

B. Governance**1. Act on KBOR Student Health Insurance Benefits and Premium Rates for Plan Year 2020-2021**

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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 (UHC-SR). The Board’s Student Insurance Advisory Committee, the chairman of the Students’ Advisory Committee (SAC), and the Council of Business Officers have reviewed the alternatives provided for Plan Year 2020-2021 benefits and premiums.

Based on the plan’s recent claim to premium ratio history, the initial annual student-only premium proposed, with no change in benefits, was \$4,997, a \$1,354 increase (37.17%), for Plan 1 (voluntary students) and \$2,431, a \$659 increase, (37.19%), for all others (incentivized students) in Plan 2, students required by their academic program to maintain insurance; Plan 3, graduate students who qualify for the 75% university student-only premium contribution and Plan 4, international students.

After reviewing and assessing this proposal and several other scenarios, the Student Insurance Advisory Committee recommends that benefit changes be made to keep the premium as low as possible, thus making coverage more affordable for students as it is better to have insurance than to be solely responsible for large medical bills if a catastrophic event is suffered.

With these plan changes and other concessions UHC-SR was able to make, voluntary plan students (and their dependents) would realize an annual premium of \$3,543, or a \$100 decrease (-2.74%) from the plan year 2019-2020 rate. Incentivized students (and their dependents) would realize an annual premium of \$2,260, or a \$488 increase (27.59%). The Council of Business Officers and Board staff support this recommendation. The Council of Presidents is scheduled to review the recommendation at their February 19 meeting.

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. MHECare has indicated that the contract will be re-bid next year.

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. This year the members of SAC were invited to participate in the SIAC meetings at which the rate/benefit options were discussed and the recommendation made.

Review of Plan Year 19-20 Changes

The student insurance plan has been experiencing challenges the past several years as claims have exceeded premiums paid. For the current plan year that ends in July 2020, drastic changes were made based on that claims experience in an attempt to stabilize the plan.

The escalating claims for those prior years were largely associated with the “voluntary” Plan (Plan 1) students and dependents. Because other “incentivized” students (graduate students eligible for the university premium contribution and international students who are required by Board policy to carry health insurance) were subsidizing the “voluntary” Plan, separate risk pools were created.

Without creating separate risk pools, the premium increase across the Plans would have been 33.2%. Creating separate risk pools instead resulted in a 114% premium increase for the “voluntary” plan (Plan 1), and a 4.11% increase for all other Plans.

Plan Year 20-21 Proposed Renewal

For the upcoming plan year, UHC-SR’s initial proposal reflected a 37.17% across-all-Plans premium increase. The most recent complete-year claims data, for Plan Year 18-19, reflects a student-only loss ratio of 87.74% and a dependents-only loss ratio of 432.11%. Thus, the overall loss ratio is 107% which means UHC-SR is paying \$1.07 in claims for every premium dollar received. There are other plan-related expenses not reflected in that loss ratio such as overhead, fees, and taxes that increase UHC-SR’s costs by another \$0.10 to \$0.13.

UHC-SR’s data shows 100% of covered dependents are incurring claims, whereas 70% of covered students are incurring claims. As the Plan falls under the Student Health Insurance Plan (SHIP) regulations, the dependent rate is required to be the same as the student rate. Thus, the spouse and child rate are each 1x the student rate and the all children rate cannot be more than 2x the student rate. (Historically, the spousal rate was 3-4x the student rate.) The result is that students are subsidizing the dependent premium.

The SIAC discussed several options including eliminating dependent coverage. The SIAC did not wish to recommend dropping dependent coverage at this time but will begin looking more closely at that and other options in the new future.

The 2019-2020 plan year premiums for the “voluntary” plan (Plan 1) appear to be appropriate as that Plan’s medical loss ratio is predicted to be 75-80%. The SIAC looked at benefit modifications to help mitigate the premium increase and reduce rate for all plans, especially Plan 1. The SIAC chose to modify benefits with the goal of keeping the premiums as low as possible, thus making coverage more affordable for students as it is better to have insurance than to be solely responsible for large medical bills if a catastrophic event is suffered.

