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## **How Health Care Reform Really Affects Student Health Plans**

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**The only way to keep your health is to eat what you don't  
want, drink what you don't like, and do what you'd rather not.**

—MARK TWAIN (1835–1910),

AMERICAN AUTHOR

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# How Health Care Reform Really Affects Student Health Plans

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*Abstract: With the proposal of a new rule in 2011 that re-defines student health insurance coverage, many colleges and universities may be wondering what impacts the new rule could have on their student health plans (SHP). This article highlights some of the ways that, if implemented as proposed, the rule could impact SHPs, including possible increased premiums, colleges no longer offering SHPs, and insurers potentially leaving the student health insurance market. The article also provides case studies based on three actual colleges' different SHPs to illustrate how the proposed rule could impact institutions of higher learning differently.*

## Introduction

In early February, the Department of Health and Human Services (HHS) and the Centers for Medicare and Medicaid Services (CMS) proposed a new rule that defines student health insurance coverage<sup>1</sup> as a type of individual coverage and clarifies which rules of the Public Health Services (PHS) Act and Affordable Care Act (ACA) will apply to student health plans (SHP) as such.<sup>2</sup> The goal of this article is to explain how health care reform and the proposed rule, if implemented, will affect SHPs.

Over one million students are currently covered<sup>3</sup> under one of 2,000 college and university SHPs.<sup>4</sup> According to the American Council on Education,

“These SHPs are important as they provide coverage when no parental coverage is available, when student coverage is better than available parental coverage, or when out-of-network coverage makes parental coverage prohibitively expensive. For the most part, the benefits are tailored to meet the unique needs of students...Schools voluntarily provide coverage on a guaranteed issue basis to our students, do not vary premiums based on an individual student's health status, and typically do not impose pre-existing condi-

tion exclusions. SHPs are particularly important for international and graduate students.”<sup>5</sup>

SHPs as a whole are also less expensive than other individual plans offered to the general public. See Figure 1 at the end of this article for a comparison of SHPs and other individual plans.

The authors of this article believe that it is important for colleges and universities to continue offering SHPs, but are concerned that implementation of the new rule will negatively impact SHPs in the following ways:

1. Premiums will rise significantly for many SHPs.
2. Some schools will stop offering SHPs.
3. The combination of the loss ratio requirement and the uncertainty of very large claims with no maximum benefit may cause some insurers to exit the student health market, leading to decreased competition within the market.

This article will question and examine possible issues related to implementation of the proposed rule.

## The Proposed Rule

As mentioned above, the proposed rule clarifies which aspects of health care reform will and will not apply to SHPs as individual plans. Examples of the policies that will not apply to SHPs are the guaranteed availability and renewability requirements. This is because SHPs are, by definition, offered only to students (and their dependents, where applicable) and generally provide limited duration coverage. Under the proposed rule, colleges and universities will have a “transition period” during which they can work to increase SHP coverage and ultimately eliminate annual limits for essential health benefits.<sup>6</sup>

The requirements of the new rule will be effective for policy years beginning on or after January 1, 2012. For

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most SHPs, this means that the proposed changes will not be required until the 2012-2013 policy year. As of the 2012-2013 policy year, SHPs will be required to have no lifetime limits and an annual maximum benefit of no less than \$100,000 for essential health benefits. SHPs will also have to provide preventive care without cost sharing, clearly state in all print materials that the SHP does not meet all ACA requirements,<sup>7</sup> and include prescription coverage as of the 2012-2013 policy year. SHPs may also be required to meet a minimum medical loss ratio requirement (MLR) of 80 percent at that time. By the 2013-2014 policy year, SHPs will need to have a maximum benefit of at least \$2,000,000 for essential health benefits. As of the 2014-2015 policy year, SHPs will be required to eliminate any pre-existing condition exclusions and provide unlimited coverage with a \$5,950 out-of-pocket maximum<sup>8</sup> for essential health benefits.<sup>9</sup>

The aforementioned requirements will result in major plan changes for many SHPs in the coming policy years. An independent research group, the Lookout Mountain Group, estimated that “only 15 percent of college-sponsored health plans comply with the American College Health Association’s (ACHA) standards for quality coverage.”<sup>10</sup> The ACHA guidelines for SHPs are very similar to the requirements that SHPs will need to meet under the proposed rule. The ACHA guidelines include preventive care coverage, prescription benefits, elimination of pre-existing condition exclusions, and the maintenance of reasonably high MLRs.<sup>11</sup> In a 2008 study of SHPs, the US Government Accountability Office (GAO) found “nearly all (96 percent) of the 194 student insurance plans we reviewed established a maximum benefit amount.”<sup>12</sup> Based on these findings, the vast majority of SHPs will need to make significant changes in the coming years to meet the requirements set forth in the proposed rule.

### **Comment Period**

The 60-day comment period for the proposed rule on Student Health Insurance Coverage ended on Tuesday, April 12, with over 100 public comments.<sup>13</sup> The comments are available to view online at [www.regulations.gov](http://www.regulations.gov) (Docket ID: CMS-2011-0016). CMS and HHS do not respond to each comment individually. They do, however, respond to the comments as a whole shortly after the end of the comment period.<sup>14</sup> At the time this article was

printed, CMS/HHS had not yet responded to the comments.

