

Insurance Matters

The new U.S. law on health insurance not only affects all citizens, but international students as well.

LAST SPRING, a German student attending a U.S. university might have paid as little as \$200 for a school-sponsored plan that satisfied her J-1 visa requirements that she buy medical insurance. The plan may have offered minimal benefits, but for an undergraduate living on a shoestring, it probably seemed like a good deal. “Most of those plans offered very substandard coverage, as students found out, when they submitted claims on their plan,” says Paul Clancy at Boston University.

This spring, the same student may be paying \$1,700 or higher, by some estimates, under the Patient Protection and Affordable Care Act (ACA)—the health insurance reform measure passed by the U.S. Congress and signed by President Obama in March 2010.

The law’s 900-plus pages make only fleeting reference to domestic and international students, leaving university and college administrators—not to mention insurers, students, and their families—scouring the new law for hints of how things have changed for the 764,495 people who come to the United States each year to pursue higher education, as well as the 273,996 from the United States studying abroad (*Open Doors*, 2012).

While much of the new law’s repercussions remain uncertain, administrators fear there may be at least two: fewer international students willing to attend U.S. institutions because of the cost of mandatory insurance, and many U.S. students heading overseas with insurance that federal law now considers substandard.

“You’ve got international students coming into the U.S. who think of themselves—like most young people—as invulnerable, so they typically buy very inexpensive plans with very little coverage,” said Leta Finch, national practice leader at Aon Risk Solutions, which writes insurance policies for university students. “Now, they have to pay quite a bit more for coverage that they may feel they don’t need or want. If I want to



Administrators fear there may be two unintended repercussions to the new law: fewer international students willing to attend U.S. institutions because of the cost of mandatory insurance and many U.S. students heading overseas with insurance that federal law now considers substandard.



Checklist for Optimal Insurance Coverage

International Students Coming to the U.S. or U.S. Students Going Abroad

- Low co-pay/deductible
- No pre-existing condition exclusion (or very limited) (exclusions for congenital conditions is quite common)
- No clauses limiting coverage due to blood alcohol level or drug use
- Inpatient or outpatient treatment for non-emergency illness or injury, including participation in intercollegiate, interscholastic, intermural, or club sports
- Treatment of specified therapies, including acupuncture and physiotherapy
- Emergency care/hospitalization
- Inpatient or outpatient treatment for mental and nervous disorders, including drug or alcohol abuse, and regular counseling or therapy sessions
- Laboratory tests/services
- Prescription drugs, including oral contraceptives and devices (if not full coverage, than a reasonable percentage)
- Dental repairs or treatment (related to injury/accident)
- Professional ground or air ambulance service to nearest hospital (in country or neighboring country)
- Medical evacuation (including for reasons of mental health) to home city/country
- Bedside visit/emergency reunion (for close friend or family member)
- Repatriation of mortal remains
- Accidental death and dismemberment benefit
- Coverage in countries under U.S. Department of State Travel Warnings or the Office of Foreign Assets Control sanctions, if applicable*
- Reliable, high quality 24-7 assistance services (phone and email) for use of insured services, lost travel documents, visa services if needed for ground/air transportation to a third country, locating quality doctors, managing medical cases, etc.
- SPECIAL NOTE:** *International students coming to the U.S. should also obtain coverage for routine dental care*

Coverage worth adding if cost is minimal

(or through other means)

- Zero deductible and copay
 - Maternity care/therapeutic termination of pregnancy
 - Routine nursery care of a newborn child of a covered pregnancy
 - 30-90 days coverage in home country for condition that began abroad
 - Replacement of lost or broken prescription eye glasses and/or contacts
 - Program cancellation coverage (usually in limited situations)
 - Security/civil unrest or natural disaster evacuation*
 - Option to insure spouses, domestic partners and dependents under the same plan (many institutions require this for their international students)
- * *not a likely benefit needed for international students coming to the United States, unless they plan to study abroad under the same policy*

Monetary Limits Under the Patient Protection and Affordable Care Act

(for campus-based policies)

- \$500,000 for "essential services" in the policy year beginning on or after September 23, 2012 but before January 1, 2014 (see article for definition of essential services)
- \$100,000 in prescription drug coverage
- SPECIAL NOTE:** *These limits may not meet standards set by some foreign countries, such as Australia and Switzerland*

This checklist is provided by Julie Anne Friend, associate director for international safety and security at Northwestern University, with assistance from Joseph Finkhouse, associate director for health, safety, and security at Boston University and Stacey Tsantir, director of international health, safety and compliance at the University of Minnesota.

go to the U.S., Canada, or England and I look at what it's going to cost me in medical insurance to study in the U.S., it may make more sense to go elsewhere."

