

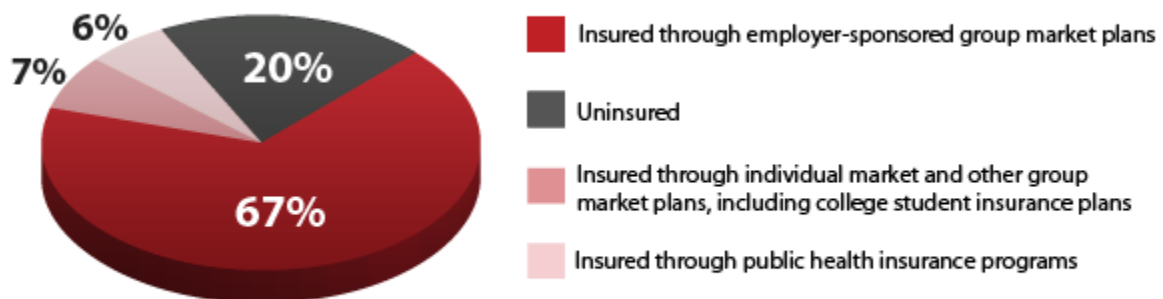
What Health Care Reform Means for Students

On September 23, new health care provisions affecting students will take effect. Here’s a look at what they mean for you, what’s coming next, and why this is a good time to review your insurance options.

Early this year, Teresa Mabry was awaiting her 22nd birthday, on August 2, with dread. That was the date when the Northern Arizona University senior expected to be forced off her parents’ health care plan. Losing that coverage would have left her dangerously vulnerable. She has anemia and polycystic ovary syndrome, which require frequent visits to the doctor. One alternative was to buy the university’s health plan. But that would have required taking out yet another loan, and she already had \$50,000 in debt from her studies. Then Congress passed the health care reform law in March, and Mabry discovered that her problem was solved. One of the measure’s provisions required insurers to allow young adults up to age 26 to remain on their parents’ plans. “It’s awesome,” she says. “I can stay covered, even through grad school.”

Plenty more students will be joining Mabry in the months ahead. Though the provision officially takes effect on September 23, some insurers—like Teresa’s parents’—have already implemented it, while others will apply it at the start of the next coverage period, most likely January 2011. Eventually, 500,000 to 1 million people could benefit from it, says Bryan Liang, executive director of the Institute of Health Law Studies at California Western School of Law.ⁱ

Figure 1: Insurance Status of College Students Aged 18 through 23, in 2006



Source: “Most College Students Are Covered through Employer-Sponsored Plans, and Some Colleges and States Are Taking Steps to Increase Coverage” United States Government Accountability Office, 2008.

This is just one of many elements of the new law that are poised to reshape the insurance landscape in the years to come. The changes will provide students with important new benefits and hopefully shrink the ranks of the uninsured, who account for a staggering 20 percent of college students, according to a 2008 Government Accountability Office (GAO) report.ⁱⁱ Yet health care reform is also introducing quite a bit of confusion and disarray into the market. All of which makes this an especially good time for students and families to review their options. Here’s a rundown:

Employer plans: Most schools require health insurance, and two-thirds of students get their coverage through their parents' employer-sponsored plans, according to the GAO study—making this by far the most common choice. And it's usually the smartest one, in the view of many health care experts. "It's the best deal for everybody," says Liang. "It's the cheapest, most regulated, best coverage." Yet until now, kids have usually lost such coverage when they graduate, or even before (the exact date varies depending on the particular policy and state of residence, but typically, it's been around age 22). The new law allows them to keep it through age 26 as long they aren't eligible for another employer-based plan. And they qualify even if they're not students, not living at home, or not claimed as dependents on their parents' tax returns. "It's a huge deal," says Lindsay McCluskey, president of the United States Student Associationⁱⁱⁱ, which lobbied for the health legislation. "Everybody is really excited about it."