Although several people posted comments arguing that the proposed rule should be void because the Patient Protection and Affordable Care Act (PPACA) has been deemed “unconstitutional,” the majority of those who commented discussed the potential effects of the proposed rule itself. Most concerns were either financially motivated or questioned the impact of the proposed rule on students. Several posts explained that SHPs fill a market need and expressed concerns that did not fall neatly into either of the previous categories, such as the coordination of SHPs with student health centers. Not surprisingly, the majority of comments included financial concerns. Among the most popular financial concerns were premium increases, implementation costs, the MLR requirement, administrative costs, the impact on financial aid distribution, and the use of tax credits for SHPs.

A number of posts also noted the importance of quality, affordable health insurance coverage for students and questioned how the proposed rule would affect students. In particular, commentators expressed concerns about the continued affordability of SHPs, how the rule will impact international students, and the potential discontinuation of some SHPs. This article will focus on premium increases and SHP affordability, the coordination of SHPs with student health centers, the MLR requirement, and how the proposed rule might impact international students.

### **Premium Increases**

Currently, schools can customize the benefits of SHPs to meet the needs of their unique student populations; therefore, SHPs vary significantly.<sup>15</sup> If the new regulations take effect, it is likely that they will “drastically alter a large market whose policies vary widely in their benefits.”<sup>16</sup> The requirements of the proposed rule will transform current student accident and sickness plans into comprehensive student health insurance plans, and many students will face a large increase in their SHP premiums as a result of the increased coverage.

## Differences in Current Student Health Plans

The GAO study of SHPs in the 2007-2008 academic year found that considerable differences existed among the plans:

“The plans GAO reviewed varied in the services they covered and how they paid for covered services. Specifically, some plans excluded preventive services from coverage, and some plans limited payment for benefits such as prescription drugs. In addition, plans also varied in terms of premiums and maximum benefits, with annual premiums ranging from \$30 to \$2,400 and maximum benefits ranging from \$2,500 for each illness or injury to unlimited lifetime coverage.”<sup>17</sup>

A comparison of three actual plans for the 2010-2011 policy year illustrates that these differences still exist among SHPs. For the purposes of this article, the schools that offer these plans will be referred to as “College X,” “College Y,” and “College Z.” Refer to Figure 1 at the end of the article for a tabular comparison of these plans.

College X offers a basic Student Accident and Sickness Insurance Plan with an annual student premium of about \$400. There is a \$50 deductible per accident and a \$5,000 maximum benefit per condition. Covered services are paid at 100 percent for the first \$1,000 per condition, then at 80 percent up to the \$5,000 maximum per condition. Prescriptions are covered with no co-pay, but there is a \$150 policy year maximum. Routine physical exams are not covered, and there is a \$250 maximum per condition for outpatient lab work and x-rays. Intentionally self-inflicted injuries are also excluded. While this plan is very affordable and provides coverage for minor accident or sickness, it is clearly not sufficient for individuals with chronic health conditions. This type of plan would also put a student at financial risk if he or she experienced a catastrophic accident or sickness.

College Y offers a comprehensive Student Health Insurance Plan with no maximum benefit. The annual premium is just over \$1,200 and dependents are not eligible for coverage. In-network services are covered at 100 percent after co-pay, and out-of-network services are covered at 80 percent. Mental health, allergy injections, and routine physical, gynecological, hearing, and vision exams are covered with a \$20 co-pay for each visit. Prescriptions are also covered with \$10, \$25, or \$45 co-pays depending on the drug’s tier. With no policy year maximum, students covered under this type of plan are less likely to experience very large out-of-pocket costs as a result of obtaining treatment for chronic conditions or catastrophic events.

As you can see, the differences between these two plans are significant. The coverage under College Y’s plan is clearly much more comprehensive than that under College X’s plan, but College Y’s premium is also roughly three times College X’s premium. The differences in these two plans reflect the trade-offs that schools make when designing a plan that best meets both the medical and financial needs of their students.

Many schools that switch from a basic accident and sickness policy to a comprehensive student health insurance plan experience an increase in their SHP enrollments. This confirms that there is

a demand for comprehensive coverage at some schools. The additional premiums collected, however, do not always offset the additional claims, leading to high MLRs. College Z is a great example of this.

College Z’s Student Health Insurance Plan has very similar benefits to those of College Y’s plan. Aside from College Z offering dependent coverage and having slightly higher office visit (\$25) and prescription co-pays (\$15/\$30/\$50), the plans are essentially identical. The premium for College Z’s SHP, however, is nearly \$2,000. That is five times College X’s premium and significantly higher than College Y’s premium. The vast difference in premium between the plans at Colleges Y and Z is largely due to the fact that College Z has experienced much

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higher loss ratios (over 100 percent). The administration at College Z realizes that students cannot afford for the premium to be any higher and are now considering reducing benefits to prevent further premium increases.

