

D. Other Matters

1. Act on Student Health Insurance Benefits and Premium Rates for Plan Year 2018-2019

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**Summary**

*Under authorization granted by K.S.A. 75-4101, the Board of Regents has made available health insurance to eligible students attending a state university and their dependents since 2007. The plan is currently offered through MHECare and is underwritten by UnitedHealthcare – Student Resources. The Board’s Student Insurance Advisory Committee and the Council of Business Officers have reviewed the alternatives provided for Plan Year 19-20 benefits and premiums.*

*Based on recent claim to premium ratio history of the plan, the initial annual student-only premium proposed was \$2,267, or a \$565 increase (33.2%). After reviewing and assessing this proposal and several other scenarios, the Student Insurance Advisory Committee recommended the scenario that would negatively impact the fewest students by creating one risk pool for students (and their dependents) who elect to participate in the plan absent any incentive, and another risk pool for those students (and their dependents) who either receive a subsidy to be in the plan or who are required by Board policy to maintain health insurance. Creating these separate risk pools based on the plan experience for each of the two groups results in different annual premiums for the two cohorts. Those students who receive a subsidy or are required by Board policy or academic programs to maintain health insurance (and their dependents) would realize a student-only annual premium of \$1,772/year, or a \$70 increase (4.11%). For Plan Year 19-20, students whose academic programs require them to carry health insurance would be newly included in this group. All other students (and their dependents) would realize an annual premium of \$3,643/year, or a \$1,941 increase (114.04%). The Council of Business Officers and Board staff support this recommendation. The Governance Committee and Council of Presidents are scheduled to review the recommendation at their March 20 meetings.*

**Background**

During the 2006 Session, the Kansas Legislature enacted K.S.A. 75-4101, authorizing the Board of Regents to enter into group health insurance contracts to provide voluntary health and accident insurance coverage for students attending state universities and such students’ dependents. Previously, student health insurance coverage was offered through the State of Kansas Health Care Commission.

In February 2007, the Board approved the recommendation of Board staff, the Council of Presidents (COPs) and the Council of Business Officers (COBO) to select UnitedHealthcare-Student Resources (UHC-SR), by competitive bid, as the provider for the KBOR student health insurance plan.

In February 2012, the Board approved the recommendation of Board staff, COPs and COBO to move away from a stand-alone plan and enter into a consortium contract with MHECare. The MHECare plan offered several advantages to students and to the Kansas Board of Regents (KBOR) plan including compliance with federal health care reform regulations, enhanced benefits, participation in a contingency arrangement for premiums, being part of a larger insurance group umbrella (which helps to stabilize rates and spread risk), and an improved target loss ratio. The underwriter selected by MHECare, through their own competitive bid process, was UHC-SR.

**Student Insurance Advisory Committee**

The Student Insurance Advisory Committee (SIAC), created in 2007, serves in an advisory capacity to COBO for the student health insurance plan. Each of the six state universities, as well as the University of Kansas Medical Center, has its own university advisory subcommittee and the chair of each of those subcommittees sits on the SIAC. Two student representatives, nominated by the Student Advisory Council, also sit on the SIAC. Students may serve on university advisory subcommittees as well. The Committee is chaired by a COBO member.

**Plan Year 19-20 Proposed Renewal**

UHC-SR provided the SIAC with initial premium proposals for the next plan year. These proposals reflected the overall claims history of participants in the KBOR plan. Because UHC-SR’s preliminary information reflected a 33.2% premium rate increase to maintain the current plan and benefits, the SIAC requested alternative scenarios so that different options could be considered.

UHC-SR indicated that the plan’s claims paid as compared to premiums collected have increased dramatically over the last two years, and the plan is therefore in need of a significant rate increase. The claim increases have largely been associated with the “voluntary enrollments” and the dependent enrollments and seem to be correlated with the consumers’ increasing understanding of the value offered by a Student Health Insurance Plan (SHIP). A SHIP has been defined by Health and Human Services as a close relative of an individual insurance product, and covers pre-existing conditions, essential health benefits, has unlimited benefits, and is generally considered a comprehensive medical plan.

Historically student insurance plans were not comprehensive and provided limited benefits, but the Affordable Care Act (ACA) mandated more robust benefit coverage. Before the ACA, those with chronic illnesses or large claims did not find student insurance plans attractive, but that has changed and individuals have found the KBOR student insurance plan to provide comprehensive benefits at a reasonable price as it is comparable to an ACA “gold” plan.

According to UHC-SR’s underwriting, one alternative to minimize the premium increase would be to eliminate dependents coverage completely. Another alternative identified would be to divide the current single risk pool into two risk pools for underwriting purposes by differentiating categories of students. Eligible graduate students (and their dependents) and international students (and their dependents), who are required by Board policy to carry health insurance, were rated together, based on their paid claims to premium loss ratio. These students are incentivized to participate in the plan; GTAs, GRAs, and GAs who hold a 50% appointment receive a 75% university premium contribution each semester they meet eligibility and, under KBOR policy, international students are required to show proof of health insurance coverage for each semester in which the student is enrolled, whether or not the student is participating in the Board’s voluntary student insurance program. These two categories combined currently include 5,336 students with 248 dependents. Students not in either of those two categories, currently 1,991 students with 211 dependents, were rated separately, again based on their paid claims to premium loss ratio.