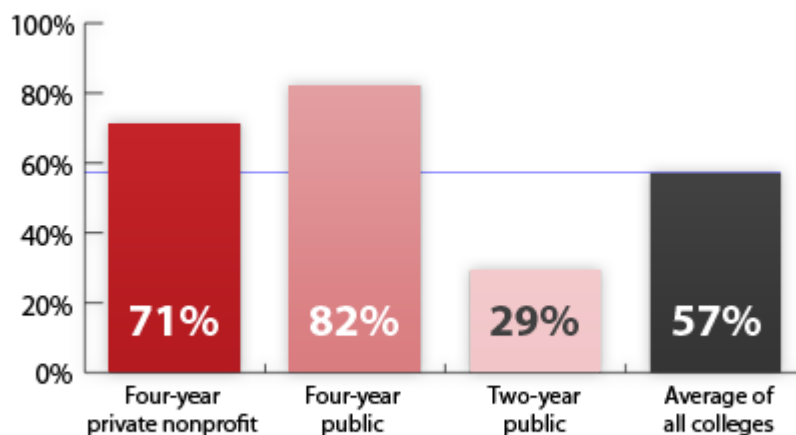
Still, it's worth considering a few things before going this route. Covering additional dependents costs employers money, and many of them have made clear they intend to pass along those costs to employees, says Stephen Beckley, a health care management consultant for universities who's based in Fort Collins, Colo.^{iv} According to a recent Kaiser Family Foundation study,^v average premiums for family coverage have increased 114 percent over the last 10 years, while workers' contributions to those premiums have increased 147 percent. So before choosing employer coverage, families should make sure they understand the price implications.

They also need to determine what kind of health care network a student will have access to at school. For instance, if a student is covered by his parents' Texas-based plan, but heads off to college in California, that could lead to high out-of-network expenses. "Parents' plans can be really good coverage," says James Turner, immediate past president of the American College Health Association (ACHA)^{vi}, which represents campus health care professionals. But they "are not a silver bullet."

School-sponsored plans: More than half of colleges offer student health insurance, according to the GAO report. The policies vary widely in cost—anywhere from \$30 to \$2,400 per year, with an average of about \$850—and also in quality. "Most student plans are junk," says Beckley. "But there are lots of student plans that are really excellent." The best ones meet a long list of standards^{vii} established by ACHA. For example, the plan at the University of Virginia—where Turner is director of student health—includes \$1 million of catastrophic coverage, prescription drug benefits, preventive care, and medical evacuation service for those studying abroad. All of it is woven into a seamless network that combines resources from the student health center and the university hospital. The price tag: \$2,152 per year. College plans have additional pluses, says Turner. They usually offer maternity benefits (which employer plans typically don't), and any paperwork gets mailed to students, not their parents (an important consideration if someone is getting tested for venereal disease or seeking substance-abuse counseling).

Unfortunately, a lot of school plans offer poor coverage. They may exclude preventive services or prescription-drug coverage. They may set low ceilings on the maximum benefits they'll pay for particular conditions—say, \$25,000, which a student could exceed in one hospital stay. And they may limit things like outpatient visits. Students need to keep all of this in mind when they consider a college-based plan. They should ask whether it meets ACHA standards, and what exactly the terms are. “You’ve got to know what’s covered, and more importantly, what’s not covered,” says Liang. “Many students find out the hard way that these plans are terrible.”

Figure 2: Percentage of Colleges Nationwide Offering Student Insurance Plans for Academic Year 2007-2008, by College Type



Source: “Most College Students Are Covered through Employer-Sponsored Plans, and Some Colleges and States Are Taking Steps to Increase Coverage” United States Government Accountability Office, 2008.

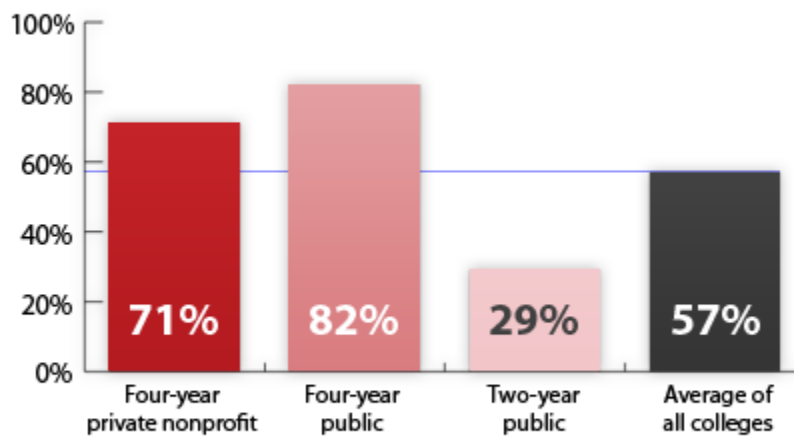
That happened to Zac Skipp, a senior at Bowdoin College. In preparation for a semester abroad in Argentina last spring, he paid for an insurance plan through the organizers of the program (he’s on his father’s policy, but it doesn’t cover him overseas). When a bout of food poisoning sent him to the emergency room in Buenos Aires, he figured he’d get reimbursed when he returned home. Months later, he’s still waiting. “It seems pretty useless at this point,” he says.

