

MEMORANDUM

April 2, 2010

From: Hinda Chaikind, Specialist in Health Care Financing, 7-7569
Subject: **Health Insurance Coverage of Adult Children Up to Age 26**

This memorandum was prepared to enable distribution to more than one congressional office.

Under the Patient Protection and Affordable Care Act (P.L. 111-148, PPACA, as amended by P.L. 111-152), certain adult children may be covered by their parent's health insurance plan up to the age of 26. \ This memo provides information concerning key questions about the new requirements for coverage of adult children.

When does this take effect?

The requirements relating to coverage of adult children will take effect for *plan years beginning six months after date of enactment* (i.e., the plan year beginning after September 23, 2010). As an example, if the parent is enrolled in a plan which begins on January 1 of each year, then the earliest this could take effect for their qualifying adult child would be January 1, 2011.

Who would be eligible for coverage as an adult child?

The statute requires that if a plan provides for dependent coverage of children, the plan must continue to make such coverage available for an adult child until age 26.

- Plans that *offer* dependent coverage must continue to make that offer available until the adult child reaches age 26. For example, an adult child who is 26 years and 1 month old would no longer be required to be covered.
- Plans must make coverage available for married adult children up to age 26, but not for the adult child's children.
- The requirement affects individuals enrolled in all group and individual health plans, including self-insured plans.

Are there any exemptions, or are all children up to the age of 26 allowed to remain on their parent's plan?

- The statutes *do not require plans to offer coverage*, so that if a plan does not provide dependent coverage, nothing in this statute would require a plan to begin to cover them. The age requirement only affects plans that offer dependent coverage.

- Prior to 2014, for grandfathered group health plans,¹ the dependent coverage is *not* available to those adult children who can enroll in an eligible employer-sponsored health plan based on their employment.

Can an adult child who has already “aged out”² of their parent’s policy, but is still under age 26, re-enroll in that policy?

- The statute does not specifically address this issue. While the intent of the language is to provide coverage for certain adult children up to age 26, the Secretary of Health and Human Services will be responsible for promulgating the regulations to define the dependents to which coverage shall be made available. This issue may be clarified through that process.

For example consider the case of an individual who has two children, aged 18 and 24, and who is enrolled in a policy that provides dependents coverage through age 22. Under the law, the 18-year-old may continue coverage until age 26 and the 24-year-old may or may not be able to re-enroll for plan years beginning six months after date of enactment.

Can states or plans provide coverage beyond the federal requirement?

The federal requirements are a floor. That is, they provide a minimum requirement. States that already impose requirements beyond age 26 may continue to do so. For example, New Jersey requires dependent coverage to be available up to the age of 31, as long as the adult child is unmarried and has no dependents.³ To the extent that the state law is more restrictive than the federal law (e.g., New Jersey’s requires that the individual not be married), the federal statute would apply, therefore covering the married adult child through the age of 26.

What health insurance options are available for an adult child who ages out of their parent’s plan before this new law takes effect?

Because the statutes take effect for plan years beginning six months after the date of enactment, there may be some adult children who will age out of their parent’s plan between now and the effective date. During that time, the health insurance options for an adult child who ages out of their parent’s policy remain unchanged from those available prior to the passage of PPACA. Children who age out of their parent’s policy may be able to purchase health insurance through COBRA,⁴ which provides temporary access to health insurance for qualified individuals who lose coverage for certain conditions. One of the qualifying conditions for COBRA coverage is the end of a dependent coverage. The child could also buy health insurance through the individual market.

¹ A grandfathered plan is defined as those individual and group plans that an individual or family was enrolled in on the date of enactment. A group health plan that provides coverage on the date of enactment may provide for the enrolling of new employees (and their families) in such plan.

² Health plans that cover an individual’s children will generally set an age limit for that coverage. Once a child has exceeded that age limit, he or she is no longer covered under their parent’s policy and is considered to have “aged out” of the plan.

³ For a complete description of state law applying to dependent coverage see <http://www.ncsl.org/default.aspx?tabid=14497>.

⁴ For more information on COBRA, see CRS Report R40142, *Health Insurance Continuation Coverage Under COBRA*, by Janet Kinzer and Meredith Peterson.

About how many individuals could the provision affect?

For 2008, about 30.7 %, or 8.8 million, young adults aged 19 to 25 (i.e., up to their 26th birthday) had no health insurance.⁵ Another 6.2% or 1.8 million, young adults in that cohort had private nongroup coverage. So while the potential “pool,” at least in 2008, was 10.6 million individuals, it is difficult to estimate how this number might translate into covered lives as a result of the dependent coverage provision in PPACA. Some of the reasons the potential effect is difficult to estimate include (1) the Secretary will determine whether children who have already aged out of their parent’s policy will be allowed to be covered by that policy; (2) assuming that the regulations do allow these individuals to re-enroll in their parent’s policy, some of the uninsured individuals may have an offer of coverage through their employer that they did not accept, which would disqualify them from enrolling in their parent’s policy; and (3) the parents of these individuals may not have an offer of dependent coverage through their employer, or may be uninsured themselves.

⁵ For more information, see CRS Report 96-891, *Health Insurance Coverage: Characteristics of the Insured and Uninsured in 2008*, by Chris L. Peterson.
