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Update on ACA & Student Health Insurance Plans

The Centers of Medicare and Medicaid Services (CMS) and the U.S. Department of Health and Human Services (HHS) enabled Student Health Insurance Plans (SHPs) to exist as an exception within the individual health plan rules, commencing on January 1, 2012. Insurance company guidelines are being adjusted and the result could greatly impact SHP renewals and new business proposals for the 2016-2017 policy year. The following will provide a brief outline of some of the issues that could affect SHPs. Please note that the guidance may vary by state.

Filing requirements for rate increases.

Insurance companies requesting a SHP rate increase exceeding 10%, or a state-specific threshold, must submit a Rate Filing Justification and either CMS or the state will review the rate. Deadline dates are set by the state or CMS, and CMS requires rates to be submitted at least 60 days in advance of quoting. For example, if the SHP renewal is due to the college or university on March 1st, the insurance company must file the proposed rate by January 1st (60 days prior to March 1st). Rate filing approval is not guaranteed in 60 days, leading to much uncertainty for SHP renewal timing.

The ["Rate Review Justification Instructions for Transitional Policies and Student Health Plans"](#) was issued by CMS/Center for Consumer Information and Insurance Oversight (CCIIO) on April 1, 2015. Then, CCIIO later released ["Rate Review Student Health Plan FAQ"](#), a document addressing the federal rate review requirements.

Rating formulas and underwriting equations must be uniformly applied.

School-specific underwriting with credits provided for demographics or services offered at a school will not be allowed. School-specific claims experience will continue to be utilized in the underwriting equation, however, it appears that the rating formula will determine the final rate, eliminating the utilization of actuarial discretion.

In many states the full plan design needs to be filed and approved prior to marketing a plan.

In other words, a rider changing a co-pay cannot be implemented unless the entire plan design with a different co-pay is filed and pre-approved. It will make the process of negotiating rate-changing benefit tweaks very difficult.

The 2016 Actuarial Valuation Calculator has changed from the 2015 version.

This means that many SHPs with 2015 Actuarial Values (AVs) close to the top or bottom of the AV metal parameters will have to make some plan changes. Nationwide Life Insurance Company has indicated the change could impact current AVs by increasing or decreasing the AV by as much as 4%. The change may force a school to accept a pre-approved and filed plan instead of making a school-specific benefit change. The American College Health Association (ACHA) has raised concerns about this with CMS/CCIIO and it continues to be reviewed. Per the August 12, 2015, ACHA update on the Affordable Care Act (ACA) and SHPs, ["ACHA Follow-Up Conference Call with CMS/CCIIO for Update on Status of SHIPs"](#), it is hoped

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that further guidance will be issued within the next couple of months.

Trend will be instrumental in the renewal formula. Due to the potential rate filing requirements insurance companies may need to have rates filed by January 1st (8-9 months prior to the effective date). The latest possible data utilized for a January 1st filing would be paid claims as of November 30, 2015. In this scenario, policy year 2015-2016 paid claims would be meaningless, as the insurance company would complete 2014-2015 claims and trend the claims for two years: 2015-2016 and 2016-2017. For example, an 8% medical trend compounded for two years equals a 16.64% projected increase in claims, assuming no benefit changes.

All students insured under the same school may be required to have the same rate unless there is a benefit difference. There is still some confusion concerning the rating of sub-groups but CMS/CCIIO made their position clear to ACHA. Per the ACHA August 12, 2015 Update, "CMS/CCIIO officials were very clear in stating that the exemption in the SHIP regulations from a single risk pool does extend to sub-groups within a school. They also confirmed that this would include dependents." Additionally, "ACHA was informed that CMS/CCIIO held a

conference call with the National Association of Insurance Commissions in July, where its position on this topic was made clear." Insurance carriers, however, are hearing different information from some state regulators. The ACHA update noted that CMS/CCIIO confirmed that the ACA and the single risk pool exemption does not prevent an individual state from implementing state regulations that are more restrictive. ACHA is considering advocacy options in states that require single risk pooling at the sub-group level.

Another high profile issue concerns colleges and universities funding SHP premiums for Student Employees. The IRS has provided informal guidance that funding employee health insurance premiums in the individual market is not permitted and could result in a fine. The [College and University Professional Association for Human Resources \(CUPA-HR\) Newsletter](#) highlights the issue. Some associations, in particular American Council on Education (ACE), have met with federal regulators to lobby for the continued ability for colleges and universities to provide low cost, high quality health insurance for graduate assistants through SHPs. We believe the IRS and HHS will be issuing formal guidance soon and we will keep you updated as information is disseminated.

About Our Organization...

University Health Plans (UHP) is a leading benefit brokerage/consulting firm specializing in the design, brokerage, and service of College and University student health insurance programs.

Using a team approach, UHP currently manages the student health insurance programs for over seventy-five colleges and universities.

We specialize in managing student health insurance programs, in addition to offering ancillary programs such as sports and travel insurance. Student health insurance is our only line of business so we devote 100% of our energies and resources to ensure cost effective student health insurance with superior customer service.

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