

Selecting and Managing International Student Health Insurance

Best Practices and Guidelines for International Education Professionals

- Introduction
- US Healthcare System
- Legally Mandated Coverage
 - Healthcare Reform and the Affordable Care Act
 - J Visa Category
 - State Requirements
- Considering Your Students
- Insurance Options
 - Group Plans
 - Individual Options
 - State Healthcare Exchanges
 - Dependent Insurance Options
 - Administering Insurance Plans
- Plan Setup
 - Three-Part Team
 - Financial Rating of Carrier
 - Other Factors to Consider
- Plan Benefits
- Conclusion

Authors

Keith Clausen, President

Ross Mason, Vice President

Jennifer Frankel, Director of Financial Services



Version 1.0

Updated February 1, 2016

© 2016 International Student Insurance

Envisage International Corporation

Introduction

The constantly changing face of healthcare in the USA makes it challenging to keep up with the latest information, let alone be charged with advising incoming international students. With the Patient Protection and Affordable Care Act (otherwise known as PPACA or ACA) and changing J visa regulations, these last few years have exacerbated the difficulty level for those who oversee the health and safety of international students.

For the Dean, Provost, Director, Risk Manager, Advisor or other international education professional tasked with implementing insurance policies, there is no updated, comprehensive resource to guide them. Many smaller schools struggle with the issue of whether to offer a group insurance plan for international students, especially as premiums continue to rise in the wake of the ACA, and plan selection and administration can be time-consuming. Other schools have to decide whether to put international students on the same plan as domestic students, whether to offer coverage to dependents, how to direct students to appropriate individual plans, and determine what the ACA actually requires of them and their students - we address these questions and more.

This best practices guide provides international education professionals with a detailed overview of the healthcare market as well as key factors to consider when choosing an insurance carrier and plan. Finally, we will guide you through the process of implementing a plan for your students and, along the way, we will address important factors to consider when answering many common threshold questions. With this guide as a starting point, you will be well on your way to implementing an informed, conscientious policy for your students and school.

US Healthcare System

While a full description of the US healthcare system is beyond the scope of this paper, and unnecessary to its purpose, it is helpful to keep a few core concepts in mind when evaluating insurance options for international students.

Care is Excellent, but Expensive

For those who can afford treatment or have adequate insurance, healthcare in the United States is unparalleled. With trillions of dollars spent each year on healthcare, it's no secret the US spends more money per capita on health than any other country in the world. This means that international students and US citizens alike have potential access to the world's largest networks of specialists, hospitals, clinics, and technology, for a price. Researchers have found that the average charge for an emergency room visit in the US is approximately \$1,233 - 40% higher than what the average American pays for rent each month¹. International students especially are generally far from equipped to handle large and often unexpected medical bills.

¹ Source: Taken from "[How Much Will I Get Charged for This?](#)" Patient Charges for Top Ten Diagnoses in the Emergency Department", and referenced in this [online article](#).

Lack of a Nationalized Healthcare System

Unlike many countries around the world, the United States doesn't have a nationalized healthcare system and instead expects individuals to purchase health insurance to help cover the majority of their healthcare costs, or pay for these services out of pocket. Many international students are accustomed to their governments covering their medical treatment costs, which can cause confusion when trying to evaluate their insurance options in the United States.

Access to a Variety of Providers

There are many ways to seek treatment in the United States, including traditional providers like urgent care centers, walk-in clinics, student health centers, private doctor's offices and hospitals, with additional hybrids appearing constantly. Many students are not familiar with all of the different types of providers, which can easily cause confusion. Some international students are accustomed to using the ER for everything, even a minor illness; try that in the US and you will wait a long time, and pay a lot of money.

Health Insurance is Assumed

The US healthcare system was not designed on the idea that individuals would pay out-of-pocket for their healthcare. It's assumed that you have health insurance, show your insurance card to seek treatment, pay a co-pay of some kind and then expect a follow-up bill for any uncovered costs. Without insurance, even being seen by some providers can be difficult, and if you are able to seek treatment, it will be much more expensive. Insurance companies also work closely with providers to agree upon deeply discounted rates and help their members receive medical care for a fraction of the cost. With this in mind, a hospital may traditionally charge \$800 for a given treatment, but will only charge a contracted insurance company \$300 for the same services. Without health insurance, an international student could easily be left with the entire \$800 bill.

Direct Billing

Providers in the US are used to taking a small payment from the patient at the time of service, and directly billing the insurance company for the remaining portion. This system really simplifies the billing process for patients and allows international students to be more comfortable when seeking care in an unfamiliar country.

For all these reasons and more, all international students should be covered by adequate health insurance while in the US, regardless of their visa status.

Legally Mandated Coverage

When considering health insurance for international students, a good place to start is with any mandated insurance required by law. Although visa status, tax status and state regulations all can impose coverage requirements on international students, the vast majority of international students in the US are not required by law to have health insurance of any type. Instead, the school has the role of determining whether and what level of coverage an international student must have. Before we explore the role that schools play, we will briefly examine the three regulatory areas that touch international student health insurance – the Affordable Care Act, J visa regulations, and state requirements.

Healthcare Reform and the Affordable Care Act

With the introduction of the ACA and the individual mandate, all US citizens and Resident Aliens are now required to have ACA-compliant health insurance or pay a fine with their tax return. **However, all international students holding an F, J, Q or M visa are exempt from the ACA as “Non-Resident Aliens” for their first 5 calendar years in the United States, so they have no obligation to maintain ACA-style coverage.**

The ACA is designed with lifetime coverage for US residents in mind, not short-term non-immigrant visitors, like international students. Required ACA coverage provisions like no lifetime maximum, full preventative care and wellness benefits, no pre-existing condition limitation and full maternity coverage with no waiting period are reflections of important policy decisions regarding the protection of insureds throughout their lifetime. However, those same benefits can be unnecessary or even inappropriate in a short-term, non-immigrant setting – thus the clear guidance is that international students are exempt from the requirement to carry such coverage (until they transition from a “Non-Resident Alien” to a “Resident Alien”, generally mid-way through their sixth calendar year in the US).

For purposes of this guide, it’s sufficient to understand that the 5-year exemption covers the vast majority of international students, and that some long-term international students and scholars who become Resident Aliens will need ACA coverage. For a full explanation of how the ACA applies to international students and other non-immigrant visitors, please see Appendix A and our articles covering these topics in the [Insurance Explained](#) section of our website.

J Visa Category

The US Department of State requires international students (and their dependents) in the J visa category to purchase insurance coverage that meets a list of requirements, and to maintain that policy for the full duration of their J program. During the initial appointment at their local Embassy, these students will need to provide proof of insurance before their visa is granted.

J Visa requirements include:

- Medical benefits of at least \$100,000 per accident or illness;
- Repatriation of remains in the amount of \$25,000;
- Expenses associated with the medical evacuation of exchange visitors to his or her home country in the amount of \$50,000;
- Deductibles not to exceed \$500 per accident or illness; and
- A- or better rated carrier.

Please see Appendix B for the full list of requirements as detailed in the State Department Regulations.

Since all students should have coverage that exceeds these guidelines, and other factors are more important than visa status when selecting coverage, we do not need more analysis or explanation of J Visa requirements for purposes of this best practices guide. However, we have several other resources that delve more deeply into the J Visa insurance requirements, including the [impact of the ACA on various J Visa categories](#), which can be found in Appendix C.

State Requirements

Only one state – Massachusetts – imposes an individual mandate like the ACA does, meaning all Massachusetts “residents” must carry insurance that meets Massachusetts’s minimum requirements, or else they will be penalized on their taxes. It’s important to note that Massachusetts has a different definition and analysis of when you become a “resident” than that applied federally by the IRS for the ACA. An international student attending school in Massachusetts may be exempt from the ACA as a “non-resident alien” as determined by the IRS, but subject to the Massachusetts mandate as a result of having become a Massachusetts “resident.”