Under the new law—colloquially called "Obamacare"—university students must now buy "minimum essential health coverage" for themselves and their dependents. The coverage must have an annual limit of no less than \$100,000 for "essential benefits" for policy years beginning on or after July 1, 2012, but before September 23, 2012, and \$500,000 for policy years beginning on or after September 23, 2012, but before January 1, 2014. There are no lifetime limits on the dollar value of "essential health benefits," which include preventive care, emergency services, hospitalization, lab services, and maternity and newborn care. Plans must have at least \$100,000 in prescription drug coverage each year. Additional requirements—including fines for the uninsured (with some exceptions) and no annual spending caps on essential benefits—began to phase in on January 1, 2013. Spending caps on essential benefits are entirely prohibited after January 1, 2014.

International students studying in the United States are not necessarily exempt. In fact, while many domestic students may take advantage of provisions allowing them to attend school without insurance if they earn below-poverty wages, international students can't use this exemption. That's because many international students in the United States were required under their visas—and even before the ACA—to carry medical insurance, even if their domestic counterparts were not (J-1 visa holders must have insurance but this does not apply to every visa category in which an international student may be applicable to his or her situation).

The beefed up coverage rules—with their high annual limits and generous prescription coverage—are significant enough that "the policies that most international students used to have are really no longer considered policies under the new law," said Paul Clancy, director of risk manage-

New Law Impacts Domestic Students, Too

IT WAS LITTLE SURPRISE to insurance broker Teresa Koster when she learned in late November that a small Maryland college would be dropping the health insurance plan it offers students.

The Patient Protection and Affordable Care Act (ACA), which requires college and university students to buy insurance with substantial benefits (see main story), meant it was a matter of time before schools concluded they either couldn't afford the generous plans the law requires, or couldn't afford to lose prospective students who won't pay for them as part of their school "fees."

"Schools now have to take on a more elaborate role in understanding health care in the U.S.," said Koster, a division president at Arthur J. Gallagher, a consulting brokerage risk management firm specializing in insurance "We're trying to figure out how universities can wade through this maze."

The new health care law could affect smaller universities and public institutions the most. Many such schools either don't offer their own plans—or offer low-cost, limited ones—which means students are left to the mercy of insurer-provided plans that can be far more expensive.

"The big shakeup was increased premiums for older students, and they weren't happy about it," said Jennifer Haubenreiser, director of health promotion at Montana State University, where insurance plans now run \$1,700 to \$2,200 a year under the ACA. "For them, premiums increased about \$800 a year. But if you call up an insurer right now, it's through the roof."

In a paper last summer for the University Risk Management and Insurance Association, *Myths, Facts, and Realities of Health Care Reform within the Student Health Insurance Marketplace*, Koster said she believes the ACA will convince many students to claim an exemption allowing them to remain uninsured if they earn less than \$11,170 a year.

"Students may say, 'I'm below \$11,170, so I don't have to show proof,'" Koster said in an interview.

The Individual Mandate going into effect in 2014 will have an initial penalty of \$95 or 1% of individual's income—whichever is greater, according to Koster. Individuals not subject to the penalty are undocumented immigrants; those with individual income below the IRS tax filing threshold, currently at \$11,170 or family income below \$23,050; those who would be required to spend 8% of their individual income to purchase health insurance; incarcerated individuals, or members of a religious group that opposes benefits from a health insurance policy.

"Given the above exceptions, many students could be exempt from the tax penalty and may ultimately stay uninsured if their institution does not offer a student plan through a hard waiver enrollment method," warns Koster.

Student with earning below the income levels outlined in the ACA will be eligible for a premium subsidy on January 1, 2014.

The ACA allows students to remain on their parents' plans until they turn 26. Parents' plans, however, tend to have restrictions on care for children studying out of state. On the other hand, parents with several children likely get insurance discounts that colleges can't offer, said Paul Clancy, director of risk management at Boston University, since most health plans have one flat premium to add coverage for children, whether the coverage is for one child or several.

About 35 institutions self-fund their insurance plans, so a school collects premiums, invests them, and handles claims itself. Self-funded student health plans are not subject to the ACA, but may be regulated by states.

How state laws may conflict with the ACA remains to be seen. For instance, Michigan State University (MSU)—until early last year—was the first public university in the state to mandate health insurance for students—both domestic and international; students at MSU are automatically enrolled in the university health plan. The school noted that 25 percent of public universities nationwide had the same requirement. But the university dropped the mandate after opposition from state lawmakers.

ment at Boston University, which has a significant international population. "Some international student groups have asked if we can delay this for a year, but our response has been we've got to be compliant."

Jennifer Haubenreiser, director of health promotion at Montana State University, said international students could in the past get away with very basic policies that provided minimal coverage at relatively low cost.