Under the current KBOR student insurance plan, there is a single risk pool for all students and dependents, and the plan experience shows that GTAs, GRAs, GAs (and their dependents), and international students (and their dependents) are subsidizing the students (and their dependents) who are enrolled in the plan on a truly voluntary basis. UHC-SR provided the following loss ratio information for the various groups for the past several plan years:

	"Voluntary" Students	Dependents	GTA/GRA/GA and International Students	Dependents
<b>Plan Year 2015 - 2016</b>				
# covered	1,311	52	5,746	143
Loss ratio (claims and premiums)	108.67%	129.34%	48.48%	224.22%
Loss ratio - all insured	109.43%		52.68%	
<b>Plan Year 2016 - 2017</b>				
# covered	1,580	134	5,631	246
Loss ratio (claims and premiums)	138.35%	255.70%	61.92%	305.88%
Loss ratio - all insured	147.57%		72.00%	
<b>Plan Year 2017 - 2018</b>				
# covered	1,915	209	5,435	291
Loss ratio (claims and premiums)	144.53%	513.00%	63.30%	363.06%
Loss ratio - all insured	180.55%		78.68%	
<b>Plan Year 2018 - 2019 (through December 2018)</b>				
# covered	1,991	211	5,336	248
Loss ratio (claims and premiums)	44.09%	260.84%	38.71%	168.85%
Loss ratio - all insured	64.19%		45.76%	

Based on the information reviewed and considered, the SIAC requested that UHC-SR provide different scenarios for the PY 19-20 proposal, reflecting the plan as is, creating different risk pools, and/or adjusting the benefits array (additional information for the scenarios is provided below).

1. Scenario 1. Rating the plan as it is currently structured, with one risk pool for all students and dependents and with the current plan design, results in a 33.2% increase to the rates across the board (from \$1,702 to \$2,267/year).
2. Scenario 2. Because graduate students eligible for the University premium contribution (and their dependents) and international students, who are required by Board policy to carry health insurance, (and their dependents) are currently subsidizing all other students (and their dependents), UHC-SR created separate risk pools, one for the truly “voluntary” plan participants (and their dependents) and another for those who are incentivized to participate in the KBOR plan (and their dependents).

In this scenario, “incentivized” student/dependent participants, placed in their own risk pool, would see a premium rate increase of 4.11% (from \$1,702 to \$1,772/year). The premium rate for the “voluntary” student/dependent participants, placed in a separate risk pool, would increase 114.0% (from \$1,702 to \$3,643/year), reflecting the claims history those participants have experienced.

3. Scenario 2a. For “voluntary” student/dependent participants only, to reduce the premium increase, change benefits as follows for services received outside the student health service center:

- a. Increase the deductible from \$500 to \$4,000 in-network and from \$1,000 to \$8,000 for out of pocket maximum (students who utilize their university's health center will have the deductible waived);
- b. Reduce the coinsurance from 80% to 70% in-network and from 60% to 50% out-of-network;
- c. Increase the out-of-pocket in-network from \$6,350 to \$7,350 per insured, per policy year and from \$12,700 to \$14,700 for all insured in a family, per policy year before the plan pays at 100% (making no changes to the out-of-network charges).

These plan design changes would result in a premium increase for these "voluntary" plan participants of 54.9% (from \$1,702 to \$2,636/year), rather than the 114.0% increase shown in Scenario 2. The "incentivized" student/dependent participants would have the 4.1% premium increase keeping the same benefits currently provided as included in Scenario 2.

4. Scenario 3. Rating dependents separately for all student categories with the current plan design results in a 16.1% increase to the student-only premium (from \$1,702 to \$1,976/year) and an increase to the dependents' premium of 480.6% (from \$1,702 to \$9,882/year).

For all scenarios, UHC-SR agreed to the SIAC request to include students required by their academic program to maintain insurance coverage in the "incentivized" category for premium purposes. Examples of students benefiting by this recategorization are KUMC students, ESU nursing students, KU pharmacy students and WSU health professional students. UHC-SR agreed to this even though experience of that cohort is unknown. For premium rating going forward, UHC-SR will look at the group's experience.

#### **Deliberation and Recommendation**

After review and discussion of all the scenarios, the SIAC recommended Scenario 2 to COBO. It should be noted this recommendation was not unanimous, with four of the ten members, including the participating student representative, preferring two other scenarios, preferring scenario 3. The SIAC recognizes that Scenario 2 will dramatically increase the premium for one category of students and their dependents, but the paid claims data supports the increase for that particular cohort.