Recommendation

The SIAC discussed what benefit changes to recommend and what changes would not be possible because of federal requirements for J-1 Exchange Visitor insurance. UHC-SR confirmed that the coinsurance changes would not impact students seeking preventive care or services at the Student Health Centers and implementing a prescription drug deductible would not impact prescriptions obtained through the Student Health Centers. For the out-of-pocket maximum, UHC-SR’s data is that approximately 1% of the covered population have met the current \$6,350 maximum and virtually all who have met it would also have met the proposed revised maximum.

Having reviewed and discussed several scenarios, the SIAC unanimously recommends the following for Plan Year 20-21:

1. Raise the deductible from \$500 to \$1,000 for the Plan 1 only. This change cannot be applied to the other Plans as they could have international students enrolled for whom federal requirements mandate their insurance deductible cannot be greater than \$500. Annual premium savings is 5% or \$249.85.
2. Decrease UHC-SR's coinsurance from 80% to 75%. This change will not impact students seeking preventive care or services at the Student Health Center. Annual premium savings is 3% or \$149.91 for Plan 1 and \$72.03 for Plans 2, 3 and 4.
3. Increase the single out-of-pocket maximum from \$6,350 to \$8,200. Approximately 1% of the covered population has met the current \$6,350 maximum and virtually all of them would hit any revised maximum. Annual premiums savings is 2% or \$99.94 for Plan 1 and \$48.62 for Plans 2, 3 and 4.
4. Add a \$200 Prescription Drug deductible for prescriptions secured outside the Student Health Center. Annual premium savings is 2% or \$99.94 for Plan 1 and \$48.62 for Plans 2, 3 and 4. The current Preferred Provider prescription drug benefit at the Student Health Center: \$5 copay for generic, 40% copay for brand name. And, at a UHC-SR pharmacy: \$15 copay for Tier 1; 40% copay for Tier 2 and 40% copay for Tier 3 up to a 31-day supply.
5. UHC-SR provided an additional underwriting premium adjustment of \$854.30 for Plan 1 because of the benefit plan changes and based on the current plan year's loss ratio which is projected to be 75-80%.
6. UHC-SR made two changes to their entire book of business that will also be applied.
 - a. Truvada (when prescribed for preventative care) has been changed from being subject to a copay to being covered with no copay, coinsurance or deductible being applied.
 - b. Addition of these Prescription Drug programs: Prior Authorization and Step Therapy for the prescriptions processed through UHC's Pharmacy Benefit Manager, Optum.

UHC Renewal Proposal

Plan Options	Plan 1	Plan 2	Plan 3	Plan 4
Plan Year 2019-2020 Annual Premiums	\$ 3,643	\$ 1,772	\$ 1,772	\$ 1,772
Initial Quote Plan Year 2020-2021	\$ 4,997	\$ 2,431	\$ 2,431	\$ 2,431
Dollar Difference	\$ 1,354	\$ 659	\$ 659	\$ 659
Percentage Difference	37.17%	37.19%	37.19%	37.19%
Adjusted PY 20-21 Annual Premiums after benefit changes and UHC adjustments	\$ 3,543	\$ 2,260	\$ 2,260	\$ 2,260
Difference in PY 19-20 and PY 20-21 Premiums	-\$ 100	\$ 488	\$ 488	\$ 488
Percentage increase over PY 19-20 Premiums	-2.74%	27.54%	27.54%	27.54%
Difference from Original PY 20-21 Proposal	-\$ 1,454	-\$ 171	-\$ 171	-\$ 171

- Plan 1 – “voluntary” students.
- Plan 2 – students required by their academic program to maintain insurance coverage (i.e., KU Medical Center students, ESU nursing students; KU pharmacy students and WSU health professional students). For PY 20-21, fellows and trainees at KSU and KU will be added to this group.
- Plan 3 – graduate students (teaching assistants, research assistants, assistants) with 50% appointments who meet eligibility requirements to receive the University's 75% student-only premium contribution per semester.
- Plan 4 – international students.
- All Plans allow students to elect coverage for eligible dependents.

This recommendation was presented to the Council of Business Officers at their February 5, 2020, meeting, and is scheduled to be presented to the Council of Presidents at their February 19th meeting. The SIAC requested the item be on the Board's February agenda so that, if the changes are approved, UHC-SR 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 Council of Business Officers and Board staff support this recommendation.