

student health SPECTRUM

Summer 2000

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Know Your Insurer's Grade: The Importance of Insurance Carrier Ratings in the Evaluation of Your Student Health Insurance Plan

by **Paul V. Silva**
Chief Financial Officer

Colleges and universities are expressing increasing concern about the financial stability of their student health insurance carrier. The recent well-publicized financial difficulties at Reliance National have heightened the awareness of how seemingly strong insurance companies can experience severe financial distress over a short period of time.

Reliance, which has been in business for 183 years, has seen its A.M. Best rating fall from A-(Excellent) to C (Weak) over the course of several weeks this summer. Continuing the financial deterioration, the company reported in late summer that it may seek bankruptcy protection. Reliance is not the only indemnity-style health insurer which may face financial instability.

More than half of the licensed HMOs in the country lost money in 1998; losses are estimated by *Standard and Poor* at \$1.5 billion. Hence, student health insurance programs run by HMOs or managed care companies are also at risk.

What can you do to protect your university and its students from being insured by an insurer that may not have the financial ability to perform on its promises? The answer is a lot. More often than not, it can be done with minimum effort.

All insurance companies are not created equal. According to the National Organization of Life and Health Insurance Guaranty Associations, eighty-two life and health insurance companies became insolvent during the last decade. Of these, the ten largest had remaining obligations of more than \$17.4 billion at the time of the insolvency. Student health insurance carriers can and do run into significant financial problems which can severely affect the performance of your student health insurance program.

Fortunately, the Internet explosion of the last few years has dramatically reduced the amount of time needed to perform the required due diligence.

All of the following can be done on-line quickly to provide the required comfort that your carrier is financially strong:

- Review insurer's financial strength ratings and press releases from rating agencies
- Review press releases about your insurer from national press sources
- Review bulletin boards on various Internet sites

Insurer Financial Strength Ratings

A review of insurer strength ratings is absolutely critical in making a determination of any carrier's financial stability. All of the major rating agencies maintain continuously updated web sites to enable you to easily review ratings. Each of these websites will provide you with a financial strength rating and also an explanation of each possible rating.

The rating agencies will generally report a number of ratings for each insurer. Ratings are reported on such categories as senior debt, subordinated debt, insurer financial strength and claims-paying ability.

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While each rating category can provide additional insight into the company being evaluated, the ratings most appropriate to your student health insurance program would be insurer financial strength and claims-paying ability.

The following table provides web address information for several widely known rating agencies:

<u>Rating Agency</u>	<u>Web Address</u>
A.M. Best	WWW.AMBEST.COM
Moody's	WWW.MOODYS.COM
Standard & Poors	WWW.STANDARD&POORS.COM
Fitch IBCA	WWW.DCRCO.COM

Each of these companies assign a rating letter to each insurer which may be further modified by the addition of a plus (+) or a minus (-) sign. This base rating may be further modified by words such as "under review", "on watch", "negative outlook" or similar words. These descriptors will require you to continue your due diligence.

A simple key to the ratings is as follows:

<u>Description</u>	<u>A.M. Best</u>	<u>Moody's</u>	<u>S&P</u>	<u>Fitch IBCA</u>
Terrific - Excellent Rating	A++,A+,A,A-	Aaa,Aa,A	AAA,AA,A	AAA,AA,A
Most Likely Okay but Should Look for Higher Rated Company	B++,B+	Baa	BBB	BBB
Avoid	B,B-,C++,C+,C, C-,D,E,F	Ba,B,Caa,Ca, C	BB,B,CC,R	BB,B,CCC,CC,C,DD D, DD, D

A ratings definition page is included on the website of each of these agencies to describe what a particular rating is intended to mean. During your review process, you should become familiar with the definition of the rating applied to your particular carrier.

Many of the numerous proposals received by The Chickering Group each year require an insurer financial strength rating of at least an (A) from the major ratings agencies. This does not represent a significant limitation as there are a large number of insurance carriers in the top categories. Even if the additional risk associated with a lower-rated carrier is perceived as minimal, there may be no benefit from taking it.

