



Policy *Perspective*

Mandating College Student Health Insurance: A Costly Idea for Texas

by **The Honorable Arlene Wohlgemuth**

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RECOMMENDATIONS

- The Legislature should not mandate health insurance for any population, particularly college students.
- Give all Texans more health insurance choices by eliminating costly benefit mandates and allowing Texans to buy health insurance anywhere in the country.

Texas is routinely criticized for having the highest rate of uninsured citizens in the nation, and young adults ages 18-24 represent the highest percentage of uninsured with more than 40 percent of Texans ages 18-24 classified as uninsured in 2007.¹

This criticism is likely one reason the Texas House Committee on Higher Education is tasked with an interim charge of evaluating the cost and feasibility of requiring students who attend institutions of higher education to be covered by a health benefit plan.

Since the age range of most college students falls within the 18-24 age group, it may be appropriate to identify ways to move this demographic into the ranks of the insured. However, mandating that all Texas students obtain health insurance prior to enrolling in our state's public universities and community colleges is not the answer.

BACKGROUND

In 2005, the Texas Department of Insurance (TDI) issued a report titled *Insurance Options for College Students in Texas: A Study of Student Health Insurance Plans*. According to this report, states and universities have mandated health insurance for two primary reasons: (1) to address high uninsured rates and related problems on college campuses such as difficulty referring uninsured students off-campus for specialized healthcare, and (2) to increase the viability of their school's health insurance plan by spreading risk over a larger pool of participants.

Currently, only three states—Massachusetts, New Jersey, and Idaho—have this mandate.² Additionally, several university systems and individual universities have implemented this requirement. A 2005 study by National Public Radio reported that 90 percent of private universities required students to maintain health coverage while only 25 percent of public universities did. Institutions that enforced this rule, did so in an effort to reduce costs to university health centers, increase student retention, and reduce insurance premiums by creating a bigger pool of university plan participants.³

The Texas Health and Human Services Commission and the Texas Higher Education Coordinating Board do not collect information on the number of college students in Texas that are uninsured or drop out of college due to health issues and lack of insurance. To date, there is no evidence that Texas college campuses have had difficulty referring uninsured students off-campus for health care or that a lack of health insurance has led to college drop outs. Neither has there been a push by the universities to mandate insurance coverage to increase the number of participants in their health care plans. Nonetheless, the Legislature continues to discuss the possibility of forcing insurance on Texas college students.

Despite the benefits this mandate may provide to universities and their students, mandating insurance coverage would not ensure that all students obtain and retain insurance coverage. Certainly, experience in mandat-

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ing coverage in other areas has not produced 100 percent coverage. Take for instance, Texas' 1982 legislative mandate requiring liability coverage for all vehicles. The Texas Department of Insurance (TDI) estimates that 15-20 percent of all Texas vehicles are uninsured at any given time⁴ despite this mandate. In 2003, a state sanctioned database was created to track automobile insurance and early information from this database shows that upwards of 25 percent of drivers are uninsured.⁵ Mandating insurance has not proven successful in achieving universal coverage for auto insurance, and a similar mandate for university students would likely fail to insure all college students and would do little to actually impact the 18-24 year-old age group.

This potential mandate for health insurance is unnecessary for several reasons:

- Most Texans enrolled in institutions of higher education are already covered by health insurance or have access to school health insurance plans.
- Students in this age group are generally healthy and insurance for this demographic is readily available in the private market.

