



State of Wisconsin / OFFICE OF THE COMMISSIONER OF INSURANCE

Jim Doyle, Governor
Sean Dilweg, Commissioner

Wisconsin.gov

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August 2, 2007

Senator Judith Robson
Senate Majority Leader
Room 211 South, State Capitol
P.O. Box 7882
Madison, WI 53708

Representative Michael Huebsch
Speaker of the Assembly
Room 211 West, State Capitol
P.O. Box 8952
Madison, WI 53708

Re: Social and financial impact report—Senate Bill 154 Health Insurance Coverage of a Full Time Student.

Dear Senator Robson and Representative Huebsch:

Senate Bill 154 (SB 154) requires every disability insurance policy providing coverage to Wisconsin residents to continue coverage for a dependent student who loses full-time status due to a medical leave of absence. SB 154 includes health care plans offered by the state and every self-insured health plan of the state or county, city, village, town, or school district. As required in s. 601.423, Wis. Stats., I am submitting a social and financial report on the proposed health insurance mandate.

Current Wisconsin Law

Current law does not require health plans or municipal/governmental self-insured health plans to continue coverage for a full time student who loses full time status due to a medically necessary leave of absence.

Proposed Coverage Changes

SB 154 creates Sec. 632.895 (15) Wis. Stats., and would require every disability insurance policy and every self insured health plan of the state or a county, city, town village, or school district to continue coverage for a dependent student who loses full-time status due to a medical leave of absence. If any of the following occur, a health insurance policy may end coverage:

- The person advises the policy that he or she does not intend to return to school full time.
- The person becomes employed full time.
- The person obtains other health care coverage.

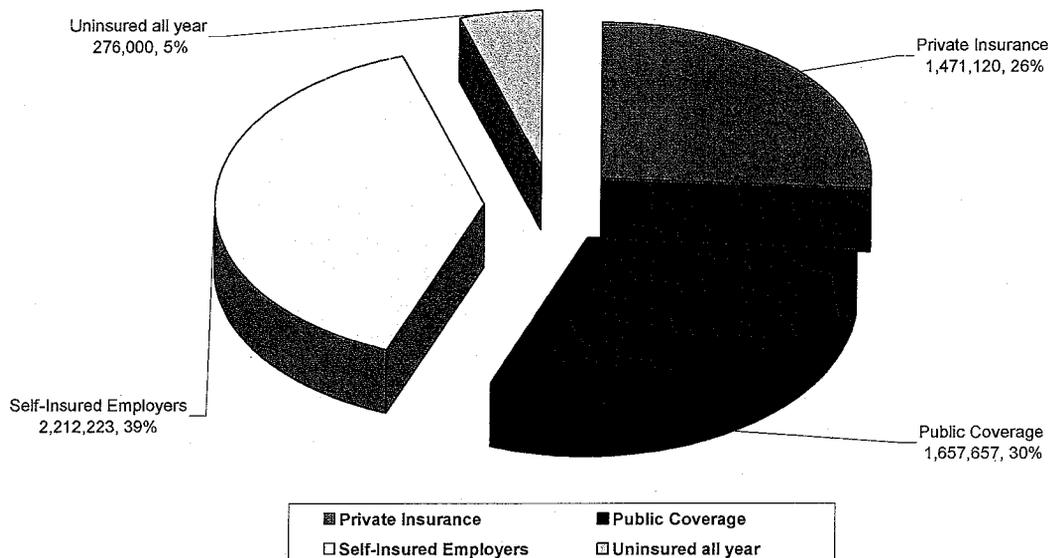
- The person marries and is eligible for coverage under his or her spouse's health care coverage.
- The person reaches the age at which coverage as a dependent who is a full-time student would otherwise end under the terms and conditions of the policy.
- Coverage of the insured through whom the person has dependent coverage is discontinued.
- One year has elapsed since the person's coverage continuation began due to a medical leave of absence and the person has not returned to school full time.

Social Impact Factors

Fully insured health insurance products cover approximately 1.47 million state residents;¹ representing approximately 26% of the population. This mandate expands coverage for those individuals. It is unknown whether there would be any indirect impact with unregulated self-funded plans as such plans are not required to submit for review benefit packages offered to employees with OCI.

