



## **Dependent Coverage Expansion: Frequently Asked Questions**

The new health care reform law extends dependent coverage under a parents' plan for young adults up to their 26th birthday. This provision will expand coverage to over 2 million currently uninsured Americans. Below are some frequently asked questions that seek to answer any questions you may have about how the law will affect you.

**Q. When will this provision take effect?**

**Q. Does it matter what state I live in?**

**Q. I am 24 and I don't have health insurance, but I pay all my own expenses so my parents don't count me as a dependent for their taxes. Can I still get on their plan?**

**Q. My current employer-sponsored coverage is expensive! Can I get on my parents' plan?**

**Q. The law in my state says I can stay covered under my parents plan until age 28 as long as I am a student. Will I be kicked off because the new plan is only until age 26?**

**Q. I live in a different state than my parents, but I am under age 26 and don't have employer coverage. Can I get on their plan?**

**Q. The plan goes into effect in September, but the enrollment period for my parent's plan is in December. Will I be able to get on their plan early?**

**Q. I graduate from college this May. Will I be able to be on my parent's coverage right away?**

**Q. I am currently a dependent on my parent's plan, which requires my parents to submit tax documents each year showing that I am a tax dependent. Will they still have to submit those forms?**

**Q: I graduated from college two years ago and took a job with health insurance. Now I am unemployed. Can I go back on my parent's plan?**

**Q: I am 23 years old and married. Can I still be on my parent's insurance?**

**Q: Who will pay for my dependent coverage?**

**Q. My parents receive our family plan benefits tax-free through my mom's employer. Will this change if I am on the plan as a 25 year-old?**

**Q. Does the new coverage expansion apply to dental and vision benefits as well?**

**Q. I am twenty-five years old and have a two year-old son. If my employer does not offer insurance coverage, can both my son and I be added to my parent's insurance plan?**

**Q. I am 23 and am still covered by my dad's plan because my state already has their own expansion law. How will this national law change anything for my family?**

**Q. Does the new expansion of dependent coverage to age 26 extend to the children of parents on military health insurance (Tri-Care)?**

**Q. Will I have different benefits when I rejoin my parent's plan as a young adult?**

**Q. Will this cost a lot more for everyone else in the employer market?**

**Q. What happens to young adults with a pre-existing condition who rejoin a parent's insurance plan?**

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**Q. When will this provision take effect?**

Young adults under the age of 26 will be able to take advantage of this provision for plan years beginning after September 23, 2010. Plans must give young adults who qualify at least 30 days to enroll for the start of the next plan year. Some insurers moved up the date and are allowing college students currently on their parent's plans to remain on it during the gap. Check with your parent's employer to see if you are eligible now.

**Q. Does it matter what state I live in?**

YES. YOU SHOULD LOOK TO SEE WHAT THE RULES ARE IN YOUR STATE (see links below). The new federal law establishes a minimum level of dependent coverage up to your 26th birthday. If your state law requires more coverage than the federal law, then your state law will still apply.

Alabama, Alaska, Arizona, Arkansas, California, DC, Hawaii, Michigan, Mississippi, North Carolina, and Vermont currently have no state laws that require insurance companies to extend dependent coverage to young adults. As a result, most insurance for dependents ends at age 19, unless a plan voluntarily extends coverage to students. Residents in these states will likely see the most direct gain from the dependent coverage expansion.

The other 40 states have some form of required dependent coverage extension, but some are restricted to specific populations such as disabled young adults or full-time students. Among states that already have coverage expansions, only 8 states (Connecticut, Florida, Illinois, New Hampshire, New Jersey, New York, Ohio and Utah) already extend dependent coverage to non-students up to age 26 or older in both individual and group market plans.

**Q. I am 24 and I don't have health insurance, but I pay all my own expenses so my parents**

### **don't count me as a dependent for their taxes. Can I still get on their plan?**

Yes. The new provision does not require you to be a tax dependent in order to enroll in coverage. This is a significant change from a lot of current state dependent coverage laws, which often do require you to be a tax dependent.

### **Q. My current employer-sponsored coverage is expensive! Can I get on my parents' plan?**

Until 2014, insurance companies are only required to provide insurance to dependents if the dependents do not have access to insurance on their own already-existing ("grandfathered") employer-sponsored plans. Insurance companies are thus not required to allow you to make that switch, although some may allow you to. Individual market insurance plans (not through an employer) must provide access to adult dependents regardless of their own employer offerings.

### **Q. The law in my state says I can stay covered under my parents plan until age 28 as long as I am a student. Will I be kicked off because the new plan is only until age 26?**

No. Coverage up to age 26 is only a minimum. State rules and individual insurance providers can still extend dependent coverage beyond age 26 – but beware, often times the state laws will be more restrictive as to who qualifies (in other words if you are above 26, you might have to be a student or a financial dependent).