All states have certain insurance “mandates”, which apply only to insurance carriers and are basically levels of coverage that must be included in policies in order for an admitted carrier to do business in that state. Many states have reviewed and revised these mandates in the wake of the ACA to match or at least not conflict with the ACA’s “essential health benefits.” International carriers often work as “authorized non-admitted” carriers or “surplus lines” carriers, in which case their plans may not include those mandated coverages; domestic carriers will know the policy provisions they need to include in your state. Regardless, these type of mandates apply only to the insurance carriers and do not place any obligation on your international students to carry any type of health insurance.

Considering Your Students

Before jumping into which type of insurance plan your students need, and how best to administer it, you will need to have a handle on important information related to your international student population. For many larger schools, this may not be an easy task, as you may find you have a number of different foreign populations, including international students, exchange students, ESL students, students on OPT, visiting scholars (who may be here for just a few weeks or up to 5+ years), spouses, children or summer camp students, just to name a few. Within each population, it’s important to consider each of their needs.

Main considerations include:

- How many students fall into each sub-population?
- How long are these programs?
- What is the average age and age range of your student population?
- How financially sensitive are your students?
- What level of resources do you have to dedicate to insurance implementation?
- What type of benefits do your students, scholars and dependents need?
- Visa status

Next we will review a few of these factors in detail.

Visa Status

Only the J visa category carries any regulatory requirement for the student to maintain health insurance.

Surprisingly, the F, Q and M visa categories do not require proof of health insurance coverage at all² to obtain a student visa – instead, it is left to the school to determine what insurance requirements (if any) these international students will need to meet.

When implementing a health insurance policy for international students, visa type should be largely irrelevant. Not only do most visas not require health insurance at all, but the State Department insurance requirements for the J visas are so limited that they should be seen as a baseline only, as adequate plans will all easily exceed these requirements. Instead of visa status, the focus should be on demographic factors that impact the type and level of insurance that your student population needs, like their age, general health, duration of stay in the US and family situation.

Age and Health

Each school has its own particular demographic pool of students. Are there a lot of graduate students and scholars with their families? Is it mostly young undergraduates, or ESL students? Generally, the younger the demographic, the healthier they are overall and with fewer existing health issues, the less healthcare they require.

Duration

The duration that an international student will be in the United States is extremely relevant when deciding their best insurance options. In-bound scholars on a 3-month program likely won't require any medical attention at all, but an international student in the US for a few years is likely to visit the doctor for at least the common flu or an accident.

Family Situation

An international student's family situation is also a key factor to keep in mind when choosing coverage. Students with spouses or children are far more likely to take their family to a doctor and will require different benefits than a traditional student. Maternity for spouses and wellness care for children are both factors to take into consideration, neither of which are traditionally available on a short term plan, but could be included in a group insurance option or an international major medical policy.

On-Campus Resources

Do you have a student health clinic available to all international students for ordinary issues and preventative care, for free or at reduced rates? Or, is all healthcare provided off-campus, meaning that the insurance plan's treatment of ordinary office visit co-pays, deductibles and perhaps preventative care become more important.

This can be one of the most challenging, but most important, steps before deciding which insurance plan is most appropriate for your school. Often it's helpful to discuss the needs of your international students with the departments on campus that could potentially impact them. The housing and athletics department, for example, could help ensure that you have evaluated the full needs of your students throughout their academic career.

² 9 FAM 41.61 N6.1-3 Adequate Medical Insurance (<http://www.state.gov/documents/organization/87373.pdf>)

Insurance Options

Once you have a good understanding of what your students need and what resources are available to you, the next decision is how to implement an insurance strategy and policy for each population on campus. There are a number of ways that insurance can be customized for your school and at the same time meet the unique needs of your students. In this section, we will discuss the most common student health insurance plans including their benefits and drawbacks, so that you can make a fully informed decision.

Group Plans

Many larger institutions and some smaller ones have implemented group health insurance plans for their international students. For the purposes of this Guide, we will discuss both ACA-compliant and ACA exempt group insurance options.

School Group Plans: ACA-Compliant

Many large schools, particularly elite schools and those in the Northeast, have moved to ACA-compliant group plans to insure their student body. In order to be considered ACA-compliant, these group health insurance plans must have [Essential Health Benefits](#) as defined by the ACA and included in Appendix D. This includes no annual or lifetime limits, full coverage for preventative care, comprehensive maternity, and no waiting period before pre-existing conditions are covered. Having a group plan that is ACA-compliant means that you can insure both your domestic and international students on one policy, thereby making administration easy.

Benefits of an ACA-compliant group plan include:

- **Excellent coverage** - ACA-compliant group plans offer excellent coverage for students as they are built just like any long-term domestic health insurance plan with no coverage maximums.
- **Pre-existing conditions** – These plans will cover pre-existing conditions right away, so that students can continue care for a condition they had back home. This means that students would not have to worry about stocking up on medication before departing their home country, and that they can get any treatment they need while they are in the US.
- **Full maternity** - This plan would also provide coverage for maternity, even if a student or scholar arrives pregnant.
- **Tax status is irrelevant** - Administrators and advisors would not have to worry about who is a Non-Resident Alien for tax purposes as it applies to the Individual Mandate. All students would have ACA coverage, and thus would not have to worry about the tax penalty.

Drawbacks of an ACA-compliant group plan include:

- **Very expensive** - The primary drawback is the cost. With coverage designed to stay with an individual throughout their life, these insurance policies can cost thousands of dollars depending on your state, student population, number of dependents, and claims history.
- **High out-of-pocket costs** - Many carriers are trying to balance out the cost of high claims by increasing the out-of-pocket expenses. These plans typically have high deductibles, meaning an international student in the US for only a short time likely will not meet their deductible and instead, will have to pay their healthcare costs out-of-pocket.

- **Not designed for international students** - The ACA was designed to address the lifetime care needs of US citizens, cradle to grave. The majority of ACA required benefits are not designed with a short-term, non-immigrant in mind. Many schools also have no desire to offer full pre-existing condition coverage and maternity coverage to newly-arrived international students in the US. ACA plans are often missing internationally focused benefits, like medical evacuation and repatriation of remains - benefits required by the J visa and recommended for all, forcing these students and dependents to purchase an additional medical evacuation and repatriation plan.
- **US coverage only** - These options only offer coverage in the USA, causing students to purchase another plan for travel outside of the country.
- **Language capabilities** - It's also important to carefully evaluate language capability, translated materials and plan administration for international students, since ACA carriers are often focused on the US population.
- **Eligibility** – Any school considering an ACA-compliant group plan should also make sure their full student population, including dependents, can be covered on their plan. Since ACA plans are designed as lifetime coverage, the longer students stay in the US, and the more their life looks like a US person, the better the fit. For long-term scholars with families, graduate students with families, and others here for five or more years, ACA plans can make a lot of sense. But if you have other, shorter-term populations of students, make sure you consider them as well, because often OPT students, ESL students and other short-term program participants are not eligible for your plan.
- **Dependent coverage** - In recent years, we have seen an increasing number of carriers dropping dependents from their ACA-compliant group policies as well. Please see the article, [“Dependent Health Insurance for J2 and F2 visa holders”](#) as this explains it in more detail and is included as Appendix E.