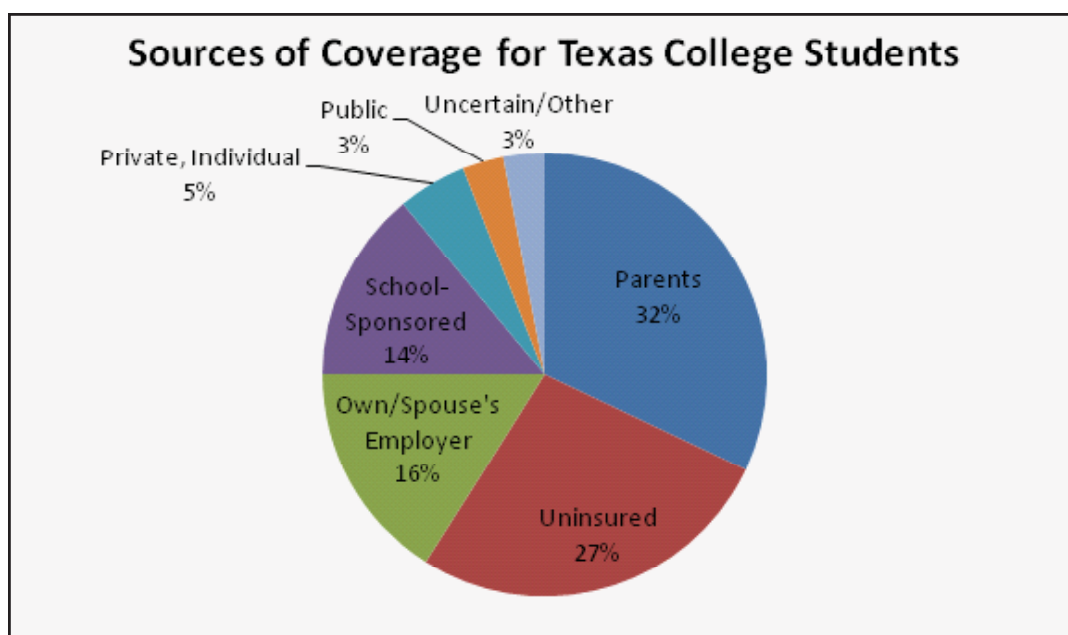
- The mandate would require a new state bureaucracy to implement.
- It would significantly increase the cost of higher education.

MOST ALREADY INSURED

Although more than 40 percent of Texans ages 18-24 are uninsured, a survey of college students attending both public and private schools in Texas conducted by TDI revealed that only 27 percent of college students in the state are uninsured,⁶ a one-third lower uninsured rate than the general population ages 18-24.

According to the same survey, of the 73 percent of insured college students, 32 percent are insured under their parents' insurance plans as dependents. The remainder are insured through an individual policy, through their spouse's employer, or through school-sponsored plans.

Texas law is more generous than most states in allowing children to remain under their parents' coverage, in fully-insured plans, until they reach the age of 25 or marry.⁷ Many students and their parents are unaware of this law



Source: Texas Department of Insurance, "Insurance Options for College Students in Texas: A Study of Student Health Insurance Plans," November 2005.

and may not know that they still have access to health insurance through employer-sponsored plans.

For students that do not have access to their parents' plans or employer-sponsored insurance, 94 percent of four-year public institutions of higher education in Texas offer school-sponsored health insurance. Not surprisingly, only 28 percent of public junior colleges offer these plans⁸ since adding health insurance premiums would so dramatically increase the total tuition costs. Despite the availability of school-sponsored plans, TDI's study showed only 14 percent of Texas college students are covered under these plans. The study also revealed that 63 percent of college students attending schools that offered health insurance were unaware of the options available to them.

Despite the fact that young Texans ages 18-24 have the highest rate of uninsured, most Texas students enrolled in institutions of higher education are already covered by health insurance or have access to school health insurance plans.

INSURANCE IS READILY AVAILABLE FOR THIS POPULATION

Adults ages 18-24 are generally a young, healthy population which is likely the reason many choose not to purchase health insurance. However, it is also the reason that insurance for this demographic is readily and affordably available in the private market.

Statistics from the U.S. Census Bureau show that 71 percent of Texans ages 18-24 report that their health status is excellent, or very good, as opposed to less than 1 percent that say their health status is poor.⁹ This, then, is the healthiest age segment of the nation's population.

