Kansas Administrative Regulations  
Economic Impact Statement  
For the Kansas Division of the Budget

Kansas Board of Regents
Agency

Julene Miller
Agency Contact

K.A.R. Number(s)

Submit a hard copy of the proposed rule(s) and regulation(s) and any external documents that the proposed rule(s) and regulation(s) would adopt, along with the following to: Division of the Budget  
900 SW Jackson, Room 504-N  
Topeka, KS 66612

I. Brief description of the proposed rule(s) and regulation(s).

K.A.R. 88-30-2 is one of three regulations that implement the Board of Regents authority under K.S.A. 75-4101(e)(1) to “enter into one or more group insurance contracts to provide health and accident insurance coverage . . . for all students attending a state educational institution . . . and such students’ dependents . . . .” The statute requires student participation in such coverage to be voluntary. K.A.R. 88-30-2 currently allows students to elect coverage for student only, student/spouse, student/dependents, or student/spouse/dependents.

For the past four years, with the roll-out of the Affordable Care Act requirements, the Board’s student health insurance plan has experienced a sharp increase in the number of claims made combined with a significant rise in the dollar amounts of the claims that are made. This is particularly true with dependents for whom students are choosing to elect coverage (spouses and children); 100% of dependents on our plan had claims in the most recent plan year for which complete data is available and most of those claims were very high with the dependents-only loss ratio hitting 432.11% and an overall loss ratio of 107%. The result is that premiums across the plan are increasing significantly and students are increasingly subsidizing dependents.

The proposed amendment to K.A.R. 88-30-2 would allow the Board of Regents the flexibility to determine for any plan year whether to offer dependent coverage or not, based on what makes the most sense for the continued viability of the plan. If such coverage is offered, students would be able to elect it; if such coverage is not offered, students would not be able to elect it.

II. Statement by the agency if the rule(s) and regulation(s) is mandated by the federal government and a statement if approach chosen to address the policy issue is different from that utilized by agencies of contiguous states or the federal government. (If the approach is different, then include a statement of why the Kansas rule and regulation proposed is different)

The Board of Regents’ student health insurance regulations and the proposed amendments to K.A.R. 88-30-2 are not mandated by federal law. The federal Affordable Care Act and other federal statutes related to certain visa holders do impact the student health insurance plan in terms of benefits that are required to be included, but those statutes do not require the Board of Regents or the State to offer student health insurance coverage. According to UnitedHealthcare-Student Resources, which is one of only a few entities remaining in the student health insurance

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business, the Board’s student health insurance plan is comparable to other state or university student health insurance plans.

III. Agency analysis specifically addressing following:

A. The extent to which the rule(s) and regulation(s) will enhance or restrict business activities and growth;

There is no expectation that this rule and regulation, or the amendments thereto, will either enhance or restrict business activities and growth in any significant way.

B. The economic effect, including a detailed quantification of implementation and compliance costs, on the specific businesses, sectors, public utility ratepayers, individuals, and local governments that would be affected by the proposed rule and regulation and on the state economy as a whole;

The only businesses, sectors, public utility ratepayers, individual, or local governments that would be affected by the proposed rule and regulation are the student health insurance provider and possibly other providers that might pick up the dependent coverage, students (and their dependents) who choose to elect coverage under the plan, and the state universities, which pay a percentage of the student-only coverage for eligible graduate students. The proposed amendment would create the potential for students’ dependents to not be able to access the Board of Regents’ plan and instead purchase insurance, if at all, from some other source. There are other available plans, the Midwest Higher Education Compact (MHEC) provides for one through the MHECare Student Private Health Insurance Exchange, as well as the federal exchange. We are unable to provide rate comparisons because rates are constantly fluctuating and will depend in large part on the benefits provided to make an accurate comparison. Students could incur increased costs for dependent coverage, which could be offset by lower premiums for student-only coverage offered at the universities, but we have no data upon which to provide a precise estimate. Because of the past loss ratio experience and the changes that have been made to the plan to address that past experience, the universities have seen an increase in their share of the graduate students’ premiums. This regulation and the proposed amendments, if the decision is made to discontinue dependent coverage, could have a positive economic impact on students who choose to participate in the plan and the universities because decreasing the loss ratio should result in lower premiums to the students and lower cost to the universities for their share of the graduate student-only premiums. A decision to discontinue dependent coverage may also result in higher plan participation if the premiums decrease in a significant way. See attached data charts.