School Group Plans – ACA Exempt

To confront the rising cost of ACA-compliant coverage, many schools have turned to ACA-exempt group insurance plans for their international population. These group plans are exempt from the ACA based on their status as “Short-Term Limited Duration” plans (STLD), the primary requirement of which is that the initial duration of the plan cannot exceed 364 days. However, don't let the name fool you, STLD plans can be renewed and can include important coverage items like pre-existing conditions and maternity.

Benefits of an ACA-exempt group plan include:

- **Customized coverage** – Since they do not come standard with Essential Health Benefits, ACA-exempt plans offer a great deal of flexibility and customizable coverage options. These plans will also include specific benefits ideal for international students, such as emergency evacuation, emergency reunion, and repatriation of remains.
- **Affordable** – These plans tend to be more affordable as they provide an overall maximum coverage (often between \$200,000 and \$500,000), do not cover wellness (physicals and vaccinations are often encouraged before students depart their home country), and have a waiting period before pre-existing conditions are covered (industry standard is usually 6 months).
- **Less out-of-pocket costs** – Not only are premiums less expensive, but the deductibles tend to be lower as well, often with options of \$100 or less.
- **Covers all foreign students** – These group insurance plans typically cover all international students, scholars and their dependents. The period of coverage can also be customized for short-term students or renewed for those students staying for multiple years.

Drawbacks of an ACA-exempt group plan include:

- **Not as comprehensive** - Unlike ACA-compliant plans, these group plans are not as comprehensive and may have more exclusions for various conditions, often excluding wellness and preventative care.
- **Waiting period for pre-existing conditions** -You can expect a waiting period before pre-existing conditions are covered on ACA-exempt plans. The industry standard waiting period is approximately 6 months, however this can vary based on the plan.
- **Can't combine with domestic students** – Since these insurance policies are designed for international students, schools would need to have a separate plan if they still choose to offer insurance for their domestic students. While this keeps costs low for your international students, it does require administration of a separate plan.
- **Individual mandate may apply to some students** - If your school has a wide variety of international students, some of whom may stay in the US for 5 calendar years or more, or J visiting scholars in the US for more than 2 calendar years, then you may have some international students or scholars that become Resident Aliens for tax purposes (as opposed to Non-Resident Aliens). Once this status changes, in accordance with the analysis laid out by the IRS, those Resident Alien students become subject to the ACA and the Individual Mandate requiring them to have ACA coverage.

Any school considering an ACA-exempt plan will need to look carefully at the needs of their international student and scholar population. Because these plans allow you to customize benefits, they can be built to meet the needs of several sub-populations on campus, including short or longer term students, spouses and children. It's important to read through and fully understand both the benefits and exclusions of these plans to ensure they are the most appropriate options for your students.

Individual Insurance Plans

For schools who have distinct subpopulations of international students, who may not have resources to devote to insurance administration, or for schools who would like to offer their students a choice in coverage, individual insurance plans are a good option.

Benefits of individual insurance plans include:

- **Ease of administration** – With individual insurance plans, schools have less administration as they do not need to collect payment. Customer service lines are available with each insurance plan, allowing students to contact them directly about their benefits and claims, effectively removing the school from the insurance purchasing and administering process.
- **Custom-crafted for international students** – There are many great individual insurance plans available that have been designed with the needs of international students in mind. They typically include medical evacuation, repatriation of remains, and emergency reunion benefits, coverage in all 50 states (and often internationally, outside their home country), and typically allow students to purchase insurance for the exact period they need.
- **Affordability** – These individual insurance plans are typically designed to cover students for new accidents and illnesses, and by cutting down on long term benefits like wellness, the prices are much more affordable. Many options allow students the flexibility to choose their own deductible, and often promote their lowest deductibles (\$100 or less).
- **Preferred by students** – Many students like the ability to choose an insurance plan that meets their health needs, as well as their budget. With the knowledge that all students are unique, this allows

them the freedom to choose the most appropriate plan for themselves and their family, regardless of what may be offered to other students.

Drawbacks of individual insurance plans include:

- **Need to control for sub-par plans** – While many students will evaluate their insurance plans based on their needs, others may not know what they need, look for the cheapest option or may not be sure what to look for in a good plan, as the US healthcare system is inevitably much different than in their home country. Schools should avoid this by setting guidelines on the type of benefits the plan must include, or by selecting one or more pre-approved plans that have adequate coverage.
- **No point-person to contact** – Group insurance plans typically provide an account manager or point-of-contact in case of an emergency or to assist with any claim issues that could potentially arise. Individual plans typically do not come with this extra support, so it's important to make contact with the company and establish a course of action in case assistance is needed.
- **Monitoring coverage** – One of the most common complaints about individual insurance plans is that the school cannot regulate continuous coverage for the student, since after all, this is their insurance plan. It is recommended that you have the student sign a compliance form agreeing to maintain continuous coverage throughout the duration of their studies, which releases the school from any liability. Alternatively, you may require students to pre-pay coverage (no monthly payment option) to avoid any lapses in payment, and thus avoid unexpected termination.
- **Benefits are not as comprehensive** – Group health insurance plans generally provide more comprehensive benefits as there is a pool of students to outweigh any high paying claims from a sicker population. Since individual plans are not able to protect themselves against adverse selection, there may be waiting period for benefits such as pre-existing conditions, maternity, etc.

Individual health insurance plans are purchased directly by the student (the school would not deal with billing), and can be purchased either in their home country or from the United States. Because of the complexity of the US healthcare system most schools will require a US-based insurance company familiar with navigating the US claims process. This doesn't mean that the underwriter can't be a worldwide carrier, but plan administration and claims payment should all be in the US. We discuss this point further below in the carrier discussion under Plan Setup.

Many schools have used individual plans in lieu of a group plan, but impose conditions that make administration closer to what it would be with a group plan. For instance, a school may mandate one or more plans that have been reviewed and pre-approved. In this case, some insurance companies will provide group plan services, such as a point-person to help with administration and claims, but at the same time allows the school to be exonerated from plan administration or collecting payment. It's very important that parameters – either as minimum benefit levels or pre-approved plans – are set for students so that they have a plan that is appropriate to their needs, backed by a carrier that is financially stable and a company that is responsive to their needs.

State Healthcare Exchanges

Another avenue for long-term international students and scholars may be the State Healthcare Exchange. Since US health insurance is regulated on a state level, the eligibility of your international students and scholars, along with their eligibility for subsidies, will vary based on the state. Like any domestic insurance through the State Healthcare Exchange, students must enroll during the open enrollment window, which is generally from November through January.

Like ACA-compliant group plans, these policies are not designed with international students and scholars in mind so the process will be more complicated. These plans will not cover medical evacuation and repatriation of remains, so a standalone plan specifically to cover these costs may be necessary to supplement domestic coverage. Typically, the applications ask for Social Security Numbers and may require that the student be denied by Medicaid before they are able to enroll. With this taken into consideration, State Healthcare Exchange plans may provide appropriate coverage for long-term students and scholars, those who are considered Resident Aliens for tax purposes, or for those participants needing comprehensive coverage for maternity, pre-existing conditions or other long-term expenses.

Dependent Insurance Options

Many schools spend a lot of time considering insurance coverage for their international students and scholars, but may not apply this same approach to spouses and children accompanying a student or scholar. Insurance for dependents is very important, as this demographic is often more in need of regular medical care.

Higher need for medical care means higher claims. In fact, insurance for dependents is becoming increasingly difficult to obtain as there are substantially high claims related to maternity, wellness and childcare. With such a high number of claims, insurance companies are either increasing the premium for dependents often 2-3 times greater than that of the students or are cancelling dependent eligibility for their student plan entirely.

