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## School Sponsored Plans: The Good, The Bad, and The Ugly

*By Victor Chou, M.D.*

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At many colleges, there is often a group [health insurance plan](#) sponsored by the school or student government that uninsured students can purchase. While this is usually a convenient way to acquire health insurance with a minimum amount of paperwork and cost (these plans usually cost at most a thousand dollars a semester), these plans may not be the best option for all students.

It's not that the administrators and student leaders are purposely trying to screw you; rather, providing insurance to college students is actually a fairly risky and unprofitable endeavor so insurance companies tend not to offer the best plans. Colleges, unfortunately, are generally in no position to negotiate better terms and often have to take what's offered to them. Here are the most important questions you need to ask if you're considering any type of school sponsored plan.

### **What are the major positives with this type of plan?**

These plans provide two major benefits that you don't usually get with other individual plans. First, underwriting is usually not required. That means that you don't have to give your personal medical or family history before you can sign up for the plan. Thus, even if you have an extensive list of medical conditions, you can usually still get coverage through the plan. Second, these plans are usually renewable each school term as long as the school and insurance company decide to continue the plan and you continue to pay the premium. Having these two features is obviously very good. However, you will also need to consider other factors with this, and any other type of plan.

### **What are the coverage limits?**

In my opinion, this is the first and most important question that you need to ask. Remember, as I stated earlier, the point of health insurance is to cover you in the event of a catastrophic illness that could devastate your financial future. Therefore, the maximum coverage amount needs to be very high.

Let's create an analogy to another type of insurance that you all probably have: auto insurance. Say that you cause an accident and get sued for \$100,000. If your auto insurance coverage is \$100,000 or more, then the insurance company will pay for everything. On the other hand, let's assume your state only requires you to have \$10,000 of auto liability coverage, and that's all you have. Your insurance company would only pay \$10,000 towards the claim, and you'd have to cough up the other \$90,000. That's why most insurance experts recommend carrying more than the bare minimum auto insurance coverage.

The same runs true for health insurance. Many school sponsored plans only cover a maximum of five or ten thousand dollars per illness, or per year (even worse). As we've discussed previously, even relatively uncomplicated problems like a broken bone or appendicitis could result in tens of thousands of dollars in medical bills. Even if your health insurance pays the maximum amount available under the plan, you may still be left with huge bills to pay yourself. In my opinion, even the healthiest person needs a plan that covers a minimum of \$100,000 of medical costs per year. Of course, this is a bare minimum amount, and a higher amount of coverage is certainly better.

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#### **What services are covered?**

Some school plans (and even many regular plans) exclude or limit particular services. Dental services, vision exams and corrective lenses, physical therapy, mental health benefits, and prescription drug coverage are some common services that may not be covered under your particular insurance plan. If these services are excluded from your plan, then you'll need to budget extra for these additional expenses.

#### **Do I need to see the student health doctor first?**

Many school insurance plans require that students seek care from the student health doctor first, and then get a referral if they need to see a doctor elsewhere. If you don't, then they won't pay the bills. Many of the medical problems college students get can be easily treated at the student health center, so this rule saves both you and the insurance company money.

However, there are some situations where getting a referral from the student health doctor is not possible. If you get sick when student health is not open or if you're out of town, you obviously won't be able to go to student health to get a referral. Make sure that you read the insurance contract carefully to know exactly when you're required to get a referral and when you're not.

#### **How large is the provider network?**

As stated earlier, not all doctors participate in all insurance plans. You need to make sure that health care providers in your local area will take the school sponsored insurance, especially if you go to school in a small community or have a medical condition that requires a specialist. I've seen plans that had so few participating doctors that the nearest gynecologist was an hour away, the nearest orthopedist was two hours away, and the closest dermatologist was in another state!

I hope that I've been able to summarize the important questions to ask if you're considering [purchasing a plan](#) offered by your college or university. While many schools offer very decent plans, many offer only a token amount of coverage and benefits. Next Wednesday, we'll discuss purchasing individual health insurance coverage directly from a health insurance company.

*Dr. Chou is board certified in Internal Medicine and currently practices urgent care. His website is [www.choumd.com](http://www.choumd.com).*

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