### **Q. I live in a different state than my parents, but I am under age 26 and don't have employer coverage. Can I get on their plan?**

Yes. In the definition of "dependent", it does not matter what state you or your parents live in. However, even if it is possible to be covered on a parent's plan out-of-state, it might not be practical if you will not have access to doctors and hospitals that accept your insurance in the state you're living in. For example, you could live across the state from your parents but may only be able to visit a doctor within a limited geographic area of where your parents live.

### **Q. The plan goes into effect in September, but the enrollment period for my parent's plan is in December. Will I be able to get on their plan early?**

The law does not state that insurance companies must change their enrollment periods in order to accept adult children that have aged out of their parent's plan before 2010. Some insurance companies have allowed graduating students currently on their parent's plans to remain on it even before the next open enrollment. However, the insurers often did not apply their decision to start early to adult children not currently on their parent's plan (ie those who are uninsured or want to switch back). Those students would have to wait until the next enrollment period after September 23.

### **Q. I graduate from college this May. Will I be able to be covered on my parent's coverage right away?**

If you were on your parent's plan and you just graduated, you might have coverage through the end of 2010, depending on the plan policy. Also, a number of employers have agreed to voluntarily continue coverage for young adults who graduate or age off their parents' insurance before September. So check with your parent's insurance company right away. If you were on a student health insurance plans, those plans often extend through July or August after graduation, which might provide coverage until you can rejoin your parent's plan — check with your school for details.

If you are sure that you will have a gap in coverage, it may be possible to purchase COBRA for a few months

until you can return to your parent's plan. If you are not on your parent's plan currently, you will likely have to wait until September or later to enroll, depending on the plan's enrollment period.

**Q. I am currently a dependent on my parent's plan, which requires my parents to submit tax documents each year showing that I am a tax dependent. Will they still have to submit those forms?**

No, young adults no longer need to be a tax dependent (as of September 23, 2010), so documentation of tax status will be unnecessary for purposes of this provision. However, some employers may ask for such documents as part of an auditing process. Ask your parent to talk to their employer about what documents are necessary and why.

**Q: I graduated from college two years ago and took a job with health insurance. Now I am unemployed. Can I go back on my parent's plan?**

Yes. You will be able to sign up for your parent's insurance starting in the first open enrollment period after September 23<sup>rd</sup>. The period must last at least thirty-days. For examples, most companies will have their open enrollment in November or December for the beginning of the January 1 plan year. However, until 2014, your parent's employer is not required to cover you if you have an already-existing ("grandfathered") plan from your own employer.

**Q: I am 23 years old and married. Can I still be on my parent's insurance?**

Yes, coverage is to be available to both married and unmarried children. However, your parent's plan is not required to cover your spouse or your own child.

**Q: Who will pay for my dependent coverage?**

Under employer plans, the employee typically pays a share of the premium and the employer pays the rest. Therefore, the bill will probably still go to your parents (for you and your parents to divide how you see fit). Parents on a family plan may see their premiums go up slightly to pay for your new coverage, but costs will increase for adding a young adult the same way that they would for adding a dependent who is under 18. In employer-based coverage, that cost will be split among all employees. The added premium for a young adult on family coverage will generally be cheaper than purchasing a plan on the individual market. For example, it was recently reported that a New Jersey premium for a young adult dependent on a Blue Cross Blue Shield plan was 60.8 percent of the premium for an individual without family coverage.

**Q. My parents receive our family plan benefits tax-free through my mom's employer. Will this change if I am on the plan as a 25 year-old?**

No, the benefits will still be tax-free. The IRS regulations on the health reform law make it easier to get benefits tax-free if you are an adult dependent. The IRS has stated that health coverage provided for an employee's children under 27 years of age is now generally tax-free to the employee, effective March 30, 2010. This early start date means that benefits are tax-deductible for employees and employers if the insurance company chooses to expand dependent coverage early, as did the 65 insurance companies that will not kick off college graduates during summer 2010.

This tax benefit extension is a change from state laws, and makes adult child coverage more affordable for families. Under state dependent coverage expansions prior to health reform, health benefits for adult children who were not IRS tax dependents were not tax-free to the parent/employee. Employers had to include the "fair

market value” of the coverage provided for non-IRS tax dependents in the employee’s gross income.

**Q. Does the new coverage expansion apply to dental and vision benefits as well?**

No, dependent coverage expansions for coverage for dental and vision benefits, if separate from the medical insurance plans, is not included in the new law. Your employer or insurance company may however voluntarily expand the age for dependents to receive those benefits.

