



Extension of Dependent Age

The Patient Protection and Affordable Care Act (PPACA) requires insurers and groups offering group or individual health insurance plans to provide coverage for dependent children up to age 26. The Department of Health and Human Services (HHS) recently issued regulations that specify a dependent is eligible for coverage even if he or she is no longer living with a parent, is not a dependent on a parent's tax return or is no longer a student. Both married and unmarried dependents can qualify for the coverage, although it does not extend to the dependent's spouse or children. Plans that do not cover dependents are not required to comply with the dependent coverage extension.

The dependent coverage extension is effective for plan years beginning on or after September 23, 2010. Parents must receive written notice of the opportunity to re-enroll their eligible dependents into a plan. Insurers and groups must provide the written notice of the special enrollment period and give the eligible dependents a minimum of 30 days from the first day of the new plan year to decide to enroll in the plan.

The benefits offered to newly eligible dependents must be the same as for those dependents who were already covered prior to the effective date of the new legislation. If a plan's structure distinguishes only between self and family coverage, and family coverage is in place, the newly eligible dependent must be added with no additional premium. However, if a plan's cost of coverage increases with each dependent, an additional premium may be charged for each dependent added, provided the cost is no greater than what is charged for other covered dependents. (For example, additional premium may be charged if the type of plan has to change from two-person coverage to family coverage with the addition of the dependent.)

Grandfathered plans—those in existence prior to March 23, 2010—have slightly different rules for the dependent coverage extension. If a young adult under the age of 26 is eligible to purchase employer-based health insurance, the law does not require a grandfathered plan to enroll this newly eligible dependent. This exception for grandfathered plans only applies until January 1, 2014.

The IRS has issued guidance that the coverage provided to these young adult dependents is not taxable income to the employee. This favorable tax treatment is effective on March 30, 2010 and extends until the end of the year in which the dependent turns 26. This means that if plans cover children until the end of the month or end of the year in which they turn 26, those extra months of coverage beyond the 26th birthday will not be considered taxable income.

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State vs. Federal Law

Some states have different dependent age requirements than the federal standards created in PPACA. State laws that are more generous than the federal mandate must be followed and the federal law will take precedence over any state law that is less generous. All states require insured plans to cover certain disabled dependents without regard to age. We are not addressing the details of those laws in this communication. Information provided below pertains to the states where Medical Mutual and its Family of Companies provide coverage.

The States of Georgia, Indiana, Michigan, South Carolina and West Virginia have laws that are less generous than the federal mandate and will follow the federal law in order to provide dependent coverage up to age 26.

States that exceed the federal mandates for providing coverage up to age 26 include: Ohio, Pennsylvania and Wisconsin. The federal law applies up to age 26, along with any state provisions that are more generous than the federal mandate.

- Ohio dependent age mandates go into effect for the first renewal on or after July 1, 2010. Ohio law allows an unmarried, dependent child that is an Ohio resident or a full-time student to remain covered up to age 28, provided the child is not eligible for employer or government-sponsored coverage. Once the child turns 26, if he or she meets the requirements of the Ohio law, he or she can remain covered until turning age 28. Additional costs for covering dependents age 26 and 27 can be charged to the parent. The state law does not apply to self-insured plans that are governed by ERISA; this includes most self-insured private employers.

- Pennsylvania law allows an unmarried child, who is a Pennsylvania resident or a full-time student and has no dependents, to remain covered up to age 30, provided the child is not covered under another group or individual plan and is not eligible for government-sponsored coverage.
- Wisconsin law allows an unmarried child to remain covered up to age 27, provided the child is not eligible for employer-sponsored coverage. Full-time students called to active duty in the armed forces can be covered beyond age 26 depending on various factors.

ACTION: Medical Mutual and its Family of Companies are providing continuous coverage for currently enrolled dependents up to age 26 who would have otherwise lost coverage due to their age or loss of student status on or after May 1, 2010. This extension will not be retroactive for those who lost coverage prior to May 1, 2010. Large groups can choose to opt out of this early adoption of the law.

ACTION: Medical Mutual will provide guidance in the coming weeks for adding newly eligible dependents onto existing health plans. The provisions for adding dependents under the state law go into effect in Ohio with renewals on or after July 1, 2010, and with plan years beginning on or after September 23, 2010, for the federal law and in other states where Medical Mutual provides coverage.

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