December 1, 2011

Mr. Cass R. Sunstein
Administrator, Office of Information
And Regulatory Affairs
Office of Management and Budget
Washington, D.C. 20503

Re: Medical Loss Ratios and Student Health Insurance Plans

Dear Mr. Sunstein:

I am writing to affirm our position that the 80% medical loss ratio requirement in the proposed regulations on college health plans is one of the most important and beneficial aspects of the new regulations, and should not be undermined in any way. We strongly supported the proposed regulations by the Department of Health and Human Services on college health plans, which would provide for better value to approximately 3 million college students on these plans. One of the most critical provisions of those proposed regulations was the definition of college health plans as individual plans, and the significant improvements in quality and value that the classification entailed.

Critically, by defining student health plans as individual plans, the proposed regulations put forth by HHS set the medical loss ratio (MLR) for these plans at 80%. We understand that HHS asked for feedback on this provision in the proposed regulation, and we are happy to explain why it is so important. As we will document below, student health care plans for years have offered remarkably high profits to insurers, up to 10 times the profits from other individual market plans, while providing unreasonably low value to students in the form of low MLRs.

Indeed, while access to comprehensive data on student health insurance is limited, where we do have data, we see both that student health insurers often enjoy large profit margins, and also that they are quite capable of meeting this basic MLR standard. Maintaining the 80% MLR requirement in the final student health plan regulations will make room for premium reductions or coverage improvements, and mandating a baseline level will catch many of the problems with plans that are not captured in some of the enumerated consumer protections that go along with individual plan regulation. Moreover, despite insurer claims that these new requirements will push schools to drop plans, there have been anecdotal accounts that college health plan enrollment is actually increasing as schools have begun to alter their plans to prepare for reform.

With Low MLRs, Students Pay, Companies Profit

Examples from specific markets and industry leaders provide evidence of the types of high profits that student health insurers currently enjoy. First, a study in Massachusetts – conducted in response to student organizing around the issue of poor coverage – found that

student plans had an average MLR of 70%, with the average public school plan even lower, at 55%. The average profit margin was 10%, but ran as high as 20%.[1] Clearly, there is plenty of room for student health insurance plans to increase their MLRs, even if administrative costs were slightly higher. The 80% MLR requirement will help ensure that students are protected from further profit gouging, and bring student health plans in line with the rest of the individual market.

	Comm Colleges	State Colleges	UMass Schools	Self-Funded	Others	All	Private Insurance
Profit Margin	-2%	20%	8%	11%	12%	10%	2%

These low MLRs are certainly not a Massachusetts phenomenon. At Rice University in Texas, MLRs ranged from 39% to 44% from 2007 to 2010 (see attached documentation). In a Bloomberg Business Week investigation report, they found MLRs as low as 10% some semesters in local community colleges, and 35-71% as USF-Tampa.[2] An investigative report by then-Attorney General Andrew Cuomo similarly found exceedingly low MLRs, while at the same time finding evidence of misconduct around the deals struck with brokers and insurers.[3]

An 80% MLR is Reasonable and Attainable

The ability to meet an MLR of 80% is well within the capability of student health insurers. In fact, some insurance companies and their college health plans are already close to that marker. Aetna, the largest provider of student plans, generated about $470 million in premiums in 2009, with an MLR of 83.3%; in 2008, Aetna's MLR was 75%.[4] Indeed, the market research firm Cowen and Company wrote that "AETNA's student operations are operating within a stone's throw of MLR floors, with loss of enrollment a minor earnings risk."[5]

The second largest provider of student plans, UnitedHealthCare, had an MLR of 71% in 2009 (with premiums of $390 million), and an MLR of 56% in 2008.[6] The MLRs of the largest student insurers are represented in Table 1.[7]

