Gallagher | STUDENT HEALTH & SPECIAL RISK

Healthcare Reform
Frequently Asked Questions
For Students & Campus Administrators

This updated FAQ is intended to provide our clients and customers with information about Healthcare Reform, and how the regulations apply to college students and student workers. This document is not intended to provide legal advice, but rather to guide our clients and customers toward a better understanding of the insurance options that are available and their implications under the Patient Protection and Affordable Care Act ("PPACA").

Questions	Answers
Q: What health insurance options are available to college students?	A: College students may be eligible for the following health insurance options: ▪ Coverage as a dependent on Parents' health insurance plan to the age of 26 ▪ Coverage through Medicaid based on expanded eligibility requirements in some States ▪ Coverage through a Marketplace; with premium tax credit, or subsidy, if income requirements are met ▪ Catastrophic Plan offered through a Marketplace ▪ School-Sponsored Student Health Insurance Plan ▪ Coverage through an Individual Health Plan offered outside of a Marketplace ▪ Coverage as a common law employee
Q: Does coverage under a Student Health Insurance Plan satisfy the "Individual Mandate" requirement of Minimum Essential Coverage?	A: The Individual Mandate goes into effect in 2014 and will require documentation of Minimum Essential Coverage on Federal Tax returns. Coverage under a Student Health Insurance Plan does satisfy this requirement because it meets the Department of Health and Humans Services (HHS) definition of Minimum Essential Coverage. Student Health Insurance Plans and plans offered through the Marketplaces cover Essential Health Benefits which include: Ambulatory Patient Services, Emergency Services, Hospitalization, Maternity & Newborn Care, Mental Health / Substance Abuse Disorder Services, Rehabilitative Services, Durable Medical Equipment / Devices, Prescription Drugs, Diagnostic Tests, and Wellness / Preventive Care. In the 2014-2015 policy year, in addition to the coverage currently in place, fully-insured Student Health Insurance Plans will provide unlimited benefits and coverage for pre-existing conditions. In addition, pediatric dental and vision benefits will be covered up to the age of 19.
Q: What is the penalty for not having Minimum Essential Coverage?	A: The initial amount of the penalty is $95.00 or 1% of individual's income, whichever is greater. The penalty for 2015 is $325 or 2% of income, whichever is greater. This penalty is applied to the individual's tax return.

Questions	Answers
Q: Is anyone exempt from the Individual Mandate and subsequent penalty?	A: Individuals NOT subject to penalty are: ▪ Undocumented Immigrants ▪ Those with individual income below the Internal Revenue Service (IRS) tax filing threshold ($10,000 for individuals/ $20,000 for families in 2013) ▪ Those that would be required to spend 8% or more of their income on health insurance ▪ Incarcerated individuals ▪ Members of a recognized Native American tribe ▪ Members of a religion who oppose benefits from a health insurance policy ▪ Individuals who qualify for a hardship exemption
Q: What is a Health Insurance Marketplace?	A: Marketplaces were established under PPACA to serve as online markets where individuals and small businesses can compare policies and buy insurance. To locate information on Marketplace options applicable to your State, go to www.healthcare.gov or call the Customer Service Center toll-free at 800-318-2596. Individuals interested in purchasing coverage through the Marketplace may <u>only</u> apply for plans available in the State where he/she is a resident. Residency status is established by each State.
Q: How is a person's State of Residence and other information verified to determine eligibility to enroll in the Marketplace?	A: The Internal Revenue Service (IRS) and the Department of Health and Human Services (HHS) have created a database known as the Federal Data Services Hub. Information maintained in this database for individual applicant/enrollees includes, but may not be limited to, the applicant's first name, last name, middle initial, mailing address or permanent residential address (if different from the mailing address), date of birth, Social Security Number (if the applicant has one), taxpayer status, gender, ethnicity, residency, email address, and telephone number. The system will also maintain information that will verify the information provided by the individual/enrollee or by the application filer on behalf of other applicants that will enable a decision about an applicant's eligibility. The system will collect and maintain submitted information pertaining to: ▪ Citizenship or immigration status; ▪ Enrollment in Federally-funded minimum essential health coverage (e.g. Medicare, Medicaid, Federal Employees Health Benefit Program (FEHBP), Veterans Health Administration (Champ VA), Children's Health Insurance Program (CHIP), Department of Defense (TRICARE), Peace Corps); ▪ Incarceration status; ▪ Native American status; ▪ Enrollment in employer-sponsored coverage; ▪ Requests for and accompanying documentation to justify receipt of individual responsibility exemptions, including membership in a certain type of recognized religious sect or health care sharing ministry; ▪ Employer information; ▪ Veteran status; ▪ Limited health status information (pregnancy status, blindness, disability status); and ▪ Household income, including tax return information from the IRS, income information from the Social Security Administration, and financial information from other third party sources. Information will also be maintained with respect to the applicant's enrollment in a Qualified Health Plan through the Marketplace, the premium amounts and payment history.