If your school has decided to opt for a group plan for your international student population, it's important to make sure that spouses have equal access to insurance coverage. If you are unable to include this population on your group plan, it's important to consider what level of coverage you mandate for spouses and dependents, to ensure that they can obtain such coverage. There are individual insurance plans that dependents can purchase, however it's important to note that these plans do have restrictions or waiting periods before pre-existing conditions, maternity, and wellness are covered. For more on individual dependent insurance options, please see Appendix E.

Administering Insurance Plans

Once you have considered your insurance options, the next step is to decide how you would like to administer your plan. Often this will depend on what resources you have available to dedicate to implementing an insurance plan on campus. Are you a one-person or small team in charge of all things international, or do you have a sizable staff that can dedicate time and energy to administering an insurance plan? There are a number of ways that these plans can be administered, and here are the most common:

Mandatory Group

A mandatory group plan requires that all international students, scholars, and dependents are enrolled in a group health insurance plan selected by the school. Insurance premiums are typically added into tuition costs, and it's a one-size-fits-all model. In a mandatory group plan, students are required to purchase coverage through the school, helping to avoid any adverse selection on the plan. This means that both healthy and sick students would be enrolled on one plan, with the hopes that claims will be generally stable year-to-year to avoid big increases in premium.

Mandatory Group with Waiver

Other schools acknowledge that there are students who may not need the school's group plan for a variety of reasons. The most common reasons are that the student may arrive on a scholarship or government

program that already offers comprehensive health insurance, the student or scholar already has health insurance through their employer, or they may have a private insurance that already provides comprehensive coverage suited to their needs. Many young, healthy students object to paying the cost of a very comprehensive group plan when they can get comparable coverage for much less by purchasing their own individual plan. While this option requires the school to be more involved in the administration, it allows students more flexibility with their insurance choices. Schools should make sure that they set minimum levels of coverage to make sure students have adequate coverage – and did not simply purchase the cheapest option! Many schools do this by requiring proof of insurance or having the student and/or insurance company fill out a waiver form certifying a specific level of coverage for the full school term.

Required Minimum Coverage, No Group Plan

Some schools do not have a group plan in place, and like the Mandatory Group with Waiver option, require students to purchase an insurance plan that meets a set of minimum requirements. Students can show proof of coverage by presenting their insurance confirmation to the school, or by having a waiver or insurance form completed by either the student or insurance company.

Optional (Individual)

In some cases, schools will simply inform students about coverage options but let them purchase on their own without the need to show proof of coverage. Of course, this can mean a student will not actually purchase coverage and could be uninsured. We do not recommend this course of action! At a minimum, require a simple proof of coverage.

Plan Setup

When looking at insurance options, regardless of the type of plan, there are a few key items that are the backbone of an insurance plan. Once you've determined if you'll have a group plan or individual plans, you'll need to focus on these top-level issues to select your "team" before diving in to plan benefits.

The Three-Part Team

There are three distinct jobs in any insurance plan, all of which are equally important:

The "carrier" or "underwriter"

The terms "carrier" and "underwriter" are largely interchangeable and refer to the entity financially responsible for payment of claims. We will use the term "carrier" – and unless you go direct to a carrier (more about that below), you may never meet anyone from your carrier.

The "broker", "agent" or "insurance company"

Most international student health insurance is sold through insurance companies that focus on the international student market, typically acting as brokers or agents and offering coverage written by a particular insurance carrier – we will refer to them as the "company," regardless of their technical insurance status. Having a knowledgeable company, fully immersed in international education and backed by a solid carrier, is a must. Just look around the NAFSA expo hall – they are all there. This is the company you will know the best and deal with the most. The company should educate you on your options, educate you and your students on your plan, streamline all management of the plan like enrollments, and should always be

there to help should you have claims problems, major cases or any other issue. A good insurance company cements the team into a single functioning unit.

The “third-party administrator” or TPA

The final piece of the team is the TPA (third-party administrator), which is the entity that actually processes and pays the claims. The TPA duties can be handled by the carrier or the insurance company, but is often contracted out. You and your students will work with the TPA for all claims processing.

Each is equally important and it’s imperative that all entities work together efficiently and meet all of the requirements below, as a team. The best insurance carrier in the world can create havoc for your students if the insurance company or TPA is weak; and the best TPA or broker in the world cannot do anything to change the rating or financial solvency of the carrier. Before you buy, know who the insurance company or broker is; know who the carrier or underwriter is; and know who will actually process and pay the claims. Even in the case where a carrier sells directly to a school and processes claims internally (meaning all three jobs are handled by the carrier), you should evaluate each part of the team. The biggest concern in a direct relationship tends to be how well that carrier is adapted to and focused on the international student market, with separate service teams and educational resources specifically for international students. If international students are thrown together with domestic students, with no separate educational or service resources, it is very difficult to meet your international students’ particular needs.

Financial Rating of Carrier

The insurance carrier is the financial backbone of any insurance plan, and it is the entity legally obligated for the payment of claims. All insurance carriers receive financial strength ratings from at least one rating agency, often more.

Why does an insurance rating matter?

Ratings showcase how financially solid the insurance carrier is, and therefore how likely it is that the carrier will be able to pay claims as they come due. For a rating to be valid, it must be held by the same entity that appears on your certificate, not a parent company, subsidiary or member of a family of companies. Many insurance carriers have complicated corporate structures, with many parent and subsidiary companies, often as a result of compliance requirements around the world or as liability protection. The rating of a parent company is no good if the subsidiary writes the business - that corporate structure protects the parent from the debts of the subsidiary.

What rating should my insurance carrier have?

It’s just like in school – you want As, not Bs. For rating guidance, we can look to the J regulations, as their guidance on this point is solid. Using just the two main rating agencies, you should look for:

- an A.M. Best rating of “A–” or above;
- a Standard & Poor’s (S&P) Claims-paying Ability rating of “A–” or above;

Although these ratings are required for any student or scholar on a J visa, these levels are a good indicator to use for all student visa categories. There is no reason to settle for a B-rated carrier for any of your students – A-rated options abound.

The insurance rating needs to be held by the exact same entity that is underwriting your business, and it is easy to check through the [Standard and Poor’s](#) and [AM Best](#) websites. Both offer free accounts, and once created you can search for your insurance carrier to locate their rating. You should check your carrier’s

rating annually, as ratings change as the financial condition of the company and the risks it is exposed to change.

Other Factors To Consider

The financial rating applies only to the actual carrier. All of the remaining points, though, are relevant to all three pieces of the team – carrier, insurance company and TPA.

International or Domestic?

For your carrier, this is a legitimate question, however for your broker and TPA, it is not. Your insurance company and TPA, and all claims processing and payment, must be in the US as it just doesn't work to have that done outside of the country.

When looking at carriers, the international student market is well-served by both domestic carriers (like UnitedHealthcare and Aetna) and international carriers (like Lloyds). For those schools that choose an ACA-compliant group plan, then a domestic US carrier is a must as they are typically the only ones to offer such coverage and have a strong network of providers as well.

The main issue to watch for with domestic carriers is whether they have experience and systems to deal with the large number of foreign students and provide the right level of service and support to them in their language. Issues like accepting international names, where a participant might have the same first and last name or double-barreled names could create problems in their systems not setup for these formats; or carriers with domestic-focused plan administration may overly rely on mail, with not enough online or email capability.

International carriers are typically more adept at handling international students, with technology and support systems in place around the globe and in the US. International carriers also tend to be a little more flexible with benefits and pricing, as they have more experience with the global markets. The main points to look out for with an international carrier is to ensure they have a strong PPO network in the USA and that they have US-based plan administration. The PPO network will be the primary point of access for your participants to seek treatment, and can also reduce your claims as strong PPO networks can negotiate good discounts.