Ratings and the associated description of some companies that participate in the student health insurance marketplace are as follows (as of August 16, 2000):

Description (1)	A.M. Best	Moody's	S&P	Fitch IBCA
Aetna Life Insurance Co. (AET)	A(Excellent)	A1(Good)	A+(Strong)	AA-(Very Strong)
Boston Mutual Life Insurance Co.	A-(Excellent)	NR	NR	A(Strong)
Mega Life and Health (UCI) (2)	A-(Excellent)	NR	NR	A-(Strong)
Reliance National (REL)(3)	C(Weak)	Ba3(Questionable)	CCC(Very Weak)	DDD(Poor)

NR = not rated

(1) Stock symbol follows company name

(2) UCI is the parent company of Mega Life and Health

(3) Reliance Group Holdings (REL) is the parent company of Reliance National

A university reviewing ratings should look to each of the four rating agencies to determine the financial stability of the insurer. Different agencies may react at different rates to changes in financial stability and the more extensive the review, the greater the probability of disclosing a significant problem. For example, one agency above rated Reliance National as A-(Excellent) up to approximately two months prior to a Reliance press release announcing that the company was considering a bankruptcy filing. The other three rating agencies had been more timely in the downgrades, thereby providing a more useful notice to the public. The period of time between a contract award and the final claim payment can exceed two years so it is imperative for the university to be assured that the insurer will be financially stable over the long-term. A review of all rating agencies will increase your level of comfort with the selected insurer.

Press Releases

All of the major rating agencies identified above issue press releases when a rating is upgraded, downgraded, or being considered for a possible change. The websites listed above will provide a direct link to these press releases. Generally, these press releases are four or five paragraphs in length and can be considered an excellent independent source of information concerning the latest company developments.

Public news sources also carry press releases from time to time on insurance carriers. Two business web sites that may provide valuable information and carry press releases from well-established news sources such as Reuters News Service or Business Wire are WWW.BLOOMBERG.COM and WWW.CBS.MARKETWATCH.COM.

Wall Street Analysis

Most publicly traded firms are followed by an industry expert who pays particular attention to several specific companies. Those individuals issue periodic reports which, are well researched, objective and highly discerning. These reports can usually be found on the Internet through the companies stock symbols.

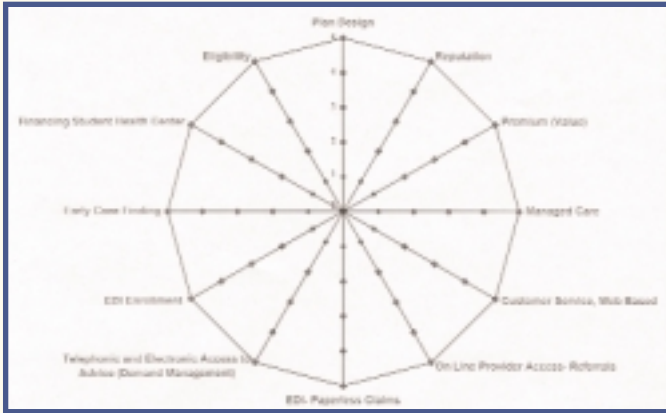
Bulletin Boards

Many Internet sites contain bulletin boards for anyone to comment on matters relating to a specific company. An example of this type of bulletin board can be found at QUOTE.YAHOO.COM/ by entering the stock symbol and then selecting the "Messages" option. While bulletin boards should not be considered an independent source of information as most authors have a bias, the individual messages can provide some helpful insight as to corporate developments. Frequently, a comment may report that a news source or ratings agency has issued a recent report on the company in question. In many cases, the message will include a hot link to take you to the new report.

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The Attributes of a High Performance Student Health Insurance Program-Part Two

by Stephen Caulfield,
Chairman



12 Attributes of a High Performing Student Health Insurance Plan

In the last issue of *Spectrum* (Spring 2000, Volume 4, Number 1), we reviewed some of the twelve attributes of high performance student health insurance programs: plan design, eligibility, insurance quality, values, and partnership in both managed care and financing the student health center. We will now discuss the remaining five: customer service, provider access, claims processing, and telephonic and electronic access to advice and enrollment. These five all require a marriage of the latest in communication technology with proven practices of personal service.

