



KSI CONSULTING, LLC

"The Unusual is Our Business"

E-Student Health Advisor

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- Much information exists but little is really known.

For more information:

KSI Consulting, LLC

At KSI Consulting (KSI) we provide extensive and practical experience with unique insurance products for student health, sports accident, events, promotions and special risks. KSI services provide clients a two-fold advantage: our decades of experience in these specialized fields and our exclusive market relationships provide you with the most comprehensive and cost effective programs available.

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E-Student Health Advisor

KSI Consulting, LLC is pleased to release another edition of the E-Student Health Advisor. This newsletter is distributed periodically to select college and university health administrators nationwide. The newsletter will keep you up to date on current issues regarding student health, health center operations and student health insurance topics.

How will the new Health Care Reform Legislation affect your student health insurance plan?

Rest assured, if we could answer this question with 100% certainty we would have a very valuable crystal ball since no one - including those that signed the bill into law - could make such a statement!

Other than one reference in the bill that states "Nothing shall prohibit Colleges from offering plans", there is very little in the legislation that addresses student health insurance plans. At this time there appears to be three emerging industry positions:

1. The "specialty" carrier view which believes college accident and sickness insurance is primarily a blanket product - not group insurance - and therefore not subject to the Health Care Reform (HCR).
2. The large major medical carrier view (AETNA and United Healthcare for example) that believes college accident and sickness insurance should be considered group health insurance, and therefore part of HCR and all of its requirements.

3. The American College Health Association (ACHA) appears to fall somewhere in the middle. It is our impression that the ACHA is lobbying for some base plan minimums similar to the bill's 'Bronze' plan, but also is interested in maintaining some distance from a number of other HCR requirements.

While many unknowns exist regarding this massive legislation, at least one of its components has come into focus as it relates to your institution's student health insurance program.

Effective September 23, 2010 individuals up to age 26 may remain on their parent's plan regardless of their status as a dependent or full time student. How does this impact you? While one could initially infer that this provision will decrease the participation in your institution's plan, only time will tell as early reports of significant rate increases to these (parent's) policies have been reported. It's possible that your plan will offer the more cost effective option for these individuals.

Also, since it is likely that the effective date of your 2010-11 student health insurance plan was prior to September 23, 2010, your plan's insurance provider will not have to implement this provision (or any of the other provisions) until your renewal next year.

Other provisions of this legislation took effect on September 23rd as well but the ramifications of these provisions are still unclear regarding applicability to student health insurance because of the government's (Department of Health and Human Services) lack of clarity relating to the classification of this particular niche in the health insurance world.

If college accident & sickness coverage is deemed to be 'blanket' in nature and not in the 'group' category, the universal consensus is that this legislation would not apply to your institution's plan. If it is considered to be 'group' insurance, the legislation would apply with the following provisions likely to have a MAJOR impact to you/your program:

- insurance companies would be required to underwrite to an 80%-85% loss ratio depending upon the plan classification; the ramifications of this alone could throw the marketplace in to a state of turmoil regarding pricing. Presently, most student health plans are underwritten to a 65%-75% loss ratio (anticipated premium vs. anticipated claims). Carrier expense loads along with claims administration fees alone range from 20%-25% which means imposing a mandatory

85% loss ratio would automatically put carriers in a negative earning position which would likely cause them to cease offering the coverage or to start charging the other fees (i.e. claims administration, brochure printing, etc.) outside of the premium quotation.

- insurance companies would be required to offer coverage without any pre-existing conditions; again, the ramifications of this provision would be significant from a pricing perspective.
- insurance companies would be required to subject organizations/individuals to minimum coverage requirements - the 'Bronze' plan as outlined in the legislation; this provision would limit the ability of carriers to tailor plans to the specific needs of the school and could also have a significant impact on pricing, especially for smaller schools with allocated plans.

Until a formal position - and much needed clarity - is provided by the government relating to the bill's impact on student health insurance, business as usual must be the course of action. As to when this clarity will be provided, it's anyone's guess - the timing could be impacted by many variables, including the upcoming mid-term elections.

In the meantime, if our crystal ball kicks in we'll let you know!



Steve Kapusta – founder of KSI Consulting, LLC has many years of experience in the student/athlete insurance industry and is a leading provider of insurance products, consultation and plan administration for colleges and universities nationwide.
