

DATE: March 26, 2014
TO: Graduate Students, Graduate Program Faculty and Staff
FROM: Regina Vasilatos-Younken, Interim Dean of the Graduate School
SUBJECT: Information Regarding Student Medical Insurance Costs

Many of you are aware that a number of factors have emerged recently to impact the projected costs for medical insurance for graduate students beginning in 2014-15.

The value and contributions of graduate students to the University's research, teaching and outreach missions are immeasurable, and form the foundation of a research-intensive institution. University administrators are keenly aware of the impact the projected increases in medical insurance costs would have on many of our graduate students, and began to explore available solutions as soon as the scope of the changes became known.

In the interest of providing the graduate education community with the most accurate information available at this time, we offer the facts below. Later in this letter, I will spell out some of the University administration's efforts to mitigate increases to the extent possible.

Insurance facts:

The current insurer for student medical insurance at Penn State is Aetna Student Health. The University has a multi-year contract with Aetna that precludes for several years our ability to seek a different company to provide our student insurance. In addition, the implementation of the federal Affordable Care Act (ACA), along with increased use that drove increased premium costs, have resulted in projected increases in costs for 2014-15. Affordable Care Act mandates have affected the plan, directly and indirectly, in a number of ways including:

- a requirement for broader essential coverage;
- the opportunity for some students to stay on their parents' plan until age 26, thus decreasing the number of students enrolled in the University plan, i.e., decreasing the size of the "pool;"
- increased costs associated with the addition of ACA-required taxes;
- the requirement that the plan not exceed a 92% actuarial value under ACA law due to being a fully-funded insurance plan (the current plan is calculated at 98% actuarial value)¹;

The 2014-15 plan design provides much more comprehensive coverage than what was provided prior to ACA. However, the cumulative effect of all of the ACA requirements was to escalate the cost of coverage. In particular, the plan details presented by Aetna for 2014-15 include the following provisions:

- a 30% increase in premiums;
- a \$250 individual deductible (up from \$75) and \$500 family annual deductible (increased from \$225);
- 90% coverage in-network up to an in-network, out-of-pocket maximum of \$1,350 per individual and \$2,700 for family coverage;
- an emergency room co-pay of \$150 (waived if the individual is admitted to the hospital);

Prescription coverage (\$0 at UHS or 50% outside of UHS) is not projected to change from the current plan.

What can we do?

We understand the significance of the potential impact of these changes on the graduate student community. At this time, the University has been able to identify two means for mitigating a portion of the increased costs, and is committed to exploring additional mechanisms that will require a more complex analysis of options and in some cases, longer-term solutions. The two immediate paths we are pursuing include:

- 1) A **3% increase to graduate assistant stipends across all grade levels** is planned within the 2014-15 projected budget for the University, with the caveat that Penn State's budget for 2014-15 is not finalized until appropriations are approved by the State Legislature in Harrisburg, and the University's proposed budget gains approval from the Board of Trustees.
- 2) The University subsidy for plans that cover **family members** for graduate assistants, fellows and trainees will be increased to 75 percent (up from 70 percent) for plans that cover a spouse/domestic partner or children, and to 76 percent for the family plan (up from 70 percent). The 80 percent subsidy for the individual plan will be maintained. As a result, the net increases to premiums for all graduate assistants for 2014-15 versus the current plan should be \leq \$30 per month.

A number of other options have been proposed to potentially further mitigate the increased costs for graduate assistants, fellows and trainees, but will require more investigation. These include, for example:

- Creating Health Reimbursement Accounts for students to help with out-of-pocket expenses;
- Introducing an indexed premium structure to assist those at the lowest stipend grades;
- Increasing support to expand Counseling and Psychological Services (CAPS) at University Park and thereby reduce the need for off-campus care; and

- Exploring partnerships with other peer institutions in organizations such as the Committee on Institutional Cooperation (CIC) to negotiate future contracts with insurers that benefit from a larger pool of students on one plan (a longer-term solution).

The University will be considering all possible options and will be establishing a Task Force to include individuals from the relevant University offices (e.g., Student Health Insurance) and graduate student representatives from the Graduate Student Association (GSA) to advance this effort.

Finally, to provide some context, available benchmarking with other research universities (data from 2012-13) that is relevant to this issue is also attached.

We ask that you share the above and attached information with others, and appreciate everyone's patience as efforts move forward to explore further options and identify best possible solutions to the challenges around responding to the ACA and assuring quality health care coverage in our student medical insurance plan. We will be providing further information and updates as they become available.

For questions related to Penn State's student medical insurance plan, please contact the Student Insurance Office at uhs-insurance@psu.edu or call 814-865-7467.

For other questions related to the above information, please contact L-GRAD-DEANS-OFFICE@lists.psu.edu.

¹*The "actuarial value" refers to the anticipated share of covered health care expenses a plan covers for a group of enrollees, versus the share an enrollee should expect to pay out-of-pocket. Health and Human Services modelling defines four "metal tiers" of actuarial values as follows:*

Platinum – Plan is expected to pay 90% of covered health care expenses for a covered person and the individual should expect to pay 10%.

Gold – Plan is expected to pay 80% of covered health care expenses for a covered person and the individual should expect to pay 20%.

Silver – Plan is expected to pay 70% of covered health care expenses for a covered person and the individual should expect to pay 30%.

Bronze – Plan is expected to pay 60% of covered health care expenses for a covered person and the individual should expect to pay 40%.

Plans must fit the model with a minimal threshold above or below.