

Report blasts student health plans Says less of premium goes to medical care

By Kay Lazar, Globe Staff | November 6, 2009

Insurance companies rack up much higher profits on health coverage sold to nearly 100,000 Massachusetts college students than on plans available to the general public, according to long-awaited data released late yesterday by the state. The figures also show that college-student plans also have higher administrative costs.

The result is that less of the premiums paid by students goes toward medical care.

The report by the Division of Health Care Finance and Policy shows that, on average, 30 cents of every premium dollar goes toward profits and administrative costs, compared with 12 cents for plans sold to the general public. The remainder of the premiums is what's used to pay medical bills.

Students at state schools faced the greatest disparity: 45 cents of every insurance dollar they pay goes to profit and administrative costs, according to the report.

For more than a year, students at several campuses have pushed state regulators to investigate because, they said, the lower-cost insurance products marketed to them offer limited coverage, leaving many vulnerable to enormous medical debts after accidents or serious injuries.

"These profit margins for student health insurance are appalling," said Vivian Haime, a 21-year-old junior at Tufts University and a lead organizer of the Student Health Organizing Coalition. "We know students that, on top of school loans, also have thousands of dollars of medical debt."

Although students are free to buy more expensive policies, many are covered by plans that cap payments at \$50,000 a year per injury or illness. Some plans place significantly lower limits on prescription drugs and doctor visits. The new report shows that just six students exceeded caps for hospitalization in the 2008 school year, but 951 exceeded caps for outpatient benefits, the medical services provided outside hospitals. Combined, the two companies account for about 75 percent of the Massachusetts student market, the report said.

Robert Zirkelbach, spokesman for America's Health Insurance Plans, a trade association, said he hadn't read the report, so he was unable to comment.

After heavy lobbying by the student coalition, Sarah Iselin, commissioner of the Division of Health Care Finance and Policy, in February announced that the state would start requiring schools to track and report data they had never before collected.

Iselin, who is stepping down from office today, said it was "too soon" to say whether the division would step in with proposed regulations to rein in profit margins. Instead, she said, the division would probably continue to monitor the programs and collect more data.

"This report suggests that there may be an opportunity for the state to work with and support schools in being the most effective purchasers, to make sure they are getting the best value on behalf of their students," Iselin said.

She also said the division would study whether the Connector Authority, the agency that oversees the state's landmark health insurance law, could create a better product for the student market.

Twenty-year-old state regulations require college students to have health insurance, but allow insurers to substantially limit coverage, even if the coverage fails to meet the minimum standards set for other plans as part of the state's 2006 near-universal health law.

"We are requiring students to have insurance and offering them no protections from these predatory carriers," said Carol Pryor, policy director of the Access Project, a Boston nonprofit.

The Access Project has long lobbied regulators to allow students to be eligible for state-subsidized insurance that is available to other residents with similar incomes. Iselin, the commissioner, declined to say whether the state would now consider that request.

Health Care for All, a large consumer group, said its time for the state to take action.

"We think the administration has the authority now to put the brakes on these outrageous profits and administrative costs," said Brian Rosman, the group's research director. "

"It's clear now that students are being gauged by these out-of-state, for-profit companies that are making enormous profits, way out of proportion with the rest of the health insurance market in the state," Rosman said.

Most of the 14 insurance companies that sell to students are from out of state. The local ones, Blue Cross and Blue Shield of Massachusetts and Tufts Health Plan, had substantially smaller profit margins and administrative costs, according to the report. Blue Cross, which sold to just 1.4 percent of the student market, had a 2 percent profit margin, the same as that of the private market, according to the report. Tufts Health, with 1.6 percent of the student market, actually reported a 2 percent loss on its student product.

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