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Relief Extended for Premium Reimbursement Programs for Student Employees

On October 21, 2016, the Departments of Labor, the Treasury and Health and Human Services (collectively, the “Departments”) issued FAQ 33, providing an indefinite extension of the enforcement relief available to colleges and universities for certain premium reduction arrangements offered in connection with student health plans. In February 2016, the Departments had announced a one-year non-enforcement period in the event a premium reduction arrangement is an impermissible Employer Payment Plan (“EPP”). This relief was limited to a plan or policy year that begins before January 1, 2017.

The Departments will not assert that a premium reduction arrangement offered by an institution of higher education fails to comply with the Affordable Care Act (“ACA”) prohibition on annual dollar limits and preventive care mandate. Colleges and universities that offer students working for the school premium reduction programs, which may pay for some, or all, of the costs of individual student health insurance coverage (insured or self-insured) may continue to offer such program until (and unless) there is further guidance.

Following is a more detailed summary of the issue.

■ The Issue

Student health insurance is a type of individual health coverage that is generally offered to students and their dependents by an institution of higher learning (e.g., college or university). This coverage can be insured or self-insured.

Some students, typically graduate students, receive reduced cost (or no cost) student health insurance coverage as part of their student packages. In many cases, these students are performing services for the school (such as teaching or research) in connection with those packages. For these students, the bill they receive from the school for their health insurance coverage may take into account the premium reduction.

Generally, employers are prohibited from paying for (or reimbursing) an employee’s individual health insurance policy. As student health insurance is considered to be individual coverage, there is concern that these premium reduction arrangements, in some circumstances, might be considered employer-sponsored group health plan coverage and, as a result, might be viewed as prohibited EPPs.

In many cases when the college or university offers a premium reduction arrangement to its students, the payment will not constitute an EPP (i.e., where the student is not an employee of the college or university).

However, in cases where the student is an employee of the school, such an arrangement may constitute an impermissible EPP. For example, if a university pays for a student-employee's student health insurance coverage as part of the student's employment as a research assistant for the university; this may be an impermissible EPP.

■ Employer Action

No specific action items at this time. Educational organizations that employ student employees should continue to monitor guidance in this area.