Students needing health insurance have a number of options. Many Texas universities offer plans for health insurance that are affordable, and there are a number of individual plans available in the marketplace. A search of www.eHealthInsurance.com netted 123 available health insurance plans for a 21-year-old male living in Austin with monthly premiums ranging from \$31 to \$212 and corresponding deductibles from \$10,000 to zero.¹⁰

The key is giving students the freedom to choose the best plan for their budget and needs. Coverage provided under some of the low-cost student health plans exclude benefits most commonly needed by college students such as mental health care, birth control, testing for sexually transmitted diseases, suicide attempts, and accidents involving alcohol or drug use. However, requiring these high-cost benefits could not be justified for such a generally healthy population and would be unaffordable for many students. Instead of using university requirements as a determinant of health care coverage, students would be better served choosing their level of health care coverage based upon what they view as valuable according to their individual needs.

MORE STATE BUREAUCRACY

Should Texas mandate student health insurance, a new bureaucracy would be needed at universities to verify coverage. Because health insurance premiums can be paid on a monthly basis, it would be difficult to regularly monitor coverage. Higher education institutions in other states that are currently managing a health insurance requirement report that it takes one to three full-time equivalent administrative staff to manage the compliance function—even with the use of online waiver processes for the students who already have insurance.¹¹

Also, if colleges have trouble obtaining reasonably-priced health insurance plans to offer students, this could lead to the creation of a new state administered health plan for college students, similar to state employees or teachers, which would add to the cost and burden borne by state taxpayers.

INCREASED COST OF HIGHER EDUCATION

Texans will see a significant increase in the cost of higher education if health insurance were to be mandated, reducing access at a time when policymakers are seeking ways to increase college attendance and graduation rates.

Last session, the Legislative Budget Board's (LBB) analysis of House Bill 3321, which would have mandated health insurance for college students, estimated the average

annual premium for student insurance at approximately \$1,125. Assuming this estimate is accurate, the total academic charges for an average UT Austin student would increase 28 percent. The average student at TAMU International would see an increase of 45 percent. And for most community colleges in the state, the \$1,125 annual premium approaches a full year's worth of tuition.¹²

The Texas Higher Education Coordinating Board's Closing the Gaps effort aims to increase enrollment in higher education by 630,000 students by 2015. It is estimated that 70 percent of those students will be enrolled in community colleges,¹³ and these are the students that are most likely to be uninsured. However, the added expense of an insurance mandate would only contribute to the unaffordability of college while forcing students to purchase a product they do not see as valuable. TDI's survey showed only 38 percent of uninsured students would pay more than \$50 a month for private health insurance coverage, a price that is only half the cost of the average premium under current student health plans.

Lawmakers must not only consider the current cost of mandating health insurance but also the future costs. Texas universities have no way of controlling the rising cost of health insurance premiums in future years. In the past four years, health insurance premiums for school-sponsored plans have increased 34 percent at the University of Texas and 74 percent at Texas State,¹⁴ a cost that is passed on to the students and makes receiving an education that much more expensive.

CONCLUSION

Mandating student health insurance would do little to actually reduce the rate of uninsured young adults. The majority of students—73 percent—have health insurance either through their parents, spouse, or college student health plans. This mandate would do nothing to reduce the rate of uninsured young adults that are *not* in college, which makes up a greater percentage of those uninsured

in this age group. These individuals are more likely to work in jobs that do not provide health insurance benefits and less likely to seek individual health coverage on their own.

Additionally, such a mandate would not solve health care problems for this demographic because many of the plans offered by universities have benefit caps and restrictions on the services most used by young adults.

Requiring all students to have health insurance would disproportionately affect minorities and lower income students, the largest groups of uninsured¹⁵ which are also the groups the state hopes to enroll in higher education in greater numbers. This mandate would add extra cost to the already high and rising cost of higher education, making higher education unaffordable to more Texans.