In summary there are high-quality domestic and international carriers serving this market, so the choice will come down to the product, pricing, reputation and experience in the market.

Reputation and References

The reputation of an insurance team (carrier, company and TPA) is critical. How well they are performing with their existing client base as well as what past and present clients have to say about how well they are doing will give you excellent insight. Simply ask the carrier for a few industry references, with whom you can follow up. Make sure to ask for some former clients as well – you can find out why they left. You can also ask around internally in your own circles, through the international education listservs or LinkedIn. All these platforms will allow you to connect with other schools similar to yours and find out who they are using and what their experiences have been like.

Remember, the team matters, so when asking for references, you want to know someone's experience with a particular company or broker, using a specific carrier, with claims processed by a particular TPA. Any break in that chain can cause major headaches. For those companies that work consistently for a long time with a carrier, it can be quite simple, as all parts of the team may be intact for years. Other companies

change carriers and TPAs frequently, so you may not want to be the guinea pig. Any company should be right upfront about the carrier and TPA – any evasiveness on these points is a red flag.

Technology

International education is a global business, and all the necessary technology to administer insurance globally and efficiently is available. Has your team committed to technology sufficiently to ensure efficient administration for you and your participants? Is the company relying on the carrier's enrollment technology? If so, is that technology custom-built for international students, or at least proven to be workable for them? Most of the good insurance companies will invest heavily in their own technology to layer on top of the carrier and TPA's systems, ensuring efficiency among the team.

Market Experience

There are new carriers and companies that enter the student market every few years, with varying degrees of experience or understanding of the international student market. It can take years for a carrier to understand how the business works in terms of claim patterns, billing arrangements, working with a solid PPO provider to obtain good network discounts, etc. A good question to ask is how long that team has been working in the international student world? For a truly stable insurance solution, you want to see 5+ years experience from the carrier, longer from the company and TPA, as that would give them the time to really understand the marketplace.

Service

The service and support you and your students receive is the front line of your insurance plan, and the most visible to everyone. This is where most plans succeed or fail - knowing that claims are being paid efficiently and that students are being responded to in a timely and professional manner. When evaluating the service associated with your plan, there are a few key points to remember:

- **Location** - It is imperative that the administration of the plan is located within the US for service, support and a good understanding of the US healthcare system.
- **Technology** - Yes, technology was mentioned above, but it's worth mentioning again as a service item. You should look for custom-built internet technology for managing enrollments and streamlining your administration. In addition, most carriers or TPAs now offer internet-based claims administration – negating the need for thousands of phone calls (like “what’s happened to my claim”) and endless frustration.
- **Provider network** - A strong provider network (PPO Network) will help your participants with access to care and also provide important pricing discounts, as network providers have negotiated heavily discounted rates that equate to big savings for your plan, and therefore lower renewal rates.
- **Features** - The extra features that your plan provides will make the administration easier for you and your participants. Do they offer online claims tracking? Access to documents online? Online enrollment? Email fulfillment providing id cards and policy documents electronically to all students?
- **Experience** - The student market is very unique, and having a company, carrier and TPA that has experience in the market is vital. They will understand and appreciate that working with international students is not the same as a US student, as they have encountered language barriers and cultural differences.
- **Language** - Having translated policy and educational materials as well as support in multiple languages to assist students in their mother tongue is a huge advantage and will help your students greatly if they need to seek medical care.

Plan Benefits

As you determine the type of insurance coverage your students and scholars must have, it's important to be well versed on key insurance benefits. Every insurance plan has a Certificate or Master Policy that has the fine print of what is and isn't covered. In this document, you will find a table of benefits that outlines the coverage of the plan. While this can be a quick and easy way to get an overview of the policy details, it should not be relied upon. Instead, thoroughly read the description of each benefit and the full list of exclusions to prevent any surprises during the claims process.

Listed below are some key plan benefits that should be considered before finalizing any insurance plan for your students.

Policy Maximum

The policy maximum is the overall coverage that each student will receive for all eligible claims. With ACA-compliant plans, this is no longer a concern as these plans are required to offer unlimited coverage. If your plan is ACA-exempt, either as a group or individual plan, it's important to evaluate the coverage to ensure it will cover major emergencies. Coverage for these plans typically range from \$100,000 to \$1,000,000, however we recommend that the plan provides at least \$200,000 per student.

When evaluating an insurance policy, be sure to review the benefit descriptions and look for any internal caps. Some plans may contain a per-condition cap on how much coverage a plan will pay out, regardless of the overall coverage amount. For example, it's not uncommon to find a plan with \$1 million in coverage (or unlimited lifetime coverage), but that same plan has a \$50,000 per injury/illness benefit caps. On a plan like this, the student would receive \$50,000 coverage maximum for any one condition. In that case, the \$1 million limit is useless to the student – it's like having a \$50,000 plan. Ideally the plan should not have a per-condition cap separate from the overall policy maximum.

Out-of-Pocket Payments

Just like domestic insurance plans, international student insurance will have out-of-pocket expenses, particularly deductibles, separate ER deductibles, copays and coinsurance to consider. As mentioned previously, ACA-compliant plans typically have large deductibles and then cover a certain percentage, ACA-exempt plans on the other hand tend to have a deductibles of \$100 or less.

After the deductible, the insurance plan may cover a percentage of eligible expenses (known as coinsurance). Most insurance plans will cover between 80% - 100% of an international student's eligible expenses after the deductible, assuming he or she visits an in-network provider. The percentage of coverage will likely be lower if students elect treatment at a non-participating or out-of-network provider.

Provider Network

Many insurance plans have a network of doctors, hospitals and clinics that can be used by the students. While they are not often required, these providers have agreed to discounted rates and often accept direct billing from the insurance company. It's important to search for nearby network providers before choosing a plan for your students to confirm there are adequate facilities nearby.

Benefit Caps

You may find that certain benefits have a limit on how much the plan will cover. This can be done in two ways, either by placing a maximum dollar amount on coverage or by limiting the number of days the plan will

cover a condition or treatment. Some plans may try to hide internal caps by failing to mention this in the table of benefits, so it's important to read through the benefit wording in the Certificate to avoid any misconceptions. These benefit caps, also known as internal limits, can be potentially applied to hospital visits, whereby the plan may only cover hospitalization up to \$500 per day, or only cover 15 days of hospitalization. Internal benefit caps like these can lead to expensive bills so be sure to be familiar with the benefit wording and how the plan works in practice. To help ensure you are choosing an adequate plan for your international population, we suggest asking a potential insurance company example situations and have them explain in detail how coverage would be applied.

Pre-existing Conditions

Most international student insurance plans cover pre-existing conditions, but how they will be covered will vary by plan. It's important to be aware of what kinds of pre-existing conditions will be covered, as sometimes specific conditions, like congenital disorders, could still be excluded from coverage. ACA-compliant group plans are required to cover pre-existing conditions right away, while an ACA-exempt group or individual insurance plan will typically have a waiting period between 6 and 12 months.

Mental Health

Mental health has become increasingly important for international students studying in the US, and is usually covered for both inpatient and outpatient care. When evaluating a health insurance policy, consider whether you will have coverage for substance and drug abuse, and always verify if your plan will exclude suicide or self-inflicted injuries.

Medical Evacuation and Repatriation of Remains

Emergency medical evacuation and repatriation of remains, sometimes referred to as return of mortal remains, is essential to any health insurance policy for international students and scholars. While all J visa holders are required to have these benefits in place for the full duration of their time in the US, all international students should have this coverage. Emergency medical evacuation provides transportation to the nearest facility equipped to handle treatment, generally determined by the overseeing physician, which can also include their home country if medically necessary. In case of death, repatriation of remains provides transportation for the body to be brought back to the home country. Both benefits are typically coordinated by the insurance company who works with family members to coordinate these arrangements.