Because college health involves both highly computer literate students and well-wired campuses, the applications of broad band technology in student health are now well ahead of the managed care and health insurance industries. This leadership role carries with it the unique responsibilities associated with these new technologies—adequate safeguards to protect confidentiality, ensure high quality and accurate information, protect against fraud and abuse, and train and educate a new and diverse user group.

Several technologies underlie each of the five service areas. Telephones using both interactive voice responses (IVR) and touch-tone access to databases have become ubiquitous. Optical scanning and the electronic transmission of data are increasingly used to reduce paper and improve data quality, tracking, and processing.

Microchip and magnetic tape data storage for "smart cards" linking personal, clinical, and financial data are now available, but are not in common usage. E-mail and Internet applications are growing rapidly. Finally, the use of wireless links to the Internet are enabling "any time, anywhere" access.

To guide the applications of these technologies to the five critical service concerns in student health insurance, experts in the field have identified the following goals:

- Enrollment in a plan should accept print, telephonic or electronic inputs on a 24-7 basis with appropriate security controls. Eligibility files should be highly accurate and contemporaneous. One leader in health insurance electronic data interchange (EDI) said, "The banking and credit card industries have done this, the health insurance and health care world must follow quickly."

- Claims should be accepted electronically with high quality and timely adjudication.
- Customers, both beneficiaries and providers, should have telephonic, Internet and e-mail inquiry availability, supported by well-trained people who can be reached "realtime". (Consumer frustration with long voice-response menus is significant.)
- Access to providers and "hassle-free" referrals should be available through both the telephone and the Internet. Automated prescription refill programs are an example of consumer friendly applications.
- High quality medical information that allows beneficiaries to be informed consumers and reduce unnecessary demand should be available both telephonically and through the Internet.

Against these goals, how are best practices evolving? Let us look in some greater depth at two: enrollment and eligibility, and provider access and on-line referrals.

What are enrollment and eligibility's best practices? First and foremost, enrollment and eligibility programs must support the primary purpose, which is to provide insurance coverage for students against unexpected illness or injury that could interrupt or even end their college career.

With most plans today, many of which include pharmacy card components, the need for clean, correct and timely enrollment data is critical. In the past, enrollment data were submitted as registration periods came to a close and the designated office on campus could be sure the list or roster was accurate, usually sometime late in October or in early November. For the most part, this late submission pattern was based on hard waiver schools wanting to make sure everyone who wanted to waive off the plan would not be charged. Although administratively effective, this process did not provide timely coverage for those who needed it between the inception date of the insurance coverage, usually mid-August, and the actual admission of eligibility. Claims incurred and promptly submitted during this gap period would often be denied leading to exasperated students and angry parents who felt they had enrolled in the university plans in a timely manner.

In an effort to link enrollment more closely to plan inception, and to provide high levels of customer service to those students and dependents wanting the insurance plan, several strategies have been recently implemented on many campuses.

1. **Use of an Enrollment/Waiver card.** This allows students to indicate their coverage choice as early as possible, not leaving those who wish to enroll in the plan to be enrolled by default when the institution is sure that the waiver process is complete.
2. **Hard and fast waiver deadlines.** Clear administrative policies reduce the length and confusion of the process for many institutions.
3. **Incremental submission of positive enrollment.** Institutions now regularly submit "rolling" lists of those students who actively elect insurance coverage as early as mid-July. These students can now be enrolled on the plan, issued ID cards and obtain benefits as soon as the plan incepts, usually mid-August.

4. **Multiple electronic file submissions.** Most eligibility is now submitted using Internet FTP (file transfer protocol) or via email between five and ten times during the plan year. Each file is a complete replacement file, thereby forcing the system into a reconciled state with each update.
5. **Premium billing and enrollment has been decoupled.** In the past, it was common practice for payment checks to be sent to a carrier or administrator along with the initial enrollment roster, oftentimes delaying submission of that roster. With a prenegotiated payment and reconciliation schedule there is no need to delay roster submission for payments.

