lump-sum benefit upon diagnosis of specified conditions like cancer or heart disease.
- **STLD Plans:** These plans provide temporary health coverage, often for 3 to 4 months, and typically exclude essential health benefits like maternity care, prescription drugs, and mental health services.
- **Specified Disease and Accident Insurance Plans:** These plans offer benefits during a medical event or injury but do not cover broader medical services unrelated to the specified disease or accident.

### Key Regulatory Changes

- **New Notice Requirement:** Beginning with plan years on or after January 1, 2025, these plans must include a standardized notice to inform consumers that these plans are not comprehensive health insurance. The notice is mandatory in all marketing, enrollment, and plan materials, and must be prominently displayed on the first page in at least 14-point font. For electronic enrollments, it must be shown as a pop-up, ensuring consumers are informed before selecting coverage.
- **Unalterable Language:** The standardized notice language is set by the government and cannot be modified. This ensures consistency and reduces consumer confusion, clearly communicating that these plans provide limited coverage and are not substitutes for comprehensive health insurance.
- **Scope of Affected Plans:** The notice applies to fixed indemnity, STLD, specified disease, and accident insurance plans. Each plan type has specific notice requirements, but the general purpose remains the same: ensuring consumers understand that these plans provide limited coverage.

### Specific Notice Differences by Plan Type

- **Fixed Indemnity Plans:**
  - Purpose: To clarify that these plans provide fixed cash payouts for specific events and are meant as supplemental coverage, not comprehensive health insurance.
  - Content: The notice must explain that the plan offers set payments for covered events (e.g., \$100/day of hospitalization), regardless of actual medical expenses incurred. It should emphasize that these plans do not cover full medical costs.
  - Placement: The notice must appear in marketing, enrollment, and re-enrollment materials, on the first page in 14-point font, and must be visible before the consumer makes a coverage decision.
- **STLD Plans:**
  - Purpose: To inform consumers of the limited duration and scope of STLD plans, which are not long-term solutions and do not meet ACA requirements.
  - Content: The notice must clearly state that STLD plans do not cover essential health benefits such as maternity care, mental health services, or prescription drugs, and that they may exclude pre-existing conditions. Consumers should be directed to HealthCare.gov for comprehensive coverage options.
  - Placement: The notice must follow the same placement rules as fixed indemnity plans, appearing in all marketing, enrollment, and re-enrollment materials, with visibility ensured before enrollment.

- **Specified Disease and Accident Insurance Plans:**

- Purpose: To inform consumers that these plans provide coverage for specific health events, such as a cancer diagnosis or an accident, and are not comprehensive health insurance.
- Content: The notice must make it clear that while these plans offer financial support for specific medical events, they do not cover broader health services, and consumers should consider comprehensive options for full medical coverage.
- Placement: Like fixed indemnity and STLD plans, the notice must be prominently displayed in all marketing, enrollment, and re-enrollment materials.

## Sample Notice

### Notice to Consumers About Short-Term, Limited-Duration Insurance

IMPORTANT: This is short-term, limited-duration insurance. This is temporary insurance. It isn't comprehensive health insurance. Review your policy carefully to make sure you understand what is covered and any limitations on coverage.

- This insurance might not cover or might limit coverage for:
  - Pre-existing conditions; or
  - Essential health benefits (such as pediatric, hospital, emergency, maternity, mental health, and substance use services, prescription drugs, or preventive care).
- You won't qualify for Federal financial help to pay for premiums or out-of-pocket costs.
- You aren't protected from surprise medical bills.
- When this policy ends, you might have to wait until an open enrollment period to get comprehensive health insurance.

Visit [HealthCare.gov](https://www.healthcare.gov) online or call 1-800-318-2596 (TTY: 1-855-889-4325) to review your options for comprehensive health insurance. If you're eligible for coverage through your employer or a family member's employer, contact the employer for more information. Contact your state department of insurance if you have questions or complaints about this policy.

## Compliance for Employers and Insurers

Employers offering these plans—fixed indemnity, STLD, specified disease, or accident insurance—must ensure compliance with the new notice requirements by January 1, 2025. All marketing, enrollment, and re-enrollment materials must prominently display the required notices, in both digital and printed formats. Employers should coordinate with insurers to verify that the notices are correctly integrated into all plan documents. Additionally, it is essential to educate employees about the limitations of these plans, clearly communicating that they do not provide comprehensive health coverage and directing them to resources like [HealthCare.gov](https://www.healthcare.gov). Employers should review all materials to confirm compliance and implement the required notices across all formats.

In conclusion, staying compliant with the new federal regulations is essential to ensuring that both employers and employees are well-informed about the limitations of these types of plans. Implementing the required notices and educating your workforce are key steps in meeting these guidelines by January 1, 2025. For companies looking for expert assistance in navigating these updates, Symphony Consulting is available to help with compliance reviews and addressing your specific needs. Whether you require a comprehensive audit of your materials or strategic guidance on the implementation of notices, Symphony Consulting has the expertise to ensure your organization remains compliant. Contact us at [SymphonyConsulting@symphonyrisk.com](mailto:SymphonyConsulting@symphonyrisk.com).