An independent actuarial and consulting firm, Milliman, Inc., recently published a report examining the financial implications of implementing the proposed rule for SHPs. For the analysis, Milliman used prototypes of current low, medium, and high benefit SHPs to illustrate the expected premium increases necessary to meet the requirements set forth in the proposed rule. According to the report, SHP premiums will need to increase by between 6.9 percent and 97.0 percent to meet the 2014 standards described in the NPRM. In 2010-2011 dollars, the estimated premium increases range from \$134 to \$642, resulting in estimated premiums for the 2014-2015 policy year ranging from \$1,304 to \$2,087. The report also included highlighted benefit summaries to illustrate the annual benefit changes that will be necessary for current low-, medium-, and high-benefit SHPs to meet the proposed requirements for each of the 2012-2013, 2013-2014, and 2014-2015 academic years. UnitedHealth Group posted a copy of this report with its comment (CMS-2011-0016-0070.1) on the proposed rule.<sup>18</sup>

### **Possible Results of Increased Premiums**

Many schools view the offering of SHPs as a service provided to their students and do not want to offer a plan that many of their students may not be able to afford. The 2008 GAO study reported that most of the college administrators they interviewed “explained that maintaining premium affordability for their students is a priority.”<sup>19</sup> Comments submitted by the Association of Independent Colleges and Universities in New Jersey, Smith College, Hamilton College, Fulton-Montgomery Community College, and the University of Texas System in response to the proposed rule supported this finding. Although HHS/CMS stated that they “believe that this proposed

rule will have a minimal effect on premiums,”<sup>20</sup> Lookout Mountain Group representative Jim Mitchell said, “Campus health officials were dubious, estimating [premium] increases of up to 400 percent.”<sup>21</sup> This estimate may sound high, but the percentage falls within the premium differences between the SHPs offered by College X and the other Colleges in Figure 1.

With little choice in coverage limits, deductibles and coinsurance options will become the main cost control option for SHPs. However, most schools do not want to offer a high-deductible plan. They want students to have easy access to care without having to worry about paying a large amount out of pocket before receiving benefits. As a result, “Some colleges may decide that they can’t offer cost-effective plans with adequate benefits, and they will help direct students to good options on the individual insurance market... Others will try to develop more comprehensive plans.”<sup>22</sup>

Another option, particularly for small schools, will be to join or develop a consortium. This can both increase the number of people to whom SHPs are available and decrease premium for the group as a whole.<sup>23</sup> By creating a larger group, schools that participate in a consortium are able to decrease the risk and overhead charges from the insurer, potentially making the premium more affordable for their students. At the same time, however, this arrangement can result in schools having to cede individual control over benefits and premium to the consortium.

Many schools will want to continue to offer SHPs instead of directing students to individual health insurance exchanges. This is partly because they realize that “students face unique obstacles to obtaining health insurance because they often do not have access to common sources of insurance such as employer-sponsored coverage, dependent coverage from a parent’s plan, government programs, or affordable individual coverage.”<sup>24</sup> States are expected to develop insurance exchanges that will help individuals find appropriate coverage. As these exchanges are devel-

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oped, more individual options may become available for young adults, but there is still a question as to whether individual options will be subsidized for students. In Massachusetts, full-time college students are not eligible for state subsidies on individual plans marketed on the state exchange. There is also a question as to whether students will be able to opt out of a student health insurance program by purchasing catastrophic coverage only. Harvard University Health Services (HUHS) stated in their comment that this situation would “constitute a step back from effective campus public health measures.”<sup>25</sup>

Young adults (ages 19-26) in Massachusetts can purchase Young Adult Plans (YAP) that are less expensive than the individual plans offered to other adults and students who are not eligible for low income subsidies. As illustrated in Figure 1, however, the YAP premiums are as high as some of the more expensive SHPs, but often have much lower benefit maximums. In addition, plans like YAP A require large deductibles and high emergency room co-pays before receiving benefits. The initial out-of-pocket costs associated with a high-deductible plan like YAP A may cause cash strapped students to put off expensive, but necessary, medical care.

This could become a problem for SHPs as well if high deductibles are one of the only options to keep premiums down. The option to seek treatment under a high-deductible plan, though, would not be affordable for many students. By putting off medical care, students would be putting themselves at risk to develop more serious (and more costly) health problems. For example, a student may be hesitant to go to the doctor because he assumes that he has a common cold and does not want to pay for the office visit. Without treatment, however, what he assumes is a cold could develop into a more serious condition, such as pneumonia or bronchitis. This more advanced condition will now cost more to treat than if the student had sought basic treatment earlier.

The potential increase in SHP premiums is also problematic because it defies the purpose of SHPs: to provide affordable health coverage and access to local providers for students who may not be able to obtain it elsewhere. Higher premiums and the development of high-deductible SHPs could each negatively impact students in a number of ways, including forcing students to drop classes in order to afford mandated health insurance

coverage. According to Perry & Carroll’s comment, “For many students at the community college level, the cost of insurance coverage may rival tuition costs, forcing students to choose between insurance coverage and college attendance.”<sup>26</sup>

### **Financial Aid and Insurance Requirements**

Although SHPs will likely remain less expensive than other individual plans, students will no longer have a low-cost option for more limited basic accident and sickness coverage. Undergraduate students more commonly enroll in their college or university’s health plan not because they have aged out of their parents’ plans, but because of the lower premium.<sup>27</sup> The potential increase in premium for many SHPs may be particularly detrimental to students who are already struggling to pay for their education.

For this reason, some schools that already offer optional SHPs may decide to make insurance coverage mandatory for certain groups of students (i.e., requiring all full-time students to have insurance). By mandating insurance coverage, the school “can include the cost of the health insurance premiums in the college’s overall cost of attendance, which establishes students’ financial need and may enable students to receive financial aid to pay for their health insurance premiums.”<sup>28</sup> Administrators, though, are hesitant to add any additional tuition fees “at a time when many are concerned with the rising cost of attending college.”<sup>29</sup> Administrators may also need to consider how the combination of an insurance requirement and increased premium rates would affect the distribution of financial aid for the student population as a whole. This issue came up in several of the public comments regarding the proposed rule.