Individuals who are members of groups whose benefit plans are self-funded are exempt from state regulation by the Employee Retirement and Income Security Act of 1974 (ERISA) and will not be affected by SB 154. Self-funded plans represent approximately 39% of Wisconsin's population.

Wisconsin Health Care Coverage-2005



Source: DHFS, OCI, DOA, CMS, U.S. Census Bureau

¹ Office of the Commissioner of Insurance (July 2006). *Health Insurance Coverage in Wisconsin* (PI-094 R 07/2006) p. 15. Madison, WI.

Individuals impacted by SB 154 are primarily between the ages of 18 and 25. As stated in the May 2006 Commonwealth Fund issue brief, *Rite of Passage? Why Young Adults Become Uninsured and How New Policies Can Help*, "The number of uninsured adults ages 19 to 29 climbed to 13.7 million in 2004, an increase of 2.5 million since 2000. Young adults were the fastest-growing age group among the uninsured over this period, accounting for 40 percent of the increase in the uninsured under age 65. Even though they comprise just 17 percent of the under-65 population, young adults account for 30 percent of the nonelderly uninsured."

According to the United States Census Bureau, there are approximately 505,966 young adult Wisconsin residents in the 18 to 24 age range; approximately 10% of the state's total population. It is estimated that 139,000 Wisconsin residents ages 18-29 are uninsured.² To put this figure in perspective, there are approximately 55,000 uninsured for those 0-17 years of age and 130,000 uninsured among the 30-44 age bracket³.

In an attempt to directly address the young adult, uninsured population, state legislatures are proposing and enacting legislation to extend dependent benefits to older children.⁴ Some states are doing so on a very broad basis, for example, enacting mandates to require commercial health insurers to cover dependents up to a certain age, regardless of educational status. Others have realized a need to target specific populations within this age group to ensure coverage is not interrupted. For instance, those who enroll in college full time are the most likely in their age group to have insurance coverage, primarily because they are able to maintain eligibility under their parents' employer's policies.⁵ SB 154, modeled after a New Hampshire law commonly known as "Michelle's Law," targets this population to ensure dependent students who take a leave of absence due to illness or injury do not lose their health care coverage.

"Michelle's Law" is named after Michelle Morse, a former full time student at Plymouth State University who maintained her full time course load during colon cancer treatments to retain health insurance coverage. Six states have enacted similar laws and this year the U.S. Senate and Congress introduced proposals modeled after "Michelle's Law."

Health insurers in Wisconsin have flexibility in setting the criteria adult dependent children must meet before receiving health care coverage under their plans. Contacts with insurers covering most of the commercial market and state employees in Wisconsin indicates there are several common factors used in qualifying someone for dependent status, including but not limited to; full-time student status, age (usually limited to those under 25) and financial dependency on the subscriber. It is worth noting that dependent students covered by plans based on age, rather than educational status, will not benefit from SB 154.

² E. Cautley, Bureau of Health Information and Policy, Division of Public Health, Wisconsin Department of Health and Family Services. *Who are the Uninsured in Wisconsin* (March 2006)

³ E. Cautley, Bureau of Health Information and Policy, Division of Public Health, Wisconsin Department of Health and Family Services. *Who are the Uninsured in Wisconsin* (March 2006)

⁴ National Conference of State Legislatures. *The Changing Definition of "Dependent." Who is Insured and for How Long?*

⁵ R. Colins, C. Schoen, J. L. Kriss, M. M. Doty, and B. Mahoto, "Rite of Passage? Why Young Adults Become Uninsured and How New Policies Can Help," The Commonwealth Fund, May 2006 p. 2

Throughout the course of this study, much of the commercial market indicated having policies in place that allow for continued coverage after a student withdraws from school. Examples include, coverage until the end of the year in which a student withdraws from school, coverage if the student is determined to have a disability preventing him or her from maintaining full time status and coverage until the semester following the semester in which a student withdraws for medical reasons. Students covered by such policies will not immediately benefit from SB 154.

