

Coverage for Dependents to Age 26

September 2010

UnitedHealthcare is committed to supporting and complying with the new health care reform provisions. We are working to help our customers make changes that better manage costs and enhance the health and well being of plan participants.

Summary

The Patient Protection and Affordable Care Act (PPACA) requires benefit plans that provide coverage for dependents to cover adult children to age 26, effective for plan renewals beginning on or after September 23, 2010. This applies to all group health plans and issuers of group or individual insurance, including fully insured and self funded plans.

Grandfathered Plans

Grandfathered plans (which in this instance are group health plans and group health insurance coverage only) are not required to cover adult children to the age of 26 if the adult child is eligible to enroll in another eligible employer-sponsored health plan. However this limited exemption ends on the first plan renewal beginning on or after January 1, 2014. Grandfathered plans may voluntarily offer to cover dependents to 26 without jeopardizing their grandfather status. In contrast, non-grandfathered plans are required to extend the coverage as of plan renewal on or after September 23, 2010, regardless of eligibility for other employer coverage. [Note: The UnitedHealthcare standard is to cover adult children even if they are eligible to enroll in another employer-sponsored health plan.]

Eligibility and Enrollment

Regulations provide that a group health plan or insurer may base eligibility for dependent child coverage only in terms of the relationship between a child and participant, and may not deny or restrict coverage based on factors such as: financial dependency, residency, student status, employment or marital status.

In general, coverage must be allowed to continue until the child reaches the age of 26. Under the interim final regulations, the obligation to make dependent coverage available to children ends the day before the child's 26th birthday. Sponsors of group health plans will be required to make dependent coverage available to children up until that day. While UnitedHealthcare standard eligibility rules will cover the dependent until the end of the calendar month that they attain the age of 26, Plan sponsors may be free to elect other eligibility rules, IF AVAILABLE TO THEM. Examples include covering dependents until the date they reach the age of 26 or expanding coverage to the last day of the year in which the child attains the age of 26.

The PPACA provision for dependent coverage to age 26 does not extend to the grandchild (child of a dependent adult child). However, there may be state laws that require fully insured plans to cover grandchildren (for example, Louisiana).

The PPACA implementation regulations state that any covered child under age 26, whose coverage ended, or who were denied coverage (or were not eligible for coverage), because the availability of dependent coverage of children ended before attainment of age 26 are eligible to enroll. They will have a right to enroll under a special 30-day transition period beginning on the plan renewal year. Employees who wish to add dependents may do so whether they need to change their enrollment status from single or employee/spouse to a status that allows dependents, or if they were not previously enrolled in health coverage but wish to do so and add a dependent.

Loss of Employer Coverage and COBRA considerations

Currently, the PPACA related regulations do not address what happens when a dependent loses a job that provides eligible coverage. UnitedHealthcare believes that dependent loss of coverage will be treated as a qualifying event (a special enrollment under HIPAA) and the plan would be required to cover this dependent.

The PPACA regulations also do not currently address if a dependent younger than 26 must exhaust their COBRA eligibility before moving to a parent's plan; the regulations only state the child must not be eligible for another eligible employer plan (if the plan implements the grandfather option). Arguably they would still be eligible for other coverage if they are eligible for COBRA. Under HIPAA, however, when a dependent loses coverage through their own employer, that dependent may enroll as a dependent because it is considered a special enrollment event. The dependent does not have to enroll in COBRA or exhaust their COBRA coverage under HIPAA regulations. Once COBRA ends, the dependent under age 26 becomes eligible to enroll in a parent's plan.

The regulations do provide a special transition rule that says that if a dependent is on COBRA at the rule's effective date (plan renewal beginning on or after September 23, 2010), the child can re-enroll in whatever employer coverage is available to similarly situated individuals.

Federal mandate precedence and extended state eligibility

The federal health care reform laws take precedence over state laws. However, some state laws mandate coverage beyond what the federal health care reform laws require. For example, some states mandate coverage beyond age 26, or they mandate coverage for students beyond age 26, or they require that grandchildren be covered. For those states, the benefits beyond the federal health care reform laws must be provided for fully insured group plans.

Contribution requirements

For dependents under the age of 26, plans must treat dependents uniformly and may not charge more or have a different benefits structure for dependents based on age. Employers are not allowed to alter the contribution requirements for adult age dependents.

Service Area / Network implications

The current PPACA regulations require access for dependents to the parent's existing health coverage until age 26. There is no present requirement to build new plans to accommodate adult children who reside outside of a plan's service area, or for selecting providers outside of a plan's provider network.

For questions, contact your UnitedHealthcare representative.