There are distinctions between a university's requirement that international students have insurance and exchange visitor program regulations that require them to have it.

"Now, they have to have the same level of benefits that an American student has under 'Obamacare,'" she said. "The Affordable Care Act is putting everyone in the same line here. It's not up to individual campuses to determine. The U.S. State Department doesn't want students coming here without adequate insurance."

Of course, there are distinctions between a university's requirement that international students have insurance and exchange visitor program regulations that require them to have it. The issue isn't always black and white depending on a specific university's requirement for international students to have insurance.

Clancy has run numbers on what it would cost to provide a university-sponsored plan to international students at Boston University. Because of the ACA's requirements, the "basic" plan's prescription coverage increased from the current \$2,000 a year to \$100,000 at the beginning of the 2012–2013 academic year.

"We were throwing out our costs—percentage increases in the teens based on these changes—and the people here

thought I wasn't serious," said Clancy, who did not share what the university pays for its plan.

Doug Graham, Aon's vice president of student medical plans, said there could be unintended ramifications because of higher insurance costs for international students. His firm has found that students—even under lower cost, lower coverage plans—tend to take advantage of the benefits. Higher costs, he said, may translate into even higher use of benefits.

"Once they figure out the insurance, they know how to use it to their advantage," he said. "On some campuses, for instance, there have been huge increases of C-sections during the semester that a student completes her U.S. study. International students understand this, and they understand how to use the insurance for their purposes."

Clancy isn't convinced that higher costs will affect international attendance at U.S. schools. "It's a great unknown, but I don't know if it will be enough of a factor that they will go to another country," he said.

What are the options international students have for purchasing insurance?

One is to take advantage of the plans that universities—typically private institutions—offer as part of an international student's yearly fees. But because school-sponsored plans recognize they will have to charge significantly more under the ACA, some may reconsider offering coverage to continue attracting students, says Teresa Koster, division president at Arthur J. Gallagher, a consulting brokerage risk management firm.

"When a school plan costs \$1,000 a year, schools were comfortable with saying 'OK, that's part of the cost of attendance,'" Koster said. "But if it's now going to cost \$1,700 a year, schools may not feel comfortable adding that fee on to tuition—along with all the other fees that impact someone's ability to go to school."

Instead, she says, schools may point international students to insurer-offered plans that may not be subject to the ACA



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and, therefore, will be less expensive than those subject to it.

"A school decides it doesn't want to run an insurance program any longer, but knows 20 percent of its student population is international," Koster said. "You don't want these individuals on campus with no insurance. It's a liability."

Insurer-offered plans for international students that run month-to-month are exempt from the ACA [if the maximum period of coverage is less than 12 months], Koster says, because they're deemed "short-term limited duration" policies. They will still be more expensive than what international students were paying under college-administered plans, Koster said.

Haubenreiser says insurers are launching aggressive marketing campaigns aimed at students. "These companies are telling international students, 'Here, buy this plan versus your school plan, because it will be less expensive,'" she says. The plan may be less expensive, she says, but it is typically far from comprehensive.

There are other ways around higher insurance costs for international scholars.

Some universities have self-funded plans that aren't subject to the ACA rules. Under

self-funded plans—like the one operated by the University of California system—institutions provide insurance with their own funds, rather than contract with an insurance company for coverage. They collect premiums, invest them, and assume direct risk for payment of claims.

In addition, the ACA allows international students—until they turn 26—to be covered under the insurance plan of a parent who can claim the student as a dependent. The problem, says Finch, is that "we've seen people walk into U.S. universities with marginal notes on a Xeroxed piece of paper saying they have health care, and it's not proof of coverage."

HTH Worldwide writes health insurance policies for foreign students coming to the United States. Gerry Schaafsma, HTH's chief investment officer, said until it becomes clear whether the ACA affects education abroad students, schools may de-



NAFSA published *Health Insurance and Health Care for International Students and Scholars*, a practice resource in fall 2012. View it online at www.nafsa.org/KCISSHealth.

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fer to their state legislatures, or their own judgment. In some cases, state laws, such as in Washington state, don't allow public schools to mandate medical coverage. While the ACA supercedes these prohibitions for students studying in the United States, schools may decide that state law still applies to U.S. students abroad.

"If state lawmakers say you can't mandate that someone has an insurance policy, then some students might think that at public schools, they don't have to have a policy to go abroad," he said.

That such uncertainty remains nearly two years after the ACA was signed into law is testament to how complicated the law is, and to how little it says about university students, Finch says.

"Were lawmakers thinking about international students?" asks Finch. "They weren't even thinking about regular students. I don't think anyone thought through how this would affect international students." **IE**

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