In addition to students being able to include their health insurance premiums in their financial aid packages, another potential benefit of imposing an insurance requirement is that:

“Students who enroll in plans offered by colleges with health insurance requirements generally are healthier than those who voluntarily enroll in plans offered by colleges without a requirement. Because larger and healthier populations typically enroll in student insurance plans offered by colleges with an insurance requirement, these colleges are generally able to offer plans with more com-

prehensive benefits or more affordable premiums than they would otherwise have been able to offer if they did not have such a requirement.”<sup>30</sup>

Imposing an insurance requirement could be one way that schools can try to keep premiums low while increasing benefits to meet the proposed requirements.

### **Student Health Centers**

One way that schools currently try to keep premiums low is through the coordination of their SHP with their on-campus student health center to eliminate duplication of benefits:

“Student health insurance coverage is generally designed to complement the university health services and academic medical centers. Leveraging these state-of-the-art centers is one of the ways that colleges and universities are able to keep the costs of student health insurance coverage low... If the Department does not recognize student health centers’ preventive services as satisfying the requirements of section 2713, issuers will be forced to duplicate this coverage, and the cost of student health insurance coverage will rise unnecessarily.”<sup>31</sup>

In many cases, the student health center is a more efficient and cost-effective option for students. Currently, if a service is available at the student health center, the SHP may not include the service in its outside benefits. Whether this coordination of benefits will be allowed in meeting the requirements of the proposed rule is not yet clear. In Massachusetts, however, “A school may elect to provide some or all of its student health benefits through an on-campus student health service.”<sup>32</sup>

Alternately, the insurance company may require a higher co-pay for the same service provided at an outside provider rather than at the student health center. The coordination of student health center services with the insurance company benefits the students by helping to keep their insurance premiums low. For example, some student health centers provide vaccinations at no cost to students, whereas students who obtain the same vaccinations from an outside provider may be responsible for a co-payment while the insurer pays the remainder of the charge. When

a service does require an additional fee, student health centers typically charge much lower fees than do outside providers, reducing the claim pool and saving premium dollars when students utilize the student health center. The claim transfer to the student health center eliminates the need for payment through the insurance plan.

Another way that schools encourage students to seek care from the student health center is by setting up a student health center referral requirement. This again lowers outside claims by having students receive treatment at the student health center before seeing an outside provider. This arrangement enables the insurance company to provide a premium discount to the students. If benefit shifting to the student health center is discouraged under the new requirements, students will have less of an incentive to receive care from the student health center rather than from outside providers. The insurance company would no longer be able to offer the discount if students stop seeking services from the student health center before accessing outside providers.

HUHS’ comment reinforced the important role student health centers play in public health and requests clarification regarding the choice of primary care provider for SHPs. HUHS described their recent work addressing the potential spread of a pandemic flu to illustrate how “a campus health service that is the primary care provider for students is an essential ingredient for successfully managing these situations.”<sup>33</sup> In recognition of the unique nature of student health care, special effort should be made to allow for schools to continue requiring students to choose a primary care provider on campus. The American Council on Education similarly commented, “With clinicians, mental health professionals, health educators, and others using principles of the patient-centered medical home and keenly focused on both adolescent health and academic success in higher education, primary care providers within the network of the institution’s student health center are best suited to provide the continuum and continuity of case so important to students’ success.”<sup>34</sup>

### **Medical Loss Ratio**

Individual insurance plans are currently required to have a minimum medical loss ratio (MLR) of 80 percent. Insurance companies in the student market believe that SHPs should have a lower MLR requirement than other



individual plans because of the extra administrative work associated with student plans. For example, many SHPs have several enrollment/waiver periods each academic year to accommodate significant enrollment turnover and students who do not begin classes in the fall term. Many schools also allow enrollment due to qualifying events, such as loss of other coverage, throughout the year. For schools that require students to have insurance, a waiver and waiver appeal process must be set up and managed each academic term. Waivers and appeals are an integral part of SHPs, but they add to the administrative burden because they require manual enrollment adjustments beyond the regular open enrollment periods.

Each year, most SHPs issue new identification cards in addition to creating and distributing updated communication materials that reflect new premiums and any benefit changes. Under the proposed rule, insurance companies will also be required “to provide notice to enrollees that the policy does not meet all the requirements of the Affordable Care Act.”<sup>35</sup> This notice must be in any policy documents sent to students, further adding to the administrative costs for SHPs.

Another reason that SHP insurers believe that their MLR requirement should be less than 80 percent is because the average premiums of SHPs are lower than the average premiums of comparable individual plans. This means that the dollar amount retained by SHP insurers is less than the dollar amount retained by insurers of other individual plans. For example, Student Plan Y and Individual Plan D in Figure 1 have very similar benefits, but Plan D has a much higher premium. Assuming that both plans meet the 80 percent MLR requirement, the insurer of Student Plan Y would retain \$240 per enrollee to use toward administrative and other costs while the insurer of Individual Plan D would retain \$986 per enrollee.<sup>36</sup>

Although HHS/CMS recognize that “the administrative cost structure of student health insurance plans is higher than the more typical individual policies, in part

due to the customized nature of each college or university’s plan, making compliance with the 80 percent MLR standard potentially prohibitive,”<sup>37</sup> there is not enough data currently available for them to make an informed decision on this matter for SHPs.<sup>38</sup> If SHPs are required to meet a high MLR ratio, some customer services currently provided by insurance companies and brokers may be reduced or eliminated. This could potentially shift more administrative work to the schools, which would increase the cost of sponsoring an SHP for the school.