RECOMMENDATIONS

In TDI's 2005 survey of those enrolled in Texas institutions of higher education, 78 percent stated health insurance coverage was important, however; that same survey reported that 36 percent of students in Texas public institutions of higher education were unaware that insurance coverage was available to them through their schools. Also, many students and their parents were not aware of coverage options through the parents' employer-sponsored plans. Providing information about health insurance options available to college students could prove beneficial.

Above all, the Legislature should not mandate health insurance for any population, particularly this demographic. Rather they should ensure that these individuals have access to low-cost plans that reflect the health needs of 18-24 year olds. This can be done by allowing students to buy health insurance policies that are free of the expensive mandated benefits that they will never use and allowing them to buy the best policy from anywhere in the country. ★

ENDNOTES

- ¹ U.S. Census Bureau, "Current Population Survey, Annual Social and Economic Supplement" (2008).
- ² Texas Department of Insurance, "Insurance Options for College Students in Texas: A Study of Student Health Insurance Plans" (Nov. 2005).
- ³ National Public Radio, "Health Insurance for College Students: Burden or Blessing," Day-to-Day (8 Mar. 2005).
- ⁴ Texas Department of Insurance, <http://www.tdi.state.tx.us/auto/frvp.html>.
- ⁵ Insurance Journal, "Texas Rolls Out Insured Driver Database Statewide" (3 Oct. 2008) <http://www.insurancejournal.com/news/southcentral/2008/10/03/94317.htm>.
- ⁶ Texas Department of Insurance, "Insurance Options for College Students in Texas: A Study of Student Health Insurance Plans" (Nov. 2005).
- ⁷ Texas Insurance Code, Article 3.51-6, Section 1(b)
- ⁸ Texas Department of Insurance, "Insurance Options for College Students in Texas: A Study of Student Health Insurance Plans" (Nov. 2005).
- ⁹ U.S. Census Bureau, "Current Population Survey, Annual Social and Economic Supplement" (2008).
- ¹⁰ www.ehealthinsurance.com (Oct. 2008).
- ¹¹ Health Insurance Requirement for Enrollment, Implications for Higher Education
- ¹² Testimony of Dr. Raymund Paredes, Commissioner of Higher Education, House Higher Education Committee (1 Apr. 2008).
- ¹³ "Health Insurance and Closing the Gaps," Texas Higher Education Coordinating Board (Apr. 2008).
- ¹⁴ Testimony of Dr. Emilio Carranco, director of the Texas State University Student Health, House Higher Education Committee, (1 Apr. 2008).
- ¹⁵ Texas Department of Insurance, "Insurance Options for College Students in Texas: A Study of Student Health Insurance Plans," (Nov. 2005).

About the Author

Arlene Wohlgemuth is a visiting research fellow at the Texas Public Policy Foundation's Center for Health Care Policy. Prior to joining the Foundation, she served for 10 years as state representative for district 58.

During the 77th legislative session, Wohlgemuth served as chairman of Appropriations Article II Subcommittee (Health and Human Services), vice-chairman of Calendars, CBO for Human Services, and member of the Select Committee for Health Care Expenditures. Wohlgemuth authored HB 2292, the sweeping reform of Health and Human Services which improved service delivery for the recipients and will save taxpayers more than \$3.7B during its first five years. The reform included consolidating twelve HHS agencies into five and is the largest government reform bill ever passed in the state. Organizational changes led to the early discovery of problems within Child and Adult Protective Services. The creation of the Office of Inspector General and the additional authority and funding given to the Office of the Attorney General led to Texas being recognized for fraud prevention/prosecution and was given the nation's top fraud-fighting award last September by the U.S. Department of Health and Human Services.

Wohlgemuth served as president of the Texas Conservative Coalition, chairman of the TCCRI Health and Human Services Task Force, and chairman of the TCCRI State Finance Task Force. She was twice named to *Texas Monthly's* "Ten Best" List.

Wohlgemuth is currently a board member of the Texas Conservative Coalition Research Institute and owner of Three Point Strategies, a lobbying and consulting firm.

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