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Universities and Health Insurance: Higher Ed Institutions Now Have More Options With the New HRA Regs

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Regulations published last month grant employers more options for covering their employees with health insurance, effective January 1, 2020. The regulations will be particularly favorable to higher education institutions. The regulations give universities more ways to subsidize health insurance coverage for students who are also full-time employees, to provide minimum essential coverage (MEC) satisfying the Affordable Care Act (ACA) mandate, and to reimburse fees for on-site medical clinics.

Universities generally provide students with fully insured health coverage through an insurance company. Unlike self-funded student health insurance coverage, fully insured student health coverage is considered individual coverage and is never an offer of MEC by the university. Universities also commonly subsidize student health insurance costs for graduate students in full or in part as an incentive to work as a teaching assistant. Universities currently offer these subsidies (referred to as “student premium reduction arrangements” in the regulations) through a number of methods, including stipends and reimbursements.

A common source of complications for universities is in providing health insurance coverage to graduate students who are employed full time by the university in positions such as teaching assistants and research assistants. The ACA requires applicable large employers to provide all full-time employees with health insurance that is affordable and that qualifies as MEC. If a student who is also a full-time employee chooses to forego fully insured student health insurance coverage provided by the university and obtain his or her own individual coverage, the student may be eligible for the premium tax credit, triggering an employer shared responsibility penalty for the university. Similarly, students employed full-time by a university who receive a student premium reduction arrangement may trigger an employer shared responsibility penalty because student premium reduction arrangements fail to satisfy MEC.

The new regulations help universities by allowing them to use Individual Coverage Health Reimbursement Arrangements (ICHRAs) to reimburse health insurance premiums and out-of-pocket health expenses for students in conjunction with any kind of individual health insurance, including fully insured student health coverage and individual health insurance purchased by students on or off a health insurance exchange. Because most universities offer fully insured student health coverage, they can continue to offer student health insurance to all students and group health insurance to all employees while additionally offering ICHRAs to student employees as a new type of student premium reduction arrangement.

More importantly, an ICHRA offer will qualify as an offer of MEC, making the new health reimbursement arrangements a valuable tool that can help universities avoid ACA employer-mandate penalties. If universities can use ICHRAs to subsidize individual coverage, graduate students may be less likely to turn down university-provided coverage or qualify for a premium tax credit. In addition, universities that charge a co-pay or access fee for an on-campus medical center may be able to reimburse those expenses using ICHRAs.

Universities that fund their own student health insurance can continue to offer self-funded insurance to students and student-employees. Because self-funded health insurance is never considered individual health insurance coverage, an offer of self-funded health insurance will meet the employer mandate requirements of the ACA if it is affordable and provides minimum value.

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