Kansas Board of Regents	Current Annual Rate for 2018-2019=\$1,702		
Proposed PY 19-20 Plans, Brief Description	"Voluntary students" not eligible as qualifying graduate or international students	Qualifying Graduate Students	International Students
<b>Scenario 1 (Current Plan Design for all insureds with one Risk Pool for all insureds)</b>	Student /Spouse / Each Child / All Children	Student /Spouse / Each Child / All Children	Student /Spouse / Each Child / All Children
Rate Increase to all plans: +33.20%. <b>Comments:</b> 1. International Rates will be high and current current environment with pressure from international groups will only increase pressure to accept alternative plans. If alternative plans are accepted, this will fuel additional increases in the future, putting all of the plans in jeopardy. 2. Creates large increase in cost of funding the appointed GTA and GRA.	\$2,267.00/ \$2,267.00/ \$2,267.00 / \$4,534.00	\$2,267.00/ \$2,267.00/ \$2,267.00 / \$4,534.00	\$2,267.00/ \$2,267.00/ \$2,267.00 / \$4,534.00
<b>Scenario 2 (Current Plan Design for all insureds). One Risk Pool for "voluntary" (Student and Dependent), and One Risk Pool for qualifying graduate and international students combined (Student and Dependent)</b>	Student /Spouse / Each Child / All Children	Student /Spouse / Each Child / All Children	Student /Spouse / Each Child / All Children
Rate increase for "voluntary" students: +114.04% Rate Increase all other students: +4.11% <b>Comments:</b> 1. Really Large increase for "voluntary" students and dependents, but supported by claims costs. If enrollment declines, possibility of eliminating or not offering any voluntary coverage in future years. There is an argument to be made that a waiver/insurance requirement be implemented 2. Limited increase for Plans 3 and 4.	\$3,643.00/ \$3,643.00 / \$3,643.00/ \$7,286.00	\$1,772.00 / \$1,772.00/ \$1772.00/ \$3,544.00	\$1,772.00 / \$1,772.00/ \$1772.00/ \$3,544.00
<b>Scenario 2a (Modified Plan design for "voluntary" students (Student and Dependent), current Plan Design for qualifying graduate and international students (Student and Dependent). One Risk Pool for "voluntary" (Student and Dependent), and one Risk Pool qualifying graduate and international students combined (Student and Dependent))</b>	Student /Spouse / Each Child / All Children	Student /Spouse / Each Child / All Children	Student /Spouse / Each Child / All Children
Rate Increase for "voluntary" students: +54.9% <b>Same as Scenario 2 except for modified plan design for any "voluntary" plan insured.</b> This mitigates the overall rate increase in the "voluntary" Plan. The following benefit changes would be made to the "voluntary" Plan: 1. Increase In-network deductible from \$500 to \$4,000 and out of network deductible from \$1,000 to \$8,000. 2. Coinsurance Change from 80%/60% to 70%/50% 3. Out of Pocket change from \$6,350 to \$7,350 per insured person per policy year and change from \$12,700 to \$14,700 for all insureds in a family per policy year.	\$2,636.00/ \$2,636.00/ \$2,636.00/ \$5,272.00	\$1,772.00 / \$1,772.00/ \$1772.00/ \$3,544.00	\$1,772.00 / \$1,772.00/ \$1772.00/ \$3,544.00
<b>Scenario 3 (Current Plan Design for all insureds. One Risk pool for Students, one (separate) Risk Pool for Dependents.)</b>	Student /Spouse / Each Child / All Children	Student /Spouse / Each Child / All Children	Student /Spouse / Each Child / All Children
Rate Increase for (All Options) Student Only: +16.1% Rate Increase for (All Options) Dependents Only: +480.61% <b>Comments:</b> 1. Dramatic increase in dependent rates to nearly \$10,000 annually 2. Hardship on Graduate Teaching and Research Assistants 3. Actuarially supported dependent rate even though really high increase.	\$1,976.00/ \$9,882.00/ \$9,882.00/ \$19,764.00	\$1,976.00/ \$9,882.00/ \$9,882.00/ \$19,764.00	\$1,976.00/ \$9,882.00/ \$9,882.00/ \$19,764.00
Alternate Quote to Increase the Out of Pocket to \$7,350 IN (2x OON)	\$5.00 Reduction to all rates except for "voluntary" group in Scenario 2a		

**Recommendation**

The SIAC’s recommendation for Plan Year 19-20, Scenario 2, was presented to the Council of Business Officers at their March 6, 2019, meeting, and will be presented to the Council of Presidents and the Governance Committee at their March 20<sup>th</sup> meetings. The SIAC wanted the item to be on the Board’s March agenda so that, if the changes are approved, UHC can start the process to secure approval from the Kansas Insurance Department and then providing information to students and families as soon as possible. The Student Insurance Advisory Committee recommends accepting the proposed Plan Year 19-20 proposal, Scenario 2. The Council of Business Officers and Board staff support this recommendation.

**2. Receive Legislative Update**

**Matt Casey,  
Director, Government Relations**

**Summary**

*The Board will receive an update on the 2019 legislative session. The legislature has passed the “Turnaround” date and is now on the second half of the regular session. An update on the status of the budget as well as the non-budgetary legislative items will be provided.*

**VIII. Executive Session**

Board of Regents – Personnel Matters Relating to Non-Elected Personnel

# AGENDA

- IX. Executive Session – Kathy Rupp Room**  
Board of Regents – Personnel Matters Relating to Non-Elected Personnel
  
- X. Adjournment**