There will be no economic impact on other public agencies or private businesses as a result of this regulation and the regulation will neither enhance or restrict business activities and growth other than as discussed previously in this section.

C. Businesses that would be directly affected by the proposed rule and regulation;

The only businesses that might be affected by the proposed rule and regulation amendments are the student health insurance provider (loss ratio should be reduced, number of participants may increase if rates go down, or decrease if dependents can no longer participate and there is not a resulting increase in student participation) and possibly other health insurance providers that might pick up the dependent coverage (and thus additional premiums).
D. Benefits of the proposed rule(s) and regulation(s) compared to the costs;

This proposed regulation amendment would be used to bring the costs of coverage down to both the insurer and the insureds, as well as the universities.

E. Measures taken by the agency to minimize the cost and impact of the proposed rule(s) and regulation(s) on business and economic development within the State of Kansas, local government, and individuals;

The Board carefully considered and weighed the projected impact of several alternatives to keep premiums as low as possible for students and their dependents, as well as the universities, while still maintaining a quality plan. Steps we have taken in the past include creating separate risk pools and associating premium increases with participants in the high loss ratio pool, adjusting benefits, and acquiring the student insurance through MHEC for discounted rate opportunities.

F. An estimate, expressed as a total dollar figure, of the total annual implementation and compliance costs that are reasonably expected to be incurred by or passed along to business, local governments, or members of the public.

No annual implementation or compliance costs are reasonably expected to be incurred or passed along to others as a result of enacting these changes. For potential economic impact on students and their dependents, see agency response to Section III.B.

Do the above total implementation and compliance costs exceed $3.0 million over any two-year period?

YES ☐ NO ☒

Give a detailed statement of the data and methodology used in estimating the above cost estimate.

The Board Office simply relates the information above and has no data upon which to rely beyond our knowledge of how the student health insurance plan is administered.

Prior to the submission or resubmission of the proposed rule(s) and regulation(s), did the agency hold a public hearing if the total implementation and compliance costs exceed $3.0 million over any two-year period to find that the estimated costs have been accurately determined and are necessary for achieving legislative intent? If applicable, document when the public hearing was held, those in attendance, and any pertinent information from the hearing.

YES ☐ NO ☒

G. If the proposed rule(s) and regulation(s) increases or decreases revenues of cities, counties or school districts, or imposes functions or responsibilities on cities, counties or school districts that will increase expenditures or fiscal liability, describe how the state agency consulted with the League of Kansas Municipalities, Kansas Association of Counties, and/or the Kansas Association of School Boards.

The proposed amendments to this regulation will not increase or decrease revenues of cities, counties or school districts, or impose functions or responsibilities on those entities.
H. Describe how the agency consulted and solicited information from businesses, associations, local governments, state agencies, or institutions and members of the public that may be affected by the proposed rule(s) and regulation(s).

Board staff employed an inclusive process to ensure that the proposed changes were viewed through the lens of the state universities and students. First, the Board’s Student Insurance Advisory Committee (SIAC), made up of university health center directors, international student advisors, a university CFO, and student representatives across the six campuses, has discussed the possibility of discontinuing dependent coverage over the past several years. This Committee is advised by both the health insurance provider and MHEC and seeks feedback from each campus’s student health advisory committees. The SIAC is advisory to the Council of Business Officers (COBO), made up of each state university CFO, and COBO weighs in on the annual SIAC recommendation before taking decision items to the Council of Presidents (COPs), made up of the five state university Presidents and the Chancellor. After all this review by students and university administrators each year, a final recommendation is forwarded to first the Board of Regents’ Governance Committee and then the Board of Regents. Lastly, while the Department of Insurance is not impacted by the proposed amendments to this regulation, KBOR staff sent copies of the proposed regulations and a summary to the Department. Finally, the Board Office has specifically requested the six state universities submit feedback as to the fiscal impact the changes might have; the feedback we received has been incorporated into the regulations and/or this statement. As noted previously, these regulation amendments are anticipated to have no significant effect on other businesses, cities, counties, or state agencies.