Questions	Answers
Q: Who manages the Marketplaces?	A: The answer to this varies by State. Some States have established State-Based Marketplaces while others have defaulted to the Federally-Facilitated Marketplace. The Federally-Facilitated Marketplace is managed by the Centers for Medicare & Medicaid Service (CMS). Regardless of who manages the Marketplace in your State, your may visit www.healthcare.gov or call the Customer Service Center toll-free at 800-318-2596 to be directed to the Marketplace applicable to you.
Q: When is open enrollment for plans offered through the Marketplaces, and when would the plans become effective?	A: Open enrollment for coverage beginning in 2015 will begin on November 15, 2014 and proceed through February 15, 2015. Losing insurance from another source, i.e., employer-based or student health insurance will trigger a special enrollment period that will allow the affected individual the opportunity to apply for coverage in the Marketplace.
Q: What kinds of health insurance options are available through the Marketplaces?	A: There is a menu of plan designs that are based on actuarial value levels of benefits offered through the Marketplace. These plans are categorized as: Bronze (60%), Silver (70%), Gold (80%) and Platinum (90%), and are often structured through limited provider networks. Individuals with low and moderate incomes may be eligible for an upfront premium tax credit (subsidy) when purchasing insurance through the Marketplace in order to reduce their monthly premiums. Premium tax credits (subsidies) will be based on the lowest cost "Silver Plan." That amount can be used to purchase a lesser or greater plan; however, the individual will be responsible for any additional premium. Once enrolled in a Marketplace plan, one must continue enrollment in the same plan throughout the policy year unless a qualifying life event occurs, such as moving to a new State, certain changes in income, or changes in family size (e.g., marriage, divorce, or birth of a child).
Q: What is the "Catastrophic Plan" or "Young Invincible Plan" that is being offered through the Marketplaces?	A: Marketplaces have included a Catastrophic Plan option that is available to individuals up to the age of 30 years old, or those who have received a certification from a Marketplace that they are exempt from the Individual Mandate because they do not have an affordable coverage option or they qualify for a hardship exemption. These plans cover up to three primary care visits per year and preventive care at no cost. They will also cover Essential Health Benefits (as prescribed by PPACA), but only after out-of-pocket cost sharing reaches a high deductible offset by PPACA's required out-of-pocket maximum (2014 maximums are $6,350 for an individual, $12,700 for a family). As described at www.healthcare.gov, Catastrophic Plans "basically protect you from worst case scenarios." Additionally, there is no premium tax credit (subsidy) for this type of plan, and it is important to note that these plans do not meet the minimum coverage required by most Colleges or Universities.

