

DEPENDENT HEALTHCARE COVERAGE IN OHIO

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Young adults age 19 through 29 comprise a disproportionately large share of the uninsured population in this country. Individuals in this demographic are generally not yet earning enough to want to allocate a portion of their earnings to healthcare. Because young adults are less likely to need healthcare, many are willing to take the risk and forego coverage once they no longer have the benefit of coverage under their parents' plans.

Last summer, Ohio joined the growing number of states that have extended the age through which adult children may be covered under their parents' health insurance beyond the Congressional mandate found in the Patient Protection and Affordable Care Act. While the Ohio statute is in many ways similar to the Act, the universe of individuals covered is not as broad and only a portion of the young adults covered under the Act will remain covered once they turn 26 by virtue of the Ohio statute.

Federal Law

The provisions in the Patient Protection and Affordable Care Act affecting dependent healthcare coverage went into effect on September 23, 2010. As of the first plan year on or after the effective date, plans offering dependent coverage must extend the eligibility age for adult dependents to age 26. This requirement is imposed on health plans and insurance companies offering group or individual coverage, including self-funded ERISA plans.

The Act does away with many of the restrictions on dependent coverage previously permitted. Dependent coverage can no longer be conditioned on the child being a student or financially dependent on the parent or living at home. In order to be eligible, the adult dependent need only qualify as a child of the insured as defined under the plan and have not reached age 26. The adult dependent will be eligible for coverage regardless of whether he or she is married or unmarried, a student, or employed.

Where the plan was in existence prior to March 23, 2010 and maintains grandfathered status, the adult dependent will only qualify for dependent coverage if he or she is not eligible for an employment-based health insurance plan based on his or her own employment. However, beginning in 2014, young adults can choose to stay on their parents' health plans until age 26, even if they are eligible for coverage under their own employer-sponsored plans.

The scope of coverage provided by the plan may not vary based on the age of the child (except for those children age 26 and older if permitted to remain covered). The premium charged for dependent coverage may not increase with the child's age and the coverage options may not be limited based on the child's age.

The Act provides for transitional relief to allow adult dependents whose coverage ended before they turned 26 the opportunity to enroll during the initial plan year beginning after September 23, 2010. The adult dependent seeking transitional relief must be offered full benefits and be required to pay no more for those benefits than similarly situated individuals who had not aged out of coverage. If the adult dependent qualifies for enrollment and the parent is not enrolled, the plan must provide an opportunity to enroll the parent in addition to his or her adult dependent.

In addition, adult dependents eligible for coverage that are currently covered under COBRA must be given the opportunity to enroll as a dependent of an active employee. If the adult dependent then loses coverage due to a qualifying event (including aging out of coverage), he or she has another opportunity to elect COBRA continuation coverage.

Ohio Law

Ohio Revised Code §1751.14 went into effect on July 1, 2010 and extends the availability of dependant coverage to age 28. However, unlike the federal law, the Ohio statute applies only to fully insured plans and not self-funded plans.

Under the Ohio statute, in order for an adult dependent to be eligible for coverage once he or she turns age 26, the adult dependent must be unmarried and qualified as a child, stepchild or adopted child of the employee. In addition, the adult dependent must be a resident of Ohio or a full-time student at an accredited public or private institution of higher education. Neither of these requirements is imposed on the adult dependent seeking coverage under the federal Act. In addition, the adult dependent cannot be employed by an employer who offers a health benefit plan under which the adult dependent is eligible. Finally, under the Ohio statute, in order to be eligible to extend dependent coverage up to age 28, the adult dependent cannot be eligible for coverage under Medicaid or Medicare.

What Is Not Required

Spouses and children of adult dependents are excluded from the scope of dependent coverage under both state and federal law. Neither state nor federal law requires employers who do not offer any dependent coverage to offer coverage to adult dependents as a result of the new laws. However, Ohio employers who do offer dependant coverage are not required to pay any portion of the premium costs for coverage for those adult dependents between age 26 and age 28 even if the employer pays a portion of the premiums for dependents up to age 26.

Enrollment Requirements

Under the federal Act, employers and carriers must provide qualified adult dependents a 30 day special enrollment opportunity even if an enrollment period is not typically available. An existing open enrollment period may be used to satisfy this requirement. Regardless of when the coverage request is made within this 30 days, coverage must begin no later than the first day of the first plan year beginning on or after September 23, 2010. Written notice must be provided to the employee not later than the first day of the first plan year beginning on or after September 23, 2010.

Under the Ohio statute, in addition to the annual open enrollment window, adult dependents may enroll when the employer or insurer is notified by the parent that an adult dependent is newly eligible for coverage. For example, if a 26 year old dependent relocates and returns to Ohio or enrolls as a fulltime student at an accredited institution, he or she may enroll upon the occurrence of either of those events.

What Does All This Mean?

Employers with fully insured plans will be faced with a number of challenges in providing dependent coverage due to the inconsistencies between state and federal law impacting dependent coverage as well as when these laws went into effect. Under the Ohio statute, parents may request adult dependent coverage on the policy's first renewal date on or after July 1, 2010. Because the dependent coverage provisions under the federal Act did not go into effect until September 23, 2010, a plan renewing on August 1, 2010 would be required to offer the extended dependent coverage provided under Ohio law beginning on August 1, 2010, but would not have to offer the broader coverage required under federal law until August 1, 2011, which is the first renewal after the effective date of the Act. The August 1, 2010 renewal policy would have to make dependent coverage available up to age 28, but could limit the availability of this coverage to unmarried adult dependents who are residents of Ohio or full-time students and who are not otherwise eligible for coverage under their own employer's health care plan or under Medicaid or Medicare. When the policy renews on August 1, 2011, the limitations tied to marital status, Ohio residency, status as a student, and the availability of other coverage would have to be removed.

The application of the law to plans renewing after September 23, 2010 follows a more logical progression in that the broader coverage is available until the dependent turns age 26. At age 26, the Ohio statute comes into play, extending the availability of dependent coverage to age 28 with the more limited criteria for eligibility.

Conclusion

While the young adult population is the most likely to be uninsured, sporting the highest uninsured rate of any age group, they do not make up the majority of the uninsured population in this country. More than half of the uninsured are age 30 and older. Nevertheless, making dependent coverage available to a greater number of young adults through employer-sponsored plans will increase the likelihood that those under the age of 28 will obtain coverage.

Including young adults in the insured population will provide additional funding for coverage from those individuals least likely to use the benefits. As a result, the extension of dependent coverage under the Patient Protection and Affordable Care Act, as well as the Ohio statute which further extends coverage, would appear to be a victory for insurers and the young adult population even though the increased cost of providing coverage to these individuals will be born, at least in part, by employers offering coverage. Employers that once provided dependent coverage may chose to eliminate that benefit altogether rather than incurring the additional cost of making it available to a larger pool of potential insureds.

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