It may be important to note here that the state of Maine recently received a three-year waiver from the MLR requirement for individual plans and will have an MLR requirement of 65 percent for that period. After analyzing a large amount of data collected from the state, the administration determined that the requirements set for individual plans nationwide could potentially destabilize Maine’s insurance market. One factor considered in this decision was “the number of issuers reasonably likely to exit the state or to cease offering coverage in the state absent an adjustment in the 80 percent MLR and the resulting impact in competition in the state.”<sup>39</sup> Again, SHPs may be at risk of losing issuers if an 80 percent MLR requirement is applied to the student market, which this article discusses further below. It will be interesting to see whether SHPs

will be able to apply for a similar exception to the MLR requirement.

### **Rebates**

Another potential requirement that is concerning to SHP insurers is the need to issue rebates to students if the final MLR is less than the minimum MLR requirement. Rebates are a complex process, especially for SHPs. Colleges and universities that currently have rebate programs have experienced significant administrative issues. Given the transient nature of student populations, the address that the insurance company has on file is often outdated and

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insurers may send refund checks to old addresses. Locating international students and students who have already graduated has proven to be particularly challenging. “Given the transient nature of the student population and the common practice of billing premium charges through institutional student accounts, the administrative burden and cost of refunding directly to the individual, in many instances, would exceed the value of the rebate.”<sup>40</sup>

A more viable alternative to the rebate requirement is for SHPs to be required to arrange for a reserve account where excess earned premiums are held and then applied to offset the costs of future student premiums. Aetna proposed another alternative in its comment: “Student health insurance coverage should not be required to pay rebates to individual students, but rather, any rebates owed should be paid to the colleges, because they are the contract holder and because they are in the best position to be able to locate current and former students.”<sup>41</sup>

### Competition

The total paid claim amount for a limited benefit program has the potential to increase significantly with an unlimited benefit plan. One large loss can greatly impact a group’s claims experience. Insurance companies in the student market are particularly concerned about the uncertainty of large claims because of their limited enrollment numbers. This puts the insurers at risk and can potentially have a negative effect on MLRs, which will in turn affect future premium rates. Depending on the school’s claims experience, it may get to the point where underwriters are no longer comfortable offering SHPs to certain student populations.

Insurers in the student market are also concerned about whether MLR requirements will be enforced on a national or state by state basis. If the MLR requirement applies per state, the low concentration of colleges and universities in certain states may cause issues for some insurance companies. Furthermore, if SHP insurers are

required to issue rebates when they do not meet the minimum MLR requirement, the insurance companies will not have adequate reserves when the MLRs of their SHPs are far greater than 80 percent, or even over 100 percent. For these reasons, smaller insurance companies in particular may decide to exit the student health insurance market. Less competition in the market will minimize plan options for schools and affect the level of service that schools and students have come to expect from their insurers and brokers.

In response to the changing market place, student health insurers may develop products that assume the vast majority of the risk while allowing schools the flexibility to develop customized benefits. For example, minimum premium financial arrangements similar to those offered in the employee market may become a viable option in the student market.

Another possible result of the proposed rule is an increase in self-insured SHPs. In addition to their already appealing “low overhead costs and high flexibility,” self-insured plans will not be subject to the regulations of the new rule.<sup>42</sup> Schools may find this appealing because it would allow them to remain in control of the SHP offered to their students.

Several schools that currently offer self-insured plans, however, have expressed concern that self-insured plans will not meet the rule’s definition of “student health insurance coverage” and

therefore not qualify as “minimum essential coverage” for the students. HUHS, in particular, requested clarification on the status of self-insured SHPs in the final rule.<sup>43</sup>

### International Students

International students do not currently need to comply with the mandates of the proposed rule. The unclear status of international students in relation to this rule raises a number of questions.

For example, will international students be expected to have insurance that meets the same requirements expect-

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ed of domestic students? Currently, each school decides whether international students are required to enroll in the SHP and, if not, sets waiver requirements. Some schools use the same waiver process and requirements for both international and domestic students. Other schools have a separate waiver process and/or additional waiver requirements for international students. At some schools, for example, international students are required to submit paper forms and/or provide their policy information for review while domestic students can submit waivers online. A number of schools further require that international students have plans that are based in or have a claims address in the United States. In Massachusetts, for example, international and domestic students alike can only waive their school's SHP with comparable health insurance that is based in the United States.<sup>44</sup> The main purpose of these requirements is to ensure that international students have adequate coverage while studying in the United States.<sup>45</sup>

Another question is whether schools will begin requiring international students to enroll in the SHP to ensure that their coverage meets the same standards that domestic students' coverage has to meet. If schools begin to require international students to enroll in the school-sponsored SHP, but domestic students have the option of waiving with comparable coverage, it could be seen as discriminatory. Stanford University has already addressed this issue.<sup>46</sup> In the spring of 2010, Stanford announced plans to make enrollment in the SHP mandatory for international students. International students at the school were outraged that they were being "singled out" and started a petition. Two months later, over 550 people had signed the petition, and Stanford agreed to set clear waiver requirements and review each international student's policy individually.<sup>47</sup> This new policy allows the school to ensure that international students are adequately covered in the United States without forcing them to enroll in the school's SHP, but also requires a considerable amount of additional administrative work on the school's part.<sup>48</sup>

