

Federal Government Poised to Amend Definition of Short-Term, Limited-Duration Insurance ... (Again)



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On August 7, 2025, the U.S. Departments of Health and Human Services, Labor, and the Treasury (collectively “the Departments”) released a statement that they intend to undertake notice-and-comment rulemaking to reconsider the 2024 amendments to the federal regulatory definition of short-term, limited-duration insurance (“STLDI”). While it is unclear what the Departments will propose, it is clear that the federal government is poised to amend the federal definition of STLDI within the next year.

What is STLDI?

STLDI is used to fill temporary gaps in one’s health coverage when that individual transfers from one plan to another. STLDI coverage is often sought when an individual becomes unemployed or changes jobs and transitions from one employer plan to another. STLDI is excluded from the Public Health Service Act’s definition of “individual health insurance coverage.” STLDI is an “excepted benefit,” and, as such, is not subject to federal prohibitions on pre-existing condition exclusions, annual and lifetime limits on essential health benefits, and discrimination based on health status found in the Affordable Care Act.

Changing the Definition of STLDI through Rulemaking

The regulatory definition of STLDI has been the subject of repeated rulemaking efforts across multiple presidential administrations. In 2018, the Departments under the Trump Administration amended the definition of STLDI.^[1] From 2019 to March of 2024, STLDI was defined as coverage with an initial contract term of 12 months and a maximum coverage period of no more than 36 months, including renewals or extensions. This move effectively amended the definition of STLDI previously put in place by the Departments under the Obama Administration in 2016.

In March of 2024, the Departments acting under the Biden Administration released final rules (the “2024 Rules”) regarding STLDI.^[2] The 2024 Rules amended the definition of STLDI under federal law to limit the length of a coverage term to three months and the maximum coverage period to no more than four months, including renewals and extensions. The 2024 Rules also provided that new STLDI policies sold to the same policyholder by the same issuer in a 12-month period were considered a renewal or extension subject to the coverage term limits. This amendment was aimed at preventing the practice known as “stacking,” whereby issuers provide multiple STLDI policies to the same policyholder over an extended period of time. The 2024 Rules also required issuers to include a notice that helps consumers distinguish between STLDI and comprehensive coverage offered on the marketplace.

Shortly after the rule was announced in 2024, the American Association of Ancillary Benefits and Premier Health Solutions, LLC sued the Departments challenging the legality of the definition of STLDI under the

2024 Rules.^[3] The case has been stayed since February 2025, in order to give “new agency leadership sufficient time to evaluate the government’s position [and] determine how best to proceed.”^[4] In August of 2025, the government moved to extend the stay and informed the court that it expected to publish a notice of proposed rulemaking no later than the Summer of 2026 and would issue a final rule later that year. Finally, on October 8, 2025, the U.S. District Court for the Eastern District of Texas entered an order staying all proceedings pending the conclusion of the anticipated rulemaking or until further order of the Court.^[5]

The Anticipated Future Rulemaking

On August 7, 2025, the Departments released a statement that they would undertake notice-and-comment rulemaking to consider the 2024 amendments. The Departments stated that “[u]ntil future rulemaking is issued and applicable, the Departments do not intend to prioritize enforcement actions for violations related to failing to meet the definition of STLDI in the 2024 final rules, including the notice provision.” The Departments encouraged states to adopt a similar enforcement approach and stated that they would not consider a state to be failing to substantially enforce the relevant individual market requirements under the Public Health Service Act or the Affordable Care Act, where a State adopts such an approach.

Although the Departments’ statement is generally good news for issuers of STLDI, as it is most likely that the definition of STLDI will resemble the definition put in place under the Trump Administration in 2018, ultimately it is unclear what changes to the 2024 Rules will be made through the rulemaking process. Issuers of STLDI should still tread warily, however, although the Departments have stated that they are not prioritizing enforcement, their statement does not mean they cannot enforce the 2024 Rules, and it certainly does not preclude states from enforcing their own STLDI regulations on the books.^[6]

^[1] The federal rules defined STLDI as “health insurance coverage provided pursuant to a contract with an issuer that has an expiration date specified in the contract that is less than 12 months after the original effective date of the contract and, taking into account renewals or extensions, has a duration of no longer than 36 months in total.” Under the 2018 rules STLDI were required to also include a notice to consumers that the product was not subject to certain provisions of the ACA. *See* Federal Register §54.9801.

^[2] *See* “Short-Term, Limited-Duration Insurance and Independent, Noncoordinated Excepted Benefits Coverage (CMS-9904-F) Fact Sheet” Center for Medicare and Medicaid Services, <https://www.cms.gov/newsroom/fact-sheets/short-term-limited-duration-insurance-and-independent-noncoordinated-excepted-benefits-coverage-cms> (March 28, 2024)

^[3] *See American Assoc. of Ancillary Benefits et al. v. Kennedy et al.*, 4:24-CV-783-SDJ, (E.D. TX)

^[4] *See* Defendant’s Motion to Stay, *American Assoc. of Ancillary Benefits et al. v. Kennedy et al.*, 4:24-CV-783-SDJ, (E.D. TX, Feb. 18, 2025).

^[5] Order on Motion to Extend Stay, *American Assoc. of Ancillary Benefits et al. v. Kennedy et al.*, 4:24-CV-783-SDJ (E.D. TX, Oct. 8, 2025).

^[6] States have taken various approaches to STLDI regulation. For instance, California has banned the sale of STLDI policies. *See Cal. Ins. Code § 10123.61*. On the other hand, Arkansas has taken the position that companies can issue STLDI pursuant to Arkansas law, which defines STLDI as “health benefit plan that has an expiration date specified in the contract that is less than twelve months after the original effective date of the contract and, taking into account

renewals or extensions, has a duration of no longer than thirty-six months.” *A.C.A. § 23-79-2002(5)*; Arkansas Insurance Bulletin No. 14-2025 (Oct. 14, 2025).