Questions	Answers
Q: Who is eligible for a premium tax credit, or subsidy, through the Marketplaces?	A: Eligibility for a premium tax credit (subsidy) is based on the tax filing and Social Security data provided by the applicant to verify household income. Therefore, if a student is considered a dependent on their parents' tax return, their eligibility for a subsidy is based on their parents' income. To qualify for a premium tax credit (subsidy) to purchase insurance through the Marketplace in a State that has expanded Medicaid, one must be a member of a household with earnings between 133% and 400% of the Federal Poverty Level, with no access to affordable employer-sponsored coverage that has minimum value. To qualify for a premium tax credit (subsidy) to purchase insurance through the Marketplace in a State that has not expanded Medicaid, one must be a member of a household with earnings between 100% and 400% of the Federal Poverty Level, with no access to affordable employer-sponsored coverage. The initial intent under PPACA was that all States would be required to provide Medicaid coverage for adults between ages 18 to 65 with incomes up to 133% of the Federal Poverty Level, regardless of their age, family status or health. However, due to the Supreme Court's Decision, not all States have decided to expand Medicaid eligibility. To find out if your State has expanded Medicaid, visit http://kff.org/health-reform/state-indicator/state-activity-around-expanding-medicaid-under-the-affordable-care-act/. To determine your eligibility for a premium tax credit (subsidy) go to www.healthcare.gov or call the Customer Service Center toll-free at 800-318-2596.
Q: Who is eligible for Medicaid under PPACA?	A: This answer varies by State as some States have opted to expand Medicaid while others have not. Visit http://medicaid.gov/ and select your State for complete information regarding eligibility.
Q: How can one calculate the premium tax credit, or subsidy, they may be eligible for through their Marketplace?	A: The Henry J. Kaiser Family Foundation has created a Subsidy Calculator, located here: http://kff.org/interactive/subsidy-calculator/. You may also go to www.healthcare.gov, select your State, and complete the application process to determine your qualifications for a subsidized premium through the Marketplaces.
Q: How are premium tax credits managed and reconciled?	A: Premium tax credits (subsidies) will be administered by the IRS and HHS through the Marketplaces. The IRS will reconcile advance payment of the premium tax credit when the individual files his/her annual federal tax return at the end of the year and will recoup overpayments and provide refunds when appropriate, subject to statutory limits. These safeguards apply to both State and Federally-Facilitated Marketplaces. It is important to note that those receiving a premium tax credit (subsidy) will need to pay for their premium portion to an insurance carrier by direct debit arrangement with their bank.

Questions	Answers
Q: If a student attends a College or University that offers a school-sponsored Student Health Insurance Plan, will he or she be eligible to purchase a plan through a Marketplace?	A: Yes, students attending a College or University that offers a school-sponsored plan will be eligible to purchase a plan through a Marketplace. However, students should review both policies carefully to determine: ▪ Whether the Marketplace plan will cover medical care beyond emergency services (e.g., doctor's office visits, diagnostic testing, x-rays, prescription drugs, mental health, etc.) in the geographic region where the student attends school? ▪ Whether the plan has doctors and hospitals in the geographic region where the student attends school? ▪ Check the cost to determine whether the annual cost of the Student Plan is less or more. When making the comparison, be sure to compare deductibles, total out-of-pocket costs, and premiums. ▪ Whether there are administrative pre-requirements, pre-certification or Primary Care Physician referrals required under the Marketplace plan that may delay receipt of care?
Q: Can a College of University continue to have an insurance requirement for their students?	A: Yes, Colleges and Universities can continue to require students to have health insurance as a condition of attendance. This requirement can be met by enrolling in the school-sponsored Student Health Insurance Plan, or completing a waiver form showing proof of comparable coverage. In addition, schools may set specific coverage standards.
Q: Can a student who attends College outside of their State of Residency apply for a Marketplace plan in the State in which their College or University is located?	A: No, individuals interested in purchasing coverage through a Marketplace may <u>only</u> apply for plans available in the State where he/she is a resident. Each State has its own residency definitions and requirements which must be met for a person to legally be considered a resident.
Q: Are international students eligible to purchase a plan through a Marketplace? If so, are they eligible for a premium tax credit, or subsidy?	A: International students who are legally in the United States are eligible to purchase a plan through a Marketplace, but they are <u>not</u> eligible for a premium tax credit (subsidy). Coverage requirements for international students are outlined in the final HHS Rule on Student Health Insurance Plans.
Q: Are plans purchased outside of the Marketplaces eligible for a premium tax credit, or subsidy?	A: Health Insurance Plans purchased outside of a Marketplace, including Student Health Insurance Plans, are <u>not</u> eligible for any federal premium tax credit (subsidy).
Q: What is "Community Rating"? How does this apply to Marketplaces and Student Health Insurance Plans?	A: As required by PPACA, insurance carriers are required to consider the claims experience of all enrollees in all of their individual health plans in a State within a single risk pool. This rule constitutes a significant change from current rating practices which can result in less healthy people paying higher premiums than healthier people for similar benefits. This is considered "community rating". However, PPACA does allow for some modifications; for instance, there must be a ratio of 1 to 3 premium ranges of the best to worst risk. Marketplace plans are calculated within this community rating ratio whereas Student Health Insurance Plans are not subject to this single risk pool or community rating. This allows insurance carriers to keep the premium costs of Student Health Insurance Plans lower since outside populations are not being considered into their underwriting risk pool.