These five initiatives, in conjunction with others, have served to increase student satisfaction with insurance programs while reducing the level of stress placed on both the institution and the administrator of the plan.

As all institutions have unique needs and capabilities, each should work closely with the claims administrator to develop a customized plan that will best serve their specific program.

Enrollment not only involves determining and maintaining eligibility, and the issuance of ID cards, it also involves the preparation and distribution of brochures. Increasingly, it is important to also provide brochures on-line so students may quickly find a clear description of the covered benefits and how to access them. The development of high quality brochures requires "serving three distinct partners" who often have only marginally aligned interests. First and foremost is the student who needs to know, in plain English, what is covered and how to access care.

Secondly the university, particularly the student health service, wants the brochure to accurately describe the relationship between the SHS and the insurance program and to encourage the appropriate use of the SHS. Finally, the insurer and the TPA have two critical requirements—language that is legally compliant with the Division of Insurance regulations, and clarity and

specificity to ensure a well-informed customer. Brochures that are clear, concise, readable, and compliant require hard work and cooperation.

Sadly, many are "pasted" together on a word processor and are often more obscuring than illuminating. To the degree a university selects "unbundled" vendors (i.e., separate brokers, TPA's and insurers) brochures can become even more unintelligible. By contrast, a well thought out brochure and a well-designed website can improve a program's value greatly and result in high consumer satisfaction and administrative efficiency.

Like insurers, all brochures and all websites are not created equal. With on-line brochures, two important user attributes of new technology are underscored; first, no application of technology will improve bad content. (The G.I.G.O. Principle still applies.) Second, technology can introduce new links, easier access, and new questions that will require prompt and accurate answers, which in turn may lead to a different way of organizing the information for the Internet. Simply placing a print media format on-line is rarely the optimal use of the technology.

Provider Access and Improving the Referral Process

Most student insurance plans require or recommend a student initiate treatment at the SHS before seeing an off-campus provider. In addition, the referral information must be accurately communicated to the plan administrator in order to properly process a student's benefit. Historically, insurers and SHS have used a manual process of matching the health center referral with the physician's itemized bill. The challenge has always been in the "timing" and "location" of these two separate documents.

The use of the Internet now makes it possible for students to access appropriate specialty providers electronically and for the provider, in turn, to fulfill the plan's referral administrative requirements through the Internet.

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Mandatory Insurance Keeps Students in School

The following are excerpts reprinted from the Thursday, September 14, 2000 [latimes.com](#) article by John Glinonna, Times Staff Writer and the [UC News Wire](#) press release of the same day.

University of California regents have set a national precedent by mandating that students carry health insurance if they want to attend any of the California system's nine campuses, from San Diego to San Francisco.

The new policy, modeled after programs at the Berkeley and Santa Cruz campuses, requires students to purchase insurance that can be used locally and cover services beyond those provided in university clinics. Students need to show proof of insurance before enrolling in classes.

University officials say the coverage is crucial. They estimate that 40% of 136,000 undergraduate students statewide (CA) are uninsured or underinsured, and that 25% of student withdrawals each year are for medical reasons because they are ill and can't pay for treatment.

Many of the thousands of students without insurance subsequently face emergencies that run from sports injuries, serious falls, and a bad bout of acne to such life threatening maladies as kidney disease, cancer, or AIDS.

Each university will select a carrier that provides local benefits to complement services that campus health clinics do not provide, officials say.

Students who are able to prove that they have comparable coverage under a parents' policy can waive the new insurance requirement. Low-income students would also be eligible for financial aid to cover the fees—estimated at \$415 a year, officials say.

Debbie Davis, head of the University of California Student Assn., says the students deserve a say in the level of insurance required of them.

"We recognize the need," said Davis, a graduate student at UC Irvine. "Mandatory health insurance keeps students in school." ■

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Best practice allows a SHS to transmit important patient referral information through a password-protected web site.

Insurers partnering with the student health services on these provider referral programs can create a win-win situation for everyone.

