



EXPLAINING HEALTH CARE REFORM: Questions About the Extension of Dependent Coverage to Age 26

The Patient Protection and Affordable Care Act signed into law in March 2010 requires private insurers that offer dependent coverage to children to allow young adults up to age 26 to remain on their parent's insurance plan. Extending dependent coverage has received a great deal of attention because it is one of the first provisions that goes into effect and because it increases the availability of health insurance to a population that currently has a high uninsured rate. This summary provides responses to basic questions about the dependent coverage expansion and explains how the new law will interact with current state laws.

Who is eligible for the extension of dependent coverage?

The health reform law will allow qualifying young adults whose parents have private group and non-group health coverage to remain on their parent's insurance policy up to age 26. Both married and unmarried young adults can qualify for the dependent coverage extension. The law also specifies that young adults can only qualify for dependent coverage through group health plans that were in place prior to the dependent coverage provision taking effect if they are not eligible for another employer-sponsored insurance plan. The Secretary of Health and Human Services will issue regulations that will further define who will be considered a dependent eligible to remain on a parent's health insurance policy and will answer the following questions:

- Can working young adults qualify?
- Do qualifying young adults have to live in the same state as the parent whose insurer will be providing the coverage?
- Are young adults required to be students in order to qualify?
- Can married young adults qualify for the extension of dependent coverage through their spouse's parent's plan?

When will young adults be able to take advantage of this coverage and what should they do if they want to sign up?

The dependent coverage extension takes effect on September 23, 2010, six months after the health reform law was enacted. At that time, when insurance plans start a new plan year, they will have to abide by the new dependent coverage rules. The law stipulates that the dependent coverage extension is effective for new plan years beginning on or after September 23, 2010. However, some insurers have said that they will begin to make the extension of dependent coverage available prior to September 2010 for individuals who would otherwise lose coverage.

Regulations that will be issued before the provision takes effect in September 2010 will provide further clarification regarding enrolling in extended dependent coverage. Parents can also talk to their human resources department or to their insurer for information about how to sign their child up for their insurance plan. Young adults who are looking for coverage before the dependent coverage provision takes effect may be able to remain on a parent's plan through COBRA if they aged off a parent's coverage within the last 60 days. Otherwise, they may be able to buy coverage in the non-group market or may qualify for the new temporary high-risk pool created by the health reform law if they have a pre-existing condition and have been uninsured for six months or more.

How much will it cost for young adults to remain on a parent's insurance?

The health reform law does not specify how a parent's premium costs will be affected by having a young adult remain on the parent's policy. Currently, employers that provide health coverage to employees determine the share of the premium paid by employees. Premium costs vary based on who is covered by the plan and an employee's share of the premium may increase when additional individuals are added to a family policy. Employers can vary the amount they contribute to dependent coverage, and it is unclear how employers will respond to this extension of coverage for dependents. Most young adults are relatively healthy, which may cause the additional premiums for covering a young adult dependent to be lower than adding a spouse or another older adult to an employee's health plan.

Do states currently allow young adults to remain on their parent's health insurance plan?

Approximately 25 states have extended the age that young adults can remain on their parent's health insurance plan, but policies regarding who is eligible for this coverage vary widely. Most of the states that have these policies in place extend coverage to young adults up to age 25, but some states extend dependent coverage to age 24 or 26 and New Jersey extends the dependent age to 30. Some states mandate that eligible young adults be unmarried, be students, or be living in the same state as their parent with private coverage. State requirements to extend coverage to dependents do not apply to insurance plans that are self-funded. The federal requirements in the health reform law are designed to apply to these self-funded plans, along with other private insurance plans.

The new federal health reform law will be applied to all states, including those who have already expanded dependent coverage to some young adults. Young adults in states with narrower eligibility criteria than the federal law will now be able to take advantage of the federal law. States that have broader eligibility for dependent coverage will be able to continue their current state policies, which will enable more young adults to qualify for dependent coverage in those states than would qualify under the federal law.

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

The health reform legislation does not provide specific information about how pre-existing conditions will be treated by insurers when a young adult rejoins a parent's plan as a dependent prior to 2014. Before health reform passed, when individuals joined an employer-sponsored insurance plan and had been uninsured for 63 days or more, they could be subject to a temporary pre-existing condition exclusion.

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. It is unclear if these rules will apply to young adults rejoining a parent's plan or if new regulations will be issued.

For more information about the Patient Protection and Affordable Care Act, see the summary of the new health reform law at <http://www.kff.org/healthreform/8061.cfm>.

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