I. For environmental rule(s) and regulation(s) describe the costs that would likely accrue if the proposed rule(s) and regulation(s) are not adopted, as well as the persons would bear the costs and would be affected by the failure to adopt the rule(s) and regulation(s).

Not applicable.
MHECare's Student Private Health Insurance Exchange

Since 2014 MHEC has collaborated with IXSolutions to provide institutions coverage options through a private health insurance exchange. This is made available to institutions, who are within the MHEC region and are unable to offer a school-sponsored plan.

Through this private health insurance exchange, institutions are able to offer dependents multiple coverage options, provide support from a team of insurance experts, and save valuable administrative time.

Here is a list of the institutions presently leveraging MHECare’s Student Private Health Insurance Exchange:

- Allen College Unity Point Health
- Bryan College of Health Sciences
- Calvin Theological Seminary
- Grand Valley State University
- Trinity Christian College
- Western Michigan University Homer Stryker M.D. School of Medicine

Here is an example of one of the active institution's website: www.ixshealth.com/trnty. Note that the above sites are made for student populations when institutions do not offer a school-sponsored plan. The proposed KBOR option would be branded strictly for dependents and would redirect students to the KBOR plan information.

The exchange websites are branded to each institution and serve as a place where dependents can enroll in a health insurance plan, see if they’re eligible for financial assistance, and learn more about the products available to them.

Dependents can get immediate assistance from licensed agents via live chat and phone support. IXSolutions is available to assist with enrollments and answer any questions dependents may have about the plan options available.

Health insurance carrier options available in the state of Kansas are Medica and Cigna.

Both Medica and Cigna offer plans with an EPO network option with several plan options total.

EPO stands for "Exclusive Provider Organization" plan. As a member of an EPO, dependents can use the doctors and hospitals within the EPO network but cannot go outside the network for care. Essentially an EPO is a hybrid
between HMO and PPO. Dependents do not need referrals to see specialists like a PPO, however, like an HMO there are no out-of-network benefits.

The dependents will also have the option to supplement their health insurance with additional coverage options such as dental and vision insurance.
### Annualized Membership

2020-20 policy year is an estimate.

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<th>Year</th>
<th>Students</th>
<th>Dependents</th>
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<tr>
<td>2020-20</td>
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<td></td>
</tr>
<tr>
<td>2019-20</td>
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<td>2018-19</td>
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<td>2016-17</td>
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### Plan Experience Overview

#### All Insureds P&L

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<tr>
<th>Year</th>
<th>Premium</th>
<th>Paid Claims</th>
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<tbody>
<tr>
<td>2019-20</td>
<td>$7,557.7K</td>
<td>$4,477.3K</td>
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<td>2018-19</td>
<td>$12,968.2K</td>
<td>$13,891.9K</td>
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<td>2017-18</td>
<td>$111,492.7K</td>
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<td>2016-17</td>
<td>$10,156.0K</td>
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Values are displayed in thousands.

#### Students - P&L

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<tr>
<th>Year</th>
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<th>Paid Claims</th>
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<tbody>
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<tr>
<td>2018-19</td>
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<td>2016-17</td>
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Values are displayed in thousands.

#### Dependents - P&L

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<th>Premium</th>
<th>Paid Claims</th>
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<td>2017-18</td>
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<td>2016-17</td>
<td>$289,409.2K</td>
<td>$585.2K</td>
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Values are displayed in thousands.

The premium reported includes all of the following taxes and fees: Premium tax, PPACA Patient-Centered Outcomes Research Institute (PCORI) fee, PPACA reinsurance fee and the PPACA health insurance tax (HIT). Also included in the premium is all outside broker commissions (if applicable).

Kansas State System (2003118) - Utilization as of January 01, 2020

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