One point made in the Stanford petition is that many international students have access to fairly inexpensive yet comprehensive coverage from their native countries. This also came up in one student's comment on the proposed rule:

"It is unclear whether those proposed rule[s] will be applicable to international students as to

domestic students. If the answer is no, then an issue of discrimination might arise. If the answer is yes, those inexpensive plans that international students normally chose [*sic*] may no longer meet the new standard... Due to their unfamiliar [*sic*] with the US medical system, except for emergencies, most students would choose to take medical care at their own country if they can, where they can also get much cheaper medical cares. Thus this high standard insurance coverage requirement seems coercive to most international students in a sense."<sup>49</sup>

Some of these "inexpensive" international plans, however, have limitations that may not meet a school's insurance requirements, and students may still be required to purchase secondary coverage. The Alliance for International Education and Cultural Exchange explained in its comment, "Imposing higher coverage requirements for these participants will significantly raise the cost of exchange programs, excluding many whose participation serves long-term US national interests."<sup>50</sup> Hence, a mandate for international students to purchase an expensive SHP, or the imposition of waiver requirements that international plans may not be able to meet, could be a financial disincentive for some international students to study at American colleges and universities.

## Conclusion

Considering past experience and using Massachusetts as an example, SHPs can succeed under more stringent requirements such as those of the proposed rule. This success, however, depends on the administration's understanding and consideration of the unique nature of SHPs. CMS/HHS have already taken the unique nature of SHPs into consideration when writing the proposed rule. We hope that they continue to do so when proposing solutions to the requirements that have not yet been clearly addressed.

Based on the information available at this point in time, it is expected that health care reform and the proposed rule will affect SHPs in the following ways: premiums will increase for many SHPs, some schools will stop offering SHPs, more self-insured SHPs will be developed, and competition within the student market may

decrease due to the combination of the MLR requirement and the uncertainty of very large claims in an unlimited benefits plan. It is not yet clear how these requirements will impact international students.

If schools do not provide health insurance coverage to their students, those students who are not covered under a parent's, spouse's, or employer's plan will have to purchase an individual policy or risk going without insurance coverage. As illustrated by the plans in Figure 1, SHPs are typically much less expensive than other individual insurance plans that are marketed to the general public. Many students would thus be put at financial risk if their schools stopped offering SHPs.

Referring again to the comparison in Figure 1, the SHPs of Colleges Y and Z both saw significant increases in enrollment after upgrading their school-sponsored plans to a more comprehensive health insurance option for students. College Y is a great example of an SHP that has successfully increased benefits while keeping the plan affordable for its students. College Z, on the other hand, saw a significant premium increase after offering a more comprehensive plan to its students.

There are a number of viable options for schools to try to keep their SHP premiums low while increasing benefits to meet the requirements of the proposed rule. Student health centers can coordinate with brokers and insurance companies to establish appropriate programs for their specific student populations. Schools may also choose to build or join consortiums if needed to offer competitively priced comprehensive insurance plans. Self-insured plans and other alternative insurance products may also become popular options for SHPs. These options, however, have not yet been deemed acceptable ways of meeting the proposed requirements.

By the time this article is published, SHP guidelines should be better defined, and colleges and universities will hopefully have a better grasp of available options. In addition, HHS/CMS will likely have responded to the public comments. The proposed rule and related comments are available to view on-line under Docket ID CMS-2011-0016 at [www.regulations.gov](http://www.regulations.gov).

**FIGURE 1: COMPARISON OF SHPs AND INDIVIDUAL PLANS**

STUDENT PLANS				INDIVIDUAL PLANS offered on MA State Exchange			
	STUDENT PLAN X*	STUDENT PLAN Y	STUDENT PLAN Z	YOUNG ADULT PLAN A	YOUNG ADULT PLAN B	INDIVIDUAL PLAN C	INDIVIDUAL PLAN D
Plan Type	PPO	PPO	PPO	HMO	HMO	HMO	HMO
Annual Premium <sup>+</sup>	\$400	\$1,200	\$2,000	\$1,990	\$2,475	\$2,800	\$4,930
Annual Benefit Max	\$5,000 per condition	Unlimited	Unlimited	\$50,000	Unlimited	Unlimited	Unlimited
Annual Deductible	\$50 per accident	None	None	\$2,000	\$250	\$2,000	None
Out-of-Pocket Max	None	None	None	\$5,000	\$5,000	\$5,000	None
Office Visit	\$10	\$20	\$25	\$25	\$25	\$25	\$20
Prescription	100% up to \$150	\$10 / \$25 / \$45 Co-pays	\$15 / \$30 / \$50 Co-pays	\$30 Co-pay / 50% Co-ins	\$15 Co-pay / 50% Co-ins	\$15 Co-pay / 50% Co-ins	\$15 / \$30 / \$50 Co-pays
ER Co-Pay	\$50	\$100	\$100	\$250	\$250	\$100	\$75
Coverage Level	80%	100%	100%	80%	70%	80%	100%

\*This plan is not offered in Massachusetts

<sup>+</sup>The Student Plan premiums are from the 2010-2011 policy year. The Individual Plan premiums were valid as of March 2011.