Further complicating things, the future of student plans is totally uncertain. Health care reform has left them in limbo, since they don’t fit neatly into the categories that the law addresses. “They’re neither fish nor fowl,” says Steven Bloom, assistant director of federal relations at the American Council on Education.^{viii} “They’re not individual plans, nor employer plans.” So ACE and other higher-education organizations are asking the federal government to clarify two main points: what provisions of the new law they need to meet, and whether meeting those provisions will satisfy the “individual mandate”—the requirement, which takes effect in 2014, that everybody carry insurance. What worries Bloom is that student plans will have to make so many modifications

that they'll cease to be affordable. The good news, though, is that the worst policies will likely be forced out of the market.

Individual plans: If employer or student plans aren't an option, or if they provide poor coverage, students can purchase an individual policy. According to a 2009 report^{ix} by America's Health Insurance Plans^x, which represents the insurance industry, the average annual premium for someone 18 to 24 in the individual market is \$1,429. There's a broad range of options, with Blue Cross and Blue Shield affiliates typically offering a wide selection of providers and health maintenance organizations like Kaiser Permanente offering a more limited menu, according to Beckley. Young people can shape a plan to their specific needs—for instance, a policy with solid catastrophic coverage, low premiums, and high deductibles. One downfall, however, is that until 2014, carriers can deny coverage for pre-existing conditions.

Figure 3: Percentage of Colleges Nationwide Offering Student Insurance Plans for Academic Year 2007-2008, by College Type



Source: "Most College Students Are Covered through Employer-Sponsored Plans, and Some Colleges and States Are Taking Steps to Increase Coverage" United States Government Accountability Office, 2008.

Government programs: For students with unique circumstances, there are additional options. If you have a pre-existing condition and can't get other forms of insurance, look into your state's high-risk pool. In the event you don't have access to one, you may be able to secure coverage through a temporary federal high-risk program^{xi} set up as part of the new health care law (it'll expire in 2014, when insurance exchanges are up and running).

For low-income students, a public program like Medicaid might offer help. Since it's run by individual states, you need to check with the appropriate office (which you can find at the federal government's Center for Medicare and Medicaid Services website^{xii}). Christian Vasquez, an Arizona State University senior, relies on Mercy Care, that state's program. Though it's hardly gold-plated coverage, he's grateful to have it—and worried that he'll lose it when he graduates next year. "I try not to think about it," he says. "I'm hoping I'll still be healthy and won't have to use a doctor a lot."

Many students share his anxiety. Young adults make up the largest segment of the uninsured. According to the GAO report, one in five people attending college lacks health coverage—about 1.7 million students in all. The older they get, the more susceptible they become, as they lose access to parent and school plans. And the ravages of the Great Recession have made matters worse. “We’re hearing more and more stories of young people who don’t have health insurance,” says McCluskey, the student association president. “Many are young people whose parents no longer have health care” because they lost their jobs.

Luckily, the new health care law was designed to bring down these high rates of uninsured and provide people with greater protections. Students will benefit from a host of other reforms coming down the pike. Among the additional provisions that take effect on September 23: insurers must provide free preventive care and can no longer impose lifetime caps on benefits or drop you when you get sick. Then, starting in January, plans will have to devote a certain portion of premiums—80 percent in the individual and small-group market, 85 percent in the large-group market—on medical care, instead of administrative fees or profit-taking. And by 2014, students who don’t get coverage through their parents will be able to shop for policies on insurance exchanges. As a new health care landscape takes shape, there will be no shortage of options. The bottom line, says Liang, is “you’ve got to be careful as a parent and a student that you’re darn sure you know what you’re getting.”

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⁰ <http://www.healthinsurancesort.com>

ⁱ <http://www.cws1.edu/main/default.asp?nav=ihls.asp&body=ihls/home.asp>

ⁱⁱ <http://www.gao.gov/new.items/d08389.pdf>

ⁱⁱⁱ <http://www.usstudents.org/>

^{iv} <http://hbc-slba.com/>

^v <http://ehbs.kff.org/pdf/2010/8086.pdf>

^{vi} <http://www.acha.org/>

^{vii} http://www.acha.org/Publications/docs/Standards%20for%20Student%20Health%20Insurance_Benefits%20Programs_Mar2008.pdf

^{viii} <http://www.acenet.edu/AM/Template.cfm?Section=Home>

^{ix} <http://www.ahipresearch.org/pdfs/2009IndividualMarketSurveyFinalReport.pdf>

^x <http://www.ahip.org/>

^{xi} <http://www.healthcare.gov/law/provisions/preexisting/index.html>

^{xii} <http://www.cms.gov/home/medicaid.asp>