

## GRIST Report: Proposed rules explain how health care reform affects student health insurance

*By Amy Bergner and Tami Simon of Mercer's WRG  
Feb. 23, 2011*

### Summary

New proposed regulations from the US Department of Health and Human Services delay and give much-needed guidance on how various health care reforms affect student health insurance. Most provisions of the law will apply to policy years starting on or after Jan. 1, 2012. However, a special transition rule allows student health insurance to temporarily impose annual dollar limits as low as \$100,000 on essential health benefits – less than what could otherwise apply under the law. This article answers frequently asked questions about the new rules and highlights areas where regulators have asked for public comments.

### Student health insurance addressed in health care reform guidance

Higher education institutions and insurers offering health insurance to students now have guidance from the US Department of Health and Human Services (HHS) for complying with the Patient Protection and Affordable Care Act (PPACA), as amended. The proposed regulations treat student health insurance plans as individual insurance, so a handful of health care reform rules for group health plans apply differently to student plans. On the other hand, fully insured student health plans enjoy certain exceptions from the reform rules for individual health insurance. For example, student health plans need not comply with the health care reform law until policy years starting on or after Jan. 1, 2012, and a special transition rule temporarily allows student plans to have lower annual dollar limits (\$100,000 rather than \$750,000) on essential health benefits than other insurance policies may impose.

This article answers frequently asked questions about the proposed regulations and their impact on fully insured health plans for college and university students. The Appendix shows when and which health care reforms apply to fully insured student health insurance plans.

***Why does student health insurance have special treatment?*** A special PPACA provision (Section 1560(c)) provides that the health care reform law shouldn't be interpreted to ban higher education institutions from offering any student health insurance otherwise permitted under federal, state or local laws. But PPACA is silent on whether or exactly how various reforms apply to student health insurance. Some argue that student health insurance plans deserve special consideration because they are often designed and administered differently from traditional health plans. For example, many student plans have low annual dollar

maximums, and some require a greater degree of administrative support. The proposed regulations address these concerns.

***Why not exempt student health insurance as a type of short-term, limited-duration insurance?*** Some insurers had argued that student health insurance may be exempt from PPACA as short-term, limited-duration insurance that expires less than 12 months after its initial effective date. But regulators rejected this argument because a participant generally can renew student health insurance each year, negating its short-term status.

***When will student health insurance have to comply with health care reform?*** The proposed rules generally would apply to policy years beginning on or after Jan. 1, 2012, so student health insurance should not have to comply with health care reform mandates before that time.

## Student health insurance defined

The regulations specifically define the student health insurance that will be eligible for special consideration under health care reform.

***What's needed to qualify as student health insurance?*** The new guidance applies only to fully insured student health plans. Self-funded student health plans must instead follow relevant state law, which may impose requirements similar to PPACA. Under the proposed rules, fully insured student health insurance must meet each of the following conditions:

- 1) Be offered through a written contract between a higher education institution and a health insurer
- 2) Be provided only to students (and their dependents) enrolled in the higher education institution
- 3) Not condition eligibility for coverage on the student's or dependent's health status
- 4) Meet any additional requirements imposed under state law

Schools and insurers may define the term "student" however they wish, and no minimum threshold is required for part-time student status. Students on academic breaks or temporary leaves and recent graduates may be covered by the insurance.

## How health care reforms apply to student health insurance

The proposed rules treat student health insurance the same as individual health insurance, with the exceptions discussed below. The Appendix shows when selected health care reforms apply to fully insured student health insurance plans with or without grandfathered status. HHS has requested public comments by April 12 on how several reforms may apply to student health insurance.

***How will restrictions on annual dollar limits apply to student health insurance?*** A special transition rule addresses concerns that student health plans could not continue if they had to meet the standard deadlines for complying with health care reform's restrictions on annual dollar limits. For individual insurance policies, the minimum annual dollar limits on essential health benefits apply only to new or nongrandfathered policies (unlike group health plans, which must comply regardless of grandfathered status). Although the proposed rules don't mention this distinction, grandfathered student health insurance plans presumably are exempt from the annual dollar limit restrictions and therefore not covered by the special transition rule described below. Clarification from regulators would be helpful.

***What is the special transition rule for new and nongrandfathered plans?*** For policy years beginning on or after Jan. 1, 2012, but before Sept. 23, 2012, annual dollar limits on essential health benefits under student health insurance plans may not be less than \$100,000. For policy years beginning on or after Sept. 23, 2012, but before Jan. 1, 2014, student health insurance must comply with the regular PPACA rules that ban annual dollar limits of less than \$2 million on essential health benefits. All annual dollar limits on essential health benefits must be removed for policy years beginning on or after Jan. 1, 2014. The proposed rules don't address whether student health insurance plans may receive annual waivers from the annual dollar limit rules, and guidance on this topic would be helpful.

***Can student health insurance plans apply lifetime dollar limits on essential health benefits?*** No, all student health insurance policies, whether grandfathered or not, must remove lifetime dollar limits on essential health benefits.