Maternity

While ACA-compliant plans will cover maternity without any waiting period, ACA-exempt plans may have a waiting period, or exclude coverage entirely. Maternity claims are expensive, so adding a waiting period or excluding coverage entirely will reduce the overall cost of your insurance plan. The importance of this benefit will depend on your international student and scholar population, typical family situation and the average duration they stay in the United States.

Sports

Another important consideration for health insurance is sports coverage. This is not typically included on group plans unless requested, and may be covered on an individual plan. There are typically three categories of sports coverage you can find on insurance plans:

- **Organized sports** – Organized sports typically include club, intramural, interscholastic and intercollegiate activities. They generally do not cover extreme sports (such as bungee jumping, skiing, sky diving, etc.), and often cap the amount of coverage for organized sports.

- **Recreational sports** – Recreational sports are typically athletic activities which are non-contact and engaged for leisure, recreation, entertainment or fitness purposes. This is generally covered on most insurance plans automatically.
- **Extreme or hazardous sports** – Extreme or hazardous sports are generally undertaken for thrill seeking, and may be excluded on most health insurance plans. This may include, but is not limited to, sky diving, scuba diving, hang gliding, caving, etc.

As with all insurance plans, be sure to check the benefits of the plan as well as exclusions to review how the insurance plan handles these three levels of coverage for sports.

Conclusion

Caring for the health and wellness of international students, scholars and dependents, thousands of miles from home, can be a heavy burden for international education professionals. Choosing and administering an appropriate health insurance plan that fits your students' and your institution's needs and budget is a cornerstone of that obligation. No two schools or student populations are entirely alike or subject to the same dynamics, so there is no "one size fits all" answer as to the best course. However, if you've made it this far, you have a good handle on all of the main factors to consider when implementing a policy.

Whether you choose a group or individual plan, you can effectively administer your plan to balance the needs of your students and school. Like any service, it's also important to thoroughly research the parties involved, including their experience, ingenuity, service, and reputation for excellence in the industry. Coupled with a good understanding of your student population and key plan benefits, this research will help you deliver a solid, comprehensive and stable plan to cover students, scholars and dependents.

Feel free to contact us if we can be of help in any way.

Appendix

- A - Healthcare Reform Explained
- B - J Visa Insurance Regulations
- C - The Affordable Care Act and J1 Participants in Non-Student Categories
- D - ACA Essential Health Benefits
- E - Dependent Health Insurance for J2 or F2 Visa Holders

Appendix A

Healthcare Reform

PPACA, or the Patient Protection and Affordable Care Act, was signed into law on March 23, 2010 by President Obama. Implementation was slowed by court challenge and state resistance, which came to a head on June 28, 2012 when the Supreme Court upheld the constitutionality of most of PPACA. With the decision followed by the re-election of President Obama in 2012, most state resistance turned to grudging acceptance.

Legislators were not thinking about international students when creating and negotiating this incredibly complex set of changes to US law. In addition, the majority of healthcare insurance in the US is delivered via an employee group plan, and PPACA was designed largely with this delivery model in mind. Therefore international students were far down the list of target groups for legislators and regulators to address and provide clarity.

Nevertheless, we do have clarity now on the main question - how will the individual mandate apply to international students? If you just want the answer, here it is: as Non-Resident Aliens, international students on F, J, M and Q visas are not subject to the individual mandate for their first 5 years in the US. All other J categories (teacher, trainee, work and travel, au pair, etc.) get a 2 year pass (out of the past six). For the full analysis, read on.

What is the Individual Mandate?

The individual mandate is the requirement built into the law that everyone must have qualifying health insurance (“minimum essential coverage”), or pay a penalty. The mandate is a core part of PPACA, because in order to provide more extensive coverage to more people, without pre-existing condition exclusions, the system needs to require everyone to have insurance, even healthy people. Otherwise, healthy people would wait until they got sick to buy insurance, and the plans would not be sustainable as they would pay out more than they take in, raising rates and killing the plans. But for international students, being subject to the mandate would be burdensome as PPACA-qualifying coverage will be more expensive and will not meet their specific needs as well as purpose-built international student insurance plans.

The individual mandate is also the main piece of the legislation that was attacked as unconstitutional based on the argument that we can’t force someone to buy something. In June of 2013, the Supreme Court upheld the constitutionality of the individual mandate; however, their ruling relied on treating the penalty for not having qualifying insurance as a tax. So enforcement of the individual mandate falls squarely on the IRS, and the IRS has provided very clear guidance relating to international students.

IRS on the Individual Mandate

(“Individual Shared Responsibility Provision”)

The IRS provides a questions and answers page on the individual mandate, which they refer to as the “individual shared responsibility provision.” Question 11 asks whether all individuals living in the US are subject to the mandate. The answer makes clear that US citizens and permanent Residents are subject to the mandate, as well as “foreign nationals who are in the United States long enough during a calendar year to qualify as Resident Aliens for tax purposes.” The answer further clarifies that foreign nationals that don’t qualify as Resident Aliens, even if they have to file a tax return, are not subject to the mandate.

Determining Alien Tax Status

(Resident or Non-Resident)

So how do you determine whether someone is a Resident Alien or Non-Resident Alien for tax purposes? The IRS gives very clear guidance on this point as well - you are a Non-Resident Alien unless you meet either the green card test or the substantial presence test.

IRS Publication 519, Tax Guide for Aliens, describes the two tests. The green card test is self-explanatory - green card holders are Resident Aliens for tax purposes. The substantial presence test is a bit more complicated. It uses a formula to count the number of days present in the US over the past 3 years, but in any event generally it makes you a Resident Alien after half a year of presence in the US - unless you are exempt.

International Student Exemption

Finally, we get to the heart of the matter - the international student exemption. Anyone “temporarily in the United States on an “F”, “J”, “M”, or “Q” visa for the primary purpose of studying at an academic institution or vocational school, and who substantially complies with the requirements of that visa,” is exempt from being treated as a Resident Alien, and is automatically a Non-Resident Alien.

That exemption holds for 5 years. After 5 years, a student is no longer exempt, and the substantial presence test can begin. There are helpful examples here: <http://www.irs.gov/Individuals/International-Taxpayers/Alien-Residency-Examples>

Even after 5 years in the US, an international student can continue their status as a Non-Resident Alien for tax purposes under the “Closer Connection” exception that allows the student to prove that they still have a closer connection to their home country than to the US.

So in short:

- The individual mandate applies to US citizens, green card holders and Resident Aliens, but not to Non-Resident Aliens (regardless of their need to file a return).
- Alien tax status (Resident or Non-Resident) is determined by the green card test or substantial presence test.
- F, J, M and Q visas are exempt from the substantial presence test for 5 years, and therefore are Non-Resident Aliens for first 5 years in the US.
- After that, students can apply for an exception to continue their tax status as Non-Resident Alien.”
- As Non-Resident Aliens, F, J, M and Q visa holders are not subject to the individual mandate.
- Since they are not subject to the mandate, international students are free to acquire insurance coverage more targeted to their specific needs, without concern as to whether their plan meets PPACA requirements.

Non-Student J Visa Categories

One thing to be mindful of are those who are traveling under a non-student J visa category, as they are treated slightly differently. This include Au Pairs, Work and Travel, Trainees/Interns, Teachers, Camp Counselors, etc... They have all been lumped into one main category called “Teachers and Trainees,”^[2] and the IRS makes clear that all J1 participants in non-student categories fall into this group. For these people, the exemption is for two years out of the past six.

