

What Employers Should Know About Covering Young Adults Under Their Health Plans

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One of the changes required by Healthcare Reform calls for health plans that cover children to extend their coverage to adult children until they reach age 26. This change will apply to employer-sponsored group health plans with new plan years beginning on or after September 23, 2010. If your plan is on a calendar year, you will have to provide this coverage beginning January 1, 2011 — though you may start providing coverage earlier.

What follows are brief answers to some questions you may have as you prepare to adopt this new requirement. Each question is answered in more detail [here](#).

Who do I need to cover?

Under the tax law, a "child" is defined as the employee's son, daughter, stepson, stepdaughter, a child legally adopted or placed for adoption with the employee, or a foster child placed with the employee. You may cover none, some or all of these children under your plan. If you do provide coverage, you must cover them until they reach age 26.

Can I still require the child to be a student or to live with the employee?

You may no longer use these kinds of rules in defining which children are eligible. Under the new law, you may only define a child with respect to the child's relationship with the employee (e.g. son, daughter, stepson, stepdaughter, etc.).

Are there any exceptions to who has to be covered as an adult child?

The new law provides a limited exception until 2014 for grandfathered plans (those plans that were in existence on March 23, 2010, when the law was enacted). Until 2014, a grandfathered plan does not have to cover an adult child of a participating employee if that child is eligible for coverage under another employer's group health plan — other than a plan sponsored by the employer of one of the child's parents. Beginning in 2014, this exception disappears.

What about children who aged out of coverage or have not been eligible until now?

Under the new law, employers must provide a 30-day special enrollment period for children who were previously ineligible to participate. Coverage for the adult child must begin by the first day of the new plan year — so if your special enrollment period doesn't start until the beginning of the plan year, elections must be retroactive to the start of the plan year.

Can I charge a higher premium for adult children?

The premium and the benefits for an adult child must be the same as the premiums and benefits for a young child. You can, however, change the amount that you charge to cover children, as long as the higher charge applies uniformly.

Do I have to make any changes to plan documents?

Your health plan document, cafeteria plan document, summary plan description and possibly other materials will need to be amended. If you want to start covering adult children right away, you can implement the changes now and then make retroactive amendments to the documents no later than December 31, 2010.

If you have questions about covering adult children or any other requirements under healthcare reform, please contact a member of Warner Norcross & Judd's Employee Benefits Group.