

HEALTH CARE REFORM: ADULT CHILD COVERAGE

Health Care Reform is here and group health plans will need to provide dependent coverage for children up to age 26. This coverage is mandatory for plans that currently provide coverage for dependent children, and is effective starting with the first plan year beginning after September 23, 2010 (that is January 1, 2011 for calendar year plans).

Coverage of adult children is already required under insured group health plans in several states, including Illinois. The Illinois mandatory coverage of children up to age 26 (age 30 for dependents who are military veterans) has been in effect for policy renewals since June 1, 2009 (see “Illinois Extension of Group Health Coverage for Dependents” see “[Illinois Extension of Group Health Coverage for Dependents](#)”). But the adult child coverage required by Health Care Reform legislation differs from the coverage mandated by Illinois law in the following significant respects:

- Under Illinois law, an adult child must be unmarried and a dependent of the parents in order to qualify for mandatory group health coverage. There is no requirement as to marital status, dependency, residency or enrollment in school under the new federal rules, so married children living apart from Mom and Dad will qualify for coverage.
- Under the Illinois rules, a young adult who is eligible for alternative group health coverage (for example, through the adult child’s employer) is ineligible for mandated coverage through a parent’s group health plan. This is not the case under the Health Care Reform legislation, so a qualifying young adult can be covered under a parent’s plan even if other coverage is available (grandfather rules may allow plans in existence on March 23, 2010 to continue to exclude adult children eligible to enroll in their own employer-sponsored plans until the 2014 plan year).
- Illinois law applies only to insured individual and group plans, including HMOs. The new Health Care Reform adult child coverage mandate applies to self-funded ERISA plans and ERISA exempt plans (government plans and church plans) as well as insured individual and group health plans (the new federal mandate does not apply to stand alone dental or vision plans).
- The new Health Care Reform rules also fix the tax laws so that health plan reimbursements as well as any employer-paid premiums for adult child coverage is excludable from the covered employee’s income effective March 30, 2010 (prior law cut off this exclusion for dependent children at age 24). Further, employees can pay the employee portion of adult child coverage on a pre-tax basis through an employer’s Section 125 “cafeteria plan.”

Recommendations: The new federal coverage rules for adult children will not supersede any state law that imposes more strict requirements. For example, the requirement of Illinois law that military veterans otherwise entitled to coverage be covered up to age 30 will still apply. This means that health insurers may need to tailor their individual and group health insurance products to comply with both state and federal requirements. Plan sponsors and HR staff also need to prepare appropriate participant communications and revised benefit election forms so that participants can make informed coverage decisions as of the effective date for the new rules.

Andrew S. Williams
330 N. Wabash Avenue, Suite 1700
Chicago, IL 60611
(312) 755-3145
awilliams@agdgllaw.com
www.benefitslawgroupofchicago.com

Andrew S. Williams has practiced in the employee benefits and ERISA arena since ERISA was passed in 1974. He has been recognized by his peers through a survey conducted by Leadings Lawyers Network as among the top 5 percent of Illinois lawyers in Small, Closely and Privately Held Business Law and Employee Benefits Law. He maintains a website at www.benefitslawgroupofchicago.com with additional updates, commentary and analysis of benefits and employment topics.

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