Questions	Answers
Q: Why is enrollment in a Student Health Insurance Plan a good alternative to enrolling in a plan through the Marketplace?	A: It is important to explore all options and choose the one that is the most cost effective when taking into consideration both premium cost and out-of-pocket costs. Here are some aspects of Student Health Insurance Plans to consider: ▪ Student Health Insurance Plans offer lower deductibles, copayments, out-of-pocket maximums, and premiums as compared to the lower cost options (i.e., Bronze, Silver, and Catastrophic) offered through the Marketplaces. ▪ Coverage under a Student Health Insurance Plan meets the Individual Mandate requirement of Minimum Essential Coverage. ▪ Student Health Insurance Plans are designed to "wrap around" campus Student Health/Counseling/Athletic Services to provide the best access to Primary and Preventive healthcare. ▪ One can only purchase coverage under the Marketplace applicable to the State in which he or she is a resident. For students attending school out-of-state, this poses risky coverage limitations given that Marketplace plans most often require participants to receive non-emergency care within their Preferred Provider Network, which is often regional. ▪ Student Health Insurance Plans offer access to expansive Preferred Provider Networks – they are typically designed around a robust National Network. ▪ Student Health Insurance Plans include Travel Assistance Coverage which guarantees coverage during semester breaks, summer vacation and even while traveling or studying abroad. ▪ Student Health Insurance is purchased either voluntarily, or on a hard waiver basis as a charge to the student's tuition bill. Though there is no premium tax credit (subsidy) available, there are also no tax implications. ▪ Depending on the institution, in some cases students can use Financial Aid to purchase Student Health Insurance. ▪ For low income students living in States that have not expanded Medicaid, Student Health Insurance will likely prove to be the most cost-efficient option. ▪ Student Health Insurance Plans are not subject to community rating requirements; therefore, premiums are based on the actual claims experience of a similar population (college students) as opposed to the general population, as is the case through the Marketplaces.
Q: What is the Actuarial Value requirement and how is the calculation applied to a plan?	A: Actuarial value (AV) is a measure of the percentage of expected health care costs a health plan will cover and can be considered a general summary measure of how generous a health plan's benefits are. HHS requires use of an Actuarial Value ("AV") Calculator by non-grandfathered health insurance plans offered in the individual and small group markets, both inside and outside of the Marketplaces, to determine "metallic" levels of coverage. Because fully insured Student Health Insurance is considered to be a health insurance plan offered in the individual market, it must comply with the AV metallic level determination. AV is generally calculated by dividing the: (i) the total expected payments by the plan for essential health benefits (EHB), calculated in accordance with the plan's cost-sharing rules (i.e., deductibles, coinsurance, copayments, out-of-pocket limits), for a standard population or people; by (ii) the total costs for the EHB the standard population is expected to incur. For example, a plan with an 80% AV would be expected to pay, on average, 80% of the expected medical costs for the EHB. Individuals covered by the plan would be expected to pay, on average, the remaining 20% of the expected costs out of pocket in the form of deductibles, copayments, and coinsurance. PPACA groups health plans into four "metallic" tiers: bronze, with an AV of 60%; silver, with an AV of 70%; gold, with an AV of 80%; and platinum, with an AV of 90%. A *de minimis* variation of +/- 2 percentage points of AV is allowed for each tier. The methodology is