***How do student health fees interact with health care reform's preventive services mandate?*** Colleges and universities commonly charge students a separate fee to offset the cost of student health clinic services for all students, regardless of whether the students visit the clinic or enroll in student health insurance. These fees will not be considered cost-sharing amounts that might cause a student health insurance plan to violate health care reform's requirement that nongrandfathered plans provide recommended preventive care without cost sharing.

***Will the guaranteed availability and renewability mandates apply to student health insurance?*** Long-standing law requires health insurers offering individual coverage to guarantee its availability to certain people who lose group coverage and individuals' right to renew that coverage. For the time being, these mandates will not apply to student health insurance, so policies may continue to be restricted to enrolled students and their dependents. However, HHS requests comments on the applicability of these mandates.

***On which specific issues are regulators inviting input?*** Before finalizing the rules for student health insurance, HHS is asking for public comments on certain reform provisions described below.

*Annual dollar limits on essential health benefits.* HHS requests comments on how annual dollar limits should apply to student health insurance and whether the transition rule effectively addresses concerns about the limits.

*Provider-choice mandate for participants in nongrandfathered plans.* The interaction of college health service systems and student health insurance plans may create challenges in meeting PPACA's mandate to let participants choose their primary care and certain other providers. Unlike traditional HMO or PPOs, college health systems generally do not include a network of participating physicians. HHS is seeking input on how the provider-choice requirements should apply to student health insurance.

*Minimum medical loss ratios.* Some insurers argue that PPACA's minimum medical loss ratios, which require a certain percentage of premiums to be used for medical claims and quality improvements, are inappropriate for student health insurance plans. Compared with other types of health insurance, student plans often have highly customized designs that may require unique administrative services and support from insurers (e.g., multiple open enrollment periods per year), triggering higher administrative costs. HHS asks for comments on whether applying the minimum medical loss ratio rules to student health insurance would cause the marketplace to shrink.

## New notice requirement for student health insurance

Any health insurer offering a student plan must give notices informing covered individuals about the plan's exemption from specific federal mandates, including restrictions on annual dollar limits, guaranteed availability and renewability, and preventive-services coverage without cost sharing. The notice must be prominently displayed in clear, conspicuous, 14-point bold type on the front of the insurance policy or certificate and in other materials, such as summaries distributed at open enrollment. HHS has provided model language for the notice.

HHS is requesting comments on the notice requirement and the proposed model language. Other notices generally required under health care reform also may apply to student health insurance.

## Appendix

Selected PPACA requirements for fully insured student health plan*	Effective for policy years starting on or after	
	If new or not grandfathered	If grandfathered
Extend child coverage to age 26	Jan. 1, 2012	Jan. 1, 2012
Ban lifetime dollar limits on essential health benefits	Jan. 1, 2012	Jan. 1, 2012
Phase out annual dollar limits on essential health benefits	Jan. 1, 2012 – Sept. 22, 2012 1) Annual limits on essential health benefits $\geq$ \$100,000 Sept. 23, 2012 – Dec. 31, 2013 2) Annual limits on essential health benefits $\geq$ \$2 million Jan. 1, 2014 3) No annual dollar limits on essential health benefits	N/A to grandfathered individual insurance
Ban pre-existing condition exclusions	Jan. 1, 2012 4) For enrollees up to age 19 Jan. 1, 2014 5) For all covered individuals	N/A to grandfathered individual insurance
Ban rescissions	Jan. 1, 2012	Jan. 1, 2012
Minimum medical loss ratio	Jan. 1, 2012	Jan. 1, 2012
Provide uniform summary of benefits	Expected by March 23, 2012	Expected by March 23, 2012
Give notice on availability of health insurance exchanges	By March 1, 2013	By March 1, 2013
Cover mandated preventive services with no cost-sharing	Jan. 1, 2012	N/A
Adopt designation rules for primary care physician	Jan. 1, 2012	N/A
Comply with rules on emergency services benefits	Jan. 1, 2012	N/A
Establish internal and external appeals procedures and give notice	Jan. 1, 2012	N/A
Disclose plan data	Jan. 1, 2012	N/A
Report on quality-of-care measures and give employee notice	Jan. 1, 2012	N/A

Selected PPACA requirements for fully insured student health plan*	Effective for policy years starting on or after	
	If new or not grandfathered	If grandfathered
Cover all essential health benefits	Jan. 1, 2014 6) Special rules apply to child-only plans	N/A
Cover routine patient costs for clinical trial participants	Jan. 1, 2014	N/A
Limit annual cost-sharing amounts and deductibles	Jan. 1, 2014	N/A
Comply with new provider nondiscrimination rules	Jan. 1, 2014	N/A
Rating restrictions (generally, no rating based on gender or health status)	Jan. 1, 2014	Jan. 1, 2014

\* This chart shows only selected PPACA requirements and reflects our current understanding of the law and guidance.