So after a J1 participant in a non-student category has used up their two calendar year exemption, they must rely on other exemptions (like the Closer Connection exception) or apply the substantial presence test³. Under the substantial presence test, you must count the number of days you are present in the US (as defined by the IRS) for the past three years. You add up the full number of days from the current year, 1/3 of the days from the last year, and 1/6 of the days from two years ago. If the resulting sum exceeds 183 days, you are a Resident Alien. The IRS provides a page of very [instructive examples](#) to help determine whether a foreign national is a Resident or Non-Resident Alien for tax purposes. For any period that you are exempt or not in the US, you do not count the days.

There will be a small number of J1 participants in non-student categories (for instance, au pairs on a second placement, after an earlier 2-year placement that used up their exemption) that will technically become “Resident Aliens” and therefore subject to the mandate to have ACA coverage. Since they will be leaving the US and returning to their home country soon, many understandably are not aware or just ignore the whole issue. For those people, the ACA will be one more obligation to ignore. For those foreign visitors that abide by the letter of the law, once they become a Resident Alien they will need to have “essential minimum coverage” under the ACA, or pay the extra fee on their 1040 tax return.

Appendix B

J Visa Insurance Regulations

62.14 J Visa Coverage Requirements

- Sponsors must require that all exchange visitors have insurance in effect that covers the exchange visitors for sickness or accidents during the period of time that they participate in the sponsor's exchange visitor program. In addition, sponsors must require that accompanying spouses and dependents of exchange visitors have insurance for sickness and accidents. Sponsors must inform all exchange visitors that they, and any accompanying spouse and dependent(s), also may be subject to the requirements of the Affordable Care Act.
- The period of required coverage is the actual duration of the exchange visitor's participation in the sponsor's exchange visitor program as recorded in SEVIS in the "Program Begin Date," and as applicable, the "Program End Date," "Effective Program End Date," or "Effective Date of Termination" fields. Sponsors are not authorized to charge fees to their sponsored exchange visitors for the provision of insurance coverage beyond any demonstrable and justifiable staff time. Sponsors are not required to, but may, offer supplemental "entry to exit" coverage (i.e., coverage from the time the exchange visitor departs his or her home country until he or she returns). If the sponsor provides health insurance, or arranges for health insurance to be offered the exchange visitor, via payroll deduction at the host organization, the exchange visitor must voluntarily authorize this action in writing and also be given the opportunity to make other arrangements to obtain insurance. These authorizations must be kept on file by the sponsor. Minimum coverage must provide:
 - Medical benefits of at least \$100,000 per accident or illness;
 - Repatriation of remains in the amount of \$25,000;
 - Expenses associated with the medical evacuation of exchange visitors to his or her home country in the amount of \$50,000; and
 - Deductibles not to exceed \$500 per accident or illness.
- Insurance policies secured to fulfill the requirements of this section:
 - May require a waiting period for pre-existing conditions that is reasonable as determined by current industry standards;
 - May include provisions for co-insurance under the terms of which the exchange visitor may be required to pay up to 25% of the covered benefits per accident or illness; and
 - Must not unreasonably exclude coverage for perils inherent to the activities of the exchange program in which the exchange visitor participates.
- Any policy, plan, or contract secured to fill the above requirements must, at a minimum, be:
 - Underwritten by an insurance corporation having an A.M. Best rating of "A-" or above; a McGraw Hill Financial/Standard & Poor's Claims-paying Ability rating of "A-" or above; a Weiss Research, Inc. rating of "B+" or above; a Fitch Ratings, Inc. rating of "A-" or above; a Moody's Investor Services rating of "A3" or above; or such other rating as the Department of State may from time to time specify; or
 - Backed by the full faith and credit of the government of the exchange visitor's home country; or
 - Part of a health benefits program offered on a group basis to employees or enrolled students by a designated sponsor; or

- Offered through or underwritten by a federally qualified Health Maintenance Organization or eligible Competitive Medical Plan as determined by the Centers for Medicare and Medicaid Services of the U.S. Department of Health and Human Services.
- Federal, state or local government agencies; state colleges and universities; and public community colleges may, if permitted by law, self-insure any or all of the above-required insurance coverage.
- At the request of a non-governmental sponsor of an exchange visitor program, and upon a showing that such sponsor has funds readily available and under its control sufficient to meet the requirements of this section, the Department of State may permit the sponsor to self-insure or to accept full financial responsibility for such requirements.
- The Department of State may, in its sole discretion, condition its approval of self-insurance or the acceptance of full financial responsibility by the non-governmental sponsor by requiring such sponsor to secure a payment bond in favor of the Department of State guaranteeing the sponsor's obligations hereunder.
- Accompanying spouses and dependents are required to be covered by insurance in the amounts set forth in paragraph (b) of this section. Sponsors must inform exchange visitors of this requirement, in writing, in advance of the exchange visitor's arrival in the United States.
- Exchange visitors who willfully fail to maintain the insurance coverage set forth above while a participant in an exchange visitor program or who make material misrepresentations to the sponsor concerning such coverage will be deemed to be in violation of these regulations and will be subject to termination as an exchange visitor.
- Sponsors must terminate an exchange visitor's participation in their program if the sponsor determines that the exchange visitor or any accompanying spouse or dependent willfully fails to remain in compliance with this section.

Taken in full from:

<http://www.gpo.gov/fdsys/pkg/FR-2014-10-06/pdf/2014-23510.pdf>

Appendix C

The Affordable Care Act and J1 Participants in Non-Student Categories

The quick answer to the question “Do J1 participants in the US need to have ACA qualifying coverage?” – is in almost all cases, no.

International students on J1 visas are exempt from the ACA for 5 years, and we covered that in [our earlier blog post](#). J1 participants in the US in non-student categories (those that are not engaged in full-time study in the US) are exempt from the mandate to buy ACA-style coverage for their first 2 years in the US, as non-resident aliens for tax purposes. After their two-year exemption and any extensions end, they must apply the “substantial presence test” to determine whether they have become a resident alien. If a J1 participant becomes a “resident alien” based on the substantial presence test, they need to either have ACA qualifying coverage or else pay the fee on their tax return. Only very few J1 participants – those on repeat long-term placements, like an au pair on a second two-year placement, or a teacher on a 3-year program – will become resident aliens and thus technically be required to have ACA coverage. Short-term program participants, like Work and Travel and Camp Counselor, will never become resident aliens regardless of the number of programs they do. It’s also important to note that there are existing, other ramifications of becoming a resident alien, so none of this analysis is new. For instance, the obligation on an employer (like an Au Pair host family) to withhold Social Security and Medicare kicks in for resident aliens. The full explanation is below.

Affordable Care Act for Foreign Nationals in the United States

The IRS has provided very clear guidance on how the individual mandate (the “shared responsibility provision”) under the Affordable Care Act (ACA) will be applied to foreign nationals living in the United States (see question 11 on the [IRS ACA Q&A page](#)). In all cases, the application of the individual mandate will be based on whether the foreign national is a resident alien or non-resident alien for tax purposes. The benefit of this approach is that it provides very clear guidance, under pre-existing concepts and law, as to what non-US citizens will be subject to the individual mandate and therefore required to have qualifying insurance coverage (or pay the additional tax). Foreign nationals “who are in the United States long enough during a calendar year to qualify as resident aliens for tax purposes” will be required to have coverage that qualifies under the ACA; those that do not qualify as resident aliens (and who are therefore non-resident aliens as far as the IRS is concerned) do not have to have ACA coverage, even if they have to file a tax return.