Questions	Answers
	available via these links: ▪ 2014 AV Methodology: http://www.cms.gov/CCIIO/Resources/Files/Downloads/av-calculator-methodology.pdf; ▪ 2015 AV Methodology: http://www.cms.gov/CCIIO/Resources/Regulations-and-Guidance/Downloads/2015-av-calculator-methodology.pdf. The government created Excel worksheets to help calculate the actuarial value, the links are below: ▪ 2014 AV Calculator: http://www.cms.gov/CCIIO/Resources/Regulations-and-Guidance/Downloads/av-calculator-final.xlsm; ▪ 2015 AV Calculator: http://www.cms.gov/CCIIO/Resources/Regulations-and-Guidance/Downloads/2015-av-calculator-final.xlsm. If the plan is too specialized, then an actuary can certify it.
Q: If a student is an employee for a College or University, is that student eligible for coverage as an employee?	A: It depends. Guidance from the IRS states that students who are part of a federal work-study program (or a state or local government equivalent) are not considered to be "employees" for purposes of what is called the Employer Shared Responsibility Mandate. The Employer Shared Responsibility Mandate is a requirement that applicable large employers provide coverage to their full-time employees or face a penalty. Students other than those in a work-study program may be eligible for employer-sponsored coverage through a college or university if the student works an average of 30 or more hours per week for the school. * Student workers should check with their employers for more information about eligibility.
Q: If a student is considered to be a full-time employee under PPACA, what does it mean for the College or University to "offer coverage"?	A: Under PPACA, an "offer of coverage" must meet certain requirements. The coverage offered must be made to at least 95% (70% in 2015) of all full-time employees and their dependent children. Individuals must also have an annual opportunity to accept or decline that coverage unless the coverage is "affordable" which is measured using what is called the Federal Poverty Line safe harbor. The college or university is not required to pay for any part of the cost of coverage, but if it does not, then the coverage may be "unaffordable," and the student worker could trigger a penalty by obtaining premium assistance for coverage through a Marketplace.
Q: Can a College or University pay for 100% of the cost of Student Health Insurance for a student worker who is considered to be a full-time employee of the school instead of offering employer-sponsored coverage and avoid a penalty under the Employer Shared Responsibility mandate?	A: No. Student Health Insurance is considered to be "individual health insurance," not employer-sponsored coverage under PPACA. Providing "individual health insurance" does not meet the Employer Shared Responsibility requirement under PPACA. This means that a College or University cannot avoid an Employer Shared Responsibility penalty by paying for 100% of the cost of Student Health Insurance for a student worker who is considered to be a full-time employee under PPACA.
Q: Can a College or University offer both Student Health Insurance and employer-sponsored coverage to a student worker who is considered to be a full-time employee under PPCA?	A: Yes. A College or University may offer both Student Health Insurance and employer-sponsored coverage to a student worker. However, only the employer-sponsored coverage could fulfill the school's responsibility to offer affordable coverage with minimum value in order to avoid an Employer Shared Responsibility penalty.