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## Endnotes

<sup>1</sup> As defined in the proposed rule, “Student Health Insurance Coverage is a type of individual health insurance coverage (as defined in Sec. 144.103) that is provided pursuant to a written agreement between an institution of higher education (as defined in the Higher Education Act of 1965) and a health insurance issuer, and provided to students enrolled in that institution of higher education and their dependents, that meets the following conditions:

- (1) Does not make health insurance coverage available other than in connection with enrollment as a student (or as a dependent of a student) in the institution of higher education.
- (2) Does not condition eligibility for the health insurance coverage on any health status-related factor (as defined in Sec. 146.121(a)) relating to a student (or a dependent of a student).
- (3) Meets any additional requirement that may be imposed under State law.”

Centers for Medicare & Medicaid Services (CMS), US Department of Health and Human Services (HHS), “Student Health Insurance Coverage,” *Federal Register* 76, no. 29 (February 11, 2011): 7781.

<sup>2</sup> *Ibid.*, 7777-7778.

<sup>3</sup> *Ibid.*, 7769.

<sup>4</sup> US Government Accountability Office (GAO), *Most College Students Are Covered through Employer-Sponsored Plans, and Some Colleges and States Are Taking Steps to Increase Coverage*, Report 08-389, March 28, 2008.

<sup>5</sup> American Council on Education, *Letter to the Department of Health & Human Services and the White House Office of Health Reform on the Patient Protection and Affordable Care Act*, August 12, 2010, <http://www.acenet.edu/AM/Template.cfm?Section=Search&CONTENTID=37793&TEMPLATE=/CM/ContentDisplay.cfm>.

<sup>6</sup> Essential health benefits are defined in section 1302(b) of the Affordable Care Act as including “at least the following general categories and the items and services covered within the categories:

- (A) Ambulatory patient services.
- (B) Emergency services.
- (C) Hospitalization.
- (D) Maternity and newborn care.
- (E) Mental health and substance use disorder services, including behavioral health treatment.
- (F) Prescription drugs.
- (G) Rehabilitative and habilitative services and devices.
- (H) Laboratory services.
- (I) Preventive and wellness services and chronic disease management.
- (J) Pediatric services, including oral and vision care.”

*Patient Protection and Affordable Care Act*, HR 3590, 111th Congress, 2nd sess. (2010), <http://democrats.senate.gov/reform/patient-protection-affordable-care-act-as-passed.pdf>.

<sup>7</sup> Per the proposed rule, student health plans will be exempt from certain individual plan requirements from the Public Health Services Act:

- (1) Guaranteed Availability and Guaranteed Renewability. For purposes of section 2741(e)(1) and 2742(b)(5) of the Public Health Service Act, Student Health Insurance Coverage as defined in paragraph (a) of this section is construed to be available only through a bona fide association.
- (2) Annual Limits.
  - (i) Notwithstanding the annual dollar limits requirements of Sec. 147.126, for policy years beginning before September 23, 2012, a health insurance issuer offering student health insurance coverage as defined in paragraph (a) of this section may not establish an annual dollar limit on essential health benefits that is lower than \$100,000.
  - (ii) For policy years beginning on or after September 23, 2012, a health insurance issuer offering student health insurance coverage must comply with the annual dollar limits requirements in Sec. 147.126.”

CMS, 7781.

<sup>8</sup> According to the Democratic Policy Committee’s analysis of the Patient Protection and Affordable Care Act (PPACA), “For all plans in all markets, prohibits out-of-pocket limits that are greater than the limits for Health Savings Accounts.” The current health savings account (HSA) out-of-pocket maximum is \$5,950 for an individual.

Democratic Policy Committee, “The Patient Protection and Affordable Care Act as Passed Section-by-Section Analysis,” <http://dpc.senate.gov/healthreformbill/healthbill49.pdf>.

<sup>9</sup> CMS, 7778.

<sup>10</sup> Sara Lipka, “Colleges’ Student Health Plans Would Offer More Protections Under Proposed Rules,” *The Chronicle of Higher Education*, February 10, 2011, <http://chronicle.com/article/Federal-Health-Care-Law-Will/65072/>.