SHS benefit from:

- No more batching, mailing or faxing referrals.
- Access to real-time patient referral status. SHS's can add or delete a referral, providing better customer service for students.
- Reducing the number of student follow-up calls.
- Eliminating duplicate paperwork.
- Interactive reporting of information which can assist SHS in making important decisions concerning student care, such as:
 - 1) Referral Reasons
 - 2) Recommended Services
 - 3) Diagnosis
 - 4) Recommended Providers, etc.

For example, a SHS can decide to add some specialty services based on referral patterns.

The students benefit from:

- Receiving immediate feedback from the insurer or the SHS on their referral status. This "real-time status" tool provides a comfort to the student in knowing they properly fulfilled their referral requirement before seeking outside medical care.

The insurer benefits from:

- Reduced patient documentation turnaround time.
- Increased responsiveness to student inquiries, responding more efficiently to student telephone calls.
- Elimination of batched, mailed, or faxed referrals.

As we have noted, other service components of claims processing, customer service and providing medical information can also be dramatically improved by applications of information technology. In the end, two things will differentiate these applications of technology. The first is the people and the service orientation of the insurer and TPA that is reflected in a past performance of service, partnership and adaptability. The second is for the insurer or TPA to have an e-business strategy that is well thought out and adequately supported. Simply doing what had been done historically using the new technology is analogous to reading the newspaper or TV; the new media open opportunities for new ways to improve quality, while conserving expensive resources.

No discussion of the uses of technology in student health would be complete without commenting on four issues that are getting broad attention:

- Is confidentiality and/or the physician-patient relationship compromised or enhanced?
 - Are healthcare providers as ready as students are for technology solutions?
- Generally, the answer is they are not. How can we close this gap?
- Is the health information content on the Internet of high quality?
 - Will "marketing" be required to ensure an efficient transition to electronic media?

These are all complex and "long answer" questions, but they are getting good discussion among the student health community. The excellent "Viewpoint" in the July, 2000 [ACHA College Health Journal](#) by Bill Christmas, Spence Turner, and Lynn Crothers is recommended reading on the use of e-mail, confidentiality and provider acceptance. There is no question the quality of the content on the Internet for health information ranges from dangerous to superior, but the same might also be said of print media. Finally, e-commerce does not guarantee appropriate use. Marketing, through a variety of media, will be required.

The key message is this: A high performing student health insurance program will be an active partner in bringing the best in technology to student health. There no longer is a choice of whether to embrace technology solutions. The market, particularly the students we serve, made this decision a decade ago when they became facile with Nintendo. Our task is to be responsive both reliably and rapidly. ■

In the SPOTLIGHT

ACHA 2000 Conference: Student Health Insurance Survey Session

by Catherine Mix
Account Executive

ACHA's "Hot Topics" session was indeed popular with a standing room only audience of approximately 200 people. The moderator, Jim Mitchell (Montana State) invited attendees to brainstorm on student health insurance "hot topics." The following topics became the focus of six breakout groups.

1. Mandatory University Sponsored Health Insurance Program (Cornell)
2. Student Health Insurance Survey (Arizona State)
3. Collaborative Learning opportunities between the Health Center and the University as a whole
4. QA & QI
5. University Health Services Benchmarking
6. HIPAA Compliance: A multi-disciplinary challenge for the health center, information technology and the general counsel

I sat in on Tom Jacobson's (Arizona State) session on his Student Health Insurance Survey. Below is a report of this discussion group.

Tom explained his objective for the survey was two fold; 1) to educate himself on the student health insurance industry as over the past few years many institutions have experienced high premium increases and 2) to ensure he was providing comprehensive coverage at an affordable rate for the consortium of three Arizona universities.

The survey was distributed to the ACHA member list serv, of which fifty (50) schools replied.

Because of time constraints, he only reviewed the key findings of the survey:

- Significant ranges in plan design exist among University student health insurance programs making comparisons difficult.
- Those universities with low premium rates may offer accident only policies. Tom expressed concern that these students may be inadequately covered.
- Premium increases for 2000-2001 ranged between (-) 4% to (+) 50% with no benefit modifications (unfortunately no data was presented on the median increase and the survey did not capture information on historic trends, loss ratios or catastrophic claims. As noted in the last issue of Spectrum (Vol. 4 No. 1) premium is a function of six variables: plan design, historic claims experience, provider networks, trend, pooling or re-insurance and targeted loss ratios.

