June 10, 2010

2 Overview: Eligibility Extension for Dependent Children Up to Age 26

- ACA and the Reconciliation Act reorganize, amend, and add to the provisions of Part A of Title XXVII of the Public Health Service Act (PHS Act) relating to group health plans and health insurance issuers in the group and individual markets.
- The Department of Health and Human Services, Labor, and the Treasury of the United States issued interim final rules that apply to group health plans and health insurance issuers relating to dependent coverage of children to age 26.
- The statute and regulations specifically provide that a plan or issuer that makes available dependent coverage of children must make such coverage available for children until attainment of 26 years of age.
- The statute also requires the issuance of further regulations to define the dependents to which coverage shall be made available under this rule. The interim final regulation does not make any distinction between states and territories.

Timeline

- **Effective date** – The interim final regulations are effective on July 12, 2010.
- **Applicability date** – The interim final regulations generally apply to group health plans and group health insurance issuers for plan years (in the individual market, policy years) beginning on or after September 23, 2010, which is six months after the enactment date of ACA.

Key Elements 2010

A. **Dependent Coverage[1] Extension**. Plans and issuers that offer dependent coverage must offer coverage to enrollees' adult children until age 26. Dependent coverage cannot be restricted due to financial dependency, residency with the participant or primary subscriber, changes in marital, student, employment status or any combination of these factors. Because the statute does not distinguish between coverage for minor children and coverage for adult children under age 26, these factors also may not be used to determine eligibility for dependent coverage for minor children.

B. **Exclusions**. There is a transition for certain existing group plans that generally do not have to provide dependent coverage until 2014 if the adult child has another offer of employer-based

coverage aside from coverage through the parent. Also, although the new policy applies to both married and unmarried dependents, it is not the case for their own spouses and children.

C. **Special Enrollment Opportunity & Benefits**. For plan or policy years beginning on or after September 23, 2010, plans and issuers must give children who qualifies an opportunity to enroll that continues for at least 30 days. Any qualified young adult must be offered all of the benefit packages available to similarly situated individuals who did not lose coverage because of cessation of dependent status. The qualified individual cannot be required to pay more for coverage than those similarly situated individuals.

MCS Action Plan

- **Existing policies and new groups, with dependents that under the current eligibility rules of MCS, for the commercial segment, could potentially lose their eligibility when they turn 19 years old and do not show studies evidence and if they study when they turn 25 years old.**

    - Effective July 2010 for present group and individual policies, according to the ACA dispositions, MCS Life Insurance Company extends eligibility to dependents, until they attain 26 years old.

    - MCS will not consider the following factors to determine the eligibility of dependents: financial dependency, residency with the primary subscriber, marital, student and work status, eligibility for other coverage or a combination of the factors mentioned above.

    - Dependents who are residents of Puerto Rico and study in the United States, should present a Studies Certification to be eligible for the plan.

    - For self-insured groups, MCS requires written authorization from the employer to implement the policy before September 23, 2010, date in which the law requires its implementation.

- **Existing policies and groups with dependents that according to eligibility rules are not included in their parent's coverage, however from September 23, 2010, could be eligible as direct dependents.**

    - Can enroll on the renewal date of policy, from October 1, 2010 on, no matter if they had previous coverage.

    - For these cases, MCS will have an enrollment period for 30 days after the renewal date for the inclusion of the dependent.

- MCS will not consider the following factors to determine the eligibility of dependents: financial dependency, residency with the primary subscriber, marital, student and work status, eligibility for other coverage or a combination of the factors mentioned above.

- The cases where the dependent is under age 26 and that the employer offers him/her a health plan benefit, will be excluded from the plan.