Questions	Answers
Q: If a College or University normally pays 100% of the cost of Student Health Insurance, can the school apply that amount to employer-sponsored coverage instead?	A: Full-time student workers attending Colleges or Universities that pay for 100% of the cost of Student Health Insurance and offer employer-sponsored coverage to full-time student workers who are not part of work-study programs, will have a choice between the Student Health Insurance and the employer-sponsored coverage. If the school chooses to apply the amount it would have paid for Student Health Insurance to the cost of employer-sponsored coverage, that may be sufficient to avoid a penalty for the coverage provided to the student worker if the employer-sponsored coverage is then affordable and has minimum value. However, schools should be careful not to create a discrimination issue under applicable Internal Revenue Code provisions by paying a lower contribution for student workers than for highly compensated employees.
Q: Could graduate students and graduate teaching assistants be full-time employees under PPACA?	A: Yes. Graduate students and teaching assistants could be full-time employees under PPACA if they work an average of 30 or more hours per week. If, when hired, it is not possible for a College or University to determine if they will work an average of 30 or more hours per week, they could be considered to be “variable hour” employees, and their employers could use a “look-back” method safe harbor to determine if they are full-time employees. This method would permit the school to use a period of between three and twelve months to determine if those students average 30 or more hours per week. However, graduate students and teaching assistants who are hired with the knowledge that they will work 30 or more hours per week when hired would be considered full-time employees upon hire.
Q: Could resident assistants or resident counselors be full-time employees under PPACA?	A. Yes. Resident Assistants (“RAs”) or Resident Counselors (“RCs”) could be full-time employees under PPACA if they work an average of 30 or more hours per week. If, when hired, it is not possible for a College or University to determine if they will work an average of 30 or more hours per week, they could be considered to be “variable hour” employees, and their employers could use a “look-back” method safe harbor to determine if they are full-time employees. This method would permit the school to use a period of between three and twelve months to determine if those students average 30 or more hours per week. Colleges and Universities must also include “on-call hours” for resident assistants and resident counselors when determining those employees’ “hours of service.” Until further guidance is issued, on-call hours include time for which payment is made or due from the employer, and either: (1) the RA or RC is required to remain on-call at the employer’s premises, or (2) the employee’s activities while remaining on-call are substantially restricted such that the employee is effectively prevented from using the time for the employee’s own purposes. If a school knows that an RA or RC will work an average or 30 or more hours per week when hired, that RA or RC will be a full-time employee from the date of hire for purposes of PPACA.*
Q: Do Colleges or Universities have to include unpaid interns as full-time employees under PPACA?	A: No. The hours that unpaid interns work do not count as “hours of service,” therefore, even if an unpaid intern works 30 or more hours per week, that intern will not be considered a full-time employee under PPACA. However, a paid intern may qualify as a full-time employee.
Q: Can students in work-study programs be full-time employees under PPACA?	A: No. The hours worked by students in work-study programs do not count as “hours of service” under PPACA. Thus, College and Universities do not need to determine if students in work-study programs are full-time employees under PPACA.

Questions	Answers
Q: What if a student participates in a work-study program during the fall and spring academic semesters, but takes a non-work-study position during the summer?	A: A College or University is not required to track the hours of service for a student in a work-study program to determine if the student is a full-time employee under PPACA. However, any time for which the student is paid for hours of service outside of the work-study program will count as hours of service and should be tracked toward a determination as to whether the student is a full-time employee. However, because the student works in the non-work-study position during the summer, the student may be considered to be a “seasonal employee.” Seasonal employees for purposes of PPACA are employees who are employed for less than six months and are customarily hired at the same time each year. Schools are permitted to use a “look-back” method safe harbor to determine if seasonal employees are full-time employees under PPACA.*

The above information was compiled from various sources including:

- Henry J. Kaiser Family Foundation (www.kff.org)
- American College Health Association (www.acha.org)
- Centers for Medicare & Medicaid Services (www.cms.org and www.healthcare.gov)
- Young Invincibles, (http://younginvincibles.org/)
- PPACA Regulations as published in the Federal Register

For more information:

* Healthcare Reform Update: Final Regulations Clarify “Affordability” Safe Harbors (February 2014): https://ajg.adobeconnect.com/_a815130238/hcr_021414f/

* Healthcare Reform Update: Determining Full-Time Employee Status for Purposes of the Employer Shared Responsibility Provisions under PPACA (February 2014): https://ajg.adobeconnect.com/_a815130238/hcr_021414c/