“Teacher and Trainee Exemption” – Two Years of the Past Six

So to determine whether a particular foreign national needs to have ACA-style coverage, we need only determine whether they would be considered a resident alien or non-resident alien by the IRS. Our [earlier blog post](#) describes the analysis for international students on F1 or J1 visas, who are all exempt for their first five years in the country. The IRS has also detailed treatment of all non-student J1 categories, which is a little more involved. Although all lumped into one category called “[Teachers and Trainees](#),” the IRS makes clear that all J1 participants in non-student categories fall into this group (including Au Pairs, Work and Travel, Trainees/Interns, Teachers, Camp Counselors, etc.). For these people, the exemption is for two years out of the past six.

Substantial Presence Test

So after a J1 participant in a non-student category has used up their two calendar year exemption, they must rely on other exemptions (like the Closer Connection exemption) or apply the [substantial presence test](#). Under the substantial presence test, you must count the number of days you are present in the US (as defined by the IRS) for the past three years. You add up the full number of days from the current year, 1/3 of the days from the last year, and 1/6 of the days from two years ago. If the resulting sum exceeds 183 days, you are a resident alien. The IRS provides a [page of very instructive examples](#) to help determine whether a foreign national is a resident or non-resident alien for tax purposes. For any period that you are exempt or not in the US, you do not count the days.

Practical Application

As mentioned above, no short-term, medium-term or single placement J1 participants will ever become “resident aliens” and therefore will never become obligated to have “essential minimum coverage” under the ACA. This is a positive outcome for the cultural exchange industry, as this leaves participants and sponsors free to meet State Department guidelines and to use custom-built, targeted international exchange plans. ACA plans, like those available on the exchanges, are built for domestic use by US citizens and do not include many important provisions commonly found in J1 plans.

There will be a small number of J1 participants in non-student categories (for instance, au pairs on a second placement, after an earlier 2-year placement that used up their exemption) that will technically become “resident aliens” and therefore subject to the mandate to have ACA coverage. My suspicion, based solely on a few conversations but not on any real evidence, is that many temporary visitors to the US, whether on J1 visas or otherwise, ignore the point at which they technically become a resident alien and the current ramifications of that status. These participants are not filing a Form 1040 (instead of the 1040NR), not withholding social security and medicare, etc. Since they will be leaving the US and returning to their home country soon, many understandably are not aware or just ignore the whole issue. For those people, the ACA will be one more obligation to ignore. For those foreign visitors that abide by the letter of the law, once they become a resident alien they will need to have “essential minimum coverage” under the ACA, or pay the extra fee on their 1040 tax return.

The post can be found online at:

<http://www.envisageinternational.com/blog/2013/11/affordable-care-act-j1-participants-non-student-categories/>

Appendix D

Essential Health Benefits

A set of health care service categories that must be covered by certain plans, starting in 2014.

The Affordable Care Act ensures health plans offered in the individual and small group markets, both inside and outside of the Health Insurance Marketplace, offer a comprehensive package of items and services, known as essential health benefits. Essential health benefits must include items and services within at least the following 10 categories: ambulatory patient services; emergency services; hospitalization; maternity and newborn care; mental health and substance use disorder services, including behavioral health treatment; prescription drugs; rehabilitative and habilitative services and devices; laboratory services; preventive and wellness services and chronic disease management; and pediatric services, including oral and vision care.

Insurance policies must cover these benefits in order to be certified and offered in the Health Insurance Marketplace. States expanding their Medicaid programs must provide these benefits to people newly eligible for Medicaid.

Copied on the 20th May 2015 from:

<https://www.healthcare.gov/glossary/essential-health-benefits/>

Appendix E

Dependent Health Insurance for J2 and F2

Many colleges and universities offer group health insurance plans for their international students and visiting scholars. In the past, many students and scholars were able to include their children and spouses (holders of J2 or F2 visas) on their school's group plan as well. Now, with many schools offering Affordable Care Act compliant group plans, we are seeing a trend where schools are no longer extending coverage to spouses and children, and if they are, they are offering coverage at sometimes double or triple the price.

The Cause

The [Affordable Care Act \(ACA\)](#) requires all compliant insurance plans to have an unlimited policy maximum, along with coverage for maternity, preventative care, pre-existing conditions with no waiting period, among other benefits. As many schools adopt this type of coverage for their students, they are seeing their rates climb to unprecedented levels to accommodate these new benefits. Carriers are also slowly getting more claims experience as we are now in the second year on these ACA compliant plans, and this experience is showing them that dependents are a leading cause of increased claims. Many dependents do not have authorization to work, and are of the age to start a family – which leads to increased maternity claims, amongst other things, that are expensive in the USA.

The Effect

As dependents appear to be a leading cause of increased claims in many cases, schools are choosing to make two primary changes to their group insurance plans:

- i. Remove dependents – Many schools have decided to remove dependent coverage from their plans, forcing spouses and dependents to look elsewhere for coverage. These spouses and children may still need to meet certain insurance minimums set forth by their school, or if they are on a J2 visa, they must also have a plan that meets the [Department of State Insurance Requirements](#).
- ii. Increased premiums – Some schools have decided to keep dependents on their insurance plan, however they have increased the rates, sometimes 2-3 times more than the insurance plan for a regular international student or scholar.

If you are a dependent facing one of these options, you are not alone. There are many dependents that are looking for insurance coverage while they are in the US, looking to stay compliant with their visa and with their school's health insurance minimums.

The Solution

If your school is not offering an insurance plan for dependents, or if the plan is out of your price range, then you can purchase an individual insurance plan for your family instead. You'll need to be aware that many international student specific plans do not allow you to add dependents, because of the high usage rate. To avoid any problems, check the plan's eligibility to make sure that dependents are eligible first.

There are many plans out there that work great for dependents (with or without the student or scholar), meet the J visa requirements, and are typically more affordable than your school's group insurance plan. Here are three popular individual plans that work well for dependents depending on how long you need coverage and the type of coverage your family needs:

Travel Medical (Less than one year)

The Travel Medical plan is an excellent options for children and spouses needing coverage for less than one year, and children under 9 are free for each parent that is insured on the plan. This Travel Medical policy covers accidents and illnesses that occur on the plan, including coverage for doctor visits, hospitalization, prescription medication, medical evacuation, repatriation of remains, and more. This plan provides families with flexibility, allowing them to choose the duration of coverage, from as little as 5 days up to 364 days. This plan does not cover wellness, maternity, organized sports, pre-existing conditions or mental health – and will only cover families outside their home country.

Patriot Travel (Less than two years)

The Patriot Travel plan is another excellent option for families needing up to two years of coverage. Like the Travel Medical, it is designed to cover new accidents and illnesses that happen on the plan, and will cover doctor visits, hospitalization, prescriptions, medical evacuation and repatriation of remains. Similarly, it will not cover wellness, maternity, organized sports, pre-existing conditions or mental health, and will only cover families outside their home country. This is an excellent option for families wanting to cover those “just in case” situations, such as colds, injuries, or emergencies, allowing you to purchase one year and renew for a second year.

Global Medical (One year or more)

The Global Medical plan is a great plan for those families either looking for comprehensive coverage, or are needing long-term coverage. This plan provides worldwide coverage, including in your home country, covering accidents and illnesses no matter where they happen. This plan is annually renewable and available in four levels, allowing you to choose the most appropriate coverage. Depending on the plan level, your insurance plan will cover you for maternity, vision, dental, wellness and you can also get coverage for pre-existing conditions. This insurance plan is medical underwritten, so you will need to disclose your medical health history, which will then be evaluated by an underwriter within 5 days of submission. This plan also allow payment flexibility, where you can choose to pay annually, semi-annually, quarterly, or monthly.

Taken in full from:

<http://www.internationalstudentinsurance.com/blog/2015/05/dependent-health-insurance-for-j2-and-f2.html>