

# The Patient Protection and Affordable Care Act: Expanded Dependent Eligibility Provisions



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"Starting this spring, young adults graduating from college will be able to stay on their parents' plans for a few more years ... getting the security of knowing they can start off life with one less cost to worry about. This is what change looks like."

**-President Barack Obama**

**May 8, 2010**

# PPACA Overview

- H.R. 3590 signed into law by President Obama on March 23, 2010; H.R. 4872 signed into law by President Obama on March 30, 2010
- Broad changes to the U.S. healthcare delivery system, some changes becoming effective in 2010, others phasing in over 4-8 years
- Many provisions that employers must be aware of: immediately, and every year from 2010 through 2014

# PPACA Overview

## Overview of Key Items for Employer Groups

Immediately	Remainder of 2010	2011	2012	2013	2014
<ul style="list-style-type: none"> <li>•Break time/ accommodations for nursing mothers</li> </ul>	<ul style="list-style-type: none"> <li>•Break time/ accommodations for nursing mothers</li> <li>•Federal Retiree Reinsurance Program</li> <li>•<b>Expanded dependent eligibility</b></li> <li>•Lifetime Limit, Pre-Ex, Preventive Care, Emergency Care Changes</li> <li>•Small Business Tax Credit</li> </ul>	<ul style="list-style-type: none"> <li>•Employer W2 Reporting</li> <li>•OTC drug treatment changes</li> <li>•“Simple” Cafeteria Plans</li> </ul>	<ul style="list-style-type: none"> <li>•Uniform Explanation of Coverage</li> <li>•Employer reporting to HHS</li> <li>•Material modification notices changes</li> </ul>	<ul style="list-style-type: none"> <li>•Tax increases for high wage earners</li> <li>•FSA caps take effect</li> <li>•Part D subsidy sunsets</li> <li>•Employer notices regarding Exchange</li> <li>•Federal premium tax for CER takes effect</li> </ul>	<ul style="list-style-type: none"> <li>•Max 90 day waiting periods</li> <li>•Annual maximums end</li> <li>•Employer Vouchers established</li> <li>•Auto Enrollment provision</li> <li>•Employer &amp; Individual Mandate</li> <li>•Exchanges &amp; subsidies</li> <li>•Guaranteed issue/ renewability</li> </ul>

# Expanded Dependent Eligibility – Why?

- Roughly 30% of young adults up to age 26 have no health insurance, three times the rate of uninsured children
- Young adults have the lowest rate of access to employer-based insurance
- One-in-six young adults has a chronic illness
- Nearly half of young adults report problems paying medical bills

**Source:** Young Adults and the Affordable Care Act: Protecting Young Adults and Eliminating Burdens on Families and Businesses DOL Fact Sheet

# Expanded Dependent Eligibility – Details

- Effective for policy and plan years starting on or after September 23, 2010
- Factors other than the child/participant relationship may not be considered for purposes of determining extended eligibility
  - Grandfathered plans are exempt from offering the coverage to dependents that have access to other employer-sponsored coverage until 2014
- Coverage must be extended until the dependent's 26<sup>th</sup> birthday
- Provision eliminates tax burden for coverage of adult dependents
- Expanded eligibility applies to FSAs and HRAs (but not HSAs)

# Expanded Dependent Eligibility - Logistics

- Plan must give an adult dependent an opportunity to enroll for at least 30 days
- Adult dependent enrolling in group health plan coverage must be treated as a special enrollee under HIPAA
- Plan must provide an opportunity for the parent to enroll in addition to the adult dependent
- IRS/Treasury will allow mid-year elections, subject to plan amendments

# Expanded Dependent Eligibility – Projected Impact

- According to HHS estimates, approximately 1.2 million young adults will choose to stay on their parents' health plan in 2011 as a result of this provision<sup>1</sup>
- HHS further estimates that premiums will rise 0.7% in 2011, and a further 1% increase in 2012 and 2013<sup>1</sup>
- Towers Watson estimates the cost impact to be between 0.5% and 1.0%<sup>2</sup>
- BCBSLA has told our firm that the rate impact on their fully-insured block is approximately 0.4%

<sup>1</sup>CNNMoney.com, "Health Insurance for the under-26 crowd," 5/12/2010

<sup>2</sup>CFO.com, "Health-Reform Costs Become Clearer," 5/24/2010

# Expanded Dependent Eligibility – What Carriers and Employers are Doing

- In Louisiana, BCBSLA, Humana and UnitedHealthcare have already stopped dropping dependents from insured plans for age reasons (up to age 26)
- These carriers will allow re-enrollments at the next policy anniversary/open enrollment
- Most self-funded employers are taking the same approach
- We have not seen any of our clients have interest in implementing an off-anniversary special enrollment period

# Expanded Dependent Eligibility – Employer Issues to Consider

- From our point of view, the biggest concern for employers, particularly self-funded employers, is potential anti-selection issues
  - Will the new eligibility rules bring unwanted risk back to your health plan from otherwise previously uninsurable dependents?
  - The length of this impact could be great if dependents are granted another 1-7 years of plan eligibility, plus COBRA rights

# Expanded Dependent Eligibility – Employer Issues to Consider

- As an employer, you may not discriminate against these adult dependents due to their age/status
- One potential change to consider is charging on a per-dependent basis, a practice that is not currently popular, but permissible
  - Positives: creates a more direct correlation between number of dependents covered and employee cost share; possible disincentive for young adults that could find cheap individual insurance elsewhere
  - Negatives: administrative hassle; more difficult to justify in a fully-insured environment; employee backlash

# Expanded Dependent Eligibility – Discussion Points for LBGH Positioning

- Should factors other than the participant/child relationship factor into eligibility?
- Should this coverage have tax-preferred status if the dependent is not a tax dependent?
- Should the tax-free status granted to FSAs and HRAs be granted to HSAs?
- What impact does this have on dependent eligibility auditing?

# Questions

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# About The Benefits Solution Group



The Benefits Solution Group, Inc. (BSG) is a full-service benefits consulting firm and brokerage in Baton Rouge, Louisiana. As an affiliate of National Financial Partners (NFP), BSG is one of over 180 benefits firms located in 41 states and Puerto Rico, with more than 1,500 benefits professionals serving more than 30,000 corporate clients.

The combination of tools, resources and know-how provided by NFP, along with the unparalleled experience of our staff, makes us the premier benefits advisor in South Louisiana for companies that want a long-term, strategic partner in the design and administration of the benefits program. We create innovative, sustainable solutions for our clients, informed by market trends, population-based needs, and corporate human capital objectives.

# Today's Speaker

## Christopher A. Ciesielski

Chris Ciesielski is a Principal and the Director of Employee Benefits at the Benefits Solution Group. After spending 10 years working in employee benefits with international consulting firms Mercer Human Resource Consulting and Towers Perrin in Chicago, Chris relocated to Baton Rouge in 2006 to be closer to family. Chris has deep experience in:

- Benefits strategy, redesign and benchmarking
- Health and welfare vendor procurement and negotiation
- Underwriting and financial projections, including premium equivalent and contribution setting
- Health plan efficiency analysis
- Performance-based network design

Chris' clients have included organizations in a wide variety of industries, including aerospace, financial services, manufacturing, health care, transportation, government and education. Outside of work, Chris is a member of Rotary Club of Baton Rouge, a volunteer teacher with Junior Achievement, and is active in the Baton Rouge Area Chamber and the Baton Rouge International School. Chris holds a Bachelor of Science in Economics from Purdue University, West Lafayette, Indiana.