

3. Act on Kansas Board of Regents Student Health Insurance Benefit Changes and Premium Rates for Plan Year 2018-2019 **Madi Vannaman, Staff Affiliate**

Summary and Staff Recommendation

Under authorization granted by K.S.A. 75-4101, the Board of Regents has, since 2007, provided health insurance plans for eligible students attending a state educational institution and their dependents. The plans are currently offered through MHECare and are underwritten by UnitedHealthcare – Student Resources. The Board’s Student Insurance Advisory Committee, the Council of Business Officers and the Council of Presidents have received and reviewed the benefit/rate proposal for Plan Year 18-19. The initial annual student-only premium proposed was \$1,842, or a \$378 increase (25.82%). After negotiating and implementing three changes to benefit coverage, the final proposed annual premium is \$1,702, or a \$238 increase (16.26%). The Committee recommends accepting the negotiated changes. The Councils and Board staff support this recommendation.

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, health insurance coverage for student employees was offered through the Kansas State Employees 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) 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. In addition to retaining the same insurance underwriter, the MHECare plan offered several advantages to students and to the 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.

Student Insurance Advisory Committee

The Student Insurance Advisory Committee (SIAC), created in 2007, serves in an advisory capacity to COBO for the student 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, which is chaired by a member of COBO.

PY 18-19 Proposed Renewal

UnitedHealthCare – Student Resources (UHC) provided the SIAC with initial bid information for premiums for the next plan year, noting the following underwriting highlights:

- In 2016-2017, there was an increase in utilization of approximately 44% compared to 2015-2016. Total paid claims in 2015-2016 were \$6.465 million compared to \$9.356 million in 2016-2017;
- Prescription spending increased from \$766,000 in 2015-2016 to \$1.5 million in 2016-2017, almost doubling in one year;
- Final expected loss ratio net of Affordable Care Act taxes and fees in 2016-2017 is 91% (UHC underwrites to 80%, which provides them with a 4-5% profit);
- Information provided showed that in 2016-2017 there was an increase in large claim activity;
- To date in 2017-2018, claims are once again up by 4% compared to 2016-2017 through the same time period;

- In Plan Year 2016-2017 (through December of 2016), the account loss ratio was 41.88%. In Plan Year 2017-2018 (through December of 2017), the account loss ratio is at 43.23%;
- Normally UHC does not see large claims early in a policy year and that has been the case for 2017-2018 to date. However, there were four large claims for one university that make up almost \$344,000; two are hospital bills totaling \$183,000 and two are dialysis bills totaling \$161,000;
- Based on underwriting calculations and historical data, the 2017-2018 expected loss ratio is predicted to be at 91%.

The initial proposed renewal premium rate for Plan Year 18-19 was \$1,842 for the student rate, or a \$378 increase (25.82%) over the current plan year’s premium of \$1,464. In working with the UHC-SR underwriter, the UHC-SR representatives requested that every positive assumption be taken into account for the renewal rate, and an average over three years was taken as the base-line rather than just the one plan year, 2016-2017. The revised rate presented was \$1,756 for the student, or a \$292 increase (19.94%) over the current plan year.

The SIAC looked at three of the six alternative quotes provided by UHC and unanimously voted to include them in the renewal to decrease the annual premium:

1. Change the per insured person, per policy year deductible from “\$300 preferred provider/\$600 out-of-network provider” to \$500 preferred provider/\$1,000 out-of-network provider.”
2. Change the medical emergency expenses copay per visit from “\$100 to \$250.”
3. Change the inpatient room and board expense benefit from “80% of preferred allowance/60% of usual and customary charges” to “80% of preferred allowance/60% of usual and customary charges after \$250 copay per hospital confinement.”

Including the three alternate quotes resulted in an additional \$54 reduction to the \$1,756 annual student only premium. The new \$1,702 rate represents a \$238 annual increase, or 16.26%.

KBOR Student Insurance - PY 17/18 and PY 18/19				
<i>Group rates (w/student rate included in all categories)</i>	2017/18	2018/19	Annual Rate Change	
Student	\$ 1,464	\$ 1,702	\$ 238	16.26%
Student + Spouse	\$ 2,928	\$ 3,404	\$ 476	16.26%
Student + One Child	\$ 2,928	\$ 3,404	\$ 476	16.26%
Student + 2 or more Children	\$ 4,392	\$ 5,106	\$ 714	16.26%
Student + Spouse + One Child	\$ 4,392	\$ 5,106	\$ 714	16.26%
Student + Spouse + 2 or more Children	\$ 5,856	\$ 6,808	\$ 952	16.26%

The state universities make a 75% contribution toward the semester premium for any qualifying graduate teaching, graduate research or graduate assistant who enrolls in the plan. An estimate of the universities’ per graduate student annual premium for Plan Year 18-19 will be \$1,277 (an increase of \$180 per student from the prior plan year). Based on graduate assistant enrollment in the plan as of December 2017 of 2,326 students, the projected annual premium paid by the universities could be \$2,969,139, or an increase of \$417,517, using the same enrollment number.

Recent KBOR Student Only Annual Premium Rate History

<i>Plan Year</i>	<i>Annual \$</i>	<i>% change</i>	<i>Notes</i>
09-10	\$ 915	--	
10-11	\$ 983	7.43%	
11-12	\$ 1,081	9.97%	
12-13	\$ 1,148	6.20%	
13-14	\$ 1,285	11.93%	ACA provisions kicked in, including max benefit cap increase from \$100k to \$500k
14-15	\$ 1,489	15.88%	ACA unlimited coverage and removal of pre-existing conditions
15-16	\$ 1,407	-5.51%	
16-17	\$ 1,392	-1.07%	
17-18	\$ 1,464	5.17%	
18-19	\$ 1,702	16.26%	3 alternate quotes recommended

Recommendation

The Plan Year 18-19 recommendation was presented to COBO at their March 7, 2018, meeting, and to COPs at their meeting today. The SIAC wanted the item to be on the Board’s March agenda so that, if the changes are approved, UHC-SR can start updating information to make it available to students and families as soon as possible. The Student Insurance Advisory Committee recommends accepting the proposed Plan Year 18-19 plan modifications and premium rates. The Councils and Board staff support the recommendation.