



# Health Care Reform

## LEGISLATIVE BRIEF

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## Final Regulations on Student Health Insurance Coverage

The Department of Health and Human Services (HHS) has issued [final regulations](#) under the Affordable Care Act (ACA) to establish how the health care reform law's requirements apply to **student health insurance coverage**. The final regulations extend all of the protections provided to enrollees in individual market plans to student health insurance plan enrollees, with several adjustments due to the unique nature of student health plans.

Most of the provisions of the final regulations, including those on ACA's annual limits and preventive services mandate, are effective for policy years beginning on or after **July 1, 2012**. The regulations' medical loss ratio provisions apply beginning **Jan. 1, 2013** to health insurance issuers offering student health insurance coverage.

### BACKGROUND

According to HHS, over one million students are covered through student health plans offered by colleges, universities or other institutions of higher learning. To provide student health coverage, colleges and universities typically contract with a health insurance issuer to issue a group or an association "blanket" health insurance policy at a negotiated cost for a defined set of benefits for each student who wants coverage. The benefits provided by student health plans vary widely; some plans are comprehensive, while others offer limited benefits.

Several issues have arisen regarding how ACA's requirements, such as its restrictions on annual benefit limits, apply to student health plans. Significantly, ACA provides that the health care reform law is not to be construed to prohibit an institution of higher education from offering a student health insurance plan. HHS issued the final regulations to provide guidance on how student health insurance plans may continue to be offered through colleges and universities, despite some of ACA's coverage mandates.

### STUDENT HEALTH INSURANCE COVERAGE- DEFINITION

The final regulations define "student health insurance coverage" as a type of individual health insurance coverage that is provided pursuant to a written agreement between an institution of higher learning and a health insurance issuer and meets all of the following requirements:

- Coverage is only available to enrolled students and their dependents (such as spouses and children);
- Eligibility for coverage is not conditioned on any health-status related factor (such as health status, medical condition, claims experience, receipt of health care, medical history, genetic information, evidence of insurability or disability); and
- The coverage satisfies any additional requirements imposed by state law.

Self-funded student health plans do not fall under this definition because HHS lacks the authority to regulate these plans. However, self-funded student health plans may be regulated at the state level.

### ANNUAL LIMITS

#### *Dollar Limits*

ACA prohibits group health plans and health insurance issuers in the group and individual markets from establishing lifetime limits on the dollar value of essential health benefits. ACA also restricts the annual dollar limits on essential



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health benefits for group health plans and non-grandfathered individual market plans. For plan or policy years beginning on or after Jan. 1, 2014, annual dollar limits are prohibited on essential health benefits.

The final regulations clarify that ACA's prohibition on lifetime limits applies to student health insurance coverage. The regulations also establish a phase-in schedule for student health insurance coverage to comply with ACA's restricted annual limits, as follows:

- For policy years beginning on or after July 1, 2012, but before Sept. 23, 2012, student health plans cannot have annual limits of less than **\$100,000** on essential health benefits; and
- For policy years beginning on or after Sept. 23, 2012, but before Jan. 1, 2014, student health plans cannot have annual limits of less than **\$500,000** on essential health benefits.

## **Notice Requirement**

If a student health insurance policy does not meet ACA's annual limit requirements, the issuer must provide a **notice** informing students that the policy does not meet these requirements. The notice must include the dollar amount of the policy's annual limit, along with a description of the plan benefits to which the limit applies. It must also state that the student may be eligible for coverage as a dependent under his or her parent's group health plan if the student is under the age of 26. The notice requirement sunsets in 2014, when all annual limits are prohibited.

The final regulations contain the following **model language** for this notice:

Your student health insurance coverage, offered by [name of health insurance issuer], may not meet the minimum standards required by the health care reform law for the restrictions on annual dollar limits. The annual dollar limits ensure that consumers have sufficient access to medical benefits throughout the annual term of the policy. Restrictions for annual dollar limits for group and individual health insurance coverage are \$1.25 million for policy years before September 23, 2012, and \$2 million for policy years beginning on or after September 23, 2012 but before January 1, 2014. Restrictions for annual dollar limits for student health insurance coverage are \$100,000 for policy years before September 23, 2012, and \$500,000 for policy years beginning on or after September 23, 2012, but before January 1, 2014. Your student health insurance coverage put an annual limit of: [Dollar amount] on [which covered benefits—notice should describe all annual limits that apply].

If you have any questions or concerns about this notice, contact [provide contact information for the health insurance issuer]. Be advised that you may be eligible for coverage under a group health plan of a parent's employer or under a parent's individual health insurance policy if you are under the age of 26. Contact the plan administrator of the parent's employer plan or the parent's individual health insurance issuer for more information.

## **PREVENTIVE SERVICES**

ACA requires group health plans and health insurance issuers offering group or individual health insurance coverage to provide benefits for certain recommended preventive services without imposing any cost-sharing on participants for those services.

The final regulations clarify that **student administrative health fees** are not considered cost-sharing under ACA's preventive services mandate. A student administrative health fee is a fee charged by the college or university to students on a periodic basis to offset the cost of providing health care through health clinics, regardless of whether the students utilize the health clinics or enroll in student health insurance coverage.

In addition, the final regulations confirm that student health plans of non-profit religious institutions of higher education qualify for a **one-year transition** with respect to ACA's **contraceptive coverage requirement**.

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## **MEDICAL LOSS RATIO RULES**

ACA's medical loss ratio (MLR) rules generally require that issuers spend at least 80% (in the small group and individual markets) or 85% (in the large group market) of the premiums they receive on medical care and activities that improve health care quality. Issuers that do not meet these thresholds must issue rebates to consumers.

To ensure that students receive value for their premium dollars, the final regulations make student health plans subject to the reporting and rebate requirements of the MLR rules starting in 2013. In addition, to address the unique nature of student health insurance coverage, HHS will apply a methodological adjustment to the way the MLR is calculated for these plans. Similar to mini-med and expatriate plans, the adjustment will address the unusual expense and premium structures of student health plans. These changes will apply only for 2013, after which time no adjustment is provided.

The final regulations also provide that student health coverage will be aggregated nationally as its own pool, rather than on a state-by-state basis, and will report its experience separate from other policies.

## **ADDITIONAL RESOURCES**

A copy of the final regulations is available at: [www.gpo.gov/fdsys/pkg/FR-2012-03-21/pdf/2012-6359.pdf](http://www.gpo.gov/fdsys/pkg/FR-2012-03-21/pdf/2012-6359.pdf).

More information on ACA's requirements is available at: [www.healthcare.gov](http://www.healthcare.gov).

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