While we commend Tom on his effort, it is difficult to judge the reasonableness of premiums without examining all of these variables)

Time constraints and the physical setting of the meeting (five other "hot topic" groups were meeting simultaneously in the same room) prevented any in-depth discussion of the survey findings. Tom hoped the survey sparked awareness and increased interest of health care professionals in the student health insurance plan at their university.

It is clear, as health care costs are rising significantly in the U.S., the discussion of equitable premium increases and comprehensive benefit programs will continue to be a focus of college health administrators. ■

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What Happens if Your Student Health Insurance Carrier Files for Bankruptcy

A bankruptcy by your student health insurer can be catastrophic to your program whether or not state guaranty funds are used to protect policyholders. When an insurance company is taken over by a state insurance department due to an actual or pending bankruptcy filing, there may be many direct and indirect risks that are assumed by the university. The first and most significant is the risk that claims will not be paid by the insurer. While important, this risk may be minimized by the use of state guaranty funds to pay claims as the business of the insurer is wound down, although in recent experiences in both New Jersey and California, providers were only paid a fraction of what they were owed by the state.

Another important and likely risk is that claims may not be paid on a timely basis leading to dissatisfaction by students and parents. When state guaranty funds are used to protect policyholders, state jurisdictions can exert significant influence over the financial transactions of the insurer. Consequently, the state may require that approval be obtained before certain checks are issued and delays may occur in the release of funds for claims payment. These delays will create a public relations problem for the university as students, who may have charged certain healthcare services on their credit card in anticipation of future reimbursement from the insurer, hit credit limits and are denied future charging privileges.

The third risk is the damage to the university's reputation for entering into an agreement with an insurer that proved to be a substantial credit risk. Students and parents rely on colleges and universities to perform the due diligence necessary to ensure that only quality carriers are selected to provide student health insurance programs on campus. A bankruptcy by that insurer and the inherent claim payment delays that will likely follow will cause students and parents to question the professionalism by which that responsibility was carried out.

Conclusion

The student health insurance market has been served by a relatively solid but ever-changing list of insurance carriers over the last ten to fifteen years. As some of these companies have grown and diversified, they have expanded into many different lines of business that may affect their insurance operations. There have already been several instances of downgrades of some student health insurance carriers that were once viewed as solid in the student health insurance arena. These recent downgrades could be indicative of developing trends that should raise the caution flag as you select your student health insurance company.

We recommend that you use the sources listed above as well as review the matter with risk management professionals on your campus' to evaluate your current carrier or when selecting a new one. Health center professionals promote "Know Your Number" as a means to ensure students know their cholesterol number. We encourage these same professionals to "Know Your Insurer's Letter". A little due diligence now to learn your insurer's financial strength rating and a review of press releases from major rating agencies can ensure that you do not wake one morning to the news that your insurer is flunking out. ■

Managing Editor

Christine L. Murray

Publishing Editor

Mark C. Kelley

Editorial Board

Frederick H. Chiccos

Kenneth D. Chiccos

Scott A. Champagne

Paul V. Silva

Editorial Contributor

Stephen C. Caulfield

Special thanks to Catherine Mix for her editorial contribution.

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If you would like to see a topic covered or would like to be a contributing writer, please contact Communications Specialist, Christine Murray, by telephone at (617) 245-2000 or by fax at (617) 225-2140.

Where to See Chickering Next?

Visit The Chickering Group at the following ACHA regional conferences and company-sponsored Leadership Forum.

<u>Conference</u>	<u>Date</u>	<u>Location</u>
PCCCHA (Pacific Coast)	October 20-21	Oregon
The Chickering Group Leadership Forum	October 26-27	Maryland
MACHA (Mid-Atlantic)	October 29-31	Maryland
MACHA (Mid-America)	November 1-3	Illinois
NECHA (New England)	November 2-3	Maine
SWCHA (Southwest)	November 9-11	Texas