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[1] Massachusetts Department of Health and Human Services, Division of Health Care Finance and Policy, Student Health Program: Academic Years 2008-2009 (2010).
[2] Bel Elgin and Jessica Silver-Greenberg, "Is Your Kid Covered?," Bloomberg BusinessWeek, May 8, 2008.
[3] ANDREW M. CUOMO, OFFICE OF ATT'Y GEN. OF NEW YORK, LETTER TO SCHOOLS (2010), *available at* http://www.nystudenthealth.com/pdfs/Letter%20to%20Schools%2004-06-10.pdf.
[4] OPPENHEIMER, The Game Has Changed, But still Trying to Play by the Old Rules – MLR Update, May 12, 2010.
[5] Christine Arnold, Cowen and Company, "Aetna: Weathering the Storm," September 14, 2010.
[6] Id.
[7] Both companies stand to lose some premiums due the extension of dependent coverage, but the hit is expected to be minimal, given that the average age of a college student enrolling in a plan is 25 (most states already require dependent coverage for continuing students).Bad Economy Lifts Enrollment in Student Plans, but Reform Rules are Unclear, HEALTH PLAN WEEK, August 16, 2010, available at http://www.aishealth.com/SampleIssues/samplemcw.pdf.

Table 1. Medical Loss Ratios for Student Health Plans of the Largest Student Insurers

2009	Student Enrollees	Premiums	Medical Expenses	Medical Loss Ratio
Aetna	517,907	$468,536,298	$390,500,512	83.3%
United (New York)	13,921	$13,099,006	$7,637,078	58.3%
United	285,325	$376,799,628	$268,164,002	71.2%

Additionally, we point you to a specific example at Georgetown University. In its 2010-2011 premium quotation, United provided for a target of an 80 percent medical loss ratio (see documentation attached). Clearly, an 80% MLR is feasible for student insurers, but unfortunately, not all schools have the motivation or incentive to provide that product for their students. Strong student health plan regulations that require an 80% MLR are both necessary and possible.

Administrative Costs and MLRs

Some in the industry have argued that administrative costs prevent student health insureres from achieving better MLRs. The facts do not support this argument. Administering plans to a student population, one-quarter of whom are new enrollees each year, may be a slightly different task than administering individual plans to plans with a slightly higher percentage of re-enrollees each year.[8] However, the bulk of administrative costs for a typical plan on the private market go to marketing costs. For example, in 2006, $69 billion was spent on administrative costs.[9] Of that number, almost 30%, or $20 billion, was spent on "sales and marketing."[10] This type of administrative cost is unnecessary for a closed-universe student population that is easily accessible through university-provided systems, many of whom use an "opt-out" system that automatically enrolls students unless they take steps to waive participation.

Additionally, many schools actually take on much of the administrative burden themselves. As a result, there is little doubt that plans can, and should, operate with a much lower administrative cost, which would allows plans to maintain premium affordability even when adding greater coverage benefits. Finally, the data from Massachusetts reveals that the low medical loss ratio is not necessarily due to high administrative costs, but instead profit margins that far exceed the 2% profit margin in the non-college individual plan market.

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[8] About one-fifth of the population as a whole changes insurance plan or status in a given year.
[9] CONGRESSIONAL BUDGET OFFICE, KEY ISSUES IN ANALYZING MAJOR HEALTH INSURANCE PROPOSALS, December 2008, available at http://www.cbo.gov/ftpdocs/99xx/doc9924/toc.shtml
[10] Id.

Clearly, plans are able to maintain a baseline 80% MLR while maintaining profitability, given Aetna's performance in 2009. And there is also much room to improve on administrative and profit margins, as is clear from the rest of the industry and past performance by Aetna. Given the huge profit margins, it should be very feasible to hold premiums steady as they improve coverage benefits and increase MLRs. Therefore, we strongly support the proposed regulations, the classification of college health plans as individual plans, and the resulting 80% MLR requirement. College students deserve the same basic protections in terms of quality and value that all Americans get under the Affordable Care Act.

Sincerely,

Young Invincibles