**Q. I am twenty-five years old and have a two year-old son. If my employer does not offer insurance coverage, can both my son and I be added to my parent’s insurance plan?**

Probably not. Your parent’s insurance plan is not required to cover your own children under the new dependent coverage extension. However, you yourself can receive coverage under your parent’s plan, and your child may meet the requirements for the public Medicaid or SCHIP program if your household income is below your state’s eligibility level.

**Q. I am 23 and am still covered by my dad’s plan because my state already has their own extension law. How will this federal law change anything for my family?**

The federal definition of an adult dependent is different from the definition currently operating in your state. For example, almost every state expansion law requires dependent children to be unmarried and many require children to live in the same state as their parents or be full-time students. In contrast, the new law requires coverage of young adults who are married, non-students, young adults who do not live with their parents, and young adults who are financially independent.

Second, the new extension applies to self-insured employer plans as well as conventional (fully-insured) insurance plans, which is not the case under many state laws. Most large employers are self-insured (meaning they pay their own claims) and therefore have been exempt from current state laws on dependent coverage. The new federal law changes that.

Finally, the new law makes the full cost of health insurance benefits for adult dependents non-taxable income for a parent who receives an employer-sponsored health care plan. Under existing state expansion laws, the value of the adult child’s benefits is treated as taxable income.

**Q. Does the new extension of dependent coverage to age 26 extend to the children of parents on military health insurance (Tri-Care)?**

Not currently. The health care reform bill intentionally left Tri-Care - the health insurance system for military service members, retirees, and the families of both - untouched so as to protect the health benefits of military families. **As a result, the dependent coverage cut-off remains the same - up to age 21, or 23 if the dependent is a full-time student.** However, there is some legislation in the works that may similarly extend dependent coverage.

**Q. Will I have different benefits when I rejoin my parent’s plan as a young adult?**

All qualified young adults must be offered the same benefit packages available to younger dependents. In other words, the insurer must provide the same benefit package to a 23 year-old dependent as it provides to a 16 year-old dependent. The family will not be required to pay more for coverage than the family would pay for a younger dependent. However, the new policy applies only to insurance plans that offer dependent coverage in the first place: while most insurers and employer-sponsored plans offer dependent coverage, more commonly

known as a family plan, employers are not required to offer this type of coverage.

### **Q. Will this cost a lot more for everyone else in the employer market?**

Extending young adult coverage will increase average family premiums by an estimated 0.7% to 1%, while providing coverage for up to 2.37 million insured and uninsured young Americans coverage on their parents' plan.

### **Q. What happens to young adults with a pre-existing condition who rejoin a parent's insurance plan?**

Thanks to the new legislation, starting in 2014, insurance companies will no longer be able to deny coverage based on a pre-existing condition. Moreover, beginning on September 23rd, plans will not be able to exclude children under age 19 for having a pre-existing condition. However, the law under the Health Insurance Portability and Accountability Act continues to apply to everyone 19 and older until 2014. That means that employer-sponsored insurance plans may continue to exclude coverage for pre-existing conditions for up to a year after a young adult enrolls. Applicants can reduce the exclusionary period by the number of days they have maintained "creditable coverage" prior to enrolling in the new plan (most health insurance qualifies as creditable coverage). In other words, if you had insurance for 30 days and then switched to the new plan, you should be able to reduce the exclusionary period by 30 days. Young adults should try to stay covered continually, as individuals who go without insurance for 63 days or more before cannot use prior coverage to reduce exclusionary periods. In the non-group market, the rules for uninsured individuals joining policies vary by state, and in many states it is easier for insurers to classify a condition as pre-existing in the non-group market. Check out these [FAQ's](#) at the Department of Labor to learn more about pre-existing condition exclusion. [[http://www.dol.gov/ebsa/faqs/faq\\_consumer\\_hipaa.html](http://www.dol.gov/ebsa/faqs/faq_consumer_hipaa.html)]. Also, always check with your parent's employer to see whether they exclude for pre-existing conditions as not all plans choose to do so.

### **Want to learn more? Find it on the Web:**

[HealthCare.Gov](#)- Great resource for all health care questions.

White House—**Fact Sheet on Young Adults and PPACA**

Department of Health and Human Services—**Fact Sheet on Dependent Coverage Regulations**

Health and Human Services—**Q&A on Dependent Coverage**

IRS-- **Notice on Tax-Free Dependent Coverage**

**Kaiser Family Foundation**—To get information on dependent coverage laws in your state

**State Health Access Reform Evaluation (SHARE)**- To get information on dependent coverage laws in your state.

**Patient Protection & Affordable Care Act:** Signed by President Obama, 3/23/2010

**HR 4872, and Minor Amendments:** Reconciliation Bill signed by President Obama on 3/30/2010.

National Conference of State Legislatures: **To get state-based information regarding dependent coverage.**

*If you have other questions about dependent coverage or the information on this page, contact:*

*Questions@GettingCovered.org*