It is difficult to determine the number of full time students who may benefit from SB 154. To do so requires access to the number of full time, resident students who withdraw from colleges and universities due to medical necessity. In addition, information is needed regarding the number of those students covered by commercial health plans, the state health plan or a school district health plan and whether those plans continue coverage for any amount of time after a student withdraws from school.

The Wisconsin Technical College System indicates 22,561 resident students under the age of 25 withdrew from the system in 2005-06. It can be estimated that approximately 1% or 226 of these students may have left for medical reasons. The University of Wisconsin System had 3,800 resident students under the age of 25 disenroll in the 2005-06 academic year. The UW System indicates the same 1% estimate can be used in determining the number of students possibly withdrawing for medical reasons, resulting in approximately 38 students. Excluding those withdrawing from private colleges and universities, as that information is not available, it can be estimated that 264 resident college students under age 25 attending a Wisconsin college or university during the 2005-06 academic year, may have withdrawn from full time student status due to medical reasons. Again, a significantly reduced number can be expected to actually benefit from SB 154, as most of the estimated 264 students are likely covered by an exempt self funded health plan or a disability insurance policy, state plan or school district plan that provides for some level of coverage after the student has withdrawn.

The average number of Wisconsin residents attending school out of state who have taken a medical leave of absence is indeterminate.

It was estimated in 2005 that .0058% of New Hampshire's 18-24 year olds, or 6 students, were eligible for coverage under "Michelle's Law".⁶

While the number of students anticipated to benefit from SB 154 is nominal, for those who do, the value of retaining health care coverage while recovering from an illness or injury is great.

Fiscal Impact

The fiscal impact of SB 154 is expected to be minimal given the limited number of students eligible for coverage under the bill and the number of health plans with policies in place similar to what the bill requires. Plans may experience an increase in cost to the extent insurers change their coverage to cover dependent children who are on medical leave. In other words, SB 154 will increase costs for an insurer for everyday coverage is currently not provided after a student withdraws from full-time student

⁶ www.michelleslaw.com/faqs.php

status. A plan that provides coverage through the end of the year for a student who withdraws in October, for example, will not experience additional costs as a result of SB 154 until January, when coverage would have ended absent the mandate. It is important to note that individuals likely benefiting from the bill are likely suffering from serious illness or injury and as a result, typically have higher medical claim costs than the average participant. The extent to which an insurer would pass along any additional costs incurred under the mandate to consumers through increased premiums is unknown.

The state Department of Employee Trust Funds fiscal note for SB 154 estimates the bill would result in additional annual premium costs to the state group health insurance program ranging from \$1.4 to \$1.8 million per year. This assumes that approximately 20% of full-time students drop out of school annually and that 20-25% of these do so for medical reasons.

The Wisconsin Technical College System fiscal note for SB 154 indicates it is unlikely the mandate would have a significant fiscal effect on the WTCS districts. The estimate explains that insurance coverage is a local decision subject to collective bargaining and therefore it is not possible to determine the actual fiscal effect of the bill.

The fiscal note for the Department of Public instruction indicates it is not possible to determine whether SB 154 will have any fiscal effect on local school districts because they separately negotiate health insurance plans for their employees. It is worth noting that WEA Trust, a not-for-profit corporation serving over 200,000 Wisconsin public school employees and their families, indicates 75% of their members are participating in a plan that provides coverage to dependent children until the age of 25, regardless of educational status. SB 154, therefore, does not increase costs for WEA Trust or the school districts with respect to these plans. The remaining 25% of WEA Trust members are in a plan that requires a full time student status with coverage provided until the student reaches the age of 25.

In preparing for this report, the agency worked with the following groups:

- The Wisconsin Association of Health Plans;
- WEA Trust
- Wisconsin Physician Services Insurance Corp.
- Wisconsin Technical College System
- University of Wisconsin System
- The Wisconsin Association of Wisconsin Private Colleges and Universities
- The Department of Employee Trust Funds

Please contact **Eileen Mallow at 266-7843** or **Jennifer Stegall at 267-7911** if you have any questions regarding this report.

Sincerely,


Sean Dilweg
Commissioner