

Cheaper, Alternative Health Plans Are Having a Moment, but Critics Urge Caution

Congress' decision not to extend enhanced Affordable Care Act tax credits has boosted the appeal of alternative health coverage with lower monthly premiums.

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When Melanie Miller saw that her health insurance premium payment was set to nearly triple to \$914 a month this year, she stopped shopping on the Affordable Care Act marketplace.

The 59-year-old retired teacher, who recently moved from Ohio to Michigan, now pays \$341 a month for a pair of plans, one that covers routine and urgent care and another that pays fixed amounts for hospital stays. Neither meets federal standards for comprehensive coverage.

Though she practices yoga and is healthy, Miller said she still feels “vulnerable.” If she lands in the hospital, her plan pays a flat \$2,000, a fraction of the [\\$30,000 price tag](#) of an average hospital stay.

“I don’t gamble. But I may as well,” she said. “This is gambling.”

Congress' decision late last year not to extend enhanced marketplace tax credits has boosted the appeal of alternatives to comprehensive insurance — plans like Miller’s, which have lower premiums but don’t meet ACA standards for coverage or consumer protections. Unlike plans sold on the exchanges, these options — some sold by major insurers, others by small companies or nonprofits — can deny claims with few or no legal rights for consumers to appeal. The plans are not required to cover “essential health benefits,” such as preventive care, and can impose annual or lifetime caps on benefits.

There is debate over whether these options help or harm patients. Consumer advocates dismiss them as “junk insurance,” while proponents say restricting alternatives to pricey marketplace plans risks driving up the number of uninsured. Some states, including Kansas and Florida, and the federal government itself have eased regulations on such plans or created incentives to join them, while other states, including California and Massachusetts, have tried to deter enrollment in alternative insurance. Those regulatory guardrails, however, are now being stress-tested as premiums blow out household budgets.

Alternative insurance takes many forms, including short-term policies, which were designed to bridge temporary gaps in coverage and often exclude preexisting conditions, and fixed-indemnity plans, which pay a flat rate per service regardless of how high costs go and are intended for supplemental use. Arrangements in which people pool their money to cover one another's bills, including faith-based "healthcare sharing ministries," also provide a cheaper alternative to the marketplace options. Because they are not considered insurance under federal or state law, they are not legally bound to pay for even [eligible medical bills](#).

Enrollment data for alternative plans is mostly confidential, but several indicators point to shifts in the market. Recent estimates suggest marketplace enrollment [declined about 20%](#) from 2025, and a [KFF survey](#) of people on the exchanges last year found that 5% switched to private, nonmarketplace individual coverage, including plans that don't comply with the ACA. Covered California, the state's marketplace, plans to survey former enrollees to find out where they went.

Insurance industry insiders also report that, amid the expiration of subsidies, alternative plans are making a marketing push. Colorado insurance broker Samantha Albritton said that before ACA open enrollment, she saw more marketing from fixed-indemnity plans than in previous years. One healthcare sharing plan, Zion HealthShare, had more than 75,000 members in February — a 50% increase since last June, it said in a statement.

Critics of these alternative plans say the major issues occur when people use them as primary insurance and don't realize the coverage is inadequate until they need it most. "Humans have bodies that can fail them," said Amy Killelea, an assistant research professor at Georgetown University's Center on Health Insurance Reforms.

Killelea and other health insurance experts say that the fine print on these plans can be difficult to parse and that enrollees don't have the protections of traditional insurance to fall back on. A [2023 peer-reviewed study](#) found that after reading a summary of a sample short-term policy's benefits and a disclosure that the plan was not ACA-compliant, only half of participants understood that prescription drugs were not covered.

When Jade Ramsey was 24, she declined insurance from her employer due to the cost of the premiums. After experiencing fatigue and unexplained bruising, she sought low-cost coverage from Southern Guaranty Insurance Company through a policy similar to a fixed-indemnity plan.

Two weeks after enrolling, Ramsey, who lives in Arizona, was unable to walk. An emergency room visit led to a six-day hospital stay and a \$143,823 bill in 2021. She was diagnosed with acute lymphoblastic leukemia. Her insurer denied coverage for this and other bills, labeling the cancer a preexisting condition and offering no other recourse after rejecting her appeal, she said.

Those bills landed in collections, and her credit score nose-dived. Ramsey said she once visited the ER with chest pain she attributed to the stress of the six-figure debt. She eventually qualified for Medicaid, and her credit score has since recovered even though she never paid off the debt. She said collection agencies still call, but she ignores them.

Southern Guaranty Insurance Company did not respond to requests for comment.

Proponents of alternative insurance argue that stifling these more affordable options will just increase the ranks of those without any coverage.

“People should be able to spend their own money financing healthcare the way that works best for them,” said Brian Blase, president of Paragon Health Institute, an influential conservative think tank. Paragon pushed for ending the enhanced marketplace tax credits, arguing they fueled improper enrollment by heightening incentives for unscrupulous brokers to sign people up without their knowledge.

Robert Godfrey of Clearwater, Florida, appreciates having choices. When Godfrey’s monthly premium payment was slated to jump from \$879 to around \$1,250 this year, the 64-year-old hair salon owner switched to a \$320-a-month membership with Zion HealthShare. Rarely needing medical care, Godfrey viewed the shift to a cheaper plan as a pragmatic choice. “Thank God I’m healthy,” he said.

The Trump administration has relaxed regulations on some alternative plans. Last year, federal agencies [stopped enforcing](#) Biden-era rules on how long short-term plans could last and how they could be marketed, then [offered states](#) a marginal advantage in the competition for a share of \$50 billion in federal rural health funding if they followed suit.

In a statement, CMS spokesperson Christopher Krepich said the administration is focused on ensuring “access to affordable coverage options, strengthening competition, and reducing unnecessary regulatory burdens, while maintaining appropriate consumer protections.”

State oversight of alternative insurance is a patchwork. In much of the nation, these plans face few restrictions. Many states, including [Florida](#), [Arizona](#), and [Indiana](#), have eased limits on short-term plans in the wake of the Trump administration’s moves, allowing them to be renewed for up to three years in total.

In Kansas, lawmakers overrode the governor’s veto to [pass a bill](#) in March providing a tax break for people who enroll in healthcare sharing ministries. In her veto, Democratic Gov. Laura Kelly warned that these ministries are unregulated, “which opens the door to all sorts of fraud and abuse.” Kansas House Speaker Daniel Hawkins countered in a news release that “House Republicans believe families should have more flexibility and more control over their healthcare decisions, not fewer options and higher costs.”

Oklahoma weighed a [similar bill](#) earlier this year, though it did not pass.

Not all states are friendly toward alternative plans. [Over a dozen](#) ban short-term policies or have rules restrictive enough to deter insurers from selling them. California and Massachusetts are among the states with the most stringent rules, banning short-term plans and requiring clear warnings to people considering a healthcare sharing ministry in certain circumstances. Both also

tax adults who forgo comprehensive coverage, while subsidizing marketplace premiums to encourage enrollment.

Still, the higher premiums will test these guardrails, said Héctor Hernández-Delgado, a director at the National Health Law Program, which advocates for quality healthcare for low-income people. He worries that consumers lured by the plans' low prices could "be worse off down the road," saddled with burdensome medical debt.

Now in remission, Ramsey urges those considering cheaper insurance to do careful research. "Make sure it's covering what you need to be covered," she said. "It could be too good to be true."

Are you struggling to afford your health insurance? Have you decided to forgo coverage? [Click here](#) to contact KFF Health News and share your story.

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