- <sup>11</sup> American College Health Association, "Standards for Student Health Insurance/Benefit Programs," *ACHA Guidelines, Recommendations, and White Papers*, March 2008, [http://www.acha.org/Publications/Guidelines\\_WhitePapers.cfm](http://www.acha.org/Publications/Guidelines_WhitePapers.cfm).
- <sup>12</sup> GAO, 24.
- <sup>13</sup> Regulations.gov, "Docket Folder Summary – Student Health Insurance Coverage," <http://www.regulations.gov/#!docketDetail;dt=FR+PR+N+O+SR+PS;rpp=10;po=0;D=CMS-2011-0016>.
- <sup>14</sup> CMS, 7775.
- <sup>15</sup> GAO, 16.
- <sup>16</sup> Lipka, "Colleges' Student Health Plans."
- <sup>17</sup> GAO, 6.
- <sup>18</sup> Regulations.gov, Public Submission CMS-2011-0016-0070.1, "Comment on Proposed Rule: Student Health Insurance Coverage," <http://www.regulations.gov/contentStreamer?objectId=0900006480c23938&disposition=attachment&contentType=xml>.
- <sup>19</sup> GAO, 20.
- <sup>20</sup> CMS, 7775.
- <sup>21</sup> Lipka, "Colleges' Student Health Plans."
- <sup>22</sup> Sara Lipka, "Federal Health-Care Law Will Ban Limited Student Insurance Plans but Threaten Comprehensive Ones," *The Chronicle of Higher Education*, April 14, 2010, <http://chronicle.com/article/Federal-Health-Care-Law-Will/65072/>.
- <sup>23</sup> GAO, 32.
- <sup>24</sup> Aetna Student Health, "Student Coverage," *Aetna on the Issues*, June 2009, [www.aetna.com/about/aoti/data/Student\\_Coverage.pdf](http://www.aetna.com/about/aoti/data/Student_Coverage.pdf).
- <sup>25</sup> Regulations.gov, Public Submission CMS-2011-0016-0087.1, "Comment on Proposed Rule: Student Health Insurance Coverage," <http://www.regulations.gov/contentStreamer?objectId=0900006480c24bc2&disposition=attachment&contentType=xml>.
- <sup>26</sup> Regulations.gov, Public Submission CMS-2011-0016-0026.1, "Comment on Proposed Rule: Student Health Insurance Coverage," <http://www.regulations.gov/contentStreamer?objectId=0900006480c0b932&disposition=attachment&contentType=xml>.
- <sup>27</sup> Lipka, "Colleges' Student Health Plans."
- <sup>28</sup> GAO, 31.
- <sup>29</sup> *Ibid.*, 31.
- <sup>30</sup> *Ibid.*, 30.
- <sup>31</sup> Regulations.gov, Public Submission CMS-2011-0016-0076.1, "Comment on Proposed Rule: Student Health Insurance Coverage," <http://www.regulations.gov/contentStreamer?objectId=0900006480c243e8&disposition=attachment&contentType=xml>.
- <sup>32</sup> Massachusetts Division of Health Care Finance and Policy (DHCFP), "114.6 CMR 3:00: Student Health Insurance Program," June 2009, [http://www.mass.gov/Eeohhs2/docs/dhcfp/g/regs/114\\_6\\_3.pdf](http://www.mass.gov/Eeohhs2/docs/dhcfp/g/regs/114_6_3.pdf), 4.
- <sup>33</sup> Regulations.gov, Public Submission CMS-2011-0016-0087.1, "Comment on Proposed Rule: Student Health Insurance Coverage," <http://www.regulations.gov/contentStreamer?objectId=0900006480c24bc2&disposition=attachment&contentType=xml>.
- <sup>34</sup> Regulations.gov, Public Submission CMS-2011-0016-0068.1, "Comment on Proposed Rule: Student Health Insurance Coverage," <http://www.regulations.gov/contentStreamer?objectId=0900006480c231f6&disposition=attachment&contentType=xml>.
- <sup>35</sup> CMS, 7774.
- <sup>36</sup> The retention for each plan was calculated as follows:  
Premium x (100% - MLR) = Retention.
- <sup>37</sup> CMS, 7773.
- <sup>38</sup> *Ibid.*, 7773.
- <sup>39</sup> Steven B. Larsen, "Re: State of Maine's Request for Adjustment to Medical Loss Ratio Standard," Center for Consumer Information and Insurance Oversight, March 8, 2011, [http://cciio.cms.gov/programs/marketreforms/mlr/states/maine/maine\\_decision\\_letter\\_3\\_8\\_11.pdf](http://cciio.cms.gov/programs/marketreforms/mlr/states/maine/maine_decision_letter_3_8_11.pdf), 5.
- <sup>40</sup> Regulations.gov, Public Submission CMS-2011-0016-0099.1, "Comment on Proposed Rule: Student Health Insurance Coverage," <http://www.regulations.gov/contentStreamer?objectId=0900006480c26eb2&disposition=attachment&contentType=xml>.
- <sup>41</sup> Regulations.gov, Public Submission CMS-2011-0016-0026.1, "Comment on Proposed Rule: Student Health Insurance Coverage," <http://www.regulations.gov/contentStreamer?objectId=0900006480c0b932&disposition=attachment&contentType=xml>.
- <sup>42</sup> Lipka, "Colleges' Student Health Plans."
- <sup>43</sup> Regulations.gov, Public Submission CMS-2011-0016-0087.1, "Comment on Proposed Rule: Student Health Insurance Coverage," <http://www.regulations.gov/contentStreamer?objectId=0900006480c24bc2&disposition=attachment&contentType=xml>.
- <sup>44</sup> DHCFP.
- <sup>45</sup> Amy Julia Harris, "Foreign Students Win Insurance Choice," *The Stanford Daily*, April 7, 2010, <http://www.stanforddaily.com/2010/04/07/foreign-students-win-insurance-choice/>.
- <sup>46</sup> *Ibid.*
- <sup>47</sup> *Ibid.*
- <sup>48</sup> *Ibid.*
- <sup>49</sup> Regulations.gov, Public Submission CMS-2011-0016-0044.1, "Comment on Proposed Rule: Student Health Insurance Coverage," <http://www.regulations.gov/contentStreamer?objectId=0900006480c20610&disposition=attachment&contentType=xml>.
- <sup>50</sup> Regulations.gov, Public Submission CMS-2011-0016-0081.1, "Comment on Proposed Rule: Student Health Insurance Coverage," <http://www.regulations.gov/contentStreamer?objectId=0900006480c24630&disposition=attachment&contentType=xml>.

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**Good health and good sense are two of life's greatest blessings.**

—PUBLILIUS SYRUS (1ST CENTURY BC),

ROMAN AUTHOR

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