

ACHI is a nonpartisan, independent, health policy center that serves as a catalyst for improving the health of Arkansans.

## Health Insurance Coverage for Young Adults • August 2010

*Young adults are the most likely age group to be uninsured. In Arkansas, 119,000<sup>1</sup> young adults between the ages of 19 and 26 are currently without health insurance coverage. The Patient Protection and Affordable Care Act and the Health Care and Education Reconciliation Act of 2010 require group and individual insurance plans to allow enrollment of children of policyholders until they have reached the age of 26. The goal of this provision is to help expand coverage to the large population of uninsured young adults in the United States.*

*Beginning with the first plan year on or after September 23, 2010, group and individual insurance plans will be required to allow enrollment of adult children of those covered regardless of a child's student, marital, tax dependency, employment or residency status. Plans must offer the same coverage, benefits and costs to all policyholders' children up to 26 years of age.*

### YOUNG ADULTS AND HEALTH INSURANCE

Young adults face many challenges to obtaining health insurance, and are the most likely group to be without it. Most are not covered through a parent's plan, are less likely to be offered insurance through their employers and are less likely to be able to afford insurance. Nationally, over 30%<sup>2</sup> of 19-26 year olds are uninsured; in Arkansas, that number jumps to over 42%<sup>1</sup>, representing over 119,000<sup>1</sup> young adult Arkansans who are uninsured.

Although many of those eligible may not enroll, the Patient Protection and Affordable Care Act of 2010 is expected to expand the coverage for this highly-uninsured population by initially enrolling about 14,000<sup>3</sup> young adult Arkansans under a parent's group or individual insurance policy.

### ELIGIBILITY & ENROLLMENT

Almost all children 19-26 years old are eligible to enroll in a parent's plan in the same way and with the same coverage, benefits and cost structure as minor children.

#### Who is eligible?

Almost all policyholders' minor and adult children who are not yet 26 years old are eligible. Most dependent coverage plans include biological children, stepchildren, adopted children and custodial children. Children are eligible who:

- are enrolled in school or not enrolled in school
- are married or unmarried
- do live or do not live with parent
- have a pre-existing condition, although a waiting period may apply depending on the policy
- are financially independent from parent(s)
- for grandfathered plans only, children who are eligible to enroll in an employer-sponsored health plan will not be eligible to enroll in a parent's plan until 2014

### QUICK FACTS

- Applies to individual and group plans including grandfathered plans and self-insured plans
- Effective for plan years that begin on or after September 23, 2010, unless issuer has chosen earlier implementation
- Like all provisions of health reform law, does not apply to TRICARE; young adults may stay on until 21, or 23 if they are full-time students
- Whether premiums increase, and who pays the cost of any increase, depends on type of coverage
- Employers are not required to offer any dependent coverage, but are subject to requirements if they do
- In most cases, children are eligible for COBRA under parent's plan if the parent's employment ends
- Enrollment, coverage, benefits and cost for older children must not be different from those of minor children
- Whether out-of-state benefits are covered depends on type of plan
- Children who are eligible for coverage through both parents may choose in which plan to enroll

The Office of Consumer Information and Insurance Oversight has posted the Interim Final Rule, FAQs and other information regarding these provisions of the law here: <http://www.hhs.gov/ociio/regulations/dependent/index.html>

## Who is not eligible?

- anyone who has turned at least 26 years old
- spouses and partners of children
- grandchildren of policyholder, unless custodial
- for grandfathered plans only, children who are eligible to enroll in an employer-sponsored health plan will not be eligible to enroll in a parent's plan until 2014
- children whose parents are covered under Medicare

It is important to contact individual employers and insurance companies to see how they are responding to this change. Employers are not required to offer dependent coverage plans to their employees, but many do. If an employer offers dependent coverage, those plans must comply with the requirement to offer coverage to children up to age 26.

Children who lost or were denied coverage under a parent's plan because of age must be given at least a 30-day period of enrollment, beginning on the first day of the new plan year after September 23, 2010. This enrollment period will occur in addition to other open enrollments, and plans must give written notification to children or to their parents.

Most enrolled children will be eligible to keep COBRA until age 26 even if their parent's employment ends. In addition, beginning in 2014, Medicaid coverage will be extended up to age 26 for foster children who have aged out of the foster care system.

## TAX ISSUES

This provision of health care reform does not affect the income tax exclusion for employer-provided health benefits under IRS Code. The tax exclusion has been extended to include adult children who have not reached the age of 27 by the end of a taxable year. Therefore, although it may be included on an employee's W-2 form, the value of the dependent health insurance expansion is excluded from an employee's taxable income.

### ARKANSAS INSURANCE COMPANIES

Some insurance carriers have extended coverage to young adults earlier than required. To see what your health insurance carrier is doing, visit their websites:

Arkansas BlueCross BlueShield:  
<http://www.arkansasbluecross.com/about/blueandyou/BYSum.aspx?year=2010>

United Healthcare:  
[https://www.qualchoice.com/vp/1151.aspx?url=/about/health\\_care\\_reform/reforms\\_effective.aspx](https://www.qualchoice.com/vp/1151.aspx?url=/about/health_care_reform/reforms_effective.aspx)

QualChoice:  
[http://www.uhc.com/news\\_room/2010\\_news\\_release\\_archive/health\\_coverage\\_for\\_college\\_grads.htm](http://www.uhc.com/news_room/2010_news_release_archive/health_coverage_for_college_grads.htm)

Note: Information shared in this overview is based on the law, interim rules and regulations as they are known at this time, and is ACHI's best interpretation of the information. As the law continues to be written into final rules and regulations, it will be further interpreted. Details may change during this process.

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### Endnotes

<sup>1</sup> U.S. Census Bureau. "Current Population Survey, Annual Social and Economic Supplement, 2009, Arkansas: Health Insurance Coverage in 2008." *U.S. Census Bureau Current Population Survey (CPS) Table Creator For the Annual Social and Economic Supplement*. U.S. Census Bureau, 2009. Web. 23 August 2010.

<[http://www.census.gov/hhes/www/cpstc/cps\\_table\\_creator.html](http://www.census.gov/hhes/www/cpstc/cps_table_creator.html)>. (Staff Note: Number rounded to the nearest 1,000.)

<sup>2</sup> U.S. Census Bureau. "Current Population Survey, Annual Social and Economic Supplement, 2009, United States: Health Insurance Coverage in 2008." *U.S. Census Bureau Current Population Survey (CPS) Table Creator For the Annual Social and Economic Supplement*. U.S. Census Bureau, 2009. Web. 23 August 2010.

<[http://www.census.gov/hhes/www/cpstc/cps\\_table\\_creator.html](http://www.census.gov/hhes/www/cpstc/cps_table_creator.html)>. (Staff Note: Number rounded to the nearest 1,000.)

<sup>3</sup> HealthReform.gov. "The Affordable Care Act: Immediate Benefits for Arkansas." *HealthReform.gov*. n.p., n.d. Web. 30 June 2010.

<<http://www.healthreform.gov/reports/statehealthreform/arkansas.html>>. (Note: "U.S. Census Bureau, Current Population Survey, Annual Social and Economic Supplements, March 2009; and 45 CFR Parts 144, 146, and 147. [http://www.hhs.gov/ocio/regulations/pr\\_a\\_omnibus\\_final.pdf](http://www.hhs.gov/ocio/regulations